

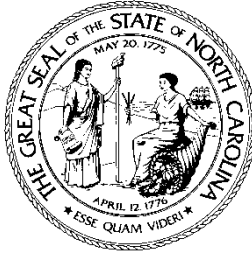
**N.C. HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE
ON
HEALTH AND HUMAN SERVICES

PROPOSED SPECIAL PROVISIONS**

Senate Bill 257

May 15, 2025

GENERAL ASSEMBLY OF NORTH CAROLINA



**SPECIAL PROVISIONS
HOUSE APPROPRIATIONS, HEALTH AND HUMAN SERVICES REPORT**

MAY 14, 2025

CONFIDENTIAL

Report Last Updated: May 14, 2025 11:06 a.m.

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GENERAL ASSEMBLY OF NORTH CAROLINA

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2025-HHSADMN-H1(S9B.1)i-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

REPORTS BY NON-STATE ENTITIES ON THE USE OF DIRECTED GRANT FUNDS

SECTION 9B.1. The Department of Health and Human Services shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division all reports received under 9 NCAC 03M .0205 from non-State entities, as defined in G.S. 143C-1-1, that are recipients of nonrecurring funds allocated in this Part as a directed grant according to the following schedule:

- (1) By November 1, 2026, all reports on the use of directed grant funds received under this Part for the 2025-2026 fiscal year.
- (2) By November 1, 2027, all reports on the use of directed grant funds received under this Part for the 2026-2027 fiscal year.

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2025-HHSADMN-H2(S9B.2)-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

COMMUNITY HEALTH GRANT PROGRAM

SECTION 9B.2.(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.2.(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.2.(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.2.(d) The Office of Rural Health may use up to two hundred thousand dollars (\$200,000) of these recurring funds for each year of the 2025-2027 fiscal biennium for administrative purposes.

SECTION 9B.2.(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.

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Session 2025

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2025-HHSADMN-H4(S9B.4)i-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

CLARIFICATION RELATED TO EXPANSION OF THE NC LOAN REPAYMENT PROGRAM

SECTION 9B.4. Section 9B.4(b)(1) of S.L. 2023-134 reads as rewritten:

"(1) For eligible providers with educational loan debt, the total amount of loan repayment incentives awarded shall not exceed the ~~maximum amounts otherwise allowed under the current NC LRP.~~ following amounts:

- a. For the primary care physicians initiative, the total amount of loan repayment incentives awarded to each eligible primary care physician shall not exceed the maximum amount otherwise allowed under the current NC LRP.
- b. For the behavioral health providers initiative, the total amount of loan repayment incentives awarded to each eligible provider shall not exceed fifty thousand dollars (\$50,000).
- c. For the nurse initiative, the total amount of loan repayment incentives awarded to each eligible provider shall not exceed fifty thousand dollars (\$50,000)."

GENERAL ASSEMBLY OF NORTH CAROLINA

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SPECIAL PROVISION



2025-HHSADMN-H6-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

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RURAL HEALTH CARE SUSTAINABILITY PROGRAM

SECTION #.(a) Article 2 of Chapter 131A of the General Statutes reads as rewritten:

"Article 2.

"Rural Health Care ~~Stabilization~~ Sustainability Program.**"§ 131A-30. Definitions.**

The following definitions apply in this Article:

- (1) Commission. – The Local Government Commission established pursuant to G.S. 159-3.
- (1a) Department. – The Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health.
- (2) Eligible hospital-facility. – A health care facility located in a development tier one or development tier two area, as defined in G.S. 143B-437.08, ~~that is unable to sustain operations for more than three years from the date of application for a loan under the Program.~~ G.S. 143B-437.08.
- (3) Fund. – The Rural Health Care ~~Stabilization~~ Sustainability Fund established in accordance with this Article.
- (4) Health care facility. – Any one or more buildings, structures, additions, extensions, improvements or other facilities, whether or not located on the same site or sites, machinery, equipment, furnishings, or other real or personal property suitable for health care or medical care.
- (5) Loan. – A sum of money loaned to an applicant with an obligation on the part of the applicant to repay the sum, plus interest, in accordance with a loan agreement.
- (6) Plan. – ~~A hospital stabilization~~ The statewide health care sustainability plan developed in accordance with G.S. 131A-33 by the Program Administrator pursuant to G.S. 131A-31(b)(1).
- (7) Program. – The Rural Health Care ~~Stabilization~~ Sustainability Program established pursuant to this Article.
- (7a) Program Administrator. – The Department or the nonprofit corporation with which the Department contracts to administer the Program, as authorized by G.S. 143B-139.4E.
- (7b) Project. – An undertaking proposed by a Program applicant that is subject to review by the Plan Administrator for conformity with the Plan.
- (8) Public agency. – Any county, city, town, hospital district, or other political subdivision of the State existing or hereafter created pursuant to the laws of the State authorized to acquire, by lease or otherwise, operate, or maintain health care facilities.
- (9) ~~UNC Health Care.~~ The University of North Carolina Health Care System established pursuant to G.S. 116-37.

"§ 131A-31. The Rural Health Care ~~Stabilization~~ Sustainability Program.

1 (a) Program Established; Purpose. – There is established the Rural Health Care
2 ~~Stabilization–Sustainability~~ Program to provide loans for the support of eligible hospitals
3 ~~facilities~~ located in rural areas of the State that are ~~in financial crisis no longer sustainable~~ due to
4 operation of oversized and outdated facilities and recent changes to the viability of health care
5 delivery in their communities, including the demand for certain patient services and the
6 composition of payer mixes and patient populations. Within the funds available in the Rural
7 Health Care ~~Stabilization–Sustainability~~ Fund, the Program shall provide for loans at
8 below-market interest rates with structured repayment terms in order for these ~~financially~~
9 ~~distressed–eligible hospitals–facilities~~ to transition to sustainable, efficient, and more
10 proportionately sized health care service models in their communities. In meeting this goal, loan
11 funds may be used to finance ~~construction of new~~ the development of health care facilities ~~or to~~
12 ~~provide for operational costs during this transition period, or both, including while the~~
13 ~~construction of new health care facilities is undertaken, and services in a manner that is consistent~~
14 with the Plan.

15 (b) Administration. – ~~UNC Health Care shall administer the Program and~~ The Program
16 Administrator has the following duties and responsibilities:

17 (1) Developing and periodically updating a statewide rural health care
18 sustainability plan utilizing effective models of health care for the State's rural
19 communities. Annually by January 15, the Program Administrator shall
20 submit the Plan developed pursuant to this subdivision to the Joint Legislative
21 Commission on Governmental Operations, the Joint Legislative Oversight
22 Committee on Health and Human Services, and the Fiscal Research Division.
23 The Program Administrator is responsible for submitting any updates to the
24 Plan to the Joint Legislative Commission on Governmental Operations, the
25 Joint Legislative Oversight Committee on Health and Human Services, and
26 the Fiscal Research Division.

27 (1a) Establishing an application period and a process for submitting an application
28 for a loan under this Program.

29 (2) Assessing ~~Plans–applications~~ submitted by an applicant for a loan under the
30 Program.

31 (3) Evaluating an applicant's ability to repay the loan under the ~~proposed~~
32 ~~Plan–Program.~~

33 (4) Submitting recommendations to the Commission on whether an applicant
34 should receive a loan under the Program.

35 (5) Negotiating the terms of a proposed loan agreement.

36 (6) Determining the security interests necessary to enforce repayment of the loan.

37 (7) Implementing approved loan agreements, including monitoring repayment
38 and collection.

39 (8) Any other duties and responsibilities necessary to the implementation of the
40 ~~Program Plan, the Program,~~ and enforcement of the loan agreements under the
41 Program.

42 (c) Exclusion. – ~~UNC Health Care cannot apply for a loan under this Program and cannot~~
43 ~~be a partner in a partnership that applies for a loan under this Program. The Commission cannot~~
44 ~~approve an application for a loan if the issuance of the loan would result in a material, direct~~
45 ~~financial benefit to UNC Health Care at the time the application and Plan are submitted to the~~
46 ~~Commission for its approval.~~

47 (c1) Costs. – For each fiscal year, the Department may expend up to three percent (3%) of
48 the moneys available in the Fund to reimburse the Program Administrator for administrative costs
49 and expenses incurred in assisting with Program administration. Reimbursement of the Program
50 Administrator under this subsection is contingent upon the Program Administrator submitting to
51 the Department an itemized list of expenditures.

(d) Rules. – ~~UNC Health Care is authorized to~~ The Department, in consultation with the Program Administrator, may adopt any rules necessary for implementation of the Program.

"§ 131A-32. The Rural Health Care ~~Stabilization~~ Sustainability Fund.

The Rural Health Care ~~Stabilization~~ Sustainability Fund is created as a nonreverting special fund in the Office of State Budget and Management. The Fund shall operate as a revolving fund consisting of funds appropriated to, or otherwise received by, the Rural Health Care ~~Stabilization~~ Sustainability Program and all funds received as repayment of the principal of or interest on a loan made from the Fund. The State Treasurer is the custodian of the Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3. Moneys in the Fund shall only be used for loans made pursuant to this Article.

"§ 131A-33. Application for loan evaluation.

(a) Application and ~~Plan-Project~~. – A public agency, an owner of a health care facility, or a partnership including one or more of those entities may apply for a loan under the Program to benefit an eligible ~~hospital-facility~~. To apply for a loan, an applicant must develop a ~~hospital stabilization plan-Project~~ that can be financed through the expenditure of funds available in the Rural Health Care Sustainability Fund and submit the ~~Plan-Project~~ with its application to ~~UNC Health Care~~ the Program Administrator during the application period. The ~~Plan~~ application shall include, at a minimum, ~~any proposed changes in governance or ownership for the eligible hospital and the eligible hospital's financial projections, including a thorough description of the Project sought to be financed, a feasibility study of the Project, a description of how the Project is in conformity with the Plan, a plan for repayment by the applicant of the requested loan-loan, and any other sources of funds projected for support of the eligible hospital-Project, such as local or federal funds.~~ An applicant shall submit to ~~UNC Health Care~~ the Program Administrator any additional information requested by ~~UNC Health Care~~ the Program Administrator to enable it to determine whether to recommend the application to the Local Government Commission for approval.

(b) Evaluation. – ~~UNC Health Care~~ The Program Administrator shall evaluate each ~~Plan~~ application submitted to determine whether the applicant's ~~Plan-Project~~ is in conformity with the ~~Plan~~ and demonstrates a financially sustainable health care service model for the community in which the eligible ~~hospital-facility~~ is located. ~~UNC Health Care~~ The Program Administrator may also assist an applicant with revisions to its ~~Plan, including negotiating loan terms, application and Project for greater conformity with the Plan and greater financial feasibility.~~ Upon conclusion of its review of an application, ~~UNC Health Care~~ the Program Administrator shall notify the applicant and the Commission of its recommendation on whether to approve or disapprove a loan application. If more than one applicant applies during an application period, ~~UNC Health Care~~ the Program Administrator may assign a priority order for approval of applications when submitting its recommendations to the Commission and reasons for the assigned order of priority.

(c) Disapproval of Application. – If ~~UNC Health Care~~ the Program Administrator disapproves a loan application, the applicant may engage a disinterested and qualified third party approved by the Commission to evaluate the applicant's ~~Plan-Project~~ to determine if (i) the Project is in conformity with the Plan and (ii) the applicant demonstrates a financially sustainable health care service model for the community in which the eligible ~~hospital-facility~~ is located. The applicant may seek Commission approval of the loan based on the written evaluation of its ~~Plan~~ Project by the third party.

"§ 131A-34. Commission approval for loan.

(a) Approval Required. – ~~UNC Health Care~~ The Program Administrator shall not award a loan under the Program unless the Commission approves it. If the Commission enters an order denying the loan, the proceedings under this Article shall be at an end.

(b) Conflict of Interest. – ~~UNC Health Care~~ The Program Administrator must disclose to the Commission any potential conflict of interest in its review of an application and ~~Plan-Project~~. The Commission ~~cannot~~ shall not approve a loan if the issuance of the loan would result in a

material, direct financial benefit to ~~UNC Health Care~~ the Program Administrator at the time the application and ~~Plan-Project~~ are submitted to the Commission for its approval. In the event of a conflict of interest, the Program Administrator shall appoint another qualified entity without a conflict of interest to undertake the responsibilities of the Program Administrator under this Article with respect to the application and Project for which the conflict of interest is identified.

(c) Considerations. – The Commission shall review ~~UNC Health Care's recommendations, an applicant's Plan, the recommendations of the Program Administrator, the application, the Project,~~ and any other information it may believe to have a bearing on whether the loan should be approved. If ~~UNC Health Care~~ the Program Administrator has recommended disapproval of a loan, and the applicant has an evaluation prepared by a disinterested and qualified third party approved by the Commission, the Commission may consider the third party's evaluation of the applicant and the applicant's ~~Plan-Project~~. The Commission may require the applicant and eligible ~~hospital, facility,~~ if different, to provide any of the following information for its consideration:

- (1) Current and historical financial information.
- (2) Whether the undertaking is necessary or expedient.
- (3) Its debt management procedures and policies.
- (4) Whether it is in default in any of its debt service obligations.
- (5) Any other information the Commission may believe to have a bearing on whether the loan should be approved.

(d) Loan Approval. – The Commission may approve the application if, upon the information and evidence it receives, it finds and determines:

- (1) That the loan is necessary or expedient.
- (2) That the amount proposed is adequate and not excessive for the proposed purpose of the loan.
- (3) That the ~~Plan-Project~~ demonstrates a financially sustainable health care service model for the community in which the eligible ~~hospital-facility~~ is located.
- (4) That the applicant's debt management procedures and policies are good, or that reasonable assurances have been given that its debt will be repaid.

"§ 131A-35. Award of loans; terms.

(a) Award. – Upon approval of the loan by the Commission, ~~UNC Health Care~~ the Department shall execute the terms of the loan agreement. In adopting-finalizing the terms of the loan agreement, ~~UNC Health Care~~ the Department may require changes to the governance structure of the eligible hospital.

(b) Interest Rate and Maturity. – The interest rate payable on and the maximum maturity of a loan are subject to the following limitations:

- (1) Interest rate. – The interest rate for a loan may not exceed the interest rate obtained by the State on its most recent general obligation bond offering.
- (2) Maturity. – The maturity for a loan may not exceed 20 years.

(c) Debt Instrument. – ~~UNC Health Care~~ The Department shall execute a debt instrument with the recipient of the loan to evidence the obligation to repay the principal of and interest on the loan awarded under this Article to the State.

"§ 131A-36. Annual reports on the Rural Health Care Stabilization-Sustainability Fund.

(a) Requirement. – ~~UNC Health Care~~ The Department shall publish a report each year on the Rural Health Care ~~Stabilization-Sustainability~~ Fund. The report shall be published by November 1 of each year and cover the preceding fiscal year. ~~UNC Health Care~~ The Department shall make the report available to the public and shall give a copy of the report to the Joint Legislative Commission on Governmental ~~Operations~~ Operations, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division.

(b) Content. – The report required by this section shall contain all of the following information concerning the Fund:

- (1) The beginning and ending balance of the Fund for the fiscal year.
- (2) The amount of revenue credited to the Fund during the fiscal year, by source.
- (3) The total amount of loans awarded from the Fund.
- (4) For each loan awarded, the identity and a brief description of the recipient of the award, the amount of the award, the amount of the award that was disbursed, and the amount of the award remaining to be disbursed in a subsequent fiscal year, if applicable.
- (5) An itemized list of expenditures for administrative costs for which the Program Administrator received reimbursement pursuant to G.S. 131A-31(c1)."

SECTION #.(b) Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-139.4E. Authority to contract with nonprofit corporation to administer Rural Health Care Sustainability Program.

(a) Authority to Contract; Requirements and Limitations. – The Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health (Office of Rural Health), is authorized to contract with a North Carolina 501(c)(6) nonprofit corporation to serve as the Program Administrator for the Rural Health Care Sustainability Program authorized by Article 2 of Chapter 131A of the General Statutes and, in that capacity, perform the duties and responsibilities prescribed by G.S. 131A-31(b). This authorization is subject to the following requirements and limitations:

- (1) At least 45 days prior to entering into or amending in a nontechnical manner a contract authorized by this section, the Office of Rural Health shall submit the contract or amendment, along with a detailed explanation of the contract or amendment, to the chairs of both the Senate Committee on Appropriations/Base Budget and the House of Representatives Committee on Appropriations, the chairs of the Senate Appropriations Committee on Health and Human Services, the chairs of the House Appropriations Committee on Health and Human Services, and the Fiscal Research Division.
- (2) Prior to entering into a contract authorized by this section, the nonprofit corporation shall establish a Loan Committee that it shall maintain for the duration of the contract with the following governance provisions:
 - a. The Loan Committee shall be composed of seven voting members as follows: two members appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives; two members appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate; and the remaining three members appointed as provided in the bylaws of the nonprofit corporation. Appointing authorities shall select appointees with expertise and experience in a health care discipline that includes rural health care planning, management, and operations. No State employee or elected official may serve on the Loan Committee.
 - b. The Loan Committee shall meet at least quarterly at the call of its chair.
 - c. Members of the Loan Committee shall not be compensated for their services and no State funds shall be used to provide per diems or allowances to any member of the Loan Committee.
 - d. If the Office of Rural Health contracts with the nonprofit corporation to carry out the duties and responsibilities of the Program Administrator for the Rural Health Care Sustainability Program

1 authorized by Article 2 of Chapter 131A of the General Statutes, the
2 Loan Committee is required to perform all of the following duties
3 prescribed by G.S. 131A-31(b) on behalf of the nonprofit corporation:

- 4 1. Make recommendations to the nonprofit corporation regarding
5 whether an applicant should receive a loan under the Program.
6 The Loan Committee's recommendations are binding upon the
7 nonprofit corporation and the nonprofit corporation shall
8 submit the Loan Committee's recommendations to the Local
9 Government Commission without modification.
- 10 2. Negotiate the terms of proposed loan agreements.
- 11 3. Determine the security interests necessary to enforce
12 repayment of loans.
- 13 4. Implement approved loan agreements, including monitoring
14 repayment and collection.
- 15 5. Retain any specialized consulting services necessary for the
16 discharge of its duties under this sub-subdivision.
- 17 6. Any other duties necessary to assist the nonprofit corporation
18 with implementation of the Program and the enforcement of
19 loan agreements under the Program.

20 (b) Mandatory Contract Terms. – Any contract entered into between the Office of Rural
21 Health and a nonprofit corporation pursuant to the authority granted by this section shall include
22 all of the following provisions:

- 23 (1) A provision requiring the nonprofit corporation to engage the services of a
24 certified public accountant to audit the expenditure and use of State funds and
25 provide the audit to the Joint Legislative Commission on Governmental
26 Operations, the Joint Legislative Oversight Committee on Health and Human
27 Services, and the Fiscal Research Division. The nonprofit corporation shall
28 provide a copy of its annual audited financial statement as required by this
29 provision within seven days after issuance of the statement.
- 30 (2) A provision requiring the nonprofit corporation to provide by January 31 of
31 each year, and more frequently as requested, a report to the Office of Rural
32 Health on prior calendar year Rural Health Care Sustainability Program
33 activities, objectives, and accomplishments and prior calendar year itemized
34 expenditures and fund sources. The report shall also include both of the
35 following:
 - 36 a. Any proposed amendments to the areas of expertise required to be
37 represented on the Loan Committee of the nonprofit corporation.
 - 38 b. Any other information requested by the Office of Rural Health.
- 39 (3) A provision requiring the nonprofit corporation to adopt and publish a
40 conflict-of-interest policy and a gift policy to guide actions by the Loan
41 Committee members in the performance of their duties.
- 42 (4) A provision requiring the nonprofit corporation to maintain separate
43 accounting records and separate accounts for any State funds supporting the
44 Rural Health Care Sustainability Program and prohibiting any commingling
45 of State and private funds. The nonprofit corporation shall maintain records
46 and accounts according to generally accepted accounting principles.
- 47 (5) A provision stating that the limitation of G.S. 143C-6-8 applies.
- 48 (6) A provision requiring the nonprofit corporation to amend its bylaws to enable
49 the nonprofit corporation to carry out all of the duties and responsibilities of
50 the Program Administrator for the Rural Health Care Sustainability Program,
51 as prescribed by G.S. 131A-31(b).

