GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

S **3**

SENATE BILL 257

Appropriations/Base Budget Committee Substitute Adopted with unengrossed amendments 4/15/25
Finance Committee Favorable 4/15/25
Pensions and Retirement and Aging Committee Substitute Adopted 4/15/25
Third Edition Engrossed 4/17/25

Short Title: 2025 Appropriations Act. (Public)

Sponsors:

Referred to:

March 11, 2025

A BILL TO BE ENTITLED

AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE AGENCIES, DEPARTMENTS, AND INSTITUTIONS.

The General Assembly of North Carolina enacts:

PART I. TITLE AND INTRODUCTION

TITLE OF ACT

SECTION 1.1. This act shall be known as the "Current Operations Appropriations Act of 2025."

INTRODUCTION

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

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

GENERAL FUND APPROPRIATIONS

SECTION 2.1.(a) Appropriations from the General Fund for the budgets of the State departments, institutions, and agencies, and for other purposes, as enumerated, are made for each year of the 2025-2027 fiscal biennium, according to the following schedule:

Current Operations - General Fund	**FY 2025-2026**	**FY 2026-2027**
EDUCATION		
North Carolina Community College System		
Requirements	2,181,902,384	2,131,628,971
Less: Receipts	400,787,849	398,313,878

Net Appropriation	**1,781,114,535**	**1,733,315,093**
Department of Public Instruction		
Requirements	15,043,864,593	15,140,028,934
Less: Receipts	2,979,142,635	2,773,998,833
Net Appropriation	**12,064,721,958**	**12,366,030,101**
THE UNIVERSITY OF NORTH CAROLINA		
East Carolina Univ. - Academic Affairs		
Requirements	449,746,645	450,746,645
Less: Receipts	175,618,884	176,618,884
Net Appropriation	**274,127,761**	**274,127,761**
East Carolina Univ. - Health Affairs		
Requirements	121,853,241	121,853,241
Less: Receipts	14,708,326	14,708,326
Net Appropriation	**107,144,915**	**107,144,915**
Appalachian State University		
Requirements	361,221,568	362,221,568
Less: Receipts	151,358,973	152,358,973
Net Appropriation	**209,862,595**	**209,862,595**
Elizabeth City State University		
Requirements	57,575,597	58,575,597
Less: Receipts	9,062,050	10,062,050
Net Appropriation	**48,513,547**	**48,513,547**
Fayetteville State University		
Requirements	108,137,643	109,137,643
Less: Receipts	20,550,653	21,550,653
Net Appropriation	**87,586,990**	**87,586,990**
NC A&T University		
Requirements	265,794,998	277,409,534
Less: Receipts	103,066,524	104,066,524
Net Appropriation	**162,728,474**	**173,343,010**
NC School of Science and Mathematics		
Requirements	49,107,483	49,107,483
Less: Receipts	3,866,717	3,866,717
Net Appropriation	**45,240,766**	**45,240,766**
NC State University - Academic Affairs		
Requirements	1,069,920,970	1,077,384,903
Less: Receipts	500,608,834	507,708,834
Net Appropriation	**569,312,136**	**569,676,069**
NC State University - Ag. Research		
Requirements	83,589,800	83,589,800
Less: Receipts	20,124,784	20,124,784

Net Appropriation	**63,465,016**	**63,465,016**
NC State University - Coop. Extension		
Requirements	65,417,787	65,417,787
Less: Receipts	18,874,550	18,874,550
Net Appropriation	**46,543,237**	**46,543,237**
North Carolina Central University		
Requirements	155,704,790	156,704,790
Less: Receipts	57,132,154	58,132,154
Net Appropriation	**98,572,636**	**98,572,636**
UNC at Asheville		
Requirements	75,136,418	76,136,418
Less: Receipts	24,035,324	25,035,324
Net Appropriation	**51,101,094**	**51,101,094**
UNC at Chapel Hill - Academic Affairs		
Requirements	826,242,482	830,892,482
Less: Receipts	428,694,558	434,794,558
Net Appropriation	**397,547,924**	**396,097,924**
UNC at Chapel Hill - Area Health Ed.		
Requirements	56,855,450	56,855,450
Less: Receipts	0	0
Net Appropriation	**56,855,450**	**56,855,450**
UNC at Chapel Hill - Health Affairs		
Requirements	392,135,573	392,135,573
Less: Receipts	142,736,020	142,736,020
Net Appropriation	**249,399,553**	**249,399,553**
UNC at Charlotte		
Requirements	528,539,845	529,539,845
Less: Receipts	194,855,102	195,855,102
Net Appropriation	**333,684,743**	**333,684,743**
UNC at Greensboro		
Requirements	309,910,059	310,910,059
Less: Receipts	104,922,976	105,922,976
Net Appropriation	**204,987,083**	**204,987,083**
UNC at Pembroke		
Requirements	116,988,721	117,988,721
Less: Receipts	21,514,868	22,514,868
Net Appropriation	**95,473,853**	**95,473,853**
UNC at Wilmington		
Requirements	352,177,159	353,177,159
Less: Receipts	134,937,430	135,937,430
Net Appropriation	**217,239,729**	**217,239,729**

UNC BOG - Aid to Private Institutions		
Requirements	3,209,300	3,209,300
Less: Receipts	0	0
Net Appropriation	**3,209,300**	**3,209,300**
UNC BOG - Institutional Programs		
Requirements	1,041,871,791	302,391,251
Less: Receipts	751,500,000	46,300,000
Net Appropriation	**290,371,791**	**256,091,251**
UNC BOG - Related Ed. Programs		
Requirements	1,050,059,078	1,106,414,078
Less: Receipts	188,962,939	188,962,939
Net Appropriation	**861,096,139**	**917,451,139**
UNC School of the Arts		
Requirements	58,876,330	58,876,330
Less: Receipts	16,904,167	16,904,167
Net Appropriation	**41,972,163**	**41,972,163**
UNC System Office		
Requirements	45,207,311	45,207,311
Less: Receipts	4,009,217	4,009,217
Net Appropriation	**41,198,094**	**41,198,094**
Western Carolina University		
Requirements	202,007,511	202,241,223
Less: Receipts	36,651,773	37,651,773
Net Appropriation	**165,355,738**	**164,589,450**
Winston-Salem State University		
Requirements	95,443,876	96,443,876
Less: Receipts	26,700,103	27,700,103
Net Appropriation	**68,743,773**	**68,743,773**
HEALTH AND HUMAN SERVICES		
Aging		
Requirements	162,915,759	162,947,825
Less: Receipts	110,495,226	110,495,226
Net Appropriation	**52,420,533**	**52,452,599**
Central Management and Support		
Requirements	412,128,436	422,383,440
Less: Receipts	172,006,912	172,356,352
Net Appropriation	**240,121,524**	**250,027,088**
Child and Family Well-Being		
Requirements	587,633,116	587,926,022
Less: Receipts	529,771,915	529,771,915
Net Appropriation	**57,861,201**	**58,154,107**

Child Development and Early Education		
Requirements	990,933,974	981,756,397
Less: Receipts	663,936,608	654,236,609
Net Appropriation	**326,997,366**	**327,519,788**
Emp. & Indep. For People with Disabilities		
Requirements	192,301,284	191,621,377
Less: Receipts	148,446,353	147,558,152
Net Appropriation	**43,854,931**	**44,063,225**
Health Benefits		
Requirements	32,538,608,621	33,500,012,200
Less: Receipts	26,083,787,689	26,693,039,769
Net Appropriation	**6,454,820,932**	**6,806,972,431**
Health Service Regulation		
Requirements	81,712,464	80,480,845
Less: Receipts	57,846,866	57,854,112
Net Appropriation	**23,865,598**	**22,626,733**
Mental Hlth/Dev. Disabl./Subs. Use Serv.		
Requirements	1,763,591,519	1,770,189,290
Less: Receipts	1,004,406,871	1,020,145,036
Net Appropriation	**759,184,648**	**750,044,254**
Public Health		
Requirements	508,520,689	508,811,732
Less: Receipts	375,415,934	375,388,628
Net Appropriation	**133,104,755**	**133,423,104**
Services for the Blind/Deaf/Hard of Hearing		
Requirements	47,580,652	47,633,300
Less: Receipts	38,277,639	38,286,064
Net Appropriation	**9,303,013**	**9,347,236**
Social Services		
Requirements	2,234,496,236	2,247,290,611
Less: Receipts	2,012,293,694	2,016,966,010
Net Appropriation	**222,202,542**	**230,324,601**
AGRIC., NATURAL, AND ECON. RES.		
Agriculture and Consumer Services		
Requirements	525,545,847	296,580,098
Less: Receipts	343,305,058	93,169,654
Net Appropriation	**182,240,789**	**203,410,444**
Commerce		
Requirements	289,341,642	284,250,285
Less: Receipts	82,602,791	77,352,791
Net Appropriation	**206,738,851**	**206,897,494**

Environmental Quality		
Requirements	243,160,102	273,198,525
Less: Receipts	138,827,684	138,830,789
Net Appropriation	**104,332,418**	**134,367,736**
Labor		
Requirements	45,703,742	45,920,338
Less: Receipts	19,106,870	19,106,870
Net Appropriation	**26,596,872**	**26,813,468**
Natural and Cultural Resources		
Requirements	359,359,497	359,371,744
Less: Receipts	50,443,601	50,443,601
Net Appropriation	**308,915,896**	**308,928,143**
Wildlife Resources Commission		
Requirements	110,965,764	111,103,998
Less: Receipts	86,200,340	86,200,340
Net Appropriation	**24,765,424**	**24,903,658**
JUSTICE AND PUBLIC SAFETY		
Administrative Office of the Courts		
Requirements	841,032,377	845,093,406
Less: Receipts	7,209,807	1,209,807
Net Appropriation	**833,822,570**	**843,883,599**
Indigent Defense Services		
Requirements	194,782,744	190,741,412
Less: Receipts	13,994,851	13,994,851
Net Appropriation	**180,787,893**	**176,746,561**
Adult Correction		
Requirements	2,150,041,042	2,165,757,470
Less: Receipts	21,455,170	21,455,170
Net Appropriation	**2,128,585,872**	**2,144,302,300**
Justice		
Requirements	118,187,493	118,723,609
Less: Receipts	50,114,998	50,114,998
Net Appropriation	**68,072,495**	**68,608,611**
Public Safety		
Requirements	897,114,592	887,268,176
Less: Receipts	205,113,467	199,369,487
Net Appropriation	**692,001,125**	**687,898,689**
State Bureau of Investigation		
Requirements	190,854,950	188,623,418
Less: Receipts	61,047,030	58,596,352
Net Appropriation	**129,807,920**	**130,027,066**

GENERAL GOVERNMENT		
Administration		
Requirements	88,167,193	87,838,417
Less: Receipts	15,562,661	15,446,340
Net Appropriation	**72,604,532**	**72,392,077**
Administrative Hearings		
Requirements	11,173,220	10,336,590
Less: Receipts	4,021,520	1,521,520
Net Appropriation	**7,151,700**	**8,815,070**
Auditor		
Requirements	52,895,549	58,027,963
Less: Receipts	12,365,869	12,365,869
Net Appropriation	**40,529,680**	**45,662,094**
Budget and Management		
Requirements	12,820,660	12,897,248
Less: Receipts	1,001,597	1,001,597
Net Appropriation	**11,819,063**	**11,895,651**
Budget and Management - Special Approp.		
Requirements	19,300,000	16,850,000
Less: Receipts	1,500,000	1,500,000
Net Appropriation	**17,800,000**	**15,350,000**
Controller		
Requirements	38,051,149	38,256,937
Less: Receipts	1,723,209	1,723,209
Net Appropriation	**36,327,940**	**36,533,728**
Elections		
Requirements	22,552,422	9,616,261
Less: Receipts	13,102,000	102,000
Net Appropriation	**9,450,422**	**9,514,261**
General Assembly		
Requirements	103,524,571	104,137,558
Less: Receipts	767,526	561,000
Net Appropriation	**102,757,045**	**103,576,558**
Governor		
Requirements	13,011,177	13,058,659
Less: Receipts	6,140,294	6,140,294
Net Appropriation	**6,870,883**	**6,918,365**
Housing Finance Agency		
Requirements	10,660,327	10,660,327
Less: Receipts	0	0
Net Appropriation	**10,660,327**	**10,660,327**