- (7) A provision limiting the amount of State funds, including any interest earnings accruing from those funds, that may be used for the annual salary and any reimbursements to any individual employee of the nonprofit organization for administration of the Rural Health Care Sustainability Program to no more than the greater of (i) one hundred forty thousand dollars (\$140,000) per employee per year or (ii) the amount most recently set for salary limitations by the General Assembly in a Current Operations Appropriations Act. Notwithstanding this subdivision, State funds shall not be used to provide payments to members of the Loan Committee, consistent with sub-subdivision (a)(2)c. of this section, or severance payments to the chief executive officer or to any other officers of the nonprofit corporation. The payment of severance from funds other than State funds is limited to no more than the lesser of the following:
- a. The salary limitation of one hundred forty thousand dollars (\$140,000).
 - b. The salary limitation of one hundred forty thousand dollars (\$140,000) multiplied by a fraction, the numerator of which is the number of whole years the chief officer has been chief officer of the corporation and the denominator of which is four.
- (c) Report. – By March 1 of each year, and more frequently as requested, the Office of Rural Health shall submit a report to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate Appropriations Committee on Health and Human Services, the chairs of the House of Representatives Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division on any duties and responsibilities for which the Office of Rural Health has contracted pursuant to this section. The report shall contain, at a minimum, each of the following presented on a calendar-year basis:
- (1) A copy of the most recent report required by subdivision (b)(2) of this section.
 - (2) An executive summary of the report required by subdivision (1) of this subsection.
 - (3) A report of any changes to or violations of the nonprofit corporation's policies on gifts and conflicts of interest.
- (d) Public Funds. – A North Carolina nonprofit corporation with which the Office of Rural Health contracts pursuant to this section shall comply with the following requirements regarding the use of the Rural Health Care Sustainability Fund:
- (1) Interest earned on State funds, including moneys in the Rural Health Care Sustainability Fund, shall be used for the same purposes for which the principal was to be used.
 - (2) Except as prohibited by sub-subdivision (a)(2)c. of this section, the travel and personnel policies and regulations of the State of North Carolina Budget Manual limiting reimbursement for expenses of State employees apply to reimbursements for expenses of officers, employees, or members of the governing board of the nonprofit corporation. Deviations from these policies and procedures require prior approval by the Office of Rural Health.
 - (3) State funds shall not be used to hire a lobbyist.
- (e) Prohibition. – A State officer or employee shall not solicit funds for a North Carolina nonprofit corporation with which the Office of Rural Health contracts pursuant to this section.
- (f) Benefits. – An officer, employee, or member of a governing board or Loan Committee of a North Carolina nonprofit corporation with which the Department contracts pursuant to this section is not a State employee, is not covered by Chapter 126 of the General Statutes, and is not

-

- 1 entitled to State-funded employee benefits, including membership in the Teachers' and State
- 2 Employees' Retirement System and the State Health Plan for Teachers and State Employees."

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-HHSADMN-H5(S9B.5)i-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

***MANAGEMENT FLEXIBILITY FOR THE DEPARTMENT OF HEALTH AND HUMAN
SERVICES TO EXPEND CERTAIN ARPA TEMPORARY SAVINGS FUND
APPROPRIATIONS FOR PURPOSES RELATED TO CHILD AND FAMILY
WELL-BEING***

SECTION 9B.5. The Department of Health and Human Services (DHHS) may allocate any unexpended funds remaining from the appropriations described in Section 9B.9(a) of S.L. 2023-134 to the Division of Child Welfare and Family Well-Being; the Division of Mental Health, Developmental Disabilities, and Substance Use Services; and the Division of Social Services in the amounts and for the programs and initiatives the DHHS deems necessary, as long as the programs and initiatives are consistent with the purposes described in subdivisions (a)(1) and (a)(2) of Section 9B.9 of S.L. 2023-134.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-HHSADMN-H9-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

Requested by

**MANAGEMENT FLEXIBILITY REGARDING MANDATORY VACANT POSITION
ELIMINATIONS**

SECTION #. The Department of Health and Human Services (Department) shall achieve net General Fund savings in the amount of at least ten million dollars (\$10,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium through the elimination of vacant positions. To achieve the savings required by this section, the Department may eliminate any vacant position that is not under the jurisdiction of the following divisions:

- (1) The Division of Aging.
- (2) The Division of Public Health.
- (3) The Division of State-Operated Health Care Facilities.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-HHSADMN-H10-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

Requested by

ELIMINATION OF THE OFFICE OF HEALTH EQUITY

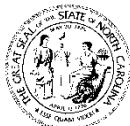
SECTION #.(a) The Office of Health Equity within the Department of Health and Human Services, Division of Central Management and Support, is eliminated.

SECTION #.(b) G.S. 143B-138.1(c)(6) is repealed.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-HHSADMN-H8-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

Requested by

***EXPANSION OF LAPSED SALARY REPORT PROVIDED BY DHHS TO THE JOINT
LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES***

SECTION #. G.S. 120-208.4(b) reads as rewritten:

"(b) Beginning no later than November 1, 2012, and annually thereafter, the Department of Health and Human Services shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the use of lapsed salary funds by each Division within the Department. For each Division, the report shall include the following information about the preceding State fiscal year:

- (1) The total amount of lapsed salary funds.
- (2) The number of full-time equivalent positions comprising the lapsed salary funds.
- (3) The Fund Code for each full-time equivalent position included in the number reported pursuant to subdivision (2) of this section.
- (4) The purposes for which the Department expended lapsed salary funds.
- (5) The amount of any lapsed salary funds expended by the Department, broken down by the original source of funds. For the purpose of this subdivision, "the original source of funds" means (i) the General Fund, (ii) federal funds, or (iii) other departmental receipts as defined in G.S. 143C-1-1, excluding federal funds.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-HHSADMN-H11-P

Administrative Offices – DHHS
House Appropriations, Health and Human Services

Requested by

***TRANSITIONS TO COMMUNITY LIVING FUNDING/PRIORITY DISTRIBUTION OF
HOUSING SLOTS***

SECTION #. Of the funds appropriated in this act to the Department of Health and Human Services, the sum of twelve million one hundred ninety-two thousand one hundred twenty-four dollars (\$12,192,124) shall be used to meet the requirements contained in the 2012 settlement agreement between the State and the United States Department of Justice to ensure that the State will willingly meet the requirements of the Americans with Disabilities Act of 1990, section 504 of the Rehabilitation Act of 1973, and the United States Supreme Court decision in *Olmstead v. L.C.*, 527 U.S. 581 (1999) (the settlement agreement). In order to focus the investment of State funding on meeting the remaining unmet requirements of the settlement agreement, the Department of Health and Human Services is directed to implement a cap on the number of housing slots available through the North Carolina Supportive Housing Program (the program) established under Part 1 of Article 1B of Chapter 122C of the General Statutes. Effective when this act becomes law, the maximum number of slots available through the program shall equal the number of individuals receiving, or approved to receive, a housing slot through the program on the date this act becomes law. In determining whether a housing slot is available for an eligible individual, the Department of Health and Human Services shall give priority placement to individuals who require the housing slot in order for the State to achieve compliance with any requirement of the settlement agreement that has not been discharged by the court. This section shall not be construed to prohibit compliance with the terms of the settlement agreement or any court orders associated with the settlement agreement.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DCDEE-H1(S9D.1)i

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

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) Multiyear Contracts. – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear 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.

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

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

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

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DCDEE-H2(S9D.2)i

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

NC PRE-K/REPORT ON REALLOCATION OF UNUSED SLOTS

SECTION 9D.2. The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2026, on how unused slots are reallocated in the NC Prekindergarten (NC Pre-K) program. The report shall include, at a minimum, the following:

- (1) A description of the number of unused slots following the 2022-2023 program year.
- (2) Options for changes to the administration of the program that would allow unused slots to be used by counties that have waiting lists of eligible children and sufficient providers to use those slots that program year.
- (3) Any other information the Division deems relevant to the issue of chronically unused NC Pre-K slots.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DCDEE-H3(S9D.3)-P

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

CHILD CARE SUBSIDY RATES

SECTION 9D.3.(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.3.(b) The fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. Effective August 1, 2026, the fees for families who are required to share in the cost of care are established based on seven percent (7%) 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.3.(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 or the rate they charge privately paying parents unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group unless prohibited by subsection (g) of this section.
- (3) No payments shall be made for transportation services charged by child care facilities.
- (4) 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.
- (5) 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.3.(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 home-based 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.3.(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.3.(f) 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.3.(g) 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.3.(h) 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.

SECTION 9D.3.(i) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. Noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if all other conditions of eligibility are met and the child for whom child care subsidy is sought is a citizen of the United States.

SECTION 9D.3.(j) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

SECTION 9D.3.(k) Department of Defense-certified child care facilities licensed pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that provides for the purchase of care in child care facilities for minor children in needy families, provided that funds allocated from the State-subsidized child care program to Department of Defense-certified child care facilities shall supplement and not supplant funds allocated in accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose Department of Defense-certified child care facilities and who are eligible to receive subsidized child care shall be as set forth in this section.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DCDEE-H4(S9D.4)i

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services**CHILD CARE ALLOCATION FORMULA**

SECTION 9D.4.(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

- (1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 9D.3(a) of this act.
- (2) The Division may withhold up to two percent (2%) of available funds from the allocation formula for (i) preventing termination of services throughout the fiscal year and (ii) repayment of any federal funds identified by counties as overpayments, including overpayments due to fraud. The Division shall allocate to counties any funds withheld before the end of the fiscal year when the Division determines the funds are not needed for the purposes described in this subdivision. The Division shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, which report shall include each of the following:
 - a. The amount of funds used for preventing termination of services and the repayment of any federal funds.
 - b. The date the remaining funds were distributed to counties.
 - c. As a result of funds withheld under this subdivision and after funds 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.4.(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

1 shall be based upon the expenditures of all child care subsidy voucher funding, including North
2 Carolina Partnership for Children, Inc., funds within a county. Counties shall manage service
3 levels within the funds allocated to the counties. A county with a spending coefficient over one
4 hundred percent (100%) shall submit a plan to the Division for managing the county's allocation
5 before receiving any reallocated funds.

6 **SECTION 9D.4.(c)** When implementing the formula under subsection (a) of this
7 section, the Division shall include the market rate increase in the formula process rather than
8 calculate the increases outside of the formula process. Additionally, the Department shall do the
9 following:

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

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DCDEE-H5(S9D.5)i

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

SMART START INITIATIVES

SECTION 9D.5.(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 5 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 5 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.5.(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.5.(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.5.(d) Match Requirements. – The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to apply the match

percentages specified in this section to 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 North Carolina Partnership for Children, Inc., shall provide a copy of the annual report to the Department of Health and Human Services, Division of Child Development and Early Education. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 9D.5.(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.5.(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.5.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 9D.5.(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.5.(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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DCDEE-H6(S9D.6)-P

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

SMART START LITERACY INITIATIVE/DOLLY PARTON'S IMAGINATION LIBRARY

SECTION 9D.6.(a) A portion of the funds allocated in this act to the North Carolina Partnership for Children, Inc., from the Department of Health and Human Services, shall continue to be used to increase access to Dolly Parton's Imagination Library, an early literacy program that mails age-appropriate books on a monthly basis to children registered for the program.

SECTION 9D.6.(b) The North Carolina Partnership for Children, Inc., may use up to one percent (1%) of the funds for statewide program management and up to one percent (1%) of the funds for program evaluation. Funds allocated under this section shall not be subject to administrative costs requirements under Section 9D.5(b) of this act, nor shall these funds be subject to the child care services funding requirements under G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g), or the match requirements under Section 9D.5(d) of this act.

SECTION 9D.6.(c) The North Carolina Partnership for Children, Inc., shall submit a report based on its evaluation of the program pursuant to subsection (b) of this section by December 1 of each even-numbered year to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall include, at a minimum, each of the following:

- (1) How the program impacts a child's reading skills and literacy development.
- (2) The program's overall success regarding participation rates, book distribution, and community involvement.
- (3) An analysis of the program's long-term sustainability, including any recommendations for program improvement.

GENERAL ASSEMBLY OF NORTH CAROLINA

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SPECIAL PROVISION



2025-DCDEE-H7(S9D.7)-P

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

INCREASE CHILD CARE SUBSIDY REIMBURSEMENT RATES

SECTION 9D.7. Beginning October 1, 2025, 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.

GENERAL ASSEMBLY OF NORTH CAROLINA

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2025-DCDEE-H8A-P

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

Requested by

**EXEMPT CERTAIN DEPARTMENT OF DEFENSE FAMILY CHILD CARE HOMES
FROM CHILD CARE LICENSURE**

SECTION 9D.8. Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"§ 110-106.3. Exemption for certain Department of Defense family child care homes from child care licensure requirements.

(a) The provisions of this Article shall not apply to a family child care home operating in this State and located outside of the boundaries of a military installation if the family child care home has a certificate issued by the United States Department of Defense (DOD) or the United States Coast Guard to provide child care and has completed background screening by the DOD pursuant to 34 U.S.C. § 20351 and 32 C.F.R. Part 86 and received a favorable suitability and fitness determination. This exemption applies to DOD family child care home operators providing child care to children eligible for care under the DOD Instruction 6060.02.

(b) A family child care home seeking to operate pursuant to this section shall register with the Department. The individual at each military installation who provides oversight of family child care homes shall be responsible for registering the family child care home operating under this section with the Department. The Department shall establish and maintain a registry in accordance with this section and the registry shall be used for the following limited purposes:

- (1) Ensuring the DOD family child care home is fully compliant with all DOD requirements to operate the family child care home.
- (2) Certifying that the following State safety provisions are met for the dwelling unit in which the DOD family child care home is located:
 - a. Rooms and areas within a family child care home where occupants receive care are located on the same level of exit discharge.
 - b. Rooms and areas within a family child care home where occupants receive care are located on the same level with, and within a maximum of 40 feet travel distance to, at least one 2A:10B:C fire extinguisher.
 - c. The family child care home has and maintains a Fire Safety, Evacuation, and Lockdown Plan compliant with Section 404 of the North Carolina Fire Code.
 - d. The family child care home has carbon monoxide alarm and detection systems compliant with Section R315 of the North Carolina Residential Code.
 - e. The family child care home has smoke alarms compliant with Section 51 R314 of the North Carolina Residential Code.
- (3) Receiving confirmation from the person operating the DOD family child care home that the family child care home is within the same dwelling unit occupied by the operator.

-
- 1 (4) Confirming inquiries regarding a DOD family child care home are directed to
2 the appropriate regulatory authority having oversight of family child care
3 homes for the respective military installation.
4 (c) A DOD family child care home that meets the requirements of this section shall be
5 exempt from all other requirements of this Article and shall not be subject to licensure."

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-DCDEE-H9-P

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

Requested by

CHILD CARE REGULATORY REFORMS

SECTION 9D.9.(a) The General Assembly recognizes the need to balance maintaining critical health, safety, and welfare standards for child care, as well as a well-established rating system used for informational purposes, with the need to move toward maximizing State funds for child care and increasing the supply of child care from State-funded sources. The General Assembly further recognizes the importance of weighing the need to decrease the cost of child care through deregulatory actions and at the same time maintain child care subsidy reimbursement rates. The purpose of this provision, in part, is to encourage the business community to partner with the State in achieving this goal.

SECTION 9D.9.(b) To that end, by May 1, 2026, the Department of Health and Human Services, Division of Child Development and Early Education (Division), shall develop a proposed plan to separate the quality rating improvement system (QRIS) from the requirements and payments for participation in the State-subsidized child care program using the market rate study required by subsection (c) of this section and make recommendations on implementation of the plan while meeting the federal Child Care and Development Fund requirements. The Division shall submit the proposed plan to the chairs of the House and Senate Appropriations Committees, the chairs of the House and Senate Appropriations Committees on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division by May 1, 2026. The current plan will stay in full force and effect until such time as the General Assembly first approves and adopts the proposed plan and any amendments to that plan and then the federal government approves the proposed plan and any amendments.

SECTION 9D.9.(c) The Division shall complete a new market rate study by May 1, 2026. This market rate study shall be made available to the public by May 1, 2026. The Division shall ensure that the market rate study includes potential rates that are not segmented by star-rating and new market rates for the QRIS system. The Division shall not implement new reimbursement rates unless approved by the federal Administration of Children and Families and authorized to do so by the General Assembly.

SECTION 9D.9.(d) Nothing in subsections (a) through (c) of this section shall be construed as impacting the star-rating requirements for the NC Prekindergarten (NC Pre-K) program.

SECTION 9D.9.(e) G.S. 110-86(5a) reads as rewritten:

"(5a) Lead teacher. – An individual who is responsible for planning and implementing the daily program of activities for a group no more than two groups of children in a child care facility."

SECTION 9D.9.(f) G.S. 110-91 reads as rewritten:

"§ 110-91. Mandatory standards for a license.

All child care facilities shall comply with all State laws and federal laws and local ordinances that pertain to child health, safety, and welfare. Except as otherwise provided in this Article, the standards in this section shall be complied with by all child care facilities. ~~However, none~~

Notwithstanding any provision of law or rule to the contrary, any building and grounds which are currently approved for school occupancy and which house a public or private elementary or middle school shall be deemed to have met the space and equipment, sanitation, fire, and building code requirements for a licensed child care facility when the building and grounds are serving the same, or a subset of the same, school-age children in an out-of-school child care program. None of the standards in this section apply to the school-age children of the operator of a child care facility but do apply to the preschool-age children of the operator. Children 13 years of age or older may receive child care on a voluntary basis provided all applicable required standards are met. The standards in this section, along with any other applicable State laws and federal laws or local ordinances, shall be the required standards for the issuance of a license by the Secretary under the policies and procedures of the Commission except that the Commission may, in its discretion, adopt less stringent standards for the licensing of facilities which provide care on a temporary, part-time, drop-in, seasonal, after-school or other than a full-time basis.

...

(6) Space and Equipment Requirements. – There shall be no less than 25 square feet of indoor space for each child for which a child care center is licensed, exclusive of closets, passageways, kitchens, and bathrooms, and this floor space shall provide during rest periods 200 cubic feet of airspace per child for which the center is licensed. There shall be adequate outdoor play area for each child under rules adopted by the Commission which shall be related to the size of center and the availability and location of outside land area. In no event shall the minimum required exceed 75 square feet per child. The outdoor area shall be protected to assure the safety of the children receiving child care by an adequate fence or other protection. A center operated in a public school shall be deemed to have adequate fencing protection. A center operating exclusively during the evening and early morning hours, between 6:00 P.M. and 6:00 A.M., need not meet the outdoor play area requirements mandated by this subdivision.

Each child care facility shall provide indoor area equipment and furnishings that are child size, sturdy, safe, and in good repair. Each child care facility that provides outdoor area equipment and furnishings shall provide outdoor area equipment and furnishings that are child size, sturdy, free of hazards that pose a threat of serious injury to children while engaged in normal play activities, and in good repair. The Commission shall adopt standards to establish minimum requirements for equipment appropriate for the size of child care facility. Space shall be available for proper storage of beds, cribs, mats, cots, sleeping garments, and linens as well as designated space for each child's personal belongings.

The Division of Child Development of the Department of Health and Human Services shall establish and implement a policy that defines any building which is currently approved for school occupancy and which houses a public or private elementary or middle school to include the playgrounds and athletic fields as part of the school building when that building is used to serve school-age children in after-school out-of-school child care programs. ~~Playgrounds and athletic fields referenced in this section that do not meet licensure standards promulgated by the North Carolina Child Care Commission shall be noted on the program's licensure and rating information.~~

...."

SECTION 9D.9.(g) The Child Care Commission shall adopt or amend any rules to ensure uniformity and consistency in application of the exemptions for school-age children in out-of-school child care programs as provided in subsections (e) and (f) of this section.

SECTION 9D.9.(h) G.S. 110-91(7)a. reads as rewritten:

"a. The Commission shall adopt rules for child care centers regarding staff-child ratios, group sizes and multi-age groupings other than for infants and toddlers, provided that these rules shall be no less stringent than those currently required for staff-child ratios as enacted in Section 156(e) of Chapter 757 of the 1985 Session Laws. Each lead teacher shall support no more than two groups.

1. Except as otherwise provided in this subdivision, the staff-child ratios and group sizes for infants and toddlers in child care centers shall be no more than as follows:

| Age | Ratio Staff/Children | Group Size |
|-----------------|-----------------------------|-------------------------|
| 0 to 12 months | 1/5 | 40 <u>15</u> |
| 12 to 24 months | 1/6 | 42 <u>18</u> |
| 2 to 3 years | 1/10 | 20. |

No child care center shall care for more than 25 children in one group. Child care centers providing care for 26 or more children shall provide for two or more groups according to the ages of children and shall provide separate supervisory personnel and separate identifiable space for each group.

1a. If a child care center is operating under voluntary enhanced requirements, the maximum group size for toddlers aged 2 to 3 years may be increased from 18 to 20 children when the child care center maintains a 1/9 staff-child ratio.

1b. If a child care center is operating under the highest voluntary enhanced requirements, the child care center may use the following maximum group sizes for infants and toddlers when the child care center maintains staff-child ratios as provided herein:

| <u>Age</u> | <u>Ratio Staff/Children</u> | <u>Group Size</u> |
|------------------------|------------------------------------|--------------------------|
| <u>0 to 12 months</u> | <u>1/4</u> | <u>12</u> |
| <u>12 to 24 months</u> | <u>1/5</u> | <u>15</u> |
| <u>2 to 3 years</u> | <u>1/8</u> | <u>20.</u> |

...."

SECTION 9D.9.(i) G.S. 110-91(8) reads as rewritten:

"(8) Qualifications for Staff. – Qualifications for child care staff are as follows:

a. All child care center administrators shall be at least 21 years of age. All child care center administrators shall have the North Carolina Early Childhood Administration Credential or its equivalent as determined by the Department. All child care administrators performing administrative duties as of the date this act becomes law and child care administrators who assume administrative duties at any time after this act becomes law and until September 1, 1998, shall obtain the required credential by September 1, 2000. Child care administrators who assume administrative duties after September 1, 1998, shall begin working toward the completion of the North Carolina Early Childhood Administration Credential or its equivalent within six months after assuming administrative duties and shall complete the credential or its equivalent within two years after beginning work to complete the credential. Each child care center shall be under the direction or supervision of a person meeting these requirements. All staff counted toward meeting the required staff-child ratio shall be at

1 least 16 years of age, provided that persons younger than 18 years of
2 age work under the direct supervision of a credentialed staff person
3 who is at least 21 years of age.

4 b. All lead teachers in a child care center shall have at least a North
5 Carolina Early Childhood Credential or its equivalent as determined
6 by the Department. Lead teachers shall either (i) be enrolled in the
7 North Carolina Early Childhood Credential coursework or its
8 equivalent as determined by the Department within six months after
9 becoming employed as a lead teacher or within six months after this
10 act becomes law, whichever is later, and shall complete the credential
11 or its equivalent within 18 months after enrollment-enrollment or (ii)
12 have a minimum of five years of documented experience teaching in a
13 licensed child care facility in this State which shall be deemed
14 equivalent to the North Carolina Early Childhood Credential.

15 c. Only administrators and lead teachers in licensed child care centers are
16 required to have a North Carolina Early Childhood Credential or its
17 equivalent as determined by the Department. All other staff shall meet
18 the standards established by the Commission for their positions that do
19 not include a North Carolina Early Childhood Credential or its
20 equivalent as determined by the Department.

21 d. For child care centers licensed to care for 200 or more children, the
22 Department, in collaboration with the North Carolina Institute for
23 Early Childhood Professional Development, shall establish categories
24 to recognize the levels of education achieved by child care center
25 administrators and teachers who perform administrative functions.
26 The Department shall use these categories to establish appropriate
27 staffing based on the size of the center and the individual staff
28 responsibilities.

29 e. Effective January 1, 1998, an operator of a licensed family child care
30 home shall be at least 21 years old and have a high school diploma or
31 its equivalent. Operators of a family child care home licensed prior to
32 January 1, 1998, shall be at least 18 years of age and literate. Literate
33 is defined as understanding licensing requirements and having the
34 ability to communicate with the family and relevant emergency
35 personnel. Any operator of a licensed family child care home shall be
36 the person on-site providing child care.

37 f. The Commission shall adopt standards to establish appropriate
38 qualifications for all staff in child care centers. These standards shall
39 reflect training, experience, education and credentialing and shall be
40 appropriate for the size center and the level of individual staff
41 responsibilities. It is the intent of this provision to guarantee that all
42 children in child care are cared for by qualified people. Pursuant to
43 G.S. 110-106, no requirements may interfere with the teachings or
44 doctrine of any established religious organization. The staff
45 qualification requirements of this subdivision do not apply to
46 religious-sponsored child care facilities pursuant to G.S. 110-106."

47 **SECTION 9D.9.(j)** Caregivers for children aged 0 to 24 months shall meet the
48 Federal Child Care and Development Block Grant health and safety standards as well as the
49 provisions contained in the following North Carolina Child Care Commission rules:

50 (1) 10A NCAC 09 .0511 - "Daily Routines for Children Under Two Years of
51 Age."

(2) 10A NCAC 09 .1801 - "Supervision in Child Care Centers."
(3) 10A NCAC 09 .1802 - "Staff/Child Interactions."
For the care of children aged 0-24 months, child care center operators shall have the option to either employ a lead teacher or a caregiver meeting the standards set forth in this subsection.

SECTION 9D.9.(k) Section 8 of S.L. 2024-34 is amended by adding a new subsection to read:

"SECTION 8.(a1) In modifying the quality rating improvement system (QRIS), the Division of Child Development and Early Education shall ensure a North Carolina Early Childhood Credential based on five years of work experience in a licensed child care facility in this State is treated as equivalent to when that credential is earned through other pathways for purposes of awarding a star-rating."

SECTION 9D.9.(l) The Weikart Youth Program Quality Assessment ("Weikart Program") shall be added as an assessment tool for evaluating out-of-school child care programs and awarding of a star-rating. The Department of Health and Human Services, Division of Child Development and Early Education, shall complete the necessary crosswalk evaluation of the Weikart Program and have it available for applicants to use not later than one year after the date this section becomes law.

SECTION 9D.9.(m) Notwithstanding any other provision of law, rule, or regulation, the Department of Health and Human Services, Division of Child Development and Early Education (Division), shall, for courses offered by a community college in the North Carolina Community Colleges System (NCCCS), assign credit for continuing education courses on the same basis as curriculum courses designated by NCCCS as equivalent to the continuing education courses for the purpose of providing any credential offered by the Division.

SECTION 9D.9.(n) The Division of Child Development and Early Education shall:

- (1) Not later than December 1, 2025, and in consultation with the North Carolina Community Colleges System, create a North Carolina School Age/Out-of-School Care Credential that aligns with a new curriculum course and continuing education course entitled "Introduction to School Age Care and Education."
- (2) Award the North Carolina Early Childhood Administration Credential or the North Carolina Family Child Care Credential to individuals who have successfully completed continuing education courses that are equivalent to child care curriculum courses, as determined by the Community Colleges System. The Community Colleges System shall ensure that the continuing education courses are comparable to the corresponding curriculum courses in course descriptions, competencies, and hour requirements and shall state the credential that is to be awarded for each continuing education course.

SECTION 9D.9.(o) The Commissioner of the Department of Insurance shall establish a workgroup to examine the potential for developing group liability insurance plan opportunities for all child care providers. The workgroup shall consist of representatives from all of the following:

- (1) The Department of Insurance.
- (2) The insurance industry.
- (3) The child care industry, including foster family homes and out-of-school providers.
- (4) The Department of Health and Human Services, Division of Child Development and Early Education.
- (5) The American Tort Reform Association.

The workgroup shall develop findings and recommendations related to at least the following:

-
- 1 (1) Potential methods for creating group liability insurance plan opportunities for
 - 2 all child care providers.
 - 3 (2) Reforms that could reduce group liability insurance plan premiums.
 - 4 (3) Tort reforms that could reduce the liability damages of child care providers.
 - 5 By January 1, 2026, the Department of Insurance shall report the findings and
 - 6 recommendations of the workgroup to the Joint Legislative Oversight Committee on Health and
 - 7 Human Services, the Joint Legislative Oversight Committee on General Government, and the
 - 8 Fiscal Research Division.
 - 9 **SECTION 9D.9.(p)** The Child Care Commission shall adopt or amend any rules to
 - 10 ensure uniformity and consistency in application of the provisions of this section.
 - 11 **SECTION 9D.9.(q)** This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



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Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

Requested by

**FUNDS TO EXPAND MENTAL AND BEHAVIORAL HEALTH SERVICES FOR
CHILDREN, FAMILIES, AND STAFF IN CHILD CARE SETTINGS**

SECTION 9D.10.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of seven million five hundred thousand dollars (\$7,500,000) in nonrecurring funds for the 2025-2026 fiscal year shall be allocated to the North Carolina Partnership for Children, Inc. (NCPC), to expand mental and behavioral health services for children, families, and staff in child care facility settings and out-of-school programs. The NCPC shall spend the funds provided in this section in the following budget codes: PSC 5415 Health Care Access and Support, PSC 5505 Parent Education, PSC 3125 Quality Child Care, and PSC 5509 Parents as Teachers. The NCPC shall distribute these funds to local partnerships, as determined by the NCPC. These funds shall supplement and not supplant existing Smart Start partnership behavioral health spending. Funds provided in this subsection shall not revert at the end of the 2025-2026 fiscal year but shall remain available for costs associated with mental and behavioral health initiatives described in this subsection until expended.

SECTION 9D.10.(b) The NCPC shall submit a progress report on the mental and behavioral health initiatives described in subsection (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services, the Secretary of the Department of Health and Human Services, and the Fiscal Research Division by March 15, 2026, and a final report by November 15, 2027. The progress report and final report shall include all of the following:

- (1) The name of each local partnership that received funds.
- (2) The number of children served by each local partnership.
- (3) The types of mental and behavioral health services provided by each local partnership.
- (4) Recommendations for continuing and/or expanding mental and behavioral health initiatives for children, families, and staff in child care facility settings.

SECTION 9D.10.(c) Additional funds allocated in this section to the NCPC from the Division of Child Development and Early Education for the 2025-2026 fiscal year are not subject to the administrative cost requirements under Section 9D.5(b) of S.L. 2023-134, child care services funding requirements under G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g), or match requirements under Section 9D.5(d) of S.L. 2023-134.

SECTION 9D.10.(d) G.S. 143B-168.15(h) reads as rewritten:

"(h) The North Carolina Partnership for Children, Inc., Special Fund is hereby established as an interest-bearing, nonreverting special fund in the Department of Health and Human Services. Funds appropriated from the General Fund to the Department for Smart Start and the North Carolina Partnership for Children, Inc. (NCPC), shall be deposited in the Fund and shall be used by the NCPC and local partnerships exclusively for the purposes authorized in this section, unless otherwise expressly provided by law. State funds allocated to local partnerships that are unexpended at the end of a fiscal year shall not revert but shall remain available to the

1 North Carolina Partnership for Children, Inc., to reallocate to local partnerships. Notwithstanding
2 G.S. 147-86.11 or any other provision of law to the contrary, the NCPC shall be allowed to hold
3 cash in excess of incurred expenditures at the end of each fiscal year up to five million dollars
4 (\$5,000,000). Not later than August 1 of each year, the NCPC shall provide to the Department of
5 Health and Human Services, Division of Child Development and Early Education, a financial
6 status report for the preceding fiscal year that includes all actual expenditures and remaining cash
7 on hand."

GENERAL ASSEMBLY OF NORTH CAROLINA

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SPECIAL PROVISION



2025-DCDEE-H11-P

Division of Child Development & Early Education - DHHS
House Appropriations, Health and Human Services

Requested by

CHILD CARE WORKFORCE PILOT PROGRAM

SECTION 9D.11.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of one million four hundred seventy-six thousand dollars (\$1,476,000) in nonrecurring funds for the 2025-2026 fiscal year shall be allocated to the North Carolina Partnership for Children, Inc., to provide the State match for implementing the pilot program described in this section as follows:

- (1) The sum of nine hundred seventy-two thousand dollars (\$972,000) for the 2025-2026 fiscal year for the State portion of tuition costs.
- (2) The sum of five hundred four thousand dollars (\$504,000) for the 2025-2026 fiscal year for the stipends provided with State funds in accordance with subsection (f) of this section.

SECTION 9D.11.(b) Funds described in subsection (a) of this section shall be allocated equally among the local partnerships selected to participate in the pilot program. Local partnerships shall provide documentation of a twenty-five percent (25%) local match as a condition of receiving State funds. Any unexpended and unencumbered funds at the end of the fiscal year from the funds provided under this section shall not revert to the General Fund but shall remain available for use in accordance with this section. Funds provided under this section shall not be used for administrative costs.

SECTION 9D.11.(c) The North Carolina Partnership for Children, Inc., in collaboration with the North Carolina Community Colleges System Office, shall develop and implement a two-year pilot program that expands the child care workforce academies currently operating in Johnston and Wayne Counties. The pilot program shall establish child care workforce academies across the State designed to provide free, comprehensive training and support to individuals, with no experience or education in child care, who are interested in pursuing a career in child care.

SECTION 9D.11.(d) Local partnerships in the following counties shall participate in the pilot program described under this section: Johnston and Wayne. The North Carolina Partnership for Children, Inc., (NCPC), in collaboration with the Community Colleges System Office, shall select 10 additional local partnerships to participate in the pilot program from the four local partnership regions of the statewide NCPC network, which regions are the West, Mid-West, Mid-East, and East.

SECTION 9D.11.(e) The Community Colleges System Office and local community colleges shall coordinate to ensure that graduates of the child care workforce academies meet all requirements to be credentialed with the North Carolina Early Childhood Credential as lead teachers in child care in this State.

SECTION 9D.11.(f) Each child care workforce academy (academy) shall seek to enroll no less than 10 students, with a goal of enrolling 15 students in each course. The academy shall operate up to eight hours per day over a two- to three-week period. A participating community college shall strive to offer an academy up to three times per year, with at least one of the three academies occurring at the end of the traditional public school calendar year to allow

participation by interested high school and college students. The academy shall be offered free-of-charge to applicants. Students participating in the academy shall receive the knowledge, skills, and training, including the necessary health screenings, background checks, and fingerprinting, required for employment as a lead teacher in a licensed child care program in this State. Upon successful completion of the academy, each student shall receive a North Carolina Early Childhood Credential that will enable the student to begin teaching in a licensed child care program immediately upon graduation. A local partnership may provide each graduate with a one-time stipend. If a one-time stipend for completing the course is provided, the amount shall be at the discretion of the local partnership but shall not be less than one hundred fifty dollars (\$150.00). Students shall be eligible to receive an additional one-time stipend in the amount of five hundred dollars (\$500.00) in State funds after completing one year of employment as a lead teacher in a licensed child care program in this State.

SECTION 9D.11.(g) The North Carolina Partnership for Children, Inc., and local partnerships shall (i) collaborate with the community college in the county or counties in which the local partnership is located, as practicable, to implement the child care workforce academy and (ii) ensure information about the child care workforce academy in the respective county is made available to the public.

SECTION 9D.11.(h) The North Carolina Partnership for Children, Inc., (NCPC), in collaboration with the local partnerships and community colleges participating in the pilot program, shall submit a progress report on the pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 31, 2026, with any concerns or recommendations for program expansion. A final report shall be submitted by December 31, 2026, and shall include, at a minimum, the following:

- (1) The local partnerships and community colleges participating in the pilot program.
- (2) The number of students enrolled in each academy, by county.
- (3) The number of students who successfully completed the academy, by county.
- (4) The number of newly credentialed graduates employed as lead teachers in licensed child care programs, by county.
- (5) The outcomes achieved from the pilot program, including any recommendations for expanding the program statewide.
- (6) The number of new child care slots available as a result of adding the new lead teachers.
- (7) Total program costs, including any administrative costs borne by the county.
- (8) The amount of funds needed to expand the program statewide.
- (9) Recommendations on developing and implementing a similar academy for child care directors.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DHB-H15(S9E.1)i

Division of Health Benefits
House Appropriations, Health and Human Services

1 ***CONTINUE MEDICAID ANNUAL REPORT***

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

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DHB-H16(S9E.2)i

Division of Health Benefits
House Appropriations, Health and Human Services

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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DHB-H17(S9E.3)i

Division of Health Benefits
House Appropriations, Health and Human Services

1 ***DURATION OF MEDICAID PROGRAM MODIFICATIONS***

2 **SECTION 9E.3.(a)** Except for statutory changes or where otherwise specified, the
3 Department of Health and Human Services shall not be required to maintain, after June 30, 2027,
4 any modifications to the Medicaid program required by this Subpart.

5 **SECTION 9E.3.(b)** Consistent with the duration of Medicaid program modifications
6 established in subsection (a) of this section, the Department of Health and Human Services shall
7 not be required to maintain, after June 30, 2027, any modifications to the Medicaid program
8 required by Section 15 of S.L. 2023-129.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H18(S9E.4)i

Division of Health Benefits
House Appropriations, Health and Human Services**ADMINISTRATIVE HEARINGS FUNDING**

SECTION 9E.4. 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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DHB-H19(S9E.5)i

Division of Health Benefits
House Appropriations, Health and Human Services

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 9E.5.(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.5.(b) For the 2025-2026 fiscal year, the Department of Health and Human Services shall deposit from its revenue one hundred seven million seven hundred thousand dollars (\$107,700,000) 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 (\$109,000,000) 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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H20(S9E.6)i

Division of Health Benefits
House Appropriations, Health and Human Services***LME/MCO INTERGOVERNMENTAL TRANSFERS***

SECTION 9E.6.(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.6.(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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H14(S9E.7)i

Division of Health Benefits
House Appropriations, Health and Human Services**CHILDREN AND FAMILIES SPECIALTY PLAN****SECTION 9E.7.(a)** Section 9E.22(a) of S.L. 2023-134 reads as rewritten:

"SECTION 9E.22.(a) The Department of Health and Human Services (DHHS) shall issue an initial request for proposals (RFP) to procure a single statewide children and families (CAF) specialty plan contract with services to begin to individuals described in G.S. 108D-40(a)(14) no later than December 1, ~~2024.~~ 2025. The RFP shall be subject to the requirements in G.S. 108D-62, as enacted by subsection (k) of this section. DHHS shall define the services available under the CAF specialty plan and the Medicaid beneficiaries who are eligible to enroll in the CAF specialty plan, except as otherwise specified in this act or in law. For the purposes of this section, the CAF specialty plan shall be as defined under G.S. 108D-1, as amended by subsection (c) of this section."

SECTION 9E.7.(b) G.S. 108D-40(a)(14) reads as rewritten:

"(14) Until the CAF specialty plan becomes operational, recipients who are (i) children enrolled in foster care in this State, (ii) receiving adoption assistance, or (iii) former foster care youth ~~until they reach the age of 26.~~ who are eligible for Medicaid under G.S. 108A-54.3A(a)(8). When the CAF specialty plan becomes operational, recipients described in this subdivision will be enrolled in accordance with G.S. 108D-62."

SECTION 9E.7.(c) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H28(S9E.8)i

Division of Health Benefits
House Appropriations, Health and Human Services**MEDICAID WORK REQUIREMENTS****SECTION 9E.8.(a)** Section 2.4 of S.L. 2023-7 reads as rewritten:

"SECTION 2.4. If there is any indication that work requirements as a condition of participation in the Medicaid program may be authorized by the Centers for Medicare and Medicaid Services (CMS), then the Department of Health and Human Services, Division of Health Benefits (DHB), shall enter into negotiations with CMS to develop a plan for those work requirements and to obtain approval of that plan. Within 30 days of entering into negotiations with CMS pursuant to this section, DHB shall notify, in writing, the Joint Legislative Oversight Committee on Medicaid (JLOC) and the Fiscal Research Division (FRD) of these negotiations. Within 30 days of approval by CMS of a plan for work requirements as a condition of participation in the Medicaid program, DHB shall submit a report to JLOC and FRD containing the full details of the approved work requirements, including the approved date of implementation of the requirements and any funding necessary to implement or maintain the requirements. Notwithstanding any provision of G.S. 108A-54.3A to the contrary, the Department of Health and Human Services shall implement any work requirements as a condition of participation in the Medicaid program approved by the Centers for Medicare and Medicaid Services in accordance with this section."

SECTION 9E.8.(b) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION

2025-DHB-H29(S9E.9)i

Division of Health Benefits
House Appropriations, Health and Human Services***TEMPORARILY EXTEND OPTION TO DECREASE MEDICAID ENROLLMENT
BURDEN ON COUNTY DEPARTMENTS OF SOCIAL SERVICES*****SECTION 9E.9.(a)** Section 1.8(a) of S.L. 2023-7, as amended by Section 9(a) of S.L. 2024-34, reads as rewritten:

"SECTION 1.8.(a) Notwithstanding G.S. 108A-54(d) and in accordance with G.S. 143B-24(b), the Department of Health and Human Services (DHHS) is authorized, on a temporary basis to conclude by June 30, ~~2025~~, 2028, to utilize the federally facilitated marketplace (Marketplace), also known as the federal health benefit exchange, to make Medicaid eligibility determinations. In accordance with ~~G.S. 108A-54(b)~~, G.S. 108A-54(f), these eligibility determinations shall be in compliance with all eligibility categories, resource limits, and income thresholds set by the General Assembly."

SECTION 9E.9.(b) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-DHB-H12-P

Division of Health Benefits
House Appropriations, Health and Human Services

Requested by

STUDY TO CENTRALIZE MEDICAID ELIGIBILITY DETERMINATIONS

SECTION #.(a) The Department of Health and Human Services (DHHS) shall examine the short- and long-term opportunities to improve the efficiency, accuracy, and cost-effectiveness of Medicaid eligibility determinations and enrollment processes and work with stakeholders, including county departments of social services and other partners involved in eligibility and enrollment operations, to provide a report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division by April 1, 2026. The report required by this section shall include, at a minimum, the following information:

- (1) An overview of the State's current Medicaid eligibility determination and enrollment structure, including a review of DHHS's current administrative and operational practices, compliance reports submitted to the Centers for Medicare and Medicaid Services (CMS), relevant audit findings, and other oversight materials.
- (2) An assessment of how Medicaid applications and renewals are processed.
- (3) An analysis of workforce capacity and performance.
- (4) Identification of best practices, including research on how other states have improved their Medicaid eligibility determination systems.
- (5) An outline of known risks.
- (6) Any recommendations for improvement, including a phased implementation time line, estimated costs, any necessary procurements, and considerations of the State's current and projected budget constraints.