Human Resources		
Requirements	13,188,953	14,798,429
Less: Receipts	1,273,415	798,888
Net Appropriation	**11,915,538**	**13,999,541**
Industrial Commission		
Requirements	20,132,947	19,029,196
Less: Receipts	9,989,699	8,789,699
Net Appropriation	**10,143,248**	**10,239,497**
Insurance		
Requirements	52,604,785	53,043,086
Less: Receipts	9,252,247	9,358,231
Net Appropriation	**43,352,538**	**43,684,855**
Insurance - Fire Marshal		
Requirements	52,019,251	46,000,277
Less: Receipts	12,118,899	14,023,004
Net Appropriation	**39,900,352**	**31,977,273**
Lieutenant Governor		
Requirements	1,477,791	1,393,177
Less: Receipts	0	0
Net Appropriation	**1,477,791**	**1,393,177**
Military and Veterans Affairs		
Requirements	9,226,613	9,363,639
Less: Receipts	0	0
Net Appropriation	**9,226,613**	**9,363,639**
Revenue		
Requirements	210,260,575	210,049,000
Less: Receipts	78,596,148	75,777,870
Net Appropriation	**131,664,427**	**134,271,130**
Secretary of State		
Requirements	20,510,492	22,626,170
Less: Receipts	862,750	2,563,750
Net Appropriation	**19,647,742**	**20,062,420**
Treasurer		
Requirements	133,169,485	124,912,660
Less: Receipts	107,960,411	96,853,586
Net Appropriation	**25,209,074**	**28,059,074**
Treasurer - Other Retirement Plans/Benefits		
Requirements	25,655,407	26,005,407
Less: Receipts	0	0
Net Appropriation	**25,655,407**	**26,005,407**

INFORMATION TECHNOLOGY		
Department of Information Technology		
Requirements	91,107,354	91,281,100
Less: Receipts	957,692	957,692
Net Appropriation	**90,149,662**	**90,323,408**
RESERVES AND LOTTERY		
General Fund Reserve		
Requirements	15,918,756	27,005,183
Less: Receipts	0	0
Net Appropriation	**15,918,756**	**27,005,183**
Total Requirements	**71,672,439,622**	**71,794,798,774**
Less: Total Receipts	**39,084,630,721**	**38,473,836,769**
Total Net Appropriation	**32,587,808,901**	**33,320,962,005**

SECTION 2.1.(b) For purposes of this act and the Committee Report described in Section 45.2 of this act, the requirements set forth in this section represent the total amount of funds, including agency receipts, appropriated to an agency, department, or institution.

GENERAL FUND AVAILABILITY

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

	FY 2025-2026	**FY 2026-2027**
Unappropriated Balance Remaining FY 2024-25	**48,073,341**	**988,429,749**
Anticipated Reversions	500,000,000	500,000,000
Anticipated FY 2024-25 Overcollections	543,900,000	-
Total, Prior Year-End Fund Balance	**1,091,973,341**	**1,488,429,749**
Consensus Revenue Forecast		
Tax Revenue	33,388,800,000	32,657,100,000
Non-Tax Revenue	1,500,900,000	1,410,000,000
Total, Tax & Non-Tax Revenue	**34,889,700,000**	**34,067,100,000**
Revenue Changes		
Adjustments to Tax Revenue	(119,235,000)	(99,493,000)
Adjustments to Non-Tax Revenue	14,825,376	28,648,801
Total, Revenue Changes	**(104,409,624)**	**(70,844,199)**
Statutorily Required Reservations of Revenue		
Savings Reserve	(44,799,750)	-
State Capital and Infrastructure Fund (SCIF)	(1,120,000,000)	(1,159,200,000)
Total, Statutorily Required Reservations of Rev.	**(1,164,799,750)**	**(1,159,200,000)**
Discretionary Reservations of Revenue		
Additional Transfer to Savings Reserve	(1,095,349,136)	-
Economic Development Reserve	(40,876,181)	(4,523,545)
Total, Discretionary Reservations of Rev.	**(1,136,225,317)**	**(4,523,545)**

Revised Total General Fund Availability	**33,576,238,650**	**34,320,962,005**
Total, Net General Fund Appropriations	**32,587,808,901**	**33,320,962,005**
Unappropriated Balance	**988,429,749**	**1,000,000,000**

SECTION 2.2.(b) Savings Reserve. – Notwithstanding G.S. 143C-4-2, the State Controller shall transfer to the Savings Reserve the sum of one billion one hundred forty million one hundred forty-eight thousand eight hundred eighty-six dollars ($1,140,148,886) in nonrecurring funds in the 2025-2026 fiscal year.

SECTION 2.2.(c) IT Reserve. – The State Controller shall reserve to the Information Technology Reserve established in Section 2.2(h) of S.L. 2021-180 from the Stabilization and Inflation Reserve established in Section 2.2(q) of S.L. 2022-74 the sum of one million dollars ($1,000,000) in nonrecurring funds for the 2025-2026 fiscal year. The State Controller shall transfer funds available in the Information Technology Reserve to State agencies and departments for information technology projects in accordance with the following schedule:

	State Agency or Department	2025-2026	2026-2027
(1)	Department of Environmental Quality (Budget Code: 24317)	$10,510,000	$0
(2)	Department of Public Instruction (Budget Code: 23515)	45,000,000	0
(3)	Department of Administration (Budget Code: 74100)	6,000,000	0
(4)	Department of Revenue (Budget Code: 13410)	4,367,667	1,443,333
(5)	Department of State Treasurer (Budget Code: 14700)	5,560,000	0
(6)	Office of Administrative Hearings (Budget Code: 18210)	2,500,000	0
(7)	Office of State Human Resources (Budget Code: 14111)	1,172,527	698,000
(8)	State Board of Elections (Budget Code: 18025)	13,000,000	0
(9)	Office of State Budget and Management (Budget Code: 23017)	20,850,000	850,000
(10)	Office of State Auditor (Budget Code: 13300)	5,000,000	5,000,000
(11)	Division of Central Management and Support (Budget Code: 14410)	15,118,177	0
(12)	Division of Health Benefits (Budget Code: 14445)	4,560,000	9,100,000
(13)	Department of Public Safety (Budget Code: 14550)	5,743,980	0
(14)	State Bureau of Investigation (Budget Code: 15020)	2,555,250	0
(15)	Department of Information Technology (Budget Code: 14460)	481,770	481,770
(16)	Administrative Office of the Courts (Budget Code 12000)	6,000,000	0

SECTION 2.2.(d) Federal Infrastructure Match Reserve. –The State Controller shall transfer funds available in the Federal Infrastructure Match Reserve established in Section 2.2(m) of S.L. 2022-74 to State agencies and departments in accordance with the following schedule:

	State Agency or Department	2025-2026	2026-2027
(1)	Department of Environmental Quality (Budget Code: 64311)	$8,892,000	$8,892,000
(2)	Department of Environmental Quality (Budget Code: 64320)	13,722,200	0
(3)	Department of Environmental Quality (Budget Code: 24300)	1,388,921	0
(4)	Department of Environmental Quality Budget Code: 14300)	850,000	850,000
(5)	Department of Commerce (Budget Code: 14600)	250,000	0

SECTION 2.2.(e) Stabilization and Inflation Reserve. – The State Controller shall transfer funds available in the Stabilization and Inflation Reserve established in Section 2.2(q) of S.L. 2022-74 to State agencies and departments in accordance with the following schedule:

	State Agency or Department	2025-2026	2026-2027
(1)	State Bureau of Investigation (Budget Code: 15020)	$35,000,000	$35,000,000
(2)	Department of Agriculture (Budget Code: 13700)	250,000,000	0
(3)	Department of Environmental Quality (Budget Code: 24327)	55,000,000	55,000,000
(4)	UNC at Chapel Hill – Academic Affairs Budget Code: 16020)	3,000,000	3,000,000
(5)	Department of Public Instruction (Budget Code: 13510)	152,303,525	152,303,525

SECTION 2.2.(f) Economic Development Project Reserve. – The State Controller shall reserve from funds available in the General Fund to the Economic Development Project Reserve established in Section 2.2 of S.L. 2021-180 the sum of forty million eight hundred seventy-six thousand one hundred eighty-one dollars ($40,876,181) for the 2025-2026 fiscal year and the sum of four million five hundred twenty-three thousand five hundred forty-five dollars ($4,523,545) for the 2026-2027 fiscal year. Additionally, the Controller shall reserve the sum of two hundred fifty-eight million three hundred ninety-two thousand nine hundred fifty dollars ($258,392,950) in the 2025-2026 fiscal year from the Stabilization and Inflation Reserve established in Section 2.2.(q) S.L. 2022-74 and the sum of fifteen million three hundred sixty-one thousand twenty-one dollars ($15,361,021) in the 2025-2026 fiscal year from the Information Technology Reserve established in Section 2.2(h) of S.L. 2021-180.

SECTION 2.2.(g) Helene Reserve. – The State Controller shall reserve to the Hurricane Helene Disaster Recovery Fund (Helene Fund) established in Section 4.1 in S.L. 2024-51 funds transferred from the following for the 2025-2026 fiscal year:

Source	2025-2026

(1)	State Emergency Response and Disaster Relief Fund	$116,716,887
(2)	Federal Infrastructure Match Reserve	45,469,983
(3)	Medicaid Contingency Reserve	476,512,736
(4)	Information Technology Reserve	61,300,394

The State Controller shall transfer funds available in the Helene Fund to State agencies and departments in accordance with the following schedule:

	State Agency or Department	**2025-2026**	**2026-2027**
(1)	NC Community College System (Budget Code: 16800)	$2,473,971	$0
(2)	Department of Commerce (Budget Code: 14600)	5,000,000	0
(3)	Office of the Governor (Budget Code: 13000)	5,000,000	5,000,000
(4)	University of North Carolina – Board of Governors Institutional Programs (Budget Code: 16011)	8,000,000	0

SECTION 2.2.(h) Reservations Not Appropriation. – Funds reserved pursuant to this section do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

PART III. HIGHWAY FUND AND HIGHWAY TRUST FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes, as enumerated, are made for each year of the 2025-2027 fiscal biennium, according to the following schedule:

Highway Fund	**FY 2025-26**	**FY 2026-27**
Administration	$125,175,472	$125,175,472
Division of Highways		
Administration	55,675,557	55,675,557
Construction	89,643,078	82,643,078
Maintenance	2,405,175,949	2,319,193,319
Governor's Highway Safety Program	351,695	351,695
OSHA	358,030	358,030
Aid to Municipalities		
Powell Bill	135,875,000	135,875,000
Intermodal Divisions		
Ferry	78,841,173	87,957,728
Public Transportation	69,570,554	71,570,554
Aviation	192,320,982	173,146,238
Rail	24,367,607	24,367,607

Division of Motor Vehicles	159,082,029	159,120,209
Other State Agencies, Reserves, Transfers	51,226,553	60,772,240
Capital Improvements	10,797,739	47,793,273
Highway Fund Total	**$3,398,461,418**	**$3,344,000,000**

HIGHWAY FUND AVAILABILITY

SECTION 3.2. The Highway Fund availability used in developing the budget for each year of the 2025-2027 fiscal biennium is as follows:

	FY 2025-2026	FY 2026-2027
Beginning Balance	**$0**	**$0**
Consensus Revenue Forecast		
Motor Fuels Tax	1,866,100,000	1,891,500,000
Licenses and Fees	1,097,500,000	1,116,000,000
Sales Tax Transfer	171,500,000	176,900,000
Short-Term Lease	113,100,000	114,900,000
Investment Income	50,200,000	37,600,000
Transportation Commerce Tax	7,000,000	7,300,000
Adjustments to Availability		
DMV IT Modernization Carry Forward Cash Balance	65,000,000	0
Remaining Dorian Appropriation	28,161,418	0
Sales Tax Net of Trade	(100,000)	(200,000)
Total Highway Fund Availability	**$3,398,461,418**	**$3,344,000,000**

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 3.3. Appropriations from the State Highway Trust Fund for construction, for operations of the Department of Transportation, and for other purposes as enumerated are made for each year of the 2025-2027 fiscal biennium according to the following schedule:

Highway Trust Fund	**FY 2025-26**	**FY 2026-27**
Program Administration	$66,117,311	$45,117,311
Bond	121,440,275	121,436,275
Turnpike Authority	49,000,000	49,000,000
State Ports Authority	45,000,000	45,000,000
FHWA State Match	6,048,440	6,048,440
Strategic Prioritization Funding		
Plan for Transportation Investments	2,200,053,974	2,279,257,974
Transfer to Visitor Center	640,000	640,000
Highway Trust Fund Total	**$2,488,300,000**	**$2,546,500,000**

HIGHWAY TRUST FUND AVAILABILITY

SECTION 3.4. The Highway Trust Fund availability used in developing the budget for each year of the 2025-2027 fiscal biennial budget is as follows:

	FY 2025-2026	FY 2026-2027
Beginning Balance	**$0**	**$0**
Consensus Revenue Forecast		

Highway Use Tax	1,150,500,000	1,179,800,000
Motor Fuels Tax	619,500,000	627,900,000
Sales Tax Transfer	514,400,000	530,600,000
Fees	172,100,000	172,500,000
Investment Income	33,000,000	37,200,000
Adjustments to Availability		
Duplicate Registration Fees	(900,000)	(900,000)
Sales Tax Net of Trade	(300,000)	(600,000)
Total Highway Trust Fund Availability	**$2,488,300,000**	**$2,546,500,000**

PART IV. OTHER AVAILABILITY AND APPROPRIATIONS

OTHER APPROPRIATIONS

SECTION 4.1.(a) State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated for each year of the 2025-2027 fiscal biennium, as follows:

(1) All budget codes listed in the Governor's Recommended Base Budget for the 2025-2027 fiscal biennium, submitted pursuant to G.S. 143C-3-5, are appropriated up to the amounts specified, as adjusted by the General Assembly in this act and as delineated in the Committee Report described in Section 45.2 of this act, or in another act of the General Assembly.

(2) Agency receipts up to the amounts needed to implement the legislatively mandated salary increases and employee benefit increases provided in this act for each year of the 2025-2027 fiscal biennium.

SECTION 4.1.(b) Receipts collected in a fiscal year in excess of the amounts appropriated by this section shall remain unexpended and unencumbered until appropriated by the General Assembly, unless the expenditure of overrealized receipts in the fiscal year in which the receipts were collected is authorized by G.S. 143C-6-4. Overrealized receipts are appropriated in the amounts necessary to implement this subsection.

SECTION 4.1.(c) Funds may be expended only for the specified programs, purposes, objects, and line items or as otherwise authorized by the General Assembly.

OTHER RECEIPTS FROM PENDING AWARD GRANTS

SECTION 4.2.(a) Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded after the enactment of this act for grant awards that are for less than two million five hundred thousand dollars ($2,500,000). State agencies shall report to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate Committee on Appropriations/Base Budget, the chairs of the House Appropriations Committee, and the Fiscal Research Division within 30 days of receipt of such funds.

State agencies may spend up to the greater of one percent (1%) or ten million dollars ($10,000,000) of the total amount of grants awarded after the enactment of this act to respond to an emergency, as defined in G.S. 166A-19.3, with the approval of the Director of the Budget. State agencies shall report to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate Committee on Appropriations/Base Budget, the chairs of the House Appropriations Committee, and the Fiscal Research Division within 30 days of receipt of such funds, including specifying the total amount of grants awarded to respond to the emergency.

State agencies may spend all other funds from grants awarded after the enactment of this act only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 4.2.(b) The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. Funds received from such grants are hereby appropriated up to the applicable amount set forth in subsection (a) of this section and shall be incorporated into the authorized budget of the recipient State agency.

SECTION 4.2.(c) Notwithstanding the provisions of this section, no State agency may accept a grant not anticipated in this act if (i) acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds or (ii) the grant funds will be used for a capital project.

EDUCATION LOTTERY FUNDS

SECTION 4.3.(a) The allocations made from the Education Lottery Fund for the 2025-2027 fiscal biennium are as follows:

	FY 2025-2026	**FY 2026-2027**
Noninstructional Support Personnel	$385,914,455	$385,914,455
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000
Needs-Based Public School Capital Fund	280,120,000	282,680,000
Public School Repair & Renovation	70,000,000	70,000,000
Scholarship Reserve Fund for Public Colleges and Universities	28,819,733	28,819,733
School Transportation	182,193,702	186,033,702
TOTAL ALLOCATION	**$1,125,300,000**	**$1,131,700,000**

SECTION 4.3.(b) Notwithstanding G.S. 18C-164(b3), the sum of one hundred one million forty thousand dollars ($101,040,000) in net revenues from the 2024-2025 fiscal year, after appropriation pursuant to G.S. 18C-164(b1) and transfer pursuant to G.S. 18C-164(b2), shall be allocated to and remain available for school transportation for the 2025-2026 fiscal year. Funds remaining after the allocation described in this subsection shall be appropriated to the Needs-Based Public School Capital Fund.

SECTION 4.3.(c) Subsection (b) of this section becomes effective June 30, 2025. The remainder of this section becomes effective July 1, 2025.

INDIAN GAMING EDUCATION REVENUE FUND APPROPRIATIONS

SECTION 4.4. The allocations made from the Indian Gaming Education Revenue Fund for the 2025-2027 fiscal biennium are as follows:

	FY 2025-2026	**FY 2026-2027**
Instructional Materials Allotment	$10,000,000	$10,000,000
Classroom Materials Allotment	25,500,000	3,500,000
Total Appropriation	**$35,500,000**	**$13,500,000**

CIVIL PENALTY AND FORFEITURE FUND

SECTION 4.5. The allocations made from the Civil Penalty and Forfeiture Fund for the 2025-2027 fiscal biennium are as follows:

	FY 2025-2026	**FY 2026-2027**
School Technology Fund	$18,000,000	$18,000,000
Drivers Education	31,493,768	31,493,768
State Public School Fund	186,041,640	166,041,640
Total Appropriation	**$235,535,408**	**$215,535,408**

ARPA TEMPORARY SAVINGS FUND

SECTION 4.6.(a) General. – Funds appropriated in this act from the ARPA Temporary Savings Fund, established in Section 1.3(a) of S.L. 2023-7, to State agencies and departments shall be used for the purposes described in this act, or in the Committee Report described in Section 45.2 of this act, for the fiscal year in which they are appropriated. Funds appropriated in this act from the ARPA Temporary Savings Fund shall not revert.

SECTION 4.6.(b) Availability of Funds and Timing of Disbursements. – The funds appropriated in this act from the ARPA Temporary Savings Fund shall become available during the course of the 2025-2026 fiscal year as the funds are deposited into that Fund. The Department of Health and Human Services (DHHS) shall not disburse allocations of the funds appropriated in this act from the ARPA Temporary Savings Fund until the funds are available within that Fund. DHHS shall disburse funds on at least a quarterly basis, or more frequently, provided funds are available within the Fund. Funds allocated as described in this act, or in the Committee Report described in Section 45.2 of this act, shall be disbursed as directed under subsection (c) of this section.

SECTION 4.6.(c) Priority of Disbursement of Funds in the 2025-2026 Fiscal Year. – For the 2025-2026 fiscal year, funds appropriated in this act from the ARPA Temporary Savings Fund and allocated as described in this act, or in the Committee Report described in Section 45.2 of this act, shall be disbursed based upon the amount of funds being allocated, least to most.

PART V. GENERAL PROVISIONS

ESTABLISHING OR INCREASING FEES

SECTION 5.1.(a) Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee to the level authorized or anticipated in this act.

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

DIRECTED GRANTS TO NON-STATE ENTITIES

SECTION 5.2.(a) Definitions. – For purposes of this act and the Committee Report described in Section 45.2 of this act, the following definitions apply:

(1) Directed grant. – Nonrecurring funds, specifically identified as "directed grants", that are allocated by a State agency to a non-State entity as directed by an act of the General Assembly.

(2) Non-State entity. – As defined in G.S. 143C-1-1.

SECTION 5.2.(b) Requirements. – Nonrecurring funds appropriated in this act as directed grants are subject to all of the following requirements:

(1) Directed grants are subject to the provisions of subsections (b) through (k) of G.S. 143C-6-23, with the exception that the deadline for expending, encumbering, or disbursing grant funds established by G.S. 143C-6-23(f1)(1) shall not apply unless the terms of the applicable appropriation specifically state otherwise.

(2) Directed grants of one hundred thousand dollars ($100,000) or less may be made in a single annual payment in the discretion of the Director of the Budget. Directed grants of more than one hundred thousand dollars ($100,000) shall be made in quarterly or monthly payments in the discretion

of the Director of the Budget. A State agency administering a directed grant shall begin disbursement of funds to a non-State entity that meets all applicable requirements as soon as practicable, but no later than 100 days after the date this act becomes law. Full disbursement of funds to a non-State entity that meets all applicable requirements shall be completed no later than nine months after the date this act becomes law.

(3) Beginning on the first day of a quarter following the deadline provided in subdivision (2) of this subsection and quarterly thereafter, State agencies administering directed grants shall report to the Fiscal Research Division on the status of funds disbursed for each directed grant until all funds are fully disbursed. At a minimum, the report required under this subdivision shall include updates on (i) the date of the initial contact, (ii) the date the contract was sent to the entity receiving the funds, (iii) the date the disbursing agency received the fully executed contract back from the entity, (iv) the contract execution date, and (v) the payment date.

(4) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, nonrecurring funds appropriated in this act for the 2025-2026 fiscal year as directed grants shall not revert until two years after this act becomes law, and nonrecurring funds appropriated in this act for the 2026-2027 fiscal year as directed grants shall not revert until June 30, 2028.

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

SECTION 5.2.(c) This section expires on June 30, 2028.

CAP STATE-FUNDED PORTION OF NONPROFIT SALARIES

SECTION 5.3. No more than one hundred forty thousand dollars ($140,000) in State funds, including any interest earnings accruing from those funds, may be used for the annual salary of any individual employee of a nonprofit organization.

VACANT POSITION FLEXIBILITY

SECTION 5.4. By October 1 of each year of the 2025-2027 fiscal biennium, State agencies with vacant position reductions identified in the Committee Report described in Section 45.2 of this act that are not identified by position number shall eliminate vacant positions to achieve the budgeted reduction in each of those years. Each State agency with vacant position reductions shall report to the Fiscal Research Division by December 1 of each year of the 2025-2027 fiscal biennium on the actions taken to achieve the budgeted reduction for vacant position eliminations for that fiscal year. The report shall include a list of each position eliminated, identified by position number, title, and the amount of salary and fringe benefits associated with the position.

CHILDREN'S HOSPITAL ANTITRUST/STATE ACTION IMMUNITY

SECTION 5.5.(a) G.S. 116-350 is amended by adding a new subdivision to read:

"(3a) North Carolina Children's Health or NCC. – A pediatric health facility and associated sites that (i) receive State funding and (ii) are developed by the System in partnership with Duke University Health System, Inc."

SECTION 5.5.(b) Part 1 of Article 37A of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-350.70. State action.**

Subject to the provisions and limitations of this Part and Part 2 of this Article, the Board may enter into cooperative agreements with Duke University Health System, Inc., Duke University, any component of The University of North Carolina, NCC, or any combination thereof for the

provision of pediatric research, health care, and discovery, including the development and joint operation of NCC, without regard to the effect on market competition. In partnering with Duke University Health System, Inc., Duke University, The University of North Carolina, NCC, or any combination thereof for these purposes, the System is acting according to State policy by ensuring (i) pediatric health care is made available to all parts of North Carolina and (ii) North Carolina is at the forefront of pediatric research, health care delivery, and innovation. The activities by the System pursuant to this section constitute "State action" for purposes of antitrust law. The General Assembly intends that these agreements are immune from the application of federal and State antitrust law."

NO CERTIFICATE OF NEED REQUIRED FOR ACTIVITIES PERTAINING TO NORTH CAROLINA CHILDREN'S HEALTH, INC.