SECTION #.(b) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H26(S9E.10)i

Division of Health Benefits
House Appropriations, Health and Human Services***EXTEND PHARMACY REIMBURSEMENT RATES IN MEDICAID MANAGED CARE***

SECTION 9E.10. Section 9D.19A of S.L. 2021-180, as amended by Section 9D.8 of S.L. 2022-74, reads as rewritten:

"SECTION 9D.19A.(a) Notwithstanding G.S. 108D-65(6)b., for the prepaid health plan capitated contracts required under Article 4 of Chapter 108D of the General Statutes, the reimbursement for the ingredient cost for covered outpatient drugs and the professional drug dispensing fee shall be set at one hundred percent (100%) of the Medicaid pharmacy fee-for-service reimbursement methodologies in Attachment 4.19-B of section 12 of the Medicaid State Plan under Title XIX of the Social Security Act Medicaid Assistance Program, as filed with, and approved by, the Centers for Medicare and Medicaid Services. The National Average Drug Acquisition Cost (NADAC), when applicable and as allowed under the Medicaid State Plan, plus a professional dispensing fee based on the cost of the dispensing study conducted on behalf of the North Carolina Department of Health and Human Services, Division of Health Benefits, will serve as the primary method utilized for reimbursement for retail community pharmacy claims not dispensed utilizing covered outpatient drugs acquired through the 340B drug discount program established under 42 U.S.C. § 256b. All claims utilizing drugs acquired through the 340B drug discount program shall be reimbursed in accordance with the CMS-approved Medicaid State Plan.

"SECTION 9D.19A.(b) This section is effective when it becomes law and expires June 30, ~~2026-2031.~~"

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-DHB-H41(S9E.11)-P

Division of Health Benefits
House Appropriations, Health and Human Services

**MODIFY HOSPITAL HEALTH ADVANCEMENT ASSESSMENTS TO REMOVE GROSS
PREMIUM TAX OFFSET COMPONENT**

SECTION 9E.11.(a) G.S. 108A-147.12 is repealed.

SECTION 9E.11.(b) G.S. 108A-147.11 reads as rewritten:

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

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

(1) The presumptive service cost component calculated under G.S. 108A-147.5 for the quarter that is two quarters prior to the current quarter.

~~(2) The positive or negative gross premiums tax offset amount calculated under G.S. 108A-147.12(b).~~

(3) The HASP health advancement component calculated under G.S. 108A-147.6 for the quarter that is two quarters prior to the current quarter.

...."

SECTION 9E.11.(c) G.S. 143C-9-10 reads as rewritten:

"§ 143C-9-10. Health Advancement Receipts Special Fund.

...

(b) Source of Funds. – Each State fiscal quarter, the Department of Health and Human Services shall deposit in the Health Advancement Receipts Special Fund an amount of funds equal to the total nonfederal receipts for health advancement calculated under G.S. 108A-147.3(b) for that ~~quarter, quarter~~ minus the State retention component under G.S. 108A-147.8 for that ~~quarter, and plus the positive or negative gross premiums tax offset amount calculated under G.S. 108A-147.12(b) for that~~ quarter.

...."

SECTION 9E.11.(d) Section 1.6(d) of S.L. 2023-7 expires on June 30, 2025.

SECTION 9E.11.(e) Subsections (a) through (c) of this section are effective on the first day of the next assessment quarter after this act becomes law, and subsections (a) and (b) of this section apply to assessments imposed on or after that date. The remainder of this section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DHB-H21(S9E.12)i

Division of Health Benefits
House Appropriations, Health and Human Services

CONTINUE MEDICAID COVERAGE FOR PREGNANT WOMEN FOR TWELVE MONTHS POSTPARTUM

SECTION 9E.12.(a) Section 9D.13(c) of S.L. 2021-180 is repealed.

SECTION 9E.12.(b) G.S. 108A-146.5 reads as rewritten:

"§ 108A-146.5. Aggregate 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 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.

(b) The total modernized nonfederal receipts is the sum of all of the following:

- (1) One-fourth of the State's annual Medicaid payment.
- (2) The managed care component under G.S. 108A-146.7.
- (3) The fee-for-service component under G.S. 108A-146.9.
- (3a) The modernized HASP component under G.S. 108A-146.10.
- (4) The GME component under G.S. 108A-146.11.
- (5) Beginning April 1, 2022, ~~and ending March 31, 2027,~~ the postpartum coverage component under G.S. 108A-146.12.
- (6) Beginning April 1, 2024, the home and community-based services component under G.S. 108A-146.12A."

SECTION 9E.12.(c) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H22(S9E.13)-P

Division of Health Benefits
House Appropriations, Health and Human Services

ENSURE MEDICAID RECEIPTS FOR NC HEALTH WORKS IMPLEMENTATION COSTS

SECTION 9E.13.(a) For purposes of calculating the public hospital health advancement assessments and the private hospital health advancement assessments under Part 3 of Article 7B of Chapter 108A of the General Statutes, for the assessment quarter in which this subsection becomes effective, any reference to "total nonfederal receipts for health advancement" in that Part shall be to the calculation in this subsection, notwithstanding the calculation under G.S. 108A-147.3(b). The amount of the total nonfederal receipts for health advancement shall be calculated by adding all of the following:

- (1) The presumptive service cost component calculated under G.S. 108A-147.5.
- (2) The HASP health advancement component calculated under G.S. 108A-147.6.
- (3) The administration component calculated under G.S. 108A-147.7.
- (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).
- (6) Twelve million eight hundred thousand dollars (\$12,800,000).

SECTION 9E.13.(b) Notwithstanding the limitation on the use of funds under G.S. 108A-147.13(a), DHHS may use twelve million eight hundred thousand dollars (\$12,800,000) of the receipts collected under Part 3 of Article 7B of Chapter 108A of the General Statutes during the 2026-2027 fiscal year for the Medicaid program.

SECTION 9E.13.(c) No later than September 1, 2025, DHHS shall submit to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division a report that details the amount of funds that DHHS provided to each county department of social services from funding sources other than the proceeds of the health advancement assessments during the 2023-2024 fiscal year and the 2024-2025 fiscal year for the implementation of NC Health Works under Section 1.1 of S.L. 2023-7 and the date that those amounts were provided to each county department of social services.

SECTION 9E.13.(d) Subsections (a) and (b) of this section are effective on July 1, 2026.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H23(S9E.14)-P

Division of Health Benefits
House Appropriations, Health and Human Services

ENSURE CERTAIN MEDICAID RECEIPTS

SECTION 9E.14.(a) For purposes of calculating the public hospital modernized assessments and the private hospital modernized assessments under Part 2 of Article 7B of Chapter 108A of the General Statutes, for the assessment quarter in which this subsection becomes effective, any reference to "total modernized nonfederal receipts" in that Part shall be to the calculation in this subsection, notwithstanding the calculation under G.S. 108A-146.5(b). The amount of the total modernized nonfederal receipts shall be calculated by adding all of the following:

- (1) One-fourth of the State's annual Medicaid payment as defined in G.S. 108A-145.3.
- (2) The managed care component under G.S. 108A-146.7.
- (3) The fee-for-service component under G.S. 108A-146.9.
- (4) The modernized HASP component under G.S. 108A-146.10.
- (5) The GME component under G.S. 108A-146.11.
- (6) The postpartum coverage component under G.S. 108A-146.12.
- (7) The home and community-based services component under G.S. 108A-146.12A.
- (8) Ten million seven hundred fifty thousand dollars (\$10,750,000).

SECTION 9E.14.(b) Notwithstanding the limitation on the use of funds under G.S. 108A-146.15, the Department of Health and Human Services may use up to ten million seven hundred fifty thousand dollars (\$10,750,000) of the receipts collected under Part 2 of Article 7B of Chapter 108A of the General Statutes during the 2026-2027 fiscal year for the Medicaid program.

SECTION 9E.14.(c) Subsections (a) and (b) of this section are effective on July 1, 2026.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DHB-H25(S9E.16)i

Division of Health Benefits
House Appropriations, Health and Human Services

MEDICAID HASP REIMBURSEMENT FOR PSYCHIATRIC HOSPITALS**SECTION 9E.16.(a)** G.S. 108A-148.1(a) reads as rewritten:

"(a) The healthcare access and stabilization program is a directed payment program that provides acute care hospitals with increased reimbursements funded through hospital assessments in accordance with this section. Upon the approval of CMS, the healthcare access and stabilization program directed payment program shall additionally provide qualifying freestanding psychiatric hospitals with increased reimbursements funded through hospital assessments. A qualifying freestanding psychiatric hospital is a freestanding psychiatric hospital as defined in G.S. 108A-145.3 that is Medicare-certified and submits Hospital Cost Report Information System cost report data to CMS."

SECTION 9E.16.(b) The Department of Health and Human Services shall submit a 42 C.F.R. § 438.6(c) preprint requesting approval to include freestanding psychiatric hospitals in the healthcare access and stabilization program (HASP) authorized under G.S. 108A-148.1, as amended by subsection (a) of this section.

SECTION 9E.16.(c) G.S. 108A-145.3 reads as rewritten:**"§ 108A-145.3. Definitions.**

The following definitions apply in this Article:

...

(6c) Freestanding psychiatric hospital. – A hospital facility that is (i) licensed under Article 2 of Chapter 122C of the General Statutes, (ii) primarily engaged in providing to inpatients, by or under the supervision of a physician, psychiatric services for the diagnosis and treatment of individuals with mental illnesses, and (iii) not State-owned and State-operated.

(6d) HASP directed payments. – Payments made by the Department to prepaid health plans to be used for (i) increased reimbursements to hospitals under the HASP program and (ii) the costs to prepaid health plans from the gross premiums tax under G.S. 105-228.5 and the insurance regulatory charge under G.S. 58-6-25 associated with those hospital reimbursements.

~~(6d)~~(6e) Healthcare access and stabilization program (HASP). – The directed payment program providing increased reimbursements to acute care hospitals and freestanding psychiatric hospitals as approved by CMS and authorized by G.S. 108A-148.1.

...."

SECTION 9E.16.(d) 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 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."

SECTION 9E.16.(e) G.S. 108A-146.3 reads as rewritten:

"§ 108A-146.3. Private hospital modernized assessment.

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

(b) The private hospital modernized assessment shall be assessed as a percentage of each private 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 percentage for each quarter shall equal the aggregate acute care hospital modernized assessment collection amount under G.S. 108A-146.5 multiplied by the private hospital historical assessment share and divided by the total hospital costs for all private acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(f) Part 2 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-146.4. Freestanding psychiatric hospital modernized assessment.

(a) The freestanding psychiatric hospital modernized assessment imposed under this Part shall apply to all freestanding psychiatric hospitals.

(b) The freestanding psychiatric hospital modernized assessment shall be assessed as a percentage of each freestanding psychiatric 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 percentage for each quarter shall equal the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A divided by the total hospital costs for all freestanding psychiatric hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(g) G.S. 108A-146.5 reads as rewritten:

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

(a) The aggregate modernized assessment collection amount is an amount of money that is calculated by subtracting the modernized intergovernmental transfer 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.

(b) The total modernized nonfederal receipts is the sum of all of the following:

- (1) One-fourth of the State's annual Medicaid payment.
- (2) The managed care component under G.S. 108A-146.7.
- (3) The fee-for-service component under G.S. 108A-146.9.
- (3a) The modernized acute care hospital HASP component under G.S. 108A-146.10.
- (3b) The modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A.
- (4) The GME component under G.S. 108A-146.11.
- (5) Beginning April 1, 2022, and ending March 31, 2027, the postpartum coverage component under G.S. 108A-146.12.
- (6) Beginning April 1, 2024, the home and community-based services component under G.S. 108A-146.12A.

(c) The aggregate acute care hospital modernized assessment collection amount is an amount of money equal to the aggregate modernized assessment collection amount under subsection (a) of this section minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A."

SECTION 9E.16.(h) G.S. 108A-146.10 reads as rewritten:

1 **"§ 108A-146.10. Modernized acute care hospital HASP component.**

2 The modernized acute care hospital HASP component is an amount of money that is
3 calculated each quarter by multiplying the aggregate amount of HASP directed payments due to
4 PHPs in the current quarter for ~~hospital~~-reimbursements to acute care hospitals that are not
5 attributable to newly eligible individuals by the nonfederal share for not newly eligible
6 individuals."

7 **SECTION 9E.16.(i)** Part 2 of Article 7B of Chapter 108A of the General Statutes is
8 amended by adding a new section to read:

9 **"§ 108A-146.10A. Modernized freestanding psychiatric hospital HASP component.**

10 The modernized freestanding psychiatric hospital HASP component is an amount of money
11 that is calculated each quarter by multiplying the aggregate amount of HASP directed payments
12 due to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals that
13 are not attributable to newly eligible individuals by the nonfederal share for not newly eligible
14 individuals."

15 **SECTION 9E.16.(j)** G.S. 108A-146.13 reads as rewritten:

16 **"§ 108A-146.13. Modernized presumptive IGT adjustment component.**

17 ...

18 (c) The modernized presumptive IGT adjustment component is an amount of money
19 equal to the sum of all of the following subcomponents:

- 20 (1) The public hospital IGT subcomponent is the total of the following amounts:
- 21 a. Sixteen and forty-three hundredths percent (16.43%) of the amount of
22 money that is equal to the total modernized nonfederal receipts under
23 G.S. 108A-146.5(b) for the current quarter minus the modernized
24 acute care hospital HASP component under G.S. 108A-146.10 for the
25 current quarter and minus the modernized freestanding psychiatric
26 hospital HASP component under G.S. 108A-146.10A for the current
27 quarter.
- 28 b. Sixty percent (60%) of the nonfederal share for not newly eligible
29 individuals of the aggregate amount of HASP directed payments due
30 to PHPs in the current quarter for reimbursements to public acute care
31 hospitals and that are not attributable to newly eligible individuals.
- 32 (2) The UNC Health Care System IGT subcomponent is the total of the following
33 amounts:
- 34 a. Four and sixty-two hundredths percent (4.62%) of the ~~difference of~~
35 amount of money that is equal to the total modernized nonfederal
36 receipts under G.S. 108A-146.5(b) for the current quarter minus the
37 modernized acute care hospital HASP component under
38 G.S. 108A-146.10 for the current quarter and minus the modernized
39 freestanding psychiatric hospital HASP component under
40 G.S. 108A-146.10A for the current quarter.
- 41 b. The nonfederal share for not newly eligible individuals of the
42 aggregate amount of HASP directed payments due to PHPs in the
43 current quarter for reimbursements to UNC Health Care System
44 hospitals that are not attributable to newly eligible individuals.
- 45 (3) The East Carolina University IGT subcomponent is the total of the following
46 amounts:
- 47 a. One and four hundredths percent (1.04%) of the ~~difference of amount~~
48 of money that is equal to the total modernized nonfederal receipts
49 under G.S. 108A-146.5(b) for the current quarter minus the
50 modernized acute care hospital HASP component under
51 G.S. 108A-146.10 for the current quarter and minus the modernized

freestanding psychiatric hospital HASP component under
G.S. 108A-146.10A for the current quarter.

- b. The nonfederal share for not newly eligible individuals of the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine that are not attributable to newly eligible individuals."

SECTION 9E.16.(k) 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 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."

SECTION 9E.16.(l) G.S. 108A-147.2 reads as rewritten:

"§ 108A-147.2. Private hospital health advancement assessment.

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

(b) The private hospital health advancement assessment shall be assessed as a percentage of each private acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. 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 private hospital historical assessment share and divided by the total hospital costs for all private acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(m) Part 3 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-147.2A. Freestanding psychiatric hospital health advancement assessment.

(a) The freestanding psychiatric hospital health advancement assessment imposed under this Part shall apply to all freestanding psychiatric hospitals.

(b) The freestanding psychiatric hospital health advancement assessment shall be assessed as a percentage of each freestanding psychiatric hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. The percentage for each quarter shall equal the health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A divided by the total hospital costs for all freestanding psychiatric hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(n) G.S. 108A-147.3 reads as rewritten:

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

(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 calculated 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, and (iii) subtracting the positive or negative IGT share of the reconciliation adjustment component calculated under G.S. 108A-147.11(b).

(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 ~~HASP~~ 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 administration component calculated under G.S. 108A-147.7.
- (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).

(c) The aggregate acute care hospital health advancement assessment collection amount is an amount of money equal to the aggregate health advancement assessment collection amount under subsection (a) of this section minus the health advancement freestanding psychiatric hospital HASP component under G.S. 108A-147.6A."

SECTION 9E.16.(o) G.S. 108A-147.5 reads as rewritten:

"§ 108A-147.5. Presumptive service cost component.

(a) For every State fiscal quarter prior to the fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is zero.

(b) For the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is the product of forty-eight million seven hundred fifty thousand dollars (\$48,750,000) multiplied by the number of months in that State fiscal quarter in which G.S. 108A-54.3A(24) is effective during any part of the month.

(c) For the first State fiscal quarter after the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is one hundred forty-six million two hundred fifty thousand dollars (\$146,250,000).

(d) For the second State fiscal quarter after the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, and for each State fiscal quarter thereafter, the presumptive service cost component is an amount of money that is the greatest of the following:

- (1) The prior quarter's presumptive service cost component amount.
- (2) The prior quarter's presumptive service cost component amount increased by a percentage that is the sum of each monthly percentage change in the Consumer Price Index: Medical Care for the most recent three months available on the first day of the current quarter.
- (3) The prior quarter's presumptive service cost component amount increased by the percentage change in the weighted average of the base capitation rates for standard benefit plans for all rating groups associated with newly eligible individuals compared to the prior quarter. The weight for each rating group shall be calculated using member months documented in the Medicaid managed care capitation rate certification for standard benefit plans.
- (4) The prior quarter's presumptive service cost component amount increased by the percentage change in the weighted average of the base capitation rates for BH IDD tailored plans for all rating groups associated with newly eligible individuals compared to the prior quarter. The weight for each rating group shall be calculated using member months documented in the Medicaid managed care capitation rate certification for BH IDD tailored plans.
- (5) The amount produced from multiplying 1.15 by the highest amount produced when calculating, for each quarter that is at least two and not more than five quarters prior to the current quarter, the actual nonfederal expenditures for the applicable quarter minus the ~~HASP~~ health advancement acute care hospital HASP component calculated under G.S. 108A-147.6 for the applicable

1 quarter and minus the health advancement freestanding psychiatric hospital
2 HASP component calculated under G.S. 108A-147.6A for the applicable
3 quarter."

4 **SECTION 9E.16.(p)** G.S. 108A-147.6 reads as rewritten:

5 **"§ 108A-147.6. ~~HASP health~~ Health advancement acute care hospital HASP component.**

6 The ~~HASP~~-health advancement acute care hospital HASP component is an amount of money
7 that is calculated by multiplying the aggregate amount of HASP directed payments due to PHPs
8 in the current quarter for ~~hospital~~-reimbursements to acute care hospitals attributable to newly
9 eligible individuals by the nonfederal share for newly eligible individuals."

10 **SECTION 9E.16.(q)** Part 3 of Article 7B of Chapter 108A of the General Statutes
11 is amended by adding a new section to read:

12 **"§ 108A-147.6A. Health advancement freestanding psychiatric hospital HASP component.**

13 The health advancement freestanding psychiatric hospital HASP component is an amount of
14 money that is calculated by multiplying the aggregate amount of HASP directed payments due
15 to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals
16 attributable to newly eligible individuals by the nonfederal share for newly eligible individuals."

17 **SECTION 9E.16.(r)** G.S. 108A-147.11 reads as rewritten:

18 **"§ 108A-147.11. Health advancement reconciliation adjustment component.**

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

- 22 (1) The presumptive service cost component calculated under G.S. 108A-147.5
23 for the quarter that is two quarters prior to the current quarter.
- 24 (2) The positive or negative gross premiums tax offset amount calculated under
25 G.S. 108A-147.12(b).
- 26 (3) The ~~HASP~~-health advancement acute care hospital HASP component
27 calculated under G.S. 108A-147.6 for the quarter that is two quarters prior to
28 the current quarter.
- 29 (4) The health advancement freestanding psychiatric hospital HASP component
30 calculated under G.S. 108A-147.6A for the quarter that is two quarters prior
31 to the current quarter.

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

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

41 **SECTION 9E.16.(s)** Subsections (c) through (r) of this section are effective on the
42 first day of the third assessment quarter after the date this act becomes law and apply to
43 assessments imposed on or after that date. The remainder of this section is effective when it
44 becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H30(S9E.17)i

Division of Health Benefits
House Appropriations, Health and Human Services**EXTEND PRIMARY CARE TASK FORCE****SECTION 9E.17.(a)** Section 9E.28 of S.L. 2023-134 reads as rewritten:

"SECTION 9E.28.(a) There is established the North Carolina Primary Care Payment Reform Task Force (Task Force) within the Department of Health and Human Services, Division of Health Benefits, for budgetary purposes only.

...

"SECTION 9E.28.(b) The Task Force established under subsection (a) of this section shall have the following duties:

- (1) Establish a definition of primary care to be utilized by the Task Force. This term should be applicable to services and care provided under the NC Medicaid program, the State Health Plan, and commercial insurance.
- (2) Conduct an actuarial evaluation of the current healthcare spend on primary care services, both as it relates to the NC Medicaid program and the commercial market, including Medicare Advantage plans.
- (3) Determine the adequacy of the primary care delivery system in North Carolina, including the impact this system has on the supply of the primary care providers in this State.
- (4) Study the primary care payment landscape in other states, specifically considering states that have implemented a minimum primary care spend.
- (5) Identify data collection and measurement systems to inform creation of a primary care investment target for the NC Medicaid program, the State Health Plan, and commercial insurance. This includes a method by which to measure improvements made toward that target.
- (5a) Collect and compile data and other information related to healthcare spend on primary care services in a manner that is compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Within 45 days of a request for data or information from the Task Force, all entities shall comply with the Task Force's request.
- (6) Evaluate the need for a permanent Primary Care Payment Reform Task Force, or other similar entity, including which State agency or body is best suited to oversee the work of that group.
- (7) Perform any other studies, evaluations, or determinations the Task Force considers necessary.

"SECTION 9E.28.(b1) The Department of Health and Human Services shall develop, and the Task Force and the Department of Health and Human Services shall implement, a detailed data security and safeguarding plan for the data requested pursuant to subsection (b) of this section that includes all of the following:

- (1) Guidelines for authorizing access to the data, including guidelines for authentication of authorized access.
- (2) Privacy compliance standards.
- (3) Privacy and security audits.

- (4) Breach planning, notification, and procedures.
- (5) Data retention and disposition policies.
- (6) Data security policies, including electronic, physical, and administrative safeguards such as data encryption and training of employees.

"SECTION 9E.28.(b2) The data collected by the Task Force under subsection (b) of this section, regardless of where it is housed, shall be used only for the purposes of this task force and shall not be considered a public record within the meaning of Chapter 132 of the General Statutes.

"SECTION 9E.28.(c) No later than April 1, 2024, and April 1, 2026, the Task Force shall submit a report with its findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid. These findings and recommendations shall include specific, concrete, and actionable steps to be undertaken by the State and upon which the General Assembly could act.

"SECTION 9E.28.(d) This section shall expire on ~~May 1, 2024~~ December 31, 2026."

SECTION 9E.17.(b) This section is effective retroactively to July 1, 2023.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H36(S9E.18)-P

Division of Health Benefits
House Appropriations, Health and Human Services

MEDICAID STANDARD PLAN CONTRACTS AND PREPAID HEALTH PLAN REQUIREMENTS

SECTION 9E.18.(a) G.S. 108D-1 reads as rewritten:

"§ 108D-1. Definitions.

The following definitions apply in this Chapter:

...

(31e) Provider-led entity or PLE. – As defined in G.S. 58-93-5.

...."

SECTION 9E.18.(b) G.S. 108D-45 reads as rewritten:

"§ 108D-45. Number and nature of contracts for standard benefit plans.

(a) The For the initial standard benefit plan contracts required under G.S. 108D-65(6), the number and nature of the contracts for standard benefit plans required under G.S. 108D-65(6) those contracts shall be as follows:

- (1) Four contracts between the Division of Health Benefits and PHPs to provide coverage to Medicaid recipients statewide.
- (2) Up to 12 contracts between the Division of Health Benefits and PLEs for coverage of regions specified by the Division of Health Benefits pursuant to G.S. 108D-65(2). Regional contracts shall be in addition to the four statewide contracts required under subdivision (1) of this section. Each regional contract shall provide coverage throughout the entire region for the Medicaid services required by G.S. 108D-35. A PLE may bid for more than one regional contract, provided that the regions are contiguous.
- (3) Repealed by Session Laws 2023-134, s. 9E.22(i), effective October 3, 2023.
- (4) Initial capitated PHP contracts may be awarded on staggered terms of three to five years in duration to ensure against gaps in coverage that may result from termination of a contract by the PHP or the State.

(b) For any standard benefit plan contracts required under G.S. 108D-65(6) that are awarded subsequent to the initial standard benefit plan contracts, the number and nature of those contracts shall be as follows:

- (1) Up to four contracts between the Division of Health Benefits and PHPs to provide coverage to Medicaid recipients statewide.
- (2) At least one of the standard benefit plan contracts awarded under this subsection shall be awarded to a PLE if one or more PLEs submits a timely response meeting the requirements, as determined by the Division of Health Benefits, of the RFP to procure a standard benefit plan contract under this subsection.
- (3) The criteria the Division of Health Benefits uses to evaluate the responses to the RFPs to procure contracts under this subsection shall include, at a minimum, all of the following measures:

- a. Measures of patient satisfaction, including ease of customer service, timeliness of responses to member complaints, and wait times for appointments.
- b. Measures of provider satisfaction, including overall satisfaction, timeliness of prior authorization responses, and ease of contracting."

SECTION 9E.18.(c) G.S. 108D-65 reads as rewritten:

"§ 108D-65. Role of the Department.

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

...

- (6) Enter into capitated PHP contracts for the delivery of the Medicaid services described in G.S. 108D-35. All contracts shall be the result of requests for proposals (RFPs) issued by the Department and the submission of competitive bids by PHPs. The Department shall develop standardized contract terms, to include at a minimum, the following:

...

- h. Requirements applicable to any prior authorization review requirements used by the PHP, including all of the following:

- 1. The time line for a PHP's completion of a review of a prior authorization request shall be as follows:

- I. For urgent prior authorization requests, the prior authorization request must be either approved or denied and notice given to the beneficiary and beneficiary's health care provider within 24 hours after the PHP receives all information needed to complete a review of the request for prior authorization. For purposes of this sub-subdivision, the term "urgent prior authorization request" is defined as a request for which a time line for decision longer than 72 hours could seriously jeopardize the beneficiary's life, health, or ability to attain, maintain, or regain maximum function, in the opinion of the beneficiary's health care provider.

- II. For non-urgent prior authorization requests, the prior authorization request must be either approved or denied and notice given to the beneficiary and beneficiary's health care provider within 72 hours after the PHP receives all information needed to complete a review of the request for prior authorization.

- 2. A PHP shall make its prior authorization requirements and performance metrics readily accessible on its website and shall ensure this information on its website is updated at least annually.

- 3. A PHP shall ensure that all denials of prior authorization requests are made by a medical doctor possessing a current and valid license to practice medicine in this State who (i) is of the same or similar specialty as the health care provider who typically manages the medical condition or disease or provides the health care service involved in the request and (ii) has experience treating patients with the condition or disease for which the health care service is being requested.

4. A PHP may not revoke, limit, condition, or restrict a prior authorization determination if care that has been previously authorized by the PHP is provided within 45 business days from the date the provider received the prior authorization determination. A PHP is required to pay a provider at the contracted payment rate for a health care service provided by the provider per the prior authorization determination unless any of the following apply:
- I. The provider knowingly and materially misrepresented the health care service in the prior authorization request with the specific intent to deceive and obtain an unlawful payment from the PHP.
 - II. The health care service was no longer a covered benefit on the day it was provided.
 - III. The provider was no longer contracted with the PHP on the date the care was provided.
 - IV. The provider failed to meet the PHP's timely filing requirements.
 - V. The PHP does not have liability for the claim.
 - VI. The enrollee was no longer eligible for health care coverage on the day the care was provided.
 - VII. Any other reason as necessary to comply with federal law and regulations.

...."

SECTION 9E.18.(d) G.S. 108D-22 reads as rewritten:

"§ 108D-22. PHP provider networks.

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

...

(c) The Department shall establish uniform provider credentialing criteria, including selecting objective quality standards, and shall require each PHP to comply with the criteria."

SECTION 9E.18.(e) This section is effective when it becomes law. Subsection (d) of this section applies to contracts entered into on or after the date this section becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H37-P

Division of Health Benefits
House Appropriations, Health and Human Services

Requested by

MEDICAID MANAGED CARE COST CONTAINMENT

SECTION #.(a) G.S. 108D-65 reads as rewritten:

"§ 108D-65. Role of the Department.

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

...

(6) Enter into capitated PHP contracts for the delivery of the Medicaid services described in G.S. 108D-35. All contracts shall be the result of requests for proposals (RFPs) issued by the Department and the submission of competitive bids by PHPs. The Department shall develop standardized contract terms, to include at a minimum, the following:

- a. ~~Risk-adjusted cost growth for its enrollees must be at least two percentage (2%) points below national Medicaid spending growth as documented and projected in the annual report prepared for CMS by the Office of the Actuary.~~ Risk-adjusted cost growth limits that demonstrate savings relative to national health care spending trends, with appropriate benchmarks for measuring progress.
- b. A requirement that PHP spending for prescribed drugs, net of rebates, ensures the State realizes a net savings for the spending on prescription drugs. All PHPs shall be required to use the same drug formulary, which shall be established by the Department.
- b1. Any innovative cost reduction strategies, including those used in other states, identified by the Department.
- b2. A requirement that PHPs report to the Department at least annually on the PHP's cost containment efforts and the outcomes of those efforts.
- b3. Specific actions that the Department is authorized to take if a PHP fails to meet cost containment goals defined in the contract.

...."

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

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H31(S9E.19)i

Division of Health Benefits
House Appropriations, Health and Human Services**ACCREDITATION FOR MEDICAID MANAGED CARE ENTITIES****SECTION 9E.19.(a)** G.S. 108D-65(6) reads as rewritten:**"§ 108D-65. Role of the Department.**

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

...

- (6) Enter into capitated PHP contracts for the delivery of the Medicaid services described in G.S. 108D-35. All contracts shall be the result of requests for proposals (RFPs) issued by the Department and the submission of competitive bids by PHPs. The Department shall develop standardized contract terms, to include at a minimum, the following:

...

- h. A requirement that managed care entities attain and maintain accreditation from a nationally recognized managed care accrediting organization, including the National Committee for Quality Assurance (NCQA), the Joint Commission on Accreditation of Healthcare Organizations, URAC, or another organization approved by the Division, chosen by the managed care entity."

SECTION 9E.19.(b) This section is effective when it becomes law and applies to contracts entered into on or after that date.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DHB-H32(S9E.20)i

Division of Health Benefits
House Appropriations, Health and Human Services***REDUCING USE OF INAPPROPRIATE SETTINGS FOR DELIVERY OF BEHAVIORAL
HEALTH SERVICES***

SECTION 9E.20.(a) Section 9D.22 of S.L. 2021-180, as amended by Section 9D.9 of S.L. 2022-74 and Section 9E.19 of S.L. 2023-134, expires July 1, 2025.

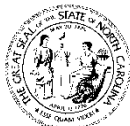
SECTION 9E.20.(b) No later than October 1, 2025, the Department of Health and Human Services (DHHS) shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid on DHHS's recent efforts to address the issue of the inappropriate use of acute care hospital settings for the delivery of behavioral health services. The report shall include all of the following:

- (1) Actions DHHS has taken since July 1, 2023, and plans to take through June 30, 2027, to address this issue.
- (2) An analysis of any gaps that will remain once current plans are implemented, as well as any additional authority, resources, and funding needed to address those gaps.
- (3) Any impact, or anticipated impact, from the implementation of behavioral health and intellectual/developmental disabilities tailored plans on this issue.
- (4) The metrics DHHS uses and will use to measure the effectiveness of actions taken to address this issue.
- (5) Any measurable progress toward addressing this issue.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H13-P

Division of Health Benefits
House Appropriations, Health and Human Services

Requested by

1 DEFINE SEPSIS/NORTH CAROLINA MEDICAID PROGRAM

2 **SECTION #.(a)** Except as provided in subsection (b) of this section, the Department
3 of Health and Human Services, Division of Health Benefits (DHB), shall ensure that the
4 Medicaid program (i) complies with the most recently published American College of Chest
5 Physicians/Society of Critical Care Medicine (ACCP/SCCM) sepsis guidelines, primarily known
6 as the Surviving Sepsis Campaign guidelines, and (ii) does not utilize any clinical criteria beyond
7 that described in the ACCP/SCCM sepsis guidelines when making any medical necessity or
8 utilization review determinations related to diagnosis, treatment, and management of sepsis.
9 DHB shall amend all relevant clinical coverage policies and rules, or adopt rules, policies, or
10 guidelines, necessary to implement this section.

11 **SECTION #.(b)** The Department of Health and Human Services, Division of Health
12 Benefits, shall not make any changes to the Medicaid program described in this section if those
13 changes exceed the authority of the Division of Health Benefits under G.S. 108A-54(e)(1) or
14 creates a recurring cost to the State that would reasonably be anticipated to exceed a future
15 authorized budget for the Medicaid program.

16 **SECTION #.(c)** This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H27-P

Division of Health Benefits
House Appropriations, Health and Human Services

Requested by

1 *DISCONTINUE MEDICAID COVERAGE OF OBESITY MANAGEMENT*
2 *MEDICATIONS*

3 **SECTION #.** Effective October 1, 2025, the Department of Health and Human
4 Services, Division of Health Benefits, shall discontinue the Medicaid coverage of obesity
5 management medications that became effective August 1, 2024.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H51-P

Division of Health Benefits
House Appropriations, Health and Human Services

Requested by

1 INCREASE VARIOUS MEDICAID RATES

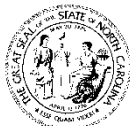
2 **SECTION #.** The Department of Health and Human Services, Division of Health
3 Benefits, shall increase by three percent (3%) the Medicaid rates paid for all of the following:

- 4 (1) Durable medical equipment, orthotics, and prosthetics.
- 5 (2) Speech-language therapy services.
- 6 (3) Optical and optometry services.
- 7 (4) Podiatry services.
- 8 (5) Portable X-ray services.
- 9 (6) Clinical pharmacist practitioners services.
- 10 (7) Nurse midwife services.
- 11 (8) Chiropractic services.
- 12 (9) HIV case management services.
- 13 (10) Independent Diagnostic Testing Facilities services.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHB-H35-P

Division of Health Benefits
House Appropriations, Health and Human Services

Requested by

EXTEND DURABLE MEDICAL EQUIPMENT RATES IN MEDICAID MANAGED CARE

SECTION #. Section 11 of S.L. 2020-88, as amended by Section 3.6 of S.L. 2021-62, reads as rewritten:

"SECTION 11. For the first ~~five years~~ 10 years, ending June 30, 2031, of the ~~initial~~ standard benefit plan prepaid health plan capitated contracts required under Article 4 of Chapter 108D of the General Statutes, the reimbursement for durable medical equipment and supplies, orthotics, and prosthetics under managed care shall be set at one hundred percent (100%) of the lesser of the supplier's usual and customary rate or the maximum allowable Medicaid fee-for-service rates for durable medical equipment and supplies, orthotics, and prosthetics."

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-DHB-H34-P

Division of Health Benefits
House Appropriations, Health and Human Services

Requested by

ADULT CARE HOME MEDICAID PERSONAL CARE SERVICES COVERAGE

SECTION #.(a) In conjunction with the requirements of Section 9E.26 of S.L. 2023-134 for the Department of Health and Human Services, Division of Health Benefits (DHB), to explore options available to increase access to Medicaid services for dual eligibles that provide alternatives to nursing home placements, DHB shall consult with stakeholders and shall submit to the Centers for Medicare and Medicaid Services (CMS) a request that meets all of the following goals:

- (1) Provides Medicaid coverage of personal care services to individuals who reside in licensed adult care homes and special care units and whose income exceeds the limit for participation in the State-County Special Assistance Program authorized under G.S. 108A-40, but does not exceed either (i) one hundred eighty percent (180%) of the federal poverty level, for individuals who, but for their income, would qualify for State-County Special Assistance at the basic rate under G.S. 108A-42.1 or (ii) two hundred percent (200%) of the federal poverty level, for individuals who, but for their income, would qualify for State-County Special Assistance at the enhanced rate under G.S. 108A-42.1.
- (2) Ensures that the cost of any new Medicaid coverage being requested is fully offset by savings or cost avoidance.
- (3) Ensures compliance with applicable legal requirements.

SECTION #.(b) DHB shall take any actions necessary to implement this section and shall submit the appropriate request to CMS within 90 days after this section becomes law. DHB shall only implement the Medicaid coverage described in the request if (i) the request is approved by CMS and (ii) the request meets all of the goals in subsection (a) of this section.

SECTION #.(c) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHSR-H1(S9F.1)i-P

Division of Health Service Regulation - DHHS
House Appropriations, Health and Human Services

***CHARITY CARE EXEMPTION FOR CERTAIN QUALIFIED URBAN AMBULATORY
SURGICAL FACILITIES***

SECTION 9F.1.(a) G.S. 131E-147.5, as enacted by Section 3.2(c) of S.L. 2023-7,
reads as rewritten:

**"§ 131E-147.5. Charity care requirement for qualified urban ambulatory surgical
facilities; annual report.**

(a) The percentage of each qualified urban ambulatory surgical facility's total earned revenue that is attributed to self-pay and Medicaid revenue shall be equivalent to at least four percent (4%), calculated as follows: the Medicare allowable amount for self-pay and Medicaid surgical cases minus all revenue earned from self-pay and Medicaid cases, divided by the total earned revenues for all surgical cases, divided by the total earned revenues for all surgical cases performed in the facility for procedures for which there is a Medicare allowable fee.

(b) Each qualified urban ambulatory surgical facility shall annually report to the Department in the manner prescribed by the Department the percentage of the facility's earned revenue that is attributed to self-pay and Medicaid revenue, as calculated in accordance with subsection (a) of this section.

(c) Qualified ambulatory surgical facilities in counties with a population greater than 125,000 that were licensed prior to November 21, 2025, are exempt from these requirements."

SECTION 9F.1.(b) This section becomes effective November 1, 2025.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DHSR-H3-P

Division of Health Service Regulation - DHHS
House Appropriations, Health and Human Services

Requested by

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

SECTION #. G.S. 131D-6.1(c) reads as rewritten:

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

...

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

...."

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DMH-H6(S9G.1)-P

Divisions of MH-DD-SAS and State Operated Healthcare Facilities – DHHS
House Appropriations, Health and Human Services

SINGLE-STREAM FUNDING FOR DMH/DD/SUS COMMUNITY SERVICES

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

SECTION 9G.1.(b) DMH/DD/SUS is directed to reduce its allocation for single-stream funding by fifteen million dollars (\$15,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium. DMH/DD/SUS shall allocate this recurring reduction for single-stream funding among the LME/MCOs.

SECTION 9G.1.(c) During each year of the 2025-2027 fiscal biennium, each LME/MCO shall offer at least the same level of service utilization as during the 2024-2025 fiscal year across the LME/MCO's catchment area. This requirement shall not be construed to require LME/MCOs to authorize or maintain the same level of services for any specific individual whose services were paid for with single-stream funding. Further, this requirement shall not be construed to create a private right of action for any person or entity against the State of North Carolina or the Department of Health and Human Services or any of its divisions, agents, or contractors and shall not be used as authority in any contested case brought pursuant to Chapter 108C or 108D of the General Statutes.

SECTION 9G.1.(d) If, on or after June 1, 2025, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2024-2025 fiscal year, then DHB shall transfer to DMH/DD/SUS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to be used for single-stream funding.

SECTION 9G.1.(e) If, on or after June 1, 2026, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2025-2026 fiscal year, then DHB shall transfer to DMH/DD/SUS funds not to exceed the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to be used for single-stream funding.

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

SECTION 9G.1.(g) Subsection (d) of this section is effective June 30, 2025. The remainder of this section is effective July 1, 2025.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DMH-H8(S9G.2)-P

Divisions of MH-DD-SAS and State Operated Healthcare Facilities – DHHS
House Appropriations, Health and Human Services

***REPEAL THE MENTAL HEALTH AND SUBSTANCE USE TASK FORCE RESERVE
FUND***

SECTION 9G.2.(a) Section 12F.3(b) of S.L. 2016-94 is repealed.

SECTION 9G.2.(b) Of the funds in the Mental Health and Substance Use Task Force Reserve Fund on the date this section becomes effective, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, shall transfer the lesser of the sum of forty-one million eight hundred sixteen thousand three hundred fifty-one dollars (\$41,816,351) or the balance of the Mental Health and Substance Use Task Force Reserve Fund to Budget Code 14460 to be used for single-stream funding. Any additional funds remaining in the Mental Health and Substance Use Task Force Reserve Fund shall revert to the General Fund.

SECTION 9G.2.(c) This section shall be effective July 1, 2025, or the date it becomes law, whichever is later.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DMH-H7(S9G.3)i

Divisions of MH-DD-SAS and State Operated Healthcare Facilities – DHHS
House Appropriations, Health and Human Services**LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

SECTION 9G.3.(a) Use of Funds. – Funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, shall continue to be used for the purchase of local inpatient psychiatric beds or bed days. The Department of Health and Human Services (DHHS) shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by DHHS. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated 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.3.(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 or bed days to pay for facility-based crisis services, nonhospital 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 bed days and allocate up to forty percent (40%) of the total funding to the LME/MCOs 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.