SECTION 5.6.(a) G.S. 131E-176 is amended by adding a new subdivision to read:

"(16a) North Carolina Children's Health, Inc., or NCC. – A pediatric-focused health system that includes a new children's hospital and associated sites developed and constructed on behalf of the State of North Carolina, established in whole or in part by State funds appropriated to the UNC Board of Governors and allocated to UNC Health System pursuant to the Committee Report described in Section 43.2 of S.L. 2023-134."

SECTION 5.6.(b) Article 9 of Chapter 131E of the General Statutes is amended by adding a new section to read:

"**§ 131E-178.1. No certificate of need required for activities pertaining to North Carolina Children's Health, Inc.**

(a) Notwithstanding G.S. 131E-178(a) or any other provision of this Article, a certificate of need is not required for any of the following activities pertaining to NCC:

(1) The construction, development, or other establishment of NCC.

(2) Any capital expenditure by or on behalf of NCC that exceeds the monetary threshold set forth in G.S. 131E-176(16)b.

(3) The development or offering of clinical patient services at NCC, including any health services specified in G.S. 131E-176(16)f.

(4) The acquisition, improvement, expansion, replacement, or relocation of any equipment, including diagnostic equipment, major medical equipment, replacement equipment, and any equipment specified in G.S. 131E-176(16)f1., for use at NCC regardless of cost.

(5) Any change in bed capacity, as defined in G.S. 131E-176(5), at NCC.

(6) The construction, development, establishment, increase in the number, or relocation of an operating room or gastrointestinal endoscopy room at NCC.

(b) Nothing in this section shall be construed to affect the ability or obligation of NCC to comply with existing licensure laws and requirements that are applicable to any facilities or clinical patient services developed or offered at NCC."

SECTION 5.6.(c) This section is effective when it becomes law.

NCINNOVATION

SECTION 5.7.(a) Transfer of Funds. – NCInnovation shall transfer back to the State, after consultation with, and in conformity with direction received from, the State Controller, the sum of one hundred million dollars ($100,000,000). NCInnovation shall, after consultation with, and in conformity with direction received from, the State Controller, transfer to the Board of Governors of The University of North Carolina the sum of four hundred million dollars ($400,000,000) to be used for North Carolina Children's Health, Inc., as defined in G.S. 131E-176, as amended by this act.

SECTION 5.7.(b) NCInnovation Reserve. – The State Controller shall facilitate the transfers required by subsection (a) of this section. The State Controller shall deposit the funds returned to the State into the NCInnovation Reserve established in Section 2.2(k) of S.L. 2023-134. The transfer and deposit of funds into the reserve pursuant to this section does not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution, and such funds shall remain unappropriated unless the General Assembly appropriates the funds in this, or a subsequent, act. In accordance with G.S. 147-69.1(d), funds in the Reserve shall be invested by the Department of the State Treasurer, with earnings and interest therefrom being transferred to and deposited in the General Fund.

SECTION 5.7.(c) Repeal. – Upon the transfers of funds pursuant to subsection (a) of this section, Article 76A of Chapter 143 of the General Statutes is repealed. The State Controller shall notify the Revisor of Statutes when the transfers have been completed.

SECTION 5.7.(d) Appropriation. – There is appropriated from the NCInnovation Reserve to the Department of State Treasurer (i) the sum of twenty-five million dollars ($25,000,000) in nonrecurring funds for the 2025-2026 fiscal year, (ii) the sum of twenty-five million dollars ($25,000,000) in nonrecurring funds for the 2026-2027 fiscal year, (iii) the sum of twenty-five million dollars ($25,000,000) in nonrecurring funds for the 2027-2028 fiscal year, and (iv) the sum of twenty-five million dollars ($25,000,000) in nonrecurring funds for the 2028-2029 fiscal year. The State Treasurer shall allocate the funds appropriated in this subsection in the designated fiscal year to NCInnovation, Inc. (NCInnovation), a North Carolina nonprofit corporation under section 501(c)(3) of the Internal Revenue Code, to be used for purposes consistent with this section.

SECTION 5.7.(e) Findings. – The General Assembly of North Carolina finds North Carolina is competing with other states for the ability to commercialize innovations sourced from the State's world-class university and community college systems. By fully optimizing the commercialization of those innovations, the State has opportunities for creating new jobs and new companies and achieving greater economic prosperity, particularly in rural areas. Other states have successfully harnessed innovation efforts from research universities to create jobs, to accelerate commercial opportunities, and to support the commercial growth and scale of emerging technologies. North Carolina will benefit from similar efforts to accelerate commercialization of theoretical and applied science and inventions stemming from the efforts and activities of its higher education research institutions.

SECTION 5.7.(f) Purpose; Use. – The purpose of the appropriations made in this section is to promote the economic welfare and growth of the State by facilitating NCInnovation in establishing a network of regional innovation hubs, leveraging the high technology research and development capabilities of the State's higher education research institutions, bridging the gap between such research and development capabilities and the application and commercialization of the same, and supporting such commercialization, application, and resulting emerging technologies. NCInnovation shall use funds appropriated to it for the following purposes:

(1) To establish and support a regional network of at least four university research hubs, each located in areas of the State where regional collaboration between academic, industrial, and capital formation networks are at or below average in comparison to the rest of the State. NCInnovation shall provide full-time, collocated educational liaisons, business consultants, and technology transfer consultants in each hub to improve relationships and engagement between senior educational and regional industry leaders and among regional networks and to analyze higher education research activities, capacities, and capabilities in light of commercial innovation needs in the hub to align strengths, to fill gaps, to identify gap-filling patent and research and to create a strategic plan

to guide future investments and identify resources or infrastructure required to implement and apply patents and research into commercialized innovation.

(2) To award grants, funds, and other resources, including solicited funds, (i) to higher education research institutions under programs designed to advance research and development to proof of commercial viability and (ii) to otherwise undertake actions designed to accelerate the commercialization of applied research projects to and beyond the point of proof of concept. In distributing awards made pursuant to this subdivision, NCInnovation may use the North Carolina Collaboratory, established under G.S. 116-255.

SECTION 5.7.(g) Duties; Limitations. – In receiving and using State funds pursuant to this section, NCInnovation shall adhere to all of the following:

(1) NCInnovation shall protect the use of State funds by requiring, as a condition of awarding funds or providing support, that the recipient, for a minimum of five years, (i) has its headquarters and principal place of business in the State and (ii) be organized under the laws of this State for any commercialization resulting from or furthered by, in whole or part, such funds or support. State funds may not be used to award dilutive grants contingent upon future revenue or equity or ownership interests of any kind.

(2) To the extent NCInnovation uses State funds for annual salaries and severance, NCInnovation shall limit the use only for personnel located at a regional hub established by NCInnovation. The annual salary for such personnel shall not exceed the amount most recently set by the General Assembly in a Current Operations Appropriations Act.

(3) NCInnovation shall maintain its status as a North Carolina nonprofit corporation and shall adopt, publish, and maintain policies for conflicts of interest and gifts. In addition, NCInnovation shall report to the Department of the State Treasurer and the Office of the State Auditor on each incidence where a person, including a related member of a person, has made a reported contribution and has received funds or support from NCInnovation.

(4) NCInnovation shall report on its programs and activities to the Joint Legislative Economic Development and Global Engagement Oversight Committee and the Fiscal Research Division on or before September 15 of each fiscal year and more frequently as requested by any of these entities. The report shall include all of the following:

a. Expenditures for establishing and supporting a network of regional innovation hubs, including salaries, and awards of grants, funds, or other support by NCInnovation in the prior fiscal year. This information shall include, at a minimum, the recipient, amount, term, and purpose of the award and shall be itemized by program and county.

b. Outcome data collected by NCInnovation, including the number of jobs created.

c. Developed performance metrics for recipients of funding and support by NCInnovation.

(5) NCInnovation shall be subject to oversight from the Office of the State Auditor, which shall include a performance audit of NCInnovation programs not less than every three years. NCInnovation shall submit to the Office of the State Auditor a copy of its audited financial statements within 30 days of receipt of the audit, and the State Auditor may elect to rely upon the submitted audit or conduct its own inquiry or audit of NCInnovation.

(6) NCInnovation shall maintain separate accounting records for and separate accounts for State funds and shall not commingle State funds with other

amounts. NCInnovation shall maintain records and accounts according to generally accepted accounting principles.

(7) NCInnovation shall not use State funds (i) to hire a lobbyist, (ii) in excess of one and one-half percent (1.5%) of the annual amount of State funds received for overhead and administrative costs, (iii) for costs for alcohol, first-class airfare, charter flights, or holiday parties or similar social gatherings, or (iv) for any formal or informal meeting or gathering located outside of the State unless directly related to NCInnovation's programs or advancing State interests in innovation commercialization.

SECTION 5.7.(h) This section is effective when it becomes law.

STATE BUDGET ACT TECHNICAL CHANGES

SECTION 5.8.(a) G.S. 143C-1-1 reads as rewritten:

"**§ 143C-1-1. Purpose and definitions.**

…

(d) Definitions. – The following definitions apply in this Chapter:

…

(20) Object or line item. – An expenditure or receipt in a recommended or enacted budget that is designated in the Budget Code Structure of the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts prescribed by the Office of the State Controller.

…

(23) Purpose or program. – A group of objects or line items for support of a specific activity for a State agency outlined in a recommended or enacted budget that is designated by a ~~nine-digit~~ six-digit fund code in accordance with the Budget Code Structure of the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts prescribed by the Office of the State Controller.

…."

SECTION 5.8.(b) G.S. 143C-3-5 reads as rewritten:

"**§ 143C-3-5. Budget recommendations and budget message.**

…

(b) Odd-Numbered Years. – In odd-numbered years the budget recommendations shall include the following components:

…

(2) A Recommended Base Budget showing, for each budget code and purpose or program in State government, accounting detail corresponding to the Recommended State Budget.

a. The Recommended Base Budget shall employ the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts adopted by the State Controller to show both uses and sources of funds and shall display in separate parallel columns all of the following: (i) actual expenditures and receipts for the most recent fiscal year for which actual information is available, (ii) the certified budget for the preceding fiscal year, (iii) the currently authorized budget for the preceding fiscal year, (iv) program base budget requirements for each fiscal year of the biennium, (v) proposed expenditures and receipts for each fiscal year of the biennium, and (vi) proposed increases and decreases.

…

(7) The Governor's Recommended State Budget shall include a transfer to the State Capital and Infrastructure Fund ~~of four percent (4%) of the estimated net~~

~~State tax revenues that are deposited in the General Fund for each fiscal year of the upcoming biennium.~~in accordance with G.S. 143C-4-3.1(b)(1).

…."

SECTION 5.8.(c) G.S. 143C-6-11 reads as rewritten:

"Part 2. Highway Appropriations.

"**§ 143C-6-11. Highway appropriation.**

…

(*l*) It is the intent of the General Assembly to (i) prevent the inclusion of duplicative fund codes in the Highway Fund certified budget and (ii) correctly align authorized positions and associated operating costs with the appropriate purposes and definitions as defined in G.S. 143C-1-1. To that end, the Office of State Budget and Management, in consultation with the Department of Transportation, the Office of the State Controller, and the Fiscal Research Division of the General Assembly, shall include, as an appendix to the Highway Fund certified budget, object detail using the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts prescribed by the Office of the State Controller to provide a more detailed accounting of the proposed budgets and receipts and actual expenditures and revenue collections. This requirement includes applying object detail at the four-digit level for all accounts to full-time and part-time positions, to operating expenditures and receipts, and to intrafund transfers. Additionally, work order positions shall be budgeted within existing fund codes.

…."

SECTION 5.8.(d) G.S. 143C-6-13 is repealed.

LAND USE CLARIFICATIONS AND CHANGES

SCHOOLS PERMITTED USE IN COMMERCIAL ZONES

SECTION 5.9. Part 1 of Article 9 of Chapter 160D of the General Statutes is amended by adding a new section to read:

"**§ 160D-917. Public school sites in commercial zones.**

In areas zoned for commercial use, zoning regulations shall permit, by right or by special use, the siting of a school building that is primarily used for the instruction of students and is under the control of a public school unit as defined in G.S. 115C-5."

CLARIFY EXISTING USE RIGHTS ON PROPERTY

SECTION 5.10.(a) G.S. 160D-108 reads as rewritten:

"**§ 160D-108. Permit choice and vested rights.**

…

(c) Vested Rights. – Amendments in land development regulations are not applicable or enforceable without the written consent of the owner with regard to any of the following:

(1) Buildings or uses of buildings or land for which a development permit application has been submitted and subsequently issued in accordance with G.S. 143-755.

(2) Subdivisions of land for which a development permit application authorizing the subdivision has been submitted and subsequently issued in accordance with G.S. 143-755.

(3) A site-specific vesting plan pursuant to G.S. 160D-108.1.

(4) A multi-phased development pursuant to subsection (f) of this section.

(5) A vested right established by the terms of a development agreement authorized by Article 10 of this Chapter.

The establishment of a vested right under any subdivision of this subsection does not preclude vesting under one or more other subdivisions of this subsection or vesting by application of common law principles. A vested right, once established as provided for in this section or by

common law, precludes any action by a local government that would change, alter, impair, prevent, diminish, or otherwise delay the development or use of the property allowed by the applicable land development regulation or regulations, except where a change in State or federal law mandating local government enforcement occurs after the development application is submitted that has a fundamental and retroactive effect on the development or use. A vested right obtained by permit or other local government approval shall not preclude the use or extinguish the existence of any other vested right or use by right attached to the property.

…."

SECTION 5.10.(b) G.S. 160D-705 reads as rewritten:

"**§ 160D-705. Quasi-judicial zoning decisions.**

…

(c) Special Use Permits. – The regulations may provide that the board of adjustment, planning board, or governing board hear and decide special use permits in accordance with principles, conditions, safeguards, and procedures specified in the regulations. Reasonable and appropriate conditions and safeguards may be imposed upon these permits. Where appropriate, such conditions may include requirements that street and utility rights-of-way be dedicated to the public and that provision be made for recreational space and facilities. Conditions and safeguards imposed under this subsection shall not include requirements for which the local government does not have authority under statute to regulate nor requirements for which the courts have held to be unenforceable if imposed directly by the local government, including, without limitation, taxes, impact fees, building design elements within the scope of G.S. 160D-702(b), driveway-related improvements in excess of those allowed in G.S. 136-18(29) and G.S. 160A-307, or other unauthorized limitations on the development or use of land.

The regulations may provide that defined minor modifications to special use permits that do not involve a change in uses permitted or the density of overall development permitted may be reviewed and approved administratively. Any other modification or revocation of a special use permit shall follow the same process for approval as is applicable to the approval of a special use permit. If multiple parcels of land are subject to a special use permit, the owners of individual parcels may apply for permit modification so long as the modification would not result in other properties failing to meet the terms of the special use permit or regulations. Any modifications approved apply only to those properties whose owners apply for the modification. The regulation may require that special use permits be recorded with the register of deeds. If a special use permit expires and does not vest, the current zoning classification or regulation for the property applies.

…."

SECTION 5.10.(c) G.S. 160D-203 reads as rewritten:

"**§ 160D-203. Split jurisdiction.**

(a) If a parcel of land lies within the planning and development regulation jurisdiction of more than one local government, for the purposes of this Chapter, the local governments may, by mutual agreement pursuant to Article 20 of Chapter 160A of the General Statutes and with the written consent of the landowner, assign exclusive planning and development regulation jurisdiction under this Chapter for the ~~entire parcel~~ land, including all development phases on the land, to any one of those local governments.

(b) In the event no mutual agreement or written consent under subsection (a) of this section exists, the landowner of land lying within the planning and development regulation jurisdiction of more than one local government may elect the planning and development regulations of the local government where the majority of the total acreage of the parcel of land is situated.

(c) ~~Such a mutual agreement~~ This section shall only be applicable to planning and development regulations and shall not affect taxation or other nonregulatory matters. The mutual agreement under subsection (a) of this section shall be evidenced by a resolution formally

adopted by each governing board and recorded with the register of deeds in ~~the~~ every county where the ~~property~~ land is located within 14 days of the adoption of the last required resolution.

(d) For the purposes of this section, "landowner" means all titleholders of record owning an interest in the land."

SECTION 5.10.(d) This section is effective when it becomes law.

REMOVE EXTRATERRITORIAL JURISDICTION AUTHORITY

SECTION 5.11.(a) G.S. 160D-201 reads as rewritten:

"**§ 160D-201. Planning and development regulation jurisdiction.**

(a) Cities. – All of the powers granted by this Chapter may be exercised by any city within its corporate ~~limits and within any extraterritorial area established pursuant to G.S. 160D-202.~~limits.

…."

SECTION 5.11.(b) G.S. 160D-202 reads as rewritten:

"**§ 160D-202. ~~Municipal extraterritorial~~ Transfer or relinquishment of jurisdiction.**

~~(a) Geographic Scope. Any city may exercise the powers granted to cities under this Chapter within a defined area extending not more than one mile beyond its contiguous corporate limits. In addition, a city of 10,000 or more population but less than 25,000 may exercise these powers over an area extending not more than two miles beyond its limits and a city of 25,000 or more population may exercise these powers over an area extending not more than three miles beyond its limits. In determining the population of a city for the purposes of this Chapter, the city council and the board of county commissioners may use the most recent annual estimate of population as certified by the Secretary of the North Carolina Department of Administration. Pursuant to G.S. 160A-58.4, extraterritorial municipal planning and development regulation may be extended only from the primary corporate boundary of a city and not from the boundary of satellite areas of the city.~~

~~(b) Authority in the Extraterritorial Area. A city may not exercise any power conferred by this Chapter in its extraterritorial jurisdiction that it is not exercising within its corporate limits. A city may exercise in its extraterritorial area all powers conferred by this Chapter that it is exercising within its corporate limits. If a city fails to extend a particular type of development regulation to the extraterritorial area, the county may elect to exercise that particular type of regulation in the extraterritorial area.~~

~~(c) County Approval of City Jurisdiction. Notwithstanding subsection (a) of this section, no city may extend its extraterritorial powers into any area for which the county has adopted and is enforcing county zoning and subdivision regulations. However, the city may do so where the county is not exercising both of these powers, or when the city and the county have agreed upon the area within which each will exercise the powers conferred by this Chapter. No city may extend its extraterritorial powers beyond one mile from its corporate limits without the approval of the board or boards of county commissioners with jurisdiction over the area.~~

~~(d) Notice of Proposed Jurisdiction Change. Any municipality proposing to exercise extraterritorial jurisdiction under this Chapter shall notify the owners of all parcels of land proposed for addition to the area of extraterritorial jurisdiction, as shown on the county tax records. The notice shall be sent by first-class mail to the last addresses listed for affected property owners in the county tax records. The notice shall inform the landowner of the effect of the extension of extraterritorial jurisdiction, of the landowner's right to participate in a legislative hearing prior to adoption of any ordinance extending the area of extraterritorial jurisdiction, as provided in G.S. 160D-601, and of the right of all residents of the area to apply to the board of county commissioners to serve as a representative on the planning board and the board of adjustment, as provided in G.S. 160D-303. The notice shall be mailed at least 30 days prior to the date of the hearing. The person or persons mailing the notices shall certify to the city council~~

~~that the notices were sent by first-class mail, and the certificate shall be deemed conclusive in the absence of fraud.~~

~~(e) Boundaries. – Any council exercising extraterritorial jurisdiction under this Chapter shall adopt an ordinance specifying the areas to be included based upon existing or projected urban development and areas of critical concern to the city, as evidenced by officially adopted plans for its development. A single jurisdictional boundary shall be applicable for all powers conferred in this Chapter. Boundaries shall be defined, to the extent feasible, in terms of geographical features identifiable on the ground. Boundaries may follow parcel ownership boundaries. A council may, in its discretion, exclude from its extraterritorial jurisdiction areas lying in another county, areas separated from the city by barriers to urban growth, or areas whose projected development will have minimal impact on the city. The boundaries specified in the ordinance shall at all times be drawn on a map, set forth in a written description, or shown by a combination of these techniques. This delineation shall be maintained in the manner provided in G.S. 160A-22 for the delineation of the corporate limits and shall be recorded in the office of the register of deeds of each county in which any portion of the area lies.~~

~~Where the extraterritorial jurisdiction of two or more cities overlaps, the jurisdictional boundary between them shall be a line connecting the midway points of the overlapping area unless the city councils agree to another boundary line within the overlapping area based upon existing or projected patterns of development.~~

(f) County Authority Within City Jurisdiction. – The county may, on request of the city council, exercise any or all of ~~these~~ the powers granted in this Chapter in any or all areas lying within the city's corporate ~~limits or within the city's specified area of extraterritorial jurisdiction.~~limits.

(g) Transfer of Jurisdiction. – When a city ~~annexes,~~ annexes or a new city is incorporated ~~in, or a city extends its jurisdiction to include,~~ in an area that is currently being regulated by the county, the county development regulations and powers of enforcement shall remain in effect until (i) the city has adopted such development regulations or (ii) a period of 60 days has elapsed following the ~~annexation, extension,~~ annexation or incorporation, whichever is sooner. Prior to the transfer of jurisdiction, the city may hold hearings and take any other measures consistent with G.S. 160D-204 that may be required in order to adopt and apply its development regulations for the area at the same time it assumes jurisdiction.

(h) Relinquishment of Jurisdiction. – When a city relinquishes jurisdiction over an area that it is regulating under this Chapter to a county, the city development regulations and powers of enforcement shall remain in effect until (i) the county has adopted such development regulation or (ii) a period of 60 days has elapsed following the action by which the city relinquished jurisdiction, whichever is sooner. Prior to the transfer of jurisdiction, the county may hold hearings and take other measures consistent with G.S. 160D-204 that may be required in order to adopt and apply its development regulations for the area at the same time it assumes jurisdiction.

(i) Process for Local Government Approval. – When a local government is granted powers by this section subject to the request, approval, or agreement of another local government, the request, approval, or agreement shall be evidenced by a formally adopted resolution of the governing board of the local government. Any such request, approval, or agreement can be rescinded upon two years' written notice to the other governing boards concerned by repealing the resolution. The resolution may be modified at any time by mutual agreement of the governing boards concerned.

~~(j) Local Acts. – Nothing in this section shall repeal, modify, or amend any local act that defines the boundaries of a city's extraterritorial jurisdiction by metes and bounds or courses and distances.~~

(k) Effect on Vested Rights. – Whenever a city or county, pursuant to this section, acquires jurisdiction over a territory that theretofore has been subject to the jurisdiction of another

local government, any person who has acquired vested rights in the surrendering jurisdiction may exercise those rights as if no change of jurisdiction had occurred. The city or county acquiring jurisdiction may take any action regarding such a development approval, certificate, or other evidence of compliance that could have been taken by the local government surrendering jurisdiction pursuant to its development regulations. Except as provided in this subsection, any building, structure, or other land use in a territory over which a city or county has acquired jurisdiction is subject to the development regulations of the city or county."

SECTION 5.11.(c) G.S. 160D-307 is repealed.

SECTION 5.11.(d) G.S. 160D-602 reads as rewritten:

"**§ 160D-602. Notice of hearing on proposed zoning map amendments.**

(a) Mailed Notice. – Subject to the limitations of this Chapter, an ordinance shall provide for the manner in which zoning regulations and the boundaries of zoning districts are to be determined, established, and enforced, and from time to time amended, supplemented, or changed, in accordance with the provisions of this Chapter. The owners of affected parcels of land and the owners of all parcels of land abutting that parcel of land shall be mailed a notice of the hearing on a proposed zoning map amendment by first-class mail at the last addresses listed for such owners on the county tax abstracts. For the purpose of this section, properties are "abutting" even if separated by a street, railroad, or other transportation corridor. This notice must be deposited in the mail at least 10 but not more than 25 days prior to the date of the hearing. ~~If the zoning map amendment is being proposed in conjunction with an expansion of municipal extraterritorial planning and development regulation jurisdiction under G.S. 160D-202, a single hearing on the zoning map amendment and the boundary amendment may be held. In this instance, the initial notice of the zoning map amendment hearing may be combined with the boundary hearing notice and the combined hearing notice mailed at least 30 days prior to the hearing.~~

…."

SECTION 5.11.(e) G.S. 160D-903(c) is repealed.

SECTION 5.11.(f) G.S. 160D-912 reads as rewritten:

"**§ 160D-912. Outdoor advertising.**

…

(m) This section does not apply to any ordinance in effect on July 1, 2004. A local government may amend an ordinance in effect on July 1, 2004, to extend application of the ordinance to off-premises outdoor advertising located in territory acquired by ~~annexation or located in the extraterritorial jurisdiction of the city.~~ annexation. A local government may repeal or amend an ordinance in effect on July 1, 2004, so long as the amendment to the existing ordinance does not reduce the period of amortization in effect on June 19, 2020.

…."

SECTION 5.11.(g) G.S. 160D-925(e) is repealed.

SECTION 5.11.(h) G.S. 160D-1102(a) reads as rewritten:

"(a) A local government may create an inspection department and may appoint inspectors who may be given appropriate titles, such as building inspector, electrical inspector, plumbing inspector, housing inspector, zoning inspector, heating and air-conditioning inspector, fire prevention inspector, or deputy or assistant inspector, or another title generally descriptive of the duties assigned. Every local government shall perform the duties and responsibilities set forth in G.S. 160D-1104 either by (i) creating its own inspection department, (ii) creating a joint inspection department in cooperation with one or more other units of local government, pursuant to Part 1 of Article 20 of Chapter 160A of the General Statutes, (iii) contracting with another unit of local government for the provision of inspection services pursuant to Part 1 of Article 20 of Chapter 160A of the General Statutes, or (iv) arranging for the county in which a city is located to perform inspection services within the city's jurisdiction as authorized by ~~G.S. 160D-1104 and G.S. 160D-202.~~ G.S. 160D-1104. Every local government shall designate a person responsible

for the daily oversight of the local government's duties and responsibilities under G.S. 160D-1104."

SECTION 5.11.(i) G.S. 160D-1125(c) reads as rewritten:

"(c) Additional Lien. – The amounts incurred by a local government in connection with the removal or demolition are also a lien against any other real property owned by the owner of the building or structure and located within the local government's planning and development regulation ~~jurisdiction, and for cities without extraterritorial planning and development jurisdiction, within one mile of the city limits,~~ jurisdiction, except for the owner's primary residence. The provisions of subsection (b) of this section apply to this additional lien, except that this additional lien is inferior to all prior liens and shall be collected as a money judgment."

SECTION 5.11.(j) G.S. 113A-208(d) reads as rewritten:

"(d) An ordinance adopted under the authority of this section applies to all protected mountain ridges as defined in G.S. 113A-206. A county or city may apply the ordinance to other mountain ridges within its jurisdiction if it finds that this application is reasonably necessary to protect against some or all of the hazards or problems set forth in G.S. 113A-207. ~~Additionally, a city with a population of 50,000 or more may apply the ordinance to other mountain ridges within its extraterritorial planning jurisdiction if it finds that this application is reasonably necessary to protect against some or all of the hazards or problems set forth in G.S. 113A-207.~~"

SECTION 5.11.(k) G.S. 130A-317(d) reads as rewritten:

"(d) Municipalities, counties, local boards or commissions, water and sewer authorities, or groups of municipalities and counties may establish and administer within their utility service areas their own approval program in lieu of State approval of water system plans required in subsection (c) of this section for construction or alteration of the distribution system of a proposed or existing public water system, subject to the prior certification of the Department. For purposes of this subsection, the service area of a municipality shall include only that area within the corporate limits of the municipality and that area outside a municipality in its extraterritorial jurisdiction where water service is already being provided to the permit applicant by the municipality or connection to the municipal water system is immediately available to the applicant; the service areas of counties and the other entities or groups shall include only those areas where water service is already being provided to the applicant by the permitting authority or connection to the permitting authority's system is immediately available. For purposes of this subsection, the term "extraterritorial jurisdiction" means the boundaries of the area over which a municipality was exercising extraterritorial planning jurisdiction under Article 19 of Chapter 160A of the General Statutes, or its successor Chapter 160D of the General Statutes, prior to the municipality's relinquishment of extraterritorial planning jurisdiction over the area in accordance with the law. No later than the 180th day after the receipt of an approval program and statement submitted by any local government, commission, authority, or board, the Department shall certify any local program that meets all of the following conditions:

…."

SECTION 5.11.(*l*) G.S. 136-55.1(b) reads as rewritten:

"(b) ~~In keeping with its overall zoning scheme and long-range plans regarding the extraterritorial jurisdiction area, a~~ A municipality may keep open and assume responsibility for maintenance of a road within one mile of its corporate limits once it is abandoned from the State highway system."

SECTION 5.11.(m) G.S. 136-63(b) reads as rewritten:

"(b) ~~In keeping with its overall zoning scheme and long-range plans regarding the extraterritorial jurisdiction area, a~~ A municipality may keep open and assume responsibility for maintenance of a road within one mile of its corporate limits once it is abandoned from the State highway system."

SECTION 5.11.(n) G.S. 136-66.3(a) reads as rewritten:

"(a) Municipal Participation Authorized. – A municipality may, but is not required to, participate in the right-of-way and construction cost of a State transportation improvement approved by the Board of Transportation under G.S. 143B-350(f)(4) that is located in the ~~municipality or its extraterritorial jurisdiction.~~municipality."

SECTION 5.11.(o) G.S. 143-138(e) reads as rewritten:

"(e) Effect upon Local Codes. – Except as otherwise provided in this section, the North Carolina State Building Code shall apply throughout the State, from the time of its adoption. Approved rules shall become effective in accordance with G.S. 150B-21.3. However, any political subdivision of the State may adopt a fire prevention code and floodplain management regulations within its jurisdiction. Provided a political subdivision shall not adopt local fire prevention code provisions which apply to dwellings subject to the North Carolina Residential Code which are not prescriptively required by the North Carolina Residential Code. The territorial jurisdiction of any municipality or county for this purpose, unless otherwise specified by the General Assembly, shall be as follows: Municipal jurisdiction shall include all areas within the corporate limits of the ~~municipality and extraterritorial jurisdiction areas established as provided in G.S. 160D-202 or a local act;~~ municipality; county jurisdiction shall include all other areas of the county. No such code or regulations, other than floodplain management regulations and those permitted by G.S. 160D-1128, shall be effective until they have been officially approved by the responsible Code Council as providing adequate minimum standards to preserve and protect health and safety, in accordance with the provisions of subsection (c) above. Local floodplain regulations may regulate all types and uses of buildings or structures located in flood hazard areas identified by local, State, and federal agencies, and include provisions governing substantial improvements, substantial damage, cumulative substantial improvements, lowest floor elevation, protection of mechanical and electrical systems, foundation construction, anchorage, acceptable flood resistant materials, and other measures the political subdivision deems necessary considering the characteristics of its flood hazards and vulnerability. In the absence of approval by the Building Code Council or Residential Code Council, or in the event that approval is withdrawn, local fire prevention codes and regulations shall have no force and effect. Provided any local regulations approved by the local governing body which are found by the Council to be more stringent than the adopted statewide fire prevention code and which are found to regulate only activities and conditions in buildings, structures, and premises that pose dangers of fire, explosion or related hazards, and are not matters in conflict with the Code, may be approved. Local governments may enforce the fire prevention code of the Code using civil remedies authorized under G.S. 143-139, 153A-123, and 160A-175. If the State Fire Marshal or other State official with responsibility for enforcement of the Code institutes a civil action pursuant to G.S. 143-139, a local government may not institute a civil action under G.S. 143-139, 153A-123, or 160A-175 based upon the same violation. Appeals from the assessment or imposition of such civil remedies shall be as provided in G.S. 160D-1127.

A local government may not adopt any ordinance In conflict with the exemption provided by subsection (c1) of this section. No local ordinance or regulation shall be construed to limit the exemption provided by subsection (c1) of this section."

SECTION 5.11.(p) G.S. 143-215.1(f) reads as rewritten:

"(f) Local Permit Programs for Sewer Extension and Reclaimed Water Utilization. – Municipalities, counties, local boards or commissions, water and sewer authorities, or groups of municipalities and counties may establish and administer within their utility service areas their own general permit programs in lieu of State permit required in G.S. 143-215.1(a)(2), (3), and (8) above, for construction, operation, alteration, extension, change of proposed or existing sewer system, subject to the prior certification of the Commission. For purposes of this subsection, the service area of a municipality shall include only that area within the corporate limits of the municipality and that area outside a municipality in its extraterritorial jurisdiction where sewer service or a reclaimed water utilization system is already being provided by the municipality to

the permit applicant or connection to the municipal sewer system or a reclaimed water utilization system is immediately available to the applicant; the service areas of counties and the other entities or groups shall include only those areas where sewer service or a reclaimed water utilization system is already being provided to the applicant by the permitting authority or connection to the permitting authority's system is immediately available. For purposes of this subsection, the term "extraterritorial jurisdiction" means the boundaries of the area over which a municipality was exercising extraterritorial planning jurisdiction under Article 19 of Chapter 160A of the General Statutes, or its successor Chapter 160D of the General Statutes, prior to the municipality's relinquishment of extraterritorial planning jurisdiction over the area in accordance with the law. No later than the 180th day after the receipt of a program and statement submitted by any local government, commission, authority, or board the Commission shall certify any local program that does all of the following:

…."

SECTION 5.11.(q) G.S. 153A-317.14(a)(6) is repealed.

SECTION 5.11.(r) G.S. 160A-58.4 reads as rewritten:

"**§ 160A-58.4. Extraterritorial powers.**

Satellite corporate limits shall not be considered a part of the city's corporate limits for the purposes of ~~extraterritorial land-use regulation pursuant to G.S. 160D-202 or~~ abatement of public health nuisances pursuant to G.S. 160A-193. However, a city's power to regulate land use pursuant to Chapter 160D of the General Statutes or to abate public health nuisances pursuant to G.S. 160A-193, shall be the same within satellite corporate limits as within its primary corporate limits."

SECTION 5.11.(s) G.S. 160A-176.1(a) reads as rewritten:

"(a) A city may adopt ordinances to regulate and control swimming, surfing and littering in the Atlantic Ocean adjacent to that portion of the city within its ~~boundaries or within its extraterritorial jurisdiction;~~ boundaries; provided, however, nothing contained herein shall be construed to permit any city to prohibit altogether swimming and surfing or to make these activities unlawful."

SECTION 5.11.(t) G.S. 160A-176.2(a) reads as rewritten:

"(a) A city may adopt ordinances to regulate and control swimming, personal watercraft operation, surfing and littering in the Atlantic Ocean and other waterways adjacent to that portion of the city within its ~~boundaries or within its extraterritorial jurisdiction;~~ boundaries; provided, however, nothing contained herein shall be construed to permit any city to prohibit altogether swimming or surfing or to make these activities unlawful."

SECTION 5.11.(u) G.S. 160A-296(a1) is repealed.

SECTION 5.11.(v) G.S. 160A-299(d) reads as rewritten:

"(d) This section shall apply to any street or public alley within a city ~~or its extraterritorial jurisdiction~~ that has been irrevocably dedicated to the public, without regard to whether it has actually been opened. This section also applies to unopened streets or public alleys that are shown on plats but that have not been accepted or maintained by the city, provided that this section shall not abrogate the rights of a dedicator, or those claiming under a dedicator, pursuant to G.S. 136-96."

SECTION 5.11.(w) Any provision in a local act that grants a city the power to exercise extraterritorial planning jurisdiction under Article 19 of Chapter 160A of the General Statutes, or its successor Chapter 160D of the General Statutes, is hereby repealed.

SECTION 5.11.(x) Subsections (a) through (x) of this section apply only to extraterritorial jurisdiction territory of a city located within the following counties and effective as stated:

(1) For counties with a population of 25,000 or less according to the last federal decennial census, October 1, 2026.

(2) For counties with a population between 25,001 and 75,000 according to the last federal decennial census, October 1, 2027.

SECTION 5.11.(y) No city may expand its extraterritorial jurisdiction beyond the territory that the city was exercising extraterritorial jurisdiction authority upon as of June 1, 2025.

SECTION 5.11.(z) Cities continuing to exercise extraterritorial jurisdiction authority shall continue to appoint representation on boards in accordance with G.S. 160D-307.

SECTION 5.11.(aa) The relinquishment of jurisdiction over an area that a city is regulating under the authority of extraterritorial planning jurisdiction under Article 19 of Chapter 160A of the General Statutes, or its successor Chapter 160D of the General Statutes, shall be determined by the county in which the area lies, not the city which has been exercising extraterritorial jurisdiction over the area, and becomes effective as follows:

(1) For counties with a population of 25,000 or less according to the last federal decennial census, October 1, 2026.

(2) For counties with a population between 25,001 and 75,000 according to the last federal decennial census, October 1, 2027.

SECTION 5.11.(bb) Nothing in this section shall be construed as prohibiting a city from relinquishing jurisdiction over an area prior to the effective date set forth in subsection (aa) of this section so long as the city complies with the provisions of Article 19 of Chapter 160A of the General Statutes, or its successor Chapter 160D of the General Statutes.

SECTION 5.11.(cc) Upon relinquishment of jurisdiction over an area that a city is regulating under the authority of extraterritorial planning jurisdiction under Article 19 of Chapter 160A of the General Statutes, or its successor Chapter 160D of the General Statutes:

(1) The city regulations and powers of enforcement shall remain in effect until the earlier of the effective date of the land use regulations adopted by the county with jurisdiction over the area or 60 days after the effective date set forth in subsection (aa) of this section for that county. If the sixtieth day falls on a holiday or weekend, the next business day shall be treated as the sixtieth day. The county may hold hearings and take other measures that may be required in order to adopt county regulations for the area prior to the effective date set forth in subsection (aa) of this section for that county.

(2) Any person who has acquired vested rights under a permit, certificate, or other evidence of compliance issued by the city may exercise those rights as if no change of jurisdiction had occurred. The county acquiring jurisdiction may take any action regarding the permit, certificate, or other evidence of compliance that could have been taken by the city surrendering jurisdiction pursuant to the city ordinances and regulations. Except as provided in this section, any building, structure, or other land use in a territory over which a county has acquired jurisdiction is subject to the ordinances and regulations of the county. At least 180 days prior to the effective date set forth in subsection (aa) of this section for the county in which any portion of a city lies, the city shall notify the county of the following:

a. The boundaries of the city's extraterritorial jurisdiction in that county.

b. The existing land use regulations applying to that extraterritorial jurisdiction in that county, including zoning and overlay maps.

c. Any pending requests for amendments or other changes to the existing land use regulations applying to that extraterritorial jurisdiction in that county.

d. Any vested rights with respect to properties in the extraterritorial jurisdiction in that county.

SECTION 5.11.(dd) Sections 5.10 and 5.11 of this act shall have no effect on the extraterritorial jurisdiction of law enforcement officers as authorized in any of the following:

(1) Chapter 77 of the General Statutes.
(2) G.S. 15A-402.
(3) G.S. 20-38.2.
(4) G.S. 160A-286.
(5) Any local act or provision of general law.

SECTION 5.11.(ee) Except as otherwise provided, Sections 5.9 through 5.11 of this act are effective when they become law.

INCREASE PENALTY FOR PARTICIPATING IN PYRAMID DISTRIBUTION PLAN

SECTION 5.12.(a) G.S. 14-291.2(a) reads as rewritten:

"(a) No person shall establish, operate, participate in, or otherwise promote any pyramid distribution plan, program, device or scheme ~~whereby~~ by which a participant pays a valuable consideration for the opportunity or chance to receive a fee or compensation upon the introduction of other participants into the program, whether or not ~~such~~ the opportunity or chance is received in conjunction with the purchase of merchandise. A person ~~who~~ that establishes or operates a pyramid distribution plan is guilty of a Class H felony. A person ~~who~~ that participates in or otherwise promotes a pyramid distribution plan is deemed to participate in a lottery and is guilty of a ~~Class 2 misdemeanor.~~Class 1 misdemeanor."

SECTION 5.12.(b) This section becomes effective December 1, 2025, and applies to offenses committed on or after that date.

REPEAL OBSOLETE ARTICLE

SECTION 5.13. Article 15A of Chapter 15 of the General Statutes is repealed.

REPEAL DUPLICATIVE STATUTE

SECTION 5.14. G.S. 121-42 is repealed.

MAKE LANGUAGE GENDER-NEUTRAL THROUGHOUT GEOLOGISTS LICENSING ACT

SECTION 5.15.(a) G.S. 89E-3 reads as rewritten:

"**§ 89E-3. Definitions.**

When used in this Chapter, unless the context otherwise requires:

(1) "Board" means the North Carolina Board for Licensing of Geologists.
(2) "Geologist". The term "geologist", within the intent of this Chapter, shall mean a person who is trained and educated in the science of geology.
(3) The term "geologist-in-training" means a person who has ~~taken and~~ successfully passed the portion of professional examination covering fundamental or academic geologic subjects, prior to ~~his~~ completion of the requisite years of experience in geologic work as ~~provided for in~~ required for licensure under this Chapter.

…

(5) The term "good moral character" means such character as tends to ensure the faithful discharge of ~~the fiduciary duties of the licensed geologist to his~~ a licensed geologist's fiduciary duties to a client.

…

(8) "Public practice of geology" means the performance for others of geological service or work in the nature of work or consultation, investigation, surveys, evaluations, planning, mapping and inspection of geological work, in which the performance is related to the public welfare of safeguarding of life, health, property and the environment, except as specifically exempted by this

Chapter. The definition shall not include or allow the practice of engineering as defined in Chapter 89C of the North Carolina General Statutes.

(9) The term "qualified geologist" means a person who possesses all of the qualifications specified in this Chapter for licensing ~~except that he or she~~ but is not licensed.

(10) The term "responsible charge of work" means the independent control and direction by the use of initiative, skill and independent judgment of geological work or the supervision of such work.

(11) The term "subordinate" means either of the following who does not assume the responsible charge of work:

a. ~~any~~ A person who assists a licensed geologist in the practice of ~~geology without assuming the responsible charge of work.~~geology.

b. A geologist-in-training working under the supervision of a licensed geologist."

SECTION 5.15.(b) G.S. 89E-4 reads as rewritten:

"**§ 89E-4. North Carolina Board for Licensing of Geologists; appointments; terms; composition.**

…

(c) Each member of the Board shall be a citizen of the United States and shall have been a resident of this State for at least six months immediately preceding ~~his or her appointment.~~appointment to the Board.

…."

SECTION 5.15.(c) G.S. 89E-6 reads as rewritten:

"**§ 89E-6. Exemptions.**

Any person except as specifically exempted below who shall publicly practice or offer to publicly practice geology in this State is subject to the provisions of this Chapter. The following persons are exempt:

(1) Persons engaged solely in teaching the science of geology or engaged solely in geologic research in this ~~State may pursue their teaching and/or research without licensing.~~ State. A teacher or researcher must, however, be a licensed geologist ~~if he or she performs~~ to perform geologic work and services for which a ~~licensed geologist~~ license is required by this Chapter.

(2) Officers and employees of the United States of America and the State of North Carolina practicing solely as such officers or employees.

(3) Officers and employees of petroleum companies practicing solely as such officers and employees and not offering their professional services to the public for hire.

(4) A subordinate to a licensed geologist ~~or a geologist-in-training licensed under this Chapter insofar as he or she acts solely in such~~ when acting solely in that capacity. This exemption does not permit ~~any such~~ a subordinate to practice geology for others in ~~his~~ the subordinate's own right or use the term "licensed geologist"."

SECTION 5.15.(d) G.S. 89E-7 reads as rewritten:

"**§ 89E-7. Limitations.**

…

(b) This Chapter shall not be construed to prevent or to affect:

…

(2) The public practice of geology by a person not a resident of and having no established place of business in this State, when ~~such~~ the practice does not exceed in the aggregate more than 90 days in any calendar year, ~~and provided such person~~ the nonresident is ~~duly~~ licensed to practice ~~such profession~~

geology in another state where the requirements for a license are not lower than those specified in this ~~Chapter for obtaining the license required for such work; and provided further that such~~ Chapter, the nonresident ~~shall file~~ files with the ~~Board~~ Board, within 10 days of entering this State for commencing ~~of such~~ work, a statement giving ~~his~~ the nonresident's name, ~~residence,~~ residence address, ~~the number of his license, and by what authority issued, and~~ nonresident license number and issuing state, and, upon ~~the~~ completion of the work, files with the Board a statement of the time engaged in ~~such~~ the work ~~within~~ in the State; or

(3) The public practice of geology by a person who is not a resident of and ~~having~~ has no established place of business in this ~~State, or who~~ State or has recently become a resident ~~hereof, practicing or offering~~ of this State and who practices or offers to practice ~~herein~~ in this State for more than 90 days in any calendar year ~~the profession of geology, if he~~ if the person is licensed in another ~~state or qualified as defined herein, if he shall have~~ state, has filed with the Board an application for a ~~license~~ license, and ~~shall have~~ has paid the fee required by this Chapter. ~~Such~~ A practice ~~shall be~~ under this exemption is deemed a provisional practice and shall continue only for ~~such~~ the time ~~as~~ the Board requires reasonably for the consideration of the applicant for licensing under this Chapter as a geologist."

SECTION 5.15.(e) G.S. 89E-8 reads as rewritten:

"**§ 89E-8. Applications.**

An application for licensing as a geologist shall be made under oath, shall show the applicant's education and a summary of ~~his~~ the applicant's geological work, ~~plus~~ and shall set out any other relevant criteria to be determined by the Board. The Board shall have the power to determine a reasonable application fee ~~which~~ that shall accompany each application."

SECTION 5.15.(f) G.S. 89E-9 reads as rewritten:

"**§ 89E-9. Minimum qualifications.**

An applicant shall be eligible for a license as a geologist in North Carolina provided that each applicant meets the following minimum qualifications:

(1) Be of good moral and ethical character.

(2) Have graduated from an accredited college or university, and have a degree with a major in geology, engineering geology or geological engineering or related geologic science; or have completed 30 semester hours or the equivalent in geological science courses leading to a major in geology, of which at least 24 hours of the equivalent were upper level undergraduate courses or graduate courses. ~~The Board shall waive the academic requirements for a person already practicing geology at the time this Chapter is enacted, provided application for license is made not later than one year after appointment of the initial Board and provided further that the applicant can provide evidence to satisfy the Board that he or she is competent to engage in the public practice of geology.~~

(3) Successfully pass such examination established by the Board which shall be designed to demonstrate that the applicant has the necessary knowledge and requisite skill to exercise the responsibilities of the public practice of geology. ~~The Board shall waive the examination for licensing as a geologist of an applicant who makes written application to the Board not later than one year after appointment of the initial Board, and who otherwise meets the qualification of this Chapter.~~

(4) Have at least five years of professional geological work which shall include a minimum of three years of professional geological work under the supervision

of a licensed geologist; or a minimum of three cumulative years work in responsible charge of geological work satisfactory to the Board. The following criteria of education and experience qualify as specified toward accumulation of the required five years of professional geological work:

…

d. The ability of the applicant shall have been demonstrated by ~~his~~ having performed the work in a responsible position as determined by the Board. The adequacy of the required supervision and the experience shall be determined by the Board in accordance with the standards set forth in ~~regulations~~ rules adopted by it."

SECTION 5.15.(g) G.S. 89E-11 reads as rewritten:

"**§ 89E-11. Comity.**

A person holding a license to engage in the practice of geology, on the basis of comparable licensing requirements issued ~~to him~~ by a proper authority by the State, territory, or possession of the United States or the District of Columbia, and who, in the opinion of the Board otherwise meets the requirements of this Chapter based upon verified evidence may, upon application, be licensed without further examination."

SECTION 5.15.(h) G.S. 89E-13 reads as rewritten:

"**§ 89E-13. Seals; requirements.**

Each geologist licensed ~~hereunder,~~ under this Chapter, upon the issuance of a license, shall obtain from the secretary at a cost prescribed by the Board, a seal of the design authorized by the Board bearing the licensee's name and the legend "Licensed Geologist – State of North Carolina". All drawings, ~~reports~~ reports, or other geologic papers or documents involving geologic work ~~as defined in this Chapter which shall have been~~ that are prepared or approved by a licensed ~~geologist or a subordinate employee under his direction for the use of or~~ geologist, or a nonresident geologist who has been exempted under this Chapter, for delivery to any person or for public record ~~within~~ in this State shall be signed by ~~him or her~~ and impressed with ~~the said seal or~~ the seal of ~~a nonresident practicing under the provisions of this Chapter, either of which shall indicate his or her responsibility therefor.~~the geologist. The signature and seal each indicate the geologist's responsibility for the papers or documents."

SECTION 5.15.(i) G.S. 89E-14 reads as rewritten:

"**§ 89E-14. Records.**

(a) The Board shall keep a public record of its proceedings and a register of all applications for licensing.

(b) The register shall show:

…

(4) ~~His or her~~ The applicant's education and other qualifications;

…."

SECTION 5.15.(j) G.S. 89E-18 reads as rewritten:

"**§ 89E-18. Prohibitions; unlawful acts.**

~~After the effective date of this Chapter:~~All of the following are unlawful:

(1) ~~It shall be unlawful for any~~ For a person other than a licensed geologist or a subordinate ~~under his direction~~ to prepare any geologic plans, ~~reports~~ reports, or documents in which the performance is related to the public welfare or safeguarding of life, health, ~~property~~ property, or the environment.

(2) ~~It shall be unlawful for any~~ For a person to publicly practice, or offer to publicly practice, geology in this ~~State as defined in the provisions of this Chapter,~~ State, or to use in connection with ~~his or her~~ the person's name or otherwise ~~assume,~~ assume or advertise any title or description tending to convey the impression that ~~he or she~~ the person is a licensed geologist, unless

~~such~~ the person has been ~~duly~~ licensed or exempted under ~~the provisions of~~ this Chapter.

(3) ~~After one year following the effective date of this act, it shall be unlawful for~~ For anyone ~~other than a geologist licensed under this Chapter~~ to stamp or seal any plans, plats, ~~reports~~ reports, or other documents with the seal or stamp of a licensed geologist, or to use in any manner the title "Licensed Geologist" unless that person is licensed ~~hereunder.~~under this Chapter.

(4) ~~It shall be unlawful for any~~ For a person to affix ~~his or her signature to or to stamp~~ a licensed geologist's signature, stamp, or seal to any plans, plats, reports, or other documents ~~after the licensing of the person named thereon~~ if the geologist's license has expired or has been suspended or ~~revoked~~ revoked, unless the license has since been renewed or reissued."

SECTION 5.15.(k) G.S. 89E-19 reads as rewritten:

"**§ 89E-19. Disciplinary procedures.**

…

(b) If the Board finds that a licensee is professionally incompetent, the Board may require the licensee to take an oral or written examination or to meet other requirements to demonstrate the licensee's fitness to practice geology, and the Board may suspend the licensee's license until ~~he or she~~ the licensee establishes professional competence to the satisfaction of the Board.

…."

SECTION 5.15.(*l*) G.S. 89E-22 reads as rewritten:

"**§ 89E-22. Misdemeanor.**

Any person who shall willfully practice publicly, or offer to practice publicly, geology for other natural or corporate persons in this State without being licensed in accordance with the provisions of this Chapter, or any person presenting or attempting to use ~~as his own~~ the license or the seal of ~~another,~~ another as the person's own, or any person who shall give any false or forged evidence of any kind in obtaining a license, or any person who shall falsely impersonate any other licensee of like or different name, or any person who shall attempt to use an expired or revoked license or practice at any time during a period the Board has suspended or revoked the license, or any person who shall violate the provisions of this Chapter shall be guilty of a Class 2 misdemeanor."

SECTION 5.15.(m) G.S. 89E-24 reads as rewritten:

"**§ 89E-24. Attorney General as legal advisor.**

The Attorney General or any assistant or associate in the Department of Justice selected by ~~him~~ the Attorney General shall act as legal advisor to the Board."

MAKING LANGUAGE GENDER-NEUTRAL IN CHILD SUPPORT STATUTE

SECTION 5.16. G.S. 110-130 reads as rewritten:

"**§ 110-130. Action by the designated representatives of the county commissioners.**

(a) ~~Any~~ A county interested in the paternity ~~and/or~~ or support of a dependent child may ~~institute civil or criminal proceedings~~ commence a civil or criminal action against the responsible parent of the ~~child,~~ child or may ~~take up and pursue~~ intervene in any paternity ~~and/or~~ or support action ~~commenced by the mother, custodian or guardian of the child. Such action shall be undertaken by the~~ concerning the child. The designated representative of the county commissioners in the county where the mother ~~of the child~~ resides or is found, in the county where the father resides or is found, or in the county where the child resides or is ~~found. Any legal proceeding instituted under this section~~ found may commence or intervene in an action under this section. An action commenced under this section may be based upon information or belief.

(b) ~~The~~ A parent of the child may be subpoenaed for testimony at the trial of ~~the action to establish the paternity of and/or to obtain support for the child either instituted or taken up by~~

~~the designated representative of the county commissioners.~~ an action commenced or intervened in by a county under this section. The husband-wife privilege ~~shall not be grounds~~ is not a ground for excusing the mother or father from testifying at the trial nor ~~shall said privilege be grounds~~ is the privilege a ground for the exclusion of confidential communications between husband and wife. If a parent called for examination declines to answer upon the ~~grounds that his~~ ground that his or her testimony may tend to incriminate ~~him,~~ him or her, the court may require ~~him to answer in which event he~~ the parent to answer. The parent shall not thereafter be prosecuted for any criminal act involved in the conception of the child whose paternity is in issue ~~and/or~~ or for whom support is sought, except for perjury committed in this testimony."

CONFORMING CHANGE TO FINANCIAL TRANSACTION CARD CRIME ACT

SECTION 5.17. G.S. 14-113.7A reads as rewritten:

"**§ 14-113.7A. Application of Article to ~~credit~~ financial transaction cards.**

This Article ~~shall not be construed as being applicable~~ does not apply to ~~any credit~~ a financial transaction card as ~~the term is~~ defined in G.S. 14-113.8."

REPEAL OBSOLETE ARTICLE

SECTION 5.18. Article 3 of Chapter 110 of the General Statutes is repealed.

DELETE OBSOLETE REFERENCES TO THE NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK CLEANUP FUND

SECTION 5.19.(a) All of the following provisions are repealed:

(1) Subdivision (5) of G.S. 143-215.94A.

(2) Subdivisions (b)(6) and (b)(12) of G.S. 143-215.94B.

(3) G.S. 143-215.94F.

(4) G.S. 143-215.94P.

SECTION 5.19.(b) G.S. 143-215.94A(2), (2a), and (7) read as rewritten:

"(2) "Commercial underground storage tank" means any one or combination of tanks (including underground pipes connected thereto) used to contain an accumulation of petroleum products, the volume of which (including the volume of the underground pipes connected thereto) is ten percent (10%) or more beneath the surface of the ground. The term ~~"commercial underground storage tank"~~ does not include ~~any:~~any of the following:

~~a. Farm or residential underground storage tank of 1,100 gallons or less capacity used for storing motor fuel for noncommercial purposes;~~

~~b. Underground storage tank of 1,100 gallons or less capacity used for storing heating oil for consumptive use on the premises where stored;~~

~~c. Underground storage tank of more than 1,100 gallon capacity used for storing heating oil for consumptive use on the premises where stored by four or fewer households;~~

c1. Noncommercial underground storage tank.

d. Septic ~~tank;~~tank.

e. Pipeline facility (including gathering lines) regulated ~~under:~~under any of the following:

1. The Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. § 1671 et ~~seq.);~~seq.).

2. The Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. § 2001 et ~~seq.); or~~seq.).

3. ~~Any intrastate pipeline facility regulated under~~ State laws comparable to the provisions of the Natural Gas Pipeline

Safety Act of 1968 or the Hazardous Liquid Pipeline Safety Act of ~~1979;~~1979.

f. Surface impoundment, pit, pond, or ~~lagoon;~~lagoon.

g. Storm water or waste water collection ~~system;~~system.

h. Flow-through process ~~tank;~~tank.

i. Liquid trap or associated gathering lines directly related to oil or gas production and gathering ~~operations; or~~operations.

j. Storage tank situated in an underground area (such as a basement, cellar, mineworking, drift, shaft, or tunnel) if the storage tank is situated upon or above the surface of the floor.

(2a) "Cost-effective cleanup" means the cleanup method that meets all of the following criteria:

a. Addresses imminent threats to human health or the environment.

b. Provides for the cleanup or removal of all contaminated soil except in circumstances where it is impractical to remove contaminated soil.

c. Is approved by the Commission for remediation of the site.

d. Is the least expensive cleanup based on total cost, including costs not eligible for reimbursement from the Commercial ~~Fund or the Noncommercial~~ Fund.

…

(7) "Noncommercial underground storage tank" means any one or combination of the following tanks (including underground pipes connected thereto) used to contain an accumulation of petroleum products, the volume of which (including the volume of the underground pipes connected thereto) is ten percent (10%) or more beneath the surface of the ~~ground. The term "noncommercial storage tank" does not include any:~~ground:

~~a. Commercial underground storage tanks;~~

~~b. Septic tank;~~

~~c. Pipeline facility (including gathering lines) regulated under:~~

~~1. The Natural Gas Pipeline Safety Act of 1968 (49 U.S.C. § 1671 et seq.);~~

~~2. The Hazardous Liquid Pipeline Safety Act of 1979 (49 U.S.C. § 2001 et seq.); or~~

~~3. Any intrastate pipeline facility regulated under State laws comparable to the provisions of the Natural Gas Pipeline Safety Act of 1968 or the Hazardous Liquid Pipeline Safety Act of 1979;~~

~~d. Surface impoundment, pit, pond, or lagoon;~~

~~e. Storm water or waste water collection system;~~

~~f. Flow-through process tank;~~

~~g. Liquid trap or associated gathering lines directly related to oil or gas production and gathering operations; or~~

~~h. Storage tank situated in an underground area (such as a basement, cellar, mineworking, drift, shaft, or tunnel) if the storage tank is situated upon or above the surface of the floor.~~

a. Farm or residential underground storage tank of 1,100 gallons or less capacity used for storing motor fuel for noncommercial purposes.

b. Underground storage tank of 1,100 gallons or less capacity used for storing heating oil for consumptive use on the premises where stored.

c. Underground storage tank of more than 1,100 gallon capacity used for storing heating oil for consumptive use on the premises where stored by four or fewer households."

SECTION 5.19.(c) G.S. 143-215.94E reads as rewritten:

"**§ 143-215.94E. Rights and obligations of the owner or operator.**

…

(b1) In the case of a discharge or release from a commercial underground storage tank where the owner and operator cannot be identified or located, or where the owner and operator fail to proceed as required by subsection (a) of this section, the following requirements apply:

(1) If the current landowner of the land in which the commercial underground storage tank is located notifies the Department in accordance with G.S. 143-215.85 and undertakes to collect and remove the discharge or release and to restore the area affected in accordance with the requirements of this Article and applicable federal and State laws, regulations, and rules, the current landowner may elect to have the Commercial Fund pay or reimburse the current landowner for any costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) that exceed the amounts for which the owner or operator is responsible under that subsection. ~~[~~The following also apply:~~]~~The following provisions also apply:

a. The current landowner is not eligible for payment or reimbursement until the current landowner has paid the costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) for which the owner or operator is responsible.

b. Eligibility for reimbursement under this subsection may be transferred from a current landowner who has paid the costs described in subdivisions (1), (2), (2a), (3), and (4) of G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) to a subsequent landowner.

The current landowner shall submit documentation of all expenditures as required by G.S. 143-215.94G(b).

…

(e) ~~When an~~ An owner, operator, or landowner that pays the costs described in ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1)~~ subsection (b) or (b1) of G.S. 143-215.94B resulting from a discharge or release of petroleum from ~~an~~ a commercial underground storage ~~tank, the owner, operator, or landowner~~ tank may seek reimbursement from ~~the appropriate fund for any costs that the owner, operator, or landowner may elect to have either~~ the Commercial Fund ~~or the Noncommercial Fund pay~~ in accordance with ~~the applicable subsections of~~ this section.

(e1) The Department may contract for any services necessary to evaluate any claim for reimbursement or compensation from the Commercial ~~Fund,~~ Fund and may contract for any expert witness or consultant services necessary to defend any decision to pay or deny any claim for ~~reimbursement, and~~ reimbursement. The Department may pay the cost of these services from the ~~fund