1 DHHS shall prioritize use of local inpatient psychiatric beds or bed days funded by
2 the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1).

3 **SECTION 9G.3.(c)** Funds to be Held in Statewide Reserve. – Funds appropriated in
4 this act to DHHS for the purchase of local inpatient psychiatric beds or bed days shall not be
5 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health,
6 Developmental Disabilities, and Substance Use Services to pay for services authorized by the
7 LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims
8 for payment to DHHS within 15 working days after receipt of a clean claim from the hospital
9 and shall pay the hospital within 30 working days after receipt of payment from DHHS.

10 **SECTION 9G.3.(d)** Ineffective LME/MCO Management of Beds or Bed Days. – If
11 DHHS determines that (i) an LME/MCO is not effectively managing the beds or bed days for
12 which it has responsibility, as evidenced by beds or bed days in the local hospital not being
13 utilized while demand for services at the State psychiatric hospitals has not decreased, or (ii) the
14 LME/MCO has failed to comply with the prompt payment provisions of this section, DHHS may
15 contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other
16 provision of law to the contrary, may pay the hospital directly.

17 **SECTION 9G.3.(e)** Reporting by LME/MCOs. – LME/MCOs shall be required to
18 report to DHHS regarding the utilization of these beds or bed days.

19 **SECTION 9G.3.(f)** Reporting by DHHS. – By no later than December 1, 2025, and
20 by no later than December 1, 2026, DHHS shall report to the Joint Legislative Oversight
21 Committee on Health and Human Services and the Fiscal Research Division on all of the
22 following:

- 23 (1) A uniform system for beds or bed days purchased during the preceding fiscal
24 year from (i) existing State appropriations and (ii) local funds.
- 25 (2) An explanation of the process used by DHHS to ensure that, except as
26 otherwise provided in subsection (a) of this section, local inpatient psychiatric
27 beds or bed days purchased in accordance with this section are utilized solely
28 for individuals who are medically indigent, along with the number of
29 medically indigent individuals served by the purchase of these beds or bed
30 days.
- 31 (3) The amount of funds used to pay for facility-based crisis services, along with
32 the number of individuals who received these services and the outcomes for
33 each individual.
- 34 (4) The amount of funds used to pay for nonhospital detoxification services, along
35 with the number of individuals who received these services and the outcomes
36 for each individual.
- 37 (5) Other DHHS initiatives funded by State appropriations to reduce State
38 psychiatric hospital use.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-DMH-H4(S9G.5)i-P

Divisions of MH-DD-SAS and State Operated Healthcare Facilities – DHHS
House Appropriations, Health and Human Services

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

SECTION 9G.5. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS), shall develop and implement a replacement project for outdated data systems supporting substance use prevention and treatment goals, specifically the Driving While Impaired Services, the Drug Education School, and the Drug Control Unit programs. This replacement project for outdated data systems shall be designed to prevent progression of misuse of substances through education and regulatory supports. The DMH/DD/SUS shall not proceed with this replacement project until the business case has been approved by the Office of State Budget and Management and the State Chief Information Officer in the Enterprise Project Management Office's Touchdown System. Upon approval of the business case, for each year of the 2025-2027 fiscal biennium, the DMH/DD/SUS may budget up to one million two hundred thousand dollars (\$1,200,000) of mixed beverage tax receipts available in Budget Code 14460, Budget Fund 134603 for transfer to Budget Code 24410 to implement the replacement project for outdated data systems developed pursuant to this section. Beginning in the fiscal year following project completion, the DMH/DD/SUS may use up to one million two hundred thousand dollars (\$1,200,000) of mixed beverage tax receipts each fiscal year to cover operations and maintenance costs for the replacement system.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-DMH-H5(S9G.6)-P

Divisions of MH-DD-SAS and State Operated Healthcare Facilities – DHHS
House Appropriations, Health and Human Services

USE OF OPIOID SETTLEMENT FUNDS**SECTION 9G.6.(a)** Definitions. – The following definitions apply in this section:

- (1) DMH/DD/SUS. – The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services.
- (2) Opioid Abatement Fund. – The Fund created by Section 9F.1 of S.L. 2021-180, as amended by Section 9F.1 of S.L. 2022-74.
- (3) Opioid Abatement Reserve. – The Reserve created by Section 9F.1 of S.L. 2021-180, as amended by Section 9F.1 of S.L. 2022-74.

SECTION 9G.6.(b) Repeal of Prescription Digital Therapeutics Pilot Program. – Section 9F.2 of S.L. 2022-74 is repealed.**SECTION 9G.6.(c)** Transfer of Prescription Digital Therapeutics Pilot Program Funds Back to Opioid Abatement Reserve. – The State Controller shall transfer the sum of one million eight hundred fifty thousand dollars (\$1,850,000) in nonrecurring funds for the 2025-2026 fiscal year from funds available in the Opioid Abatement Fund (as a result of the repeal of the Prescription Digital Therapeutics Pilot Program authorized by Section 9F.2 of S.L. 2022-74) to the Opioid Abatement Reserve.**SECTION 9G.6.(d)** Appropriation of Funds to the DMH/DD/SUS. – The State Controller shall transfer from funds available in the Opioid Abatement Reserve to the Opioid Abatement Fund the sum of thirty-one million three hundred fifty thousand dollars (\$31,350,000) in nonrecurring funds for the 2025-2026 fiscal year and the sum of six million seven hundred fifty thousand dollars (\$6,750,000) in nonrecurring funds for the 2026-2027 fiscal year. The funds transferred are appropriated for the fiscal year in which they are transferred to the DMH/DD/SUS, to be allocated as directed grants as specified in the Committee Report described in Section 45.2 of this act.

Of the funds appropriated to the DMH/DD/SUS by this subsection for allocation as directed grants to local management entities/managed care organizations (LME/MCOs), the sum of four million dollars (\$4,000,000) in nonrecurring funds shall be distributed equally among the LME/MCOs for the 2025-2026 fiscal year to be used to support opioid programs, services, and activities in Tier 1 and Tier 2 counties, as defined in G.S. 143B-472.35(a2)(18).

SECTION 9G.6.(e) Limitation on Use of Directed Grant Funds by Non-State Entities. – Recipients of directed grants allocated by the DMH/DD/SUS pursuant to subsection (c) of this section shall not use these funds for any purpose other than to fund opioid programs, services, and activities within the State of North Carolina to respond to the negative impacts of the opioid epidemic.**SECTION 9G.6.(f)** Reports on the Use of Directed Grant Funds. – By September 1, 2027, recipients of directed grants allocated by the DMH/DD/SUS pursuant to subsection (c) of this section for the 2025-2026 fiscal year, and by September 1, 2028, recipients of directed grants allocated by the DMH/DD/SUS pursuant to subsection (c) of this section for the 2026-2027 fiscal year shall report to the DMH/DD/SUS; the Joint Legislative Oversight Committee on Health and Human Services; and the Fiscal Research Division on the use of their directed grant funds. The report shall include at least all of the following for each directed grant recipient:

- 1 (1) An itemized list of expenditures.
2 (2) The types of opioid remediation programs, services, and activities funded,
3 broken down by geographic location and the number of people served at each
4 location.

5 **SECTION 9G.6.(g)** Time Line for Disbursement of Directed Grant Funds. – In the
6 event the DMH/DD/SUS is unable to begin disbursement of all the directed grant funds
7 authorized by subsection (d) of this section for each year of the 2025-2027 fiscal biennium, within
8 the time frame specified in Section 5.2 of this act due to the unavailability of funds in the Opioid
9 Abatement Fund, the DMH/DD/SUS shall, within the availability of funds in the Opioid
10 Abatement Fund, begin disbursement of as many directed grant funds as possible within the time
11 frame specified in Section 5.2 of this act. As additional funds are deposited into the Opioid
12 Abatement Fund, the DMH/DD/SUS shall begin disbursement of as many additional directed
13 grant funds as possible given the availability of funds in the Opioid Abatement Fund no later
14 than 30 days after each additional deposit.

15 **SECTION 9G.6.(h)** Protection of Deemed Status for Directed Grant Recipients that
16 are Charitable, Nonprofit, Faith-Based, Adult Residential Treatment Facilities. – Effective
17 retroactively to July 1, 2021, G.S. 122C-22(a) reads as rewritten:

18 **"§ 122C-22. Exclusions from licensure; deemed status.**

19 (a) All of the following are excluded from the provisions of this Article and are not
20 required to obtain licensure under this Article:

21 ...

- 22 (11) A charitable, nonprofit, faith-based, adult residential treatment facility that
23 does not receive any federal or State funding and is a religious organization
24 exempt from federal income tax under section 501(a) of the Internal Revenue
25 Code. Funds received by the State (i) as a result of a settlement, as defined in
26 G.S. 114-2.4A, relating to claims regarding the manufacturing, marketing,
27 distribution, dispensing, or sale of opioids, or (ii) as a beneficiary of a
28 confirmation order by a bankruptcy court relating to claims regarding the
29 manufacturing, marketing, distribution, dispensing, or sale of opioids do not
30 constitute State funding for the purpose of determining whether a facility is
31 excluded from licensure under this subdivision.

32"

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DPH-H1(S9H.1)i-P

Division of Public Health - DHHS
House Appropriations, Health and Human Services

1 LOCAL HEALTH DEPARTMENTS/COMPETITIVE GRANT PROCESS TO IMPROVE
2 MATERNAL AND CHILD HEALTH

3 SECTION 9H.1.(a) Funds appropriated in this act to the Department of Health and
4 Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium to
5 award competitive grants to local health departments for the improvement of maternal and child
6 health shall be used to continue administering a competitive grant process for local health
7 departments based on maternal and infant health indicators and the county's detailed proposal to
8 invest in evidence-based programs to achieve the following goals:

- 9 (1)** Improve North Carolina's birth outcomes.
- 10 (2)** Improve the overall health status of children in this State from birth to age 5.
- 11 (3)** Lower the State's infant mortality rate.

12 SECTION 9H.1.(b) The plan for administering the competitive grant process shall
13 include at least all of the following components:

- 14 (1)** A request for application (RFA) process to allow local health departments to
15 apply for and receive State funds on a competitive basis. The Department shall
16 require local health departments to include in the application a plan to evaluate
17 the effectiveness, including measurable impact or outcomes, of the activities,
18 services, and programs for which the funds are being requested.
- 19 (2)** A requirement that the Secretary prioritize grant awards to those local health
20 departments that are able to leverage non-State funds in addition to the grant
21 award.
- 22 (3)** Ensures that funds received by the Department to implement the plan
23 supplement and do not supplant existing funds for maternal and child health
24 initiatives.
- 25 (4)** Allows grants to be awarded to local health departments for up to three years.

26 SECTION 9H.1.(c) No later than July 1 of each year, as applicable, the Secretary
27 shall announce the recipients of the competitive grant awards and allocate funds to the grant
28 recipients for the respective grant period. After awards have been granted, the Secretary shall
29 submit a report to the Joint Legislative Oversight Committee on Health and Human Services on
30 the grant awards that includes at least all of the following:

- 31 (1)** The identity and a brief description of each grantee and each program or
32 initiative offered by the grantee.
- 33 (2)** The amount of funding awarded to each grantee.
- 34 (3)** The number of persons served by each grantee, broken down by program or
35 initiative.

36 SECTION 9H.1.(d) No later than February 1 of each fiscal year, each local health
37 department receiving funding pursuant to this section in the respective fiscal year shall submit to
38 the Division of Public Health a written report of all activities funded by State appropriations. The
39 report shall include the following information about the fiscal year preceding the year in which
40 the report is due:

-

- 1 (1) A description of the types of programs, services, and activities funded by State
2 appropriations.
- 3 (2) Statistical and demographical information on the number of persons served by
4 these programs, services, and activities, including the counties in which
5 services are provided.
- 6 (3) Outcome measures that demonstrate the impact and effectiveness of the
7 programs, services, and activities based on the evaluation protocols developed
8 by the Division, in collaboration with the University of North Carolina
9 Gillings School of Global Public Health, pursuant to Section 12E.11(e) of S.L.
10 2015-241, and reported to the Joint Legislative Oversight Committee on
11 Health and Human Services on April 1, 2016.
- 12 (4) A detailed program budget and list of expenditures, including all positions
13 funded, matching expenditures, and funding sources.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DPH-H2(S9H.2)i-P

Division of Public Health - DHHS
House Appropriations, Health and Human Services

1 ***REPORT ON PREMIUM ASSISTANCE PROGRAM WITHIN AIDS DRUG ASSISTANCE***
2 ***PROGRAM***

3 **SECTION 9H.2.** Upon a determination by the Department of Health and Human
4 Services, Division of Public Health, that, in six months or less, it will no longer be feasible to
5 operate the health insurance premium assistance program implemented within the North Carolina
6 AIDS Drug Assistance Program (ADAP) on a cost-neutral basis or in a manner that achieves
7 savings to the State, the Department shall submit a report to the Joint Legislative Oversight
8 Committee on Health and Human Services notifying the Committee of this determination along
9 with supporting documentation and a proposed course of action with respect to health insurance
10 premium assistance program participants.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DPH-H3(S9H.3)i-P

Division of Public Health - DHHS
House Appropriations, Health and Human Services

INCREASE TO MEDICAL EXAMINER FEE**SECTION 9H.3.** G.S. 130A-387 reads as rewritten:**"§ 130A-387. Fees.**

For each investigation and prompt filing of the required report, the medical examiner shall receive a fee paid by the State. However, if the deceased is a resident of the county in which the death or fatal injury occurred, that county shall pay the fee. The fee shall be ~~two~~ four hundred dollars ~~(\$200.00)-(\$400.00).~~"

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

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SPECIAL PROVISION



2025-DPH-H4(S9H.4)i-P

Division of Public Health - DHHS
House Appropriations, Health and Human Services

***REPORT ON RECOMMENDATIONS FOR A PLAN TO IMPROVE MATERNAL AND
INFANT LEVELS OF CARE IN NORTH CAROLINA***

SECTION 9H.4. By April 1, 2026, the Department of Health and Human Services, Division of Public Health, shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on recommendations for a plan to establish maternal levels of care and to update neonatal levels of care to reduce maternal and infant mortality rates within the State. The plan recommendations shall be consistent with guidelines endorsed by the American College of Obstetricians and Gynecologists, the Society for Maternal-Fetal Medicine, the American Academy of Pediatrics, the United States Centers for Disease Control and Prevention, and the Association of Women's Health, Obstetric and Neonatal Nurses. In developing these plan recommendations, the Department of Health and Human Services, Division of Public Health, shall consult with maternal and infant health stakeholders in North Carolina, including the North Carolina Healthcare Association, the North Carolina Obstetrical and Gynecological Society, the North Carolina Pediatric Society, the North Carolina Academy of Family Physicians, the North Carolina Institute of Medicine, other organizations with expertise in this area, and individuals with lived experience.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DPH-H5(S9H.5)-P

Division of Public Health - DHHS
House Appropriations, Health and Human Services

CAROLINA PREGNANCY CARE FELLOWSHIP

SECTION 9H.5.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium for Carolina Pregnancy Care Fellowship (CPCF), a nonprofit corporation, shall be allocated and used as follows:

- (1) The sum of three million nine hundred fifty thousand dollars (\$3,950,000) in recurring funds for the 2025-2026 fiscal year and the sum of three million nine hundred fifty thousand dollars (\$3,950,000) in recurring funds for the 2026-2027 fiscal year shall be used to provide grants for services to pregnancy centers located in this State.
- (2) The sum of one million dollars (\$1,000,000) in recurring funds for the 2025-2026 fiscal year and the sum of one million dollars (\$1,000,000) in recurring funds for the 2026-2027 fiscal year shall be used to provide the following grants to pregnancy centers located in this State:
 - a. Grants to purchase durable medical equipment.
 - b. Grants to pay for pregnancy care training and training on the use of durable medical equipment.
- (3) The sum of one million fifty thousand dollars (\$1,050,000) in recurring funds for the 2025-2026 fiscal year and the sum of one million fifty thousand dollars (\$1,050,000) in recurring funds for the 2026-2027 fiscal year shall be allocated to fund operation of the CPCF Circle of Care Program.

SECTION 9H.5.(b) The CPCF shall establish an application process for the grants authorized by subdivisions (a)(1) and (a)(2) of this section, and any pregnancy center located in this State that applies for these grant funds through the established application process is eligible to receive these grant funds.

SECTION 9H.5.(c) The CPCF shall not use more than ten percent (10%) of the total amount of funds allocated for each year of the 2025-2027 fiscal biennium for administrative purposes.

SECTION 9H.5.(d) The CPCF shall use these allocated funds for nonsectarian, nonreligious purposes only.

SECTION 9H.5.(e) By July 1, 2027, and July 1 of each odd-numbered year thereafter, the CPCF shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on its use of these allocated funds. The report shall include at least all of the following:

- (1) The identity and a brief description of each grantee and the amount of funding awarded to each grantee.
- (2) The number of persons served by each grantee.
- (3) The number of persons served by the Circle of Care Program.
- (4) The amount of funds used for administrative purposes.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DPH-H8-P

Division of Public Health - DHHS
House Appropriations, Health and Human Services

Requested by

1 *ADDITIONAL FUNDS FOR LOCAL HEALTH DEPARTMENTS*

2 **SECTION #.** Of the funds appropriated in this act to the Department of Health and
3 Human Services, Division of Public Health, the sum of two million fifty-one thousand five
4 hundred eighty-one dollars (\$2,051,581) in recurring funds for each year of the 2025-2027 fiscal
5 biennium shall be allocated equally among the local health departments. Local health
6 departments shall not use these funds for any purpose other than the activities authorized under
7 the General-Aid-to-Counties Agreement Addendum.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-DPH-H9-P

Division of Public Health - DHHS
House Appropriations, Health and Human Services

Requested by

TRANSFER AND REORGANIZATION OF RARE DISEASE ADVISORY COUNCIL

SECTION #.(a) Part 6 of Article 1B of Chapter 130A of the General Statutes reads as rewritten:

"Part 6. Taylor's Law Establishing the Advisory Council on Rare Diseases.

"§ 130A-33.65. Advisory Council on Rare Diseases; membership; terms; compensation; meetings; quorum.

(a) Short Title. – This Part shall be known as Taylor's Law Establishing the Advisory Council on Rare Diseases.

(a1) Establishment of Advisory Council. – There is established the Advisory Council on Rare Diseases within the School of Medicine of the University of North Carolina at Chapel Hill Department of Health and Human Services to advise the Governor, the Secretary, and the General Assembly on research, diagnosis, treatment, and education relating to rare diseases. This Part shall be known as Taylor's Law Establishing the Advisory Council on Rare Diseases. For purposes of this Part, "rare disease" has the same meaning as provided in 21 U.S.C. § 360bb.

(b) Advisory Council Membership. – The advisory council shall consist of 19 members to be appointed as follows:

(1) ~~Upon the recommendation of the Dean of the School of Medicine of the University of North Carolina at Chapel Hill, the~~ The Secretary shall appoint members to the advisory council as follows: the following 15 members:

- a. ~~A physician~~ Two physicians licensed and practicing in this State with experience researching, diagnosing, or treating rare diseases.
- b. ~~A medical researcher with experience conducting research concerning rare diseases.~~
- c. ~~A~~ One registered nurse or advanced practice registered nurse licensed and practicing in the State with experience treating rare diseases.
- d. ~~One rare diseases survivor.~~
- e. ~~One member who represents a rare diseases foundation.~~
- f. ~~One representative~~ researcher from each ~~an~~ academic research institution in this State that receives any grant funding for rare diseases research.
- g. ~~One parent of a childhood rare disease survivor.~~
- h. One hospital administrator, or the hospital administrator's designee, representing a hospital in the State that provides care to persons diagnosed with a rare disease.
- i. Two persons age 18 or older who have been diagnosed with a rare disease.
- j. Two persons age 18 or older who are, or were previously, caregivers to a person diagnosed with a rare disease.
- k. One representative of a rare disease patient organization that operates in the State.

- 1 l. One pharmacist licensed and practicing in this State with knowledge
2 and experience regarding drugs used to treat rare diseases.
- 3 m. One representative of the life sciences, biotechnology, or
4 biopharmaceutical industry that either focuses on research efforts
5 related to the development of therapeutic products for persons
6 diagnosed with a rare disease or has demonstratable understanding of
7 the path to commercialization of such products.
- 8 n. Two representatives of a health benefit plan or health insurer, at least
9 one of whom is a representative of a North Carolina Medicaid
10 Managed Care health plan.
- 11 o. One genetic counselor with experience providing services to persons
12 diagnosed with a rare disease or caregivers of persons diagnosed with
13 a rare disease.
- 14 (2) ~~The chairs of the Joint Legislative Oversight Committee on Health and Human~~
15 ~~Services, or the chairs' designees, shall serve on the advisory council. A~~
16 ~~member of the advisory council who is designated by the chairs of the Joint~~
17 ~~Legislative Oversight Committee on Health and Human Services may be a~~
18 ~~member of the General Assembly.~~
- 19 (2a) One member appointed by the President Pro Tempore of the Senate.
20 (2b) One member appointed by the Speaker of the House of Representatives.
21 (2c) One member appointed by the Governor.
22 (3) The Secretary, or the Secretary's designee, shall serve as an ex officio,
23 nonvoting member of the advisory council.
- 24 (c) ~~Members Length of Terms. – All initial members appointed pursuant to subsection~~
25 ~~(b) of this section to the advisory council shall serve for a term of three years, and no member~~
26 initial member, except for the initial physician members and the initial member representing a
27 rare disease patient organization, shall serve more than three consecutive terms. The initial
28 physician members and the initial member representing a rare disease patient organization may
29 serve for up to four consecutive terms. Thereafter, members appointed by the President Pro
30 Tempore of the Senate, the Speaker of the House of Representatives, and the Governor shall
31 serve for a term of two years; and members appointed by the Secretary shall serve for a term of
32 two, three, or four years, as determined by the chair of the advisory council.
- 33 (c1) Vacancies and Removals. – Any appointment to fill a vacancy on the advisory council
34 created by the resignation, dismissal, death, or disability of a member shall be filled by the
35 appointing authority for the balance of the unexpired term. Each appointing authority may
36 remove any member appointed by that appointing authority for misfeasance, malfeasance, or
37 nonfeasance.
- 38 (d) Per Diem and Expenses. – Members of the advisory council shall receive per diem
39 and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5
40 or G.S. 138-6 or travel and subsistence expenses in accordance with the provisions of
41 G.S. 120-3.1, as applicable.
- 42 (e) Administrative Support. – All administrative support and other services required by
43 the advisory council shall be provided by the School of Medicine of the University of North
44 Carolina at Chapel Hill Department.
- 45 (f) ~~Upon the recommendation of the Dean of the School of Medicine of the University~~
46 ~~of North Carolina at Chapel Hill, Selection of Chair. – The Secretary shall select the chair of the~~
47 advisory council from among the members of the council. The chair shall serve in this position
48 until the expiration of his or her term.
- 49 (g) ~~The chair shall convene the first meeting of the advisory council no later than October~~
50 ~~1, 2015. Meetings and Quorum. – A majority of the council members shall constitute a quorum.~~
51 A majority vote of a quorum shall be required for any official action of the advisory council.

1 Following the first meeting, the advisory council shall meet at least quarterly. The advisory
2 council may meet more frequently upon the call of the chair or upon the request of a majority of
3 council members.

4 "**§ 130A-33.66. Advisory Council on Rare Diseases; powers and duties; reports.**

5 The advisory council shall have the following powers and duties:

- 6 (1) Advise ~~on coordinating~~ the Governor, the Secretary, and the General
7 Assembly on all of the following:
8 a. Coordination of statewide efforts ~~for the~~ to study ~~of~~ the incidence of
9 rare diseases within the State and the status of the rare disease
10 community.
11 b. Coordination of statewide efforts to increase public awareness and
12 understanding of rare diseases.
13 c. Identification of policy issues related to rare diseases and the
14 advancement of policy initiatives related to rare diseases at the State
15 and federal levels.
16 d. The appropriation of State funds to facilitate increased public
17 awareness of and improved treatment for rare diseases.
18 (2) Report to the Secretary, the Governor, ~~and~~ the Joint Legislative Oversight
19 Committee on Health and Human ~~Services~~ Services, and the Fiscal Research
20 Division on behalf of the General Assembly not later than January 1, 2016,
21 and annually thereafter, on the activities of the advisory council and its
22 findings and recommendations regarding rare disease research and care in
23 North Carolina, including any recommendations for statutory changes and
24 amendments to the structure, organization, and powers or duties of the
25 advisory council.
26 (3) In consultation with accredited medical schools, accredited schools of public
27 health, and hospitals licensed to operate in the State that provide care to
28 persons diagnosed with a rare disease, develop resources or recommendations
29 regarding quality of and access to treatment and services available within the
30 State for persons diagnosed with a rare disease.
31 (4) Advise and consult with the Department, the North Carolina Drug Utilization
32 Review Board, and the Medicaid Preferred Drug List Review Panel in
33 developing recommendations, resources, and programs relating to the
34 diagnosis and treatment of rare diseases.
35 (5) Identify additional relevant areas for the advisory council to study and
36 evaluate."

37 **SECTION #.(b)** This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DSS-H1(S9J.1)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services**TANF BENEFIT IMPLEMENTATION PLAN**

SECTION 9J.1.(a) Beginning October 1, 2025, the General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2025-2028," 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 FY 2025-2028, 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 2025 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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DSS-H2(S9J.2)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services

***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 IFPS 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 measurements.
- (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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DSS-H3(S9J.3)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services

1 ***CHILD CARING INSTITUTIONS***

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

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DSS-H4(S9J.4)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services

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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DSS-H5(S9J.5)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services***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. § 1087*ll* 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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DSS-H6(S9J.6)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services**FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS**

SECTION 9J.6.(a) Centralized Services. – The North Carolina Child Support Services (NCCSS) Section 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) documentation that the funds were spent according to their annual plans, and (iii) 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

-

1 Human Services and the Fiscal Research Division by November 1 of each year. The report shall
2 describe how federal incentive funds enhanced centralized child support services to benefit
3 county child support services programs and improved the effectiveness and efficiency of county
4 child support services programs. The report shall further include any changes to the State process
5 that NCCSS used in calculating and distributing federal incentive funding to county child support
6 services programs and any recommendations for further changes.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DSS-H7(S9J.7)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services**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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION

2025-DSS-H8(S9J.8)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services**REPORT ON CERTAIN SNAP AND TANF EXPENDITURES**

SECTION 9J.8.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Social Services (Division), for each year of the 2025-2027 fiscal biennium for a report on certain Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) expenditures shall be allocated for vendor costs to generate the data regarding expenditures of those programs. The vendor shall generate data to be submitted to the Division that includes, at a minimum, each of the following:

- (1) The dollar amount and number of transactions accessed or expended out-of-state, by state, for both SNAP benefits and TANF benefits.
- (2) The amount of benefits expended out-of-state, by state, from active cases for both SNAP and TANF.
- (3) The dollar amount and number of transactions of benefits accessed or expended in this State, by types of retailers or institutions, for both SNAP and TANF.

SECTION 9J.8.(b) Upon receiving the expenditures data for SNAP and TANF from the vendor, the Division shall evaluate the data. After evaluating the expenditures data, the Division shall submit a report on its analysis of the data by June 30 and December 31 of each year to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The Division shall post its report required by this subsection on its website and otherwise make the data available by June 30 and December 31 of each year. In the first report required by this section, the Division shall report how this data is used to investigate fraud and abuse in both SNAP and TANF. The Division shall also report on other types of data and how that data is utilized in the detection of fraud and abuse.

SECTION 9J.8.(c) The Division shall maintain the confidentiality of information not public under Chapter 132 of the General Statutes. The Division shall properly redact any information subject to reporting under this section to prevent identification of individual recipients of SNAP or TANF benefits.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DSS-H9(S9J.9)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services

CHILD ADVOCACY CENTER FUNDS

SECTION 9J.9. At least seventy-five percent (75%) of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, for Children's Advocacy Centers of North Carolina, Inc. (CACNC), a nonprofit organization, for each year of the 2025-2027 fiscal biennium shall be distributed to child advocacy centers in this State that are in good standing with CACNC in accordance with the requirements of G.S. 108A-75.2.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Drafting
SPECIAL PROVISION



2025-DSS-H10(S9J.10)i

Division of Social Services - DHHS
House Appropriations, Health and Human Services

1 REQUIRE STATUS REPORT ON FOSTER CARE TRAUMA-INFORMED ASSESSMENT

2 **SECTION 9J.10.** The Department of Health and Human Services, Division of Social
3 Services, shall provide a report to the Joint Legislative Oversight Committee on Health and
4 Human Services and the Fiscal Research Division on the status of the foster care trauma-informed
5 assessment (assessment) required under Section 9J.12 of S.L. 2023-134, as amended by Section
6 7 of S.L. 2024-34, by September 1, 2025, and every six months thereafter until the assessment is
7 fully implemented statewide.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-HHSMISC-H3-P

Miscellaneous - DHHS
House Appropriations, Health and Human Services

Requested by

**MODIFICATION OF CERTIFIED NURSE MIDWIFE REQUIREMENTS REGARDING
WRITTEN PLANS FOR THE EMERGENT AND NONEMERGENT TRANSFER OF
PATIENTS PLANNING BIRTHS OUTSIDE OF A HOSPITAL SETTING**

SECTION #.(a) G.S. 90-178.4 reads as rewritten:

"§ 90-178.4. Administration.

...

(a2) Any Certified Nurse Midwife who attends a planned birth outside of a hospital setting shall provide to each patient a detailed, written plan for emergent and nonemergent transfer, which shall include:

- (1) The name of and distance to the nearest health care facility licensed under Chapter 122C or Chapter 131E of the General Statutes that offers labor and delivery services and has at least one operating ~~room~~ room that can be staffed 24 hours per day and the names of physicians and practices that cover obstetric services at that health care facility.
- (2) The procedures for transfer, including modes of transportation and methods for notifying the relevant health care facility of impending transfer.
- (3) An affirmation that the relevant physicians, practices, and health care facility ~~has~~ have been notified of the plan for emergent and nonemergent transfer by the Certified Nurse Midwife.

...."

SECTION #.(b) This section becomes effective October 1, 2025.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-BG-H1(S9M.1)-P

DHHS Block Grants
House Appropriations, Health and Human Services

DHHS BLOCK GRANTS

SECTION 9M.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:

| | FY 2025-2026 | FY 2026-2027 |
|---|---------------------|---------------------|
| TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS | | |

Local Program Expenditures**Division of Social Services**

| | | |
|--|--------------|--------------|
| 01. Work First Family Assistance | \$23,259,794 | \$23,259,794 |
| 02. Work First County Block Grants | 80,093,566 | 80,093,566 |
| 03. Work First Electing Counties | 2,378,213 | 2,378,213 |
| 04. Adoption Services – Special Children Adoption Fund | 4,001,676 | 4,001,676 |
| 05. Child Protective Services – Child Welfare Workers for Local DSS | 11,387,190 | 11,387,190 |
| 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 | 1,400,000 |

Division of Child Development and Early Education

| | | |
|-----------------------------------|------------|------------|
| 10. Subsidized Child Care Program | 67,913,694 | 67,913,694 |
| 11. NC Pre-K Services | 68,300,000 | 68,300,000 |

Division of Public Health

| | | |
|---|-----------|-----------|
| 12. Teen Pregnancy Prevention Initiatives | 3,538,541 | 3,538,541 |
|---|-----------|-----------|

DHHS Administration

-

| | | | |
|----|--|----------------------|----------------------|
| 1 | | | |
| 2 | 13. Division of Social Services | 2,478,284 | 2,478,284 |
| 3 | | | |
| 4 | 14. Division of Child and Family Well-Being | 3,976 | 3,976 |
| 5 | | | |
| 6 | 15. Office of the Secretary | 34,042 | 34,042 |
| 7 | | | |
| 8 | 16. Eligibility Systems – Operations and | | |
| 9 | Maintenance | 431,733 | 431,733 |
| 10 | | | |
| 11 | 17. NC FAST Implementation | 428,239 | 428,239 |
| 12 | | | |
| 13 | 18. Division of Social Services – Workforce | | |
| 14 | Innovation & Opportunity Act (WIOA) | 93,216 | 93,216 |
| 15 | | | |
| 16 | 19. Division of Social Services TANF Modernization | 2,000,000 | 2,000,000 |
| 17 | | | |
| 18 | Transfers to Other Block Grants | | |
| 19 | | | |
| 20 | Division of Child Development and Early Education | | |
| 21 | | | |
| 22 | 20. Transfer to the Child Care and | | |
| 23 | Development Fund | 21,773,001 | 21,773,001 |
| 24 | | | |
| 25 | Division of Social Services | | |
| 26 | | | |
| 27 | 21. Transfer to Social Services Block | | |
| 28 | Grant for Child Protective Services – | | |
| 29 | Training | 285,612 | 285,612 |
| 30 | | | |
| 31 | 22. Transfer to Social Services Block | | |
| 32 | Grant for Child Protective Services | 5,040,000 | 5,040,000 |
| 33 | | | |
| 34 | 23. Transfer to Social Services Block | | |
| 35 | Grant for County Departments of | | |
| 36 | Social Services for Children's Services | 13,166,244 | 13,166,244 |
| 37 | | | |
| 38 | 24. Transfer to Social Services Block | | |
| 39 | Grant – Foster Care Services | 3,422,219 | 3,422,219 |
| 40 | | | |
| 41 | 25. Transfer to Social Services Block | 1,582,000 | 1,582,000 |
| 42 | Grant – Child Advocacy Centers | | |
| 43 | | | |
| 44 | TOTAL TEMPORARY ASSISTANCE FOR | | |
| 45 | NEEDY FAMILIES (TANF) FUNDS | \$314,186,416 | \$314,186,416 |
| 46 | | | |
| 47 | TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) | | |
| 48 | EMERGENCY CONTINGENCY FUNDS | | |
| 49 | | | |
| 50 | Local Program Expenditures | | |
| 51 | | | |

-

Division of Child Development and Early Education

| | | |
|---------------------------|--------------|--------------|
| 01. Subsidized Child Care | \$34,337,395 | \$34,337,395 |
|---------------------------|--------------|--------------|

**TOTAL TEMPORARY ASSISTANCE FOR
NEEDY FAMILIES (TANF) EMERGENCY
CONTINGENCY FUNDS**

| | |
|---------------------|---------------------|
| \$34,337,395 | \$34,337,395 |
|---------------------|---------------------|

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging

| | | |
|---|--------------|--------------|
| 01. County Departments of Social Services | \$19,837,388 | \$19,837,388 |
|---|--------------|--------------|

| | | |
|---|------------|------------|
| 02. County Departments of Social Services (Transfer From TANF) | 13,166,244 | 13,166,244 |
|---|------------|------------|

| | | |
|--|---------|---------|
| 03. EBCI Tribal Public Health and Human Services | 244,740 | 244,740 |
|--|---------|---------|

| | | |
|---|-----------|-----------|
| 04. Child Protective Services (Transfer From TANF) | 5,040,000 | 5,040,000 |
|---|-----------|-----------|

| | | |
|---------------------------------|-----------|-----------|
| 05. State In-Home Services Fund | 1,943,950 | 1,943,950 |
|---------------------------------|-----------|-----------|

| | | |
|-------------------------------|-----------|-----------|
| 06. Adult Protective Services | 3,864,547 | 2,138,404 |
|-------------------------------|-----------|-----------|

| | | |
|-------------------------------|-----------|-----------|
| 07. State Adult Day Care Fund | 1,994,084 | 1,994,084 |
|-------------------------------|-----------|-----------|

| | | |
|---|---------|---------|
| 08. Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program | 901,868 | 901,868 |
|---|---------|---------|

| | | |
|--|---------|---------|
| 09. Special Children Adoption Incentive Fund | 462,600 | 462,600 |
|--|---------|---------|

| | | |
|--|---------|---------|
| 10. Child Protective Services – Child Welfare Training for Counties (Transfer From TANF) | 285,612 | 285,612 |
|--|---------|---------|

| | | |
|--|-----------|-----------|
| 11. Home and Community Care Block Grant (HCCBG) | 2,696,888 | 2,696,888 |
|--|-----------|-----------|

| | | |
|--|-----------|-----------|
| 12. Child Advocacy Centers (Transfer From TANF) | 1,582,000 | 1,582,000 |
|--|-----------|-----------|

| | | |
|--|-----------|-----------|
| 13. Guardianship – Division of Social Services | 1,802,671 | 1,802,671 |
|--|-----------|-----------|

| | | |
|--|-----------|-----------|
| 14. Foster Care Services (Transfer From TANF) | 3,422,219 | 3,422,219 |
|--|-----------|-----------|

| | | | |
|----|--|---------------------|---------------------|
| 1 | 14A. Big Brothers Big Sisters of the Triangle, Inc. | 350,000 | 350,000 |
| 2 | | | |
| 3 | Division of Mental Health, Developmental Disabilities, and Substance Use Services | | |
| 4 | | | |
| 5 | 15. Mental Health Services – Adult and | | |
| 6 | Child/Developmental Disabilities Program/ | | |
| 7 | Substance Use Services – Adult | 4,149,595 | 4,149,595 |
| 8 | | | |
| 9 | 15A. Autism Society of North Carolina, Inc. | 2,541,392 | 2,541,392 |
| 10 | | | |
| 11 | 15B. The Arc of North Carolina, Inc. | 271,074 | 271,074 |
| 12 | | | |
| 13 | 15C. Easterseals UCP North Carolina & Virginia, Inc. | 1,612,059 | 1,612,059 |
| 14 | | | |
| 15 | DHHS Program Expenditures | | |
| 16 | | | |
| 17 | Division of Services for the Blind | | |
| 18 | | | |
| 19 | 16. Independent Living Program & Program | | |
| 20 | Oversight | 4,237,849 | 4,237,849 |
| 21 | | | |
| 22 | Division of Health Service Regulation | | |
| 23 | | | |
| 24 | 17. Adult Care Licensure Program | 891,520 | 891,520 |
| 25 | | | |
| 26 | 18. Mental Health Licensure and | | |
| 27 | Certification Program | 266,158 | 266,158 |
| 28 | | | |
| 29 | Division of Aging | | |
| 30 | | | |
| 31 | 19. Guardianship | 3,825,443 | 3,825,443 |
| 32 | | | |
| 33 | DHHS Administration | | |
| 34 | | | |
| 35 | 20. Division of Aging | 188,787 | 188,787 |
| 36 | | | |
| 37 | 21. Division of Social Services | 1,724,551 | 1,724,551 |
| 38 | | | |
| 39 | 22. Office of the Secretary/Controller's Office | 673,990 | 673,990 |
| 40 | | | |
| 41 | 23. Legislative Increases/Fringe Benefits | 293,655 | 587,310 |
| 42 | | | |
| 43 | 24. Division of Child Development and | | |
| 44 | Early Education | 13,878 | 13,878 |
| 45 | | | |
| 46 | 25. Division of Mental Health, Developmental | | |
| 47 | Disabilities, and Substance Use Services | 29,966 | 29,966 |
| 48 | | | |
| 49 | 26. Division of Health Service Regulation | 592,882 | 592,882 |
| 50 | | | |
| 51 | TOTAL SOCIAL SERVICES BLOCK GRANT | \$78,907,610 | \$77,475,122 |

-

1

2 **LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

3

4 **Local Program Expenditures**

5

6 **Division of Social Services**

7

8 01. Low-Income Energy Assistance

9 Program (LIEAP) \$56,369,281 \$56,369,281

10

11 02. Crisis Intervention Program (CIP) 44,804,354 44,804,354

12

13 **Local Administration**

14

15 **Division of Social Services**

16

17 03. County DSS Administration 8,037,889 8,037,889

18

19 **DHHS Administration**

20

21 **Division of Social Services**

22

23 04. Administration 10,000 10,000

24

25 05. Energy Portal (FIS Transaction Fees) 25,000 25,000

26

27 **Division of Central Management and Support**

28

29 06. Office of the Secretary/Division of Information Resource

30 Management (DIRM) (Accountable Results for

31 Community Action (AR4CA) Replacement System) 166,750 166,750

32

33 07. Office of the Secretary/DIRM 278,954 278,954

34

35 08. Office of the Secretary/Controller's Office 18,378 18,378

36

37 09. NC FAST Development 627,869 627,869

38

39 10. NC FAST Operations and Maintenance 1,330,323 1,330,323

40

41 **Transfers to Other State Agencies**

42

43 **Department of Environmental Quality**

44

45 11. Weatherization Program 10,356,943 10,356,943

46

47 12. Heating Air Repair and Replacement

48 Program (HARRP) 5,898,508 5,898,508

49

50 13. Local Residential Energy Efficiency Service

51 Providers – Weatherization 574,945 574,945

| | | | |
|----|--|----------------------|----------------------|
| 1 | | | |
| 2 | 14. Local Residential Energy Efficiency Service | | |
| 3 | Providers – HARRP | 319,414 | 319,414 |
| 4 | | | |
| 5 | 15. DEQ – Weatherization Administration | 628,180 | 628,180 |
| 6 | | | |
| 7 | 16. DEQ – HARRP Administration | 393,944 | 393,944 |
| 8 | | | |
| 9 | Department of Administration | | |
| 10 | | | |
| 11 | 17. N.C. Commission on Indian Affairs | 87,736 | 87,736 |
| 12 | | | |
| 13 | TOTAL LOW-INCOME HOME ENERGY | | |
| 14 | ASSISTANCE BLOCK GRANT | \$129,928,468 | \$129,928,468 |
| 15 | | | |
| 16 | CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT | | |
| 17 | | | |
| 18 | Local Program Expenditures | | |
| 19 | | | |
| 20 | Division of Child Development and Early Education | | |
| 21 | | | |
| 22 | 01. Child Care Services | \$347,089,929 | \$367,089,929 |
| 23 | | | |
| 24 | 02. Smart Start Subsidy | 7,392,654 | 7,392,654 |
| 25 | | | |
| 26 | 03. Transfer from TANF Block Grant | | |
| 27 | for Child Care Subsidies | 21,773,001 | 21,773,001 |
| 28 | | | |
| 29 | 04. Quality and Availability Initiatives | | |
| 30 | (TEACH Program \$3,800,000; | | |
| 31 | Family Child Care Home Direct Support | | |
| 32 | Pilot Program \$3,500,000) | 77,480,526 | 67,780,527 |
| 33 | | | |
| 34 | DHHS Administration | | |
| 35 | | | |
| 36 | Division of Child Development and Early Education | | |
| 37 | | | |
| 38 | 05. DCDEE Administrative Expenses | 9,710,886 | 9,710,886 |
| 39 | | | |
| 40 | 06. Indirect Cost | 7,346 | 7,346 |
| 41 | | | |
| 42 | Division of Social Services | | |
| 43 | | | |
| 44 | 07. Direct Deposit for Child Care Payments | 5,000 | 5,000 |
| 45 | | | |
| 46 | 08. Local Subsidized Child Care | | |
| 47 | Services Support | 18,780,355 | 18,780,355 |
| 48 | | | |
| 49 | Division of Central Management and Support | | |
| 50 | | | |
| 51 | 09. NC FAST Operations and Maintenance | 1,450,316 | 1,450,316 |

-

| | | | |
|----|--|----------------------|----------------------|
| 1 | | | |
| 2 | 10. DHHS Central Administration – DIRM | | |
| 3 | Technical Services | 1,029,762 | 1,029,762 |
| 4 | | | |
| 5 | 11. DHHS Central Administration | 118,000 | 118,000 |
| 6 | | | |
| 7 | Division of Child and Family Well-Being | | |
| 8 | | | |
| 9 | 12. Child Care Health Consultation Contracts | 62,205 | 62,205 |
| 10 | | | |
| 11 | TOTAL CHILD CARE AND DEVELOPMENT | | |
| 12 | FUND BLOCK GRANT | \$484,899,980 | \$495,199,981 |
| 13 | | | |
| 14 | COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT | | |
| 15 | | | |
| 16 | Local Program Expenditures | | |
| 17 | | | |
| 18 | 01. Mental Health Services – Child | \$2,477,666 | \$2,477,666 |
| 19 | | | |
| 20 | 02. Mental Health Services – Adult/Child | 19,443,833 | 19,443,833 |
| 21 | | | |
| 22 | 03. Mental Health Services – First | | |
| 23 | Psychotic Symptom Treatment | 4,208,378 | 4,208,378 |
| 24 | | | |
| 25 | 04. Child Behavioral Health (Division of Child | | |
| 26 | and Family Well-Being) | 5,246,350 | 5,246,350 |
| 27 | | | |
| 28 | DHHS Administration | | |
| 29 | | | |
| 30 | Division of Child and Family Well-Being | | |
| 31 | | | |
| 32 | 05. Administration | 140,000 | 140,000 |
| 33 | | | |
| 34 | Division of Mental Health, Developmental Disabilities, and Substance Use Services | | |
| 35 | | | |
| 36 | 06. Crisis Services | 2,377,047 | 2,377,047 |
| 37 | | | |
| 38 | 07. Administration | 332,351 | 332,351 |
| 39 | | | |
| 40 | 08. Adult/Child Mental Health Services | 350,150 | 350,150 |
| 41 | | | |
| 42 | Division of Public Health | | |
| 43 | | | |
| 44 | 09. NC Detect – Behavioral Health ER | 35,000 | 35,000 |
| 45 | | | |
| 46 | TOTAL COMMUNITY MENTAL HEALTH SERVICES | | |
| 47 | BLOCK GRANT | \$34,610,775 | \$34,610,775 |
| 48 | | | |
| 49 | SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES | | |
| 50 | BLOCK GRANT | | |
| 51 | | | |

1 **Local Program Expenditures**

2
3 **Division of Mental Health, Developmental Disabilities, and Substance Use Services**

4

| | | | |
|----|---|-------------|-------------|
| 5 | 01. Substance Abuse – IV Drug | \$2,000,000 | \$2,000,000 |
| 6 | | | |
| 7 | 02. Substance Abuse Prevention | 13,351,864 | 13,351,864 |
| 8 | | | |
| 9 | 03. Substance Use Services – Treatment for | | |
| 10 | Children/Adults | | |
| 11 | (Healing Transitions, Inc., \$200,000; | | |
| 12 | Triangle Residential Options for Substance | | |
| 13 | Abusers, Inc., (TROSAs) \$3,225,000; | | |
| 14 | First Step Farm of Western N.C., Inc., \$100,000; | | |
| 15 | Addiction Recovery Care Association, Inc., | | |
| 16 | (ARCA) \$2,000,000) | 40,038,949 | 40,038,949 |

17

18 **DHHS Program Expenditures**

19
20 **Division of Mental Health, Developmental Disabilities, and Substance Use Services**

21

| | | | |
|----|---|-----------|-----------|
| 22 | 04. Crisis Solutions Initiatives – Collegiate | | |
| 23 | Wellness/Addiction Recovery | 1,545,205 | 1,545,205 |
| 24 | | | |
| 25 | 05. Veterans Initiatives | 250,000 | 250,000 |

26

27 **DHHS Administration**

28
29 **Division of Mental Health, Developmental Disabilities, and Substance Use Services**

30

| | | | |
|----|---|-----------|-----------|
| 31 | 07. Administration | 2,297,852 | 2,297,852 |
| 32 | | | |
| 33 | 08. Controlled Substance Reporting System | 675,000 | 675,000 |

34

35 **TOTAL SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY**

36

| | | | |
|----|-----------------------------|---------------------|---------------------|
| 36 | SERVICES BLOCK GRANT | \$60,158,870 | \$60,158,870 |
|----|-----------------------------|---------------------|---------------------|

37

38 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

39
40 **Local Program Expenditures**

41
42 **Division of Child and Family Well-Being**

43

| | | | |
|----|--|--------------|--------------|
| 44 | 01. Children's Health Services | | |
| 45 | (National Society to Prevent Blindness – | | |
| 46 | North Carolina Affiliate, Inc., \$575,000) | \$11,646,618 | \$11,646,618 |

47

48 **Division of Public Health**

49

| | | | |
|----|---|--|--|
| 50 | 02. Women's and Children's Health Services | | |
| 51 | (March of Dimes, Inc., \$350,000; Sickle Cell | | |

| | | | |
|----|--|---------------------|---------------------|
| 1 | Centers \$200,000; Teen Pregnancy Prevention | | |
| 2 | Initiatives \$650,000; Perinatal & Neonatal Outreach | | |
| 3 | Coordinator Contracts \$440,000; Mountain Area | | |
| 4 | Pregnancy Services \$50,000) | 5,453,930 | 5,453,930 |
| 5 | | | |
| 6 | 03. Oral Health | 58,413 | 58,413 |
| 7 | | | |
| 8 | 04. Evidence-Based Programs in Counties | | |
| 9 | With the Highest Infant Mortality Rates | 1,727,307 | 1,727,307 |
| 10 | | | |
| 11 | DHHS Program Expenditures | | |
| 12 | | | |
| 13 | 05. Children's Health Services | 1,287,619 | 1,287,619 |
| 14 | | | |
| 15 | 06. Women's Health – Maternal Health | 489,568 | 489,568 |
| 16 | | | |
| 17 | 07. Women's and Children's Health – Perinatal | | |
| 18 | Strategic Plan Support Position | 81,112 | 81,112 |
| 19 | | | |
| 20 | 08. State Center for Health Statistics | 158,583 | 158,583 |
| 21 | | | |
| 22 | 09. Health Promotion – Injury and | | |
| 23 | Violence Prevention | 87,271 | 87,271 |
| 24 | | | |
| 25 | DHHS Administration | | |
| 26 | | | |
| 27 | 10. Division of Public Health Administration | 340,646 | 340,646 |
| 28 | | | |
| 29 | 11. Division of Child and Family Well-Being | | |
| 30 | Administration | 211,925 | 211,925 |
| 31 | | | |
| 32 | TOTAL MATERNAL AND CHILD | | |
| 33 | HEALTH BLOCK GRANT | \$21,542,992 | \$21,542,992 |
| 34 | | | |
| 35 | PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT | | |
| 36 | | | |
| 37 | Local Program Expenditures | | |
| 38 | | | |
| 39 | 01. Physical Activity and Prevention | \$3,081,442 | \$3,081,442 |
| 40 | | | |
| 41 | DHHS Program Expenditures | | |
| 42 | | | |
| 43 | Division of Public Health | | |
| 44 | | | |
| 45 | 02. HIV/STD Prevention and | | |
| 46 | Community Planning | 135,063 | 135,063 |
| 47 | | | |
| 48 | 03. Oral Health Preventive Services | 150,000 | 150,000 |
| 49 | | | |
| 50 | 04. Injury and Violence Prevention | | |
| 51 | (Services to Rape Victims – Set-Aside) | 217,935 | 217,935 |

| | | |
|--|--|---------------------|
| 05. Performance Improvement and Accountability | 1,384,421 | 1,199,557 |
| 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 |
| TOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT | \$5,081,861 | \$4,896,997 |
| COMMUNITY SERVICES BLOCK GRANT | | |
| 01. Community Action Agencies | \$22,370,334 | \$21,483,238 |
| 02. Limited Purpose Agencies/Discretionary Funding | 504,718 | 504,718 |
| 03. Office of Economic Opportunity | 1,070,001 | 1,024,351 |
| 04. Office of the Secretary/DIRM (Accountable Results for Community Action (AR4CA) Replacement System) | 394,964 | 414,713 |
| 05. Office of Economic Opportunity – Workforce Investment Opportunities Act (WIOA) | 60,000 | 60,000 |
| TOTAL COMMUNITY SERVICES BLOCK GRANT | \$24,400,017 | \$23,487,020 |
| GENERAL PROVISIONS | | |
| SECTION 9M.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. | |

1 **SECTION 9M.1.(c)** Changes in Federal Fund Availability. – If the Congress of the
2 United States increases the federal fund availability for any of the Block Grants or contingency
3 funds and other grants related to existing Block Grants administered by the Department of Health
4 and Human Services from the amounts appropriated in this act, the Department shall allocate the
5 increase proportionally across the program and activity appropriations identified for that Block
6 Grant in this section. In allocating an increase in federal fund availability, the Office of State
7 Budget and Management shall not approve funding for new programs or activities not
8 appropriated in this act.

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

14 Notwithstanding the provisions of this subsection, for fiscal years 2025-2026 and
15 2026-2027, increases in the federal fund availability for the Temporary Assistance to Needy
16 Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy
17 program to pay for child care and shall not be used to supplant State funds.

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

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

27 **SECTION 9M.1.(e)** Except as otherwise provided in subsection (e1) of this section,
28 all changes to the budgeted allocations to the Block Grants or contingency funds and other grants
29 related to existing Block Grants administered by the Department of Health and Human Services
30 that are not specifically addressed in this section shall be approved by the Office of State Budget
31 and Management. The Office of State Budget and Management shall not approve funding for
32 new programs or activities not appropriated in this section. Additionally, if budgeted allocations
33 are decreased, the Office of State Budget and Management shall not approve any reduction of
34 funds designated for subrecipients in subsection (a) of this section under (i) Item 03 of the
35 Substance Use Prevention, Treatment, and Recovery Services Block Grant or (ii) Item 01 or 02
36 of the Maternal and Child Health Block Grant. The Office of State Budget and Management shall
37 consult with the Joint Legislative Oversight Committee on Health and Human Services for
38 review prior to implementing any changes. In consulting, the report shall include an itemized
39 listing of affected programs, including associated changes in budgeted allocations. All changes
40 to the budgeted allocations to the Block Grants shall be reported immediately to the Joint
41 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
42 Division. This subsection does not apply to Block Grant changes caused by legislative salary
43 increases and benefit adjustments.

44 **SECTION 9M.1.(e1)** The Department of Health and Human Services shall have the
45 authority to realign appropriated funds under subsection (a) of this section for Item 01 or 02 in
46 the Maternal and Child Health Block Grant to maintain federal compliance and programmatic
47 alignment, so long as the realignment does not result in a reduction of funds designated for
48 subrecipients under subsection (a) of this section. The Department of Health and Human Services
49 is authorized to realign appropriated funds between the Maternal and Child Health Block Grant
50 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 9M.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 9M.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 9M.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 9M.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 9M.1.(j) The sum of one million four hundred thousand dollars (\$1,400,000) appropriated in this act in TANF funds to the Department of Health and Human Services, Division of Social Services, for each fiscal year of the 2025-2027 fiscal biennium 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.

SECTION 9M.1.(k) Of the three million five hundred thirty-eight thousand five hundred forty-one dollars (\$3,538,541) allocated in this section in TANF funds to the Department of Health and Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium for teen pregnancy prevention initiatives, the sum of five hundred thousand dollars

1 (\$500,000) in each year of the 2025-2027 fiscal biennium shall be used to provide services for
2 youth in foster care or the juvenile justice system.

3 4 **SOCIAL SERVICES BLOCK GRANT**

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

15 **SECTION 9M.1.(m)** The sum of two hundred eighty-five thousand six hundred
16 twelve dollars (\$285,612) appropriated in this act in the Social Services Block Grant to the
17 Department of Health and Human Services, Division of Social Services, for each fiscal year of
18 the 2025-2027 fiscal biennium shall be used to support various child welfare training projects as
19 follows:

- 20 (1) Provide a regional training center in southeastern North Carolina.
- 21 (2) Provide training for residential child caring facilities.
- 22 (3) Provide for various other child welfare training initiatives.

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

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

29 **SECTION 9M.1.(p)** The sum of five million forty thousand dollars (\$5,040,000)
30 appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027
31 fiscal biennium transferred from funds appropriated in the TANF Block Grant shall be allocated
32 to the Department of Health and Human Services, Division of Social Services. The Division shall
33 allocate these funds to local departments of social services to replace the loss of Child Protective
34 Services State funds that are currently used by county governments to pay for Child Protective
35 Services staff at the local level. These funds shall be used to maintain the number of Child
36 Protective Services workers throughout the State. These Social Services Block Grant funds shall
37 be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R
38 .0201(3) requiring a local match of twenty-five percent (25%).

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

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

SECTION 9M.1.(s) Of the three million eight hundred sixty-four thousand five hundred forty-seven dollars (\$3,864,547) appropriated in this act in the Social Services Block Grant for the 2025-2026 fiscal year and the two million one hundred thirty-eight thousand four hundred four dollars (\$2,138,404) for the 2026-2027 fiscal year to the Division of Aging 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 9M.1.(s1) 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 HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 9M.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 9M.1.(u) The sum of fifty-six million three hundred sixty-nine thousand two hundred eighty-one dollars (\$56,369,281) for each year of the 2025-2027 fiscal biennium appropriated in this act in the Low-Income Home 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.

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.
- (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 9M.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 9M.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 9M.1.(x) The sum of four million two hundred eight thousand three hundred seventy-eight dollars (\$4,208,378) for each year of the 2025-2027 fiscal biennium 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 9M.1.(y) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2025-2026 fiscal year or the 2026-2027 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to administer an abstinence until marriage education program consistent with G.S. 115C-81.30. The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 9M.1.(z) 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.

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1 **SECTION 9M.1.(aa)** The sum of eighty-one thousand one hundred twelve dollars
2 (\$81,112) allocated in this section in the Maternal and Child Health Block Grant to the
3 Department of Health and Human Services, Division of Public Health, Women and Children's
4 Health Section, for each fiscal year of the 2025-2027 fiscal biennium shall not be used to supplant
5 existing State or federal funds. This allocation shall be used for a Public Health Program
6 Consultant position assigned full-time to manage the North Carolina Perinatal Health Strategic
7 Plan and provide staff support for the stakeholder work group.

8 **SECTION 9M.1.(bb)** At least ninety percent (90%) of the funds allocated for
9 Mountain Area Pregnancy Services, a nonprofit organization, in the Maternal and Child Health
10 Block Grant for each year of the 2025-2027 fiscal biennium shall be used for direct services.

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

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2025

Proofed
SPECIAL PROVISION



2025-BG-H2(S9M.2)-P

DHHS Block Grants
House Appropriations, Health and Human Services

***USE OF CHILD CARE AND DEVELOPMENT BLOCK GRANT FUNDS/FAMILY CHILD
CARE HOME DIRECT SUPPORT PILOT***

SECTION 9M.2.(a) Of the funds appropriated in this act from the federal Child Care and Development Block Grant under Section 9M.1 of this act to the Department of Health and Human Services, Division of Child Development and Early Education, for quality and availability initiatives, the sum of three million five hundred thousand dollars (\$3,500,000) for each year of the 2025-2027 fiscal biennium shall be allocated in equal amounts to three councils of governments, one of which is in a county from the Coastal Plain Region, one of which is in a county from the Mountain Region, and one of which is in a county from the Piedmont Region, as those regions are defined in G.S. 143B-1373(a). These funds shall be used to establish a two-year pilot program coordinated by those councils of governments to build child care capacity in those counties. Each designated council of governments shall issue a request for application (RFA) for a vendor to contract with the respective council of governments to administer the pilot program, and each vendor selected shall have experience providing support and assistance to early child care providers. To receive funds, the vendor shall partner with the councils of governments in the respective county to (i) increase the supply of child care programs by recruiting and coaching prospective child care providers through the initial business planning and implementation process and (ii) ensure sustainability by executing a two-year mentorship program for the new child care programs created pursuant to this section.

SECTION 9M.2.(b) The councils of governments participating in the pilot program may use (i) a portion of these funds for additional solutions provided by the vendor within the early childhood education space to meet localized needs and in support of recovery, rehabilitation, and ongoing needs of their member communities and (ii) up to five percent (5%) of the funds allocated to the respective councils of governments under this act for administrative costs.

SECTION 9M.2.(c) The councils of governments participating in the pilot program shall select a vendor that has all of the following qualifications:

- (1) Experience and active or successful contracts to establish new family child care homes in at least three other states.
- (2) Technology to operate a substitute teacher pool that matches teachers with providers and facilitates payments and quality control, and experience in creating an active substitute teacher pool in one state.
- (3) Experience successfully establishing family child care homes in rural communities and addressing child care access in underserved areas.
- (4) Technology that (i) allows for the recruitment of child care providers via microsites, (ii) allows the onboarding of child care providers via a licensing checklist, (iii) allows coaches to interface with and communicate with child care providers, (iv) supports child care providers with enrollments via a website and enrollment marketplace, (v) supports the recruitment of teachers for the programs, (vi) provides billing for the programs, (vii) provides ongoing

business coaching, and (viii) allows all such technology to be connected and communicate seamlessly.

- (5) Demonstrated successful experience establishing new family child care homes at scale on time lines of six months or less.

SECTION 9M.2.(d) Each vendor selected to participate in the pilot program shall do each of the following:

- (1) Perform a child care needs analysis to determine where child care providers and substitute teachers are needed.
- (2) Recruit new potential child care providers and substitutes and plan, staff, and execute in-person and virtual recruitment events for new child care providers in areas of need.
- (3) Implement technology that meets the requirements of subdivision (c)(4) of this section.
- (4) Implement technology to operate a substitute teacher pool that matches teachers with providers and facilitates payments and quality control.
- (5) Develop informational materials that assist in-home family child care providers with marketing, advertising, and parental outreach.
- (6) Create child care slots and implement a substitute teacher pool available to child care providers in the councils of governments' respective counties.
- (7) Craft an implementation strategy to meet community and workforce needs, including establishing child care for nontraditional hours and days, as needed.
- (8) Provide a dashboard that allows for government leaders to track vendor progress and get feedback from child care providers along with real-time reporting.
- (9) Provide support and resources and offer in-home family child care providers coaching and training that includes in-person group training sessions, on-site coaching visits, community forums, and events for a minimum of two years.
- (10) Report all necessary information as required by this section.

SECTION 9M.2.(e) The councils of governments participating in the pilot program shall submit an initial progress report by March 1, 2026, and additional progress reports every six months thereafter for the duration of the pilot program to the Joint Legislative Oversight Committee on Health and Human Services, the Fiscal Research Division, and the Division of Child Development and Early Education. The reports shall include, at a minimum, the following:

- (1) The number of child care programs created through the pilot program, by county.
- (2) The number of child care programs created that are child care centers and the number that are family child care homes.
- (3) The number of new child care slots created by the pilot program.
- (4) The costs associated with creating the child care programs, including any administrative costs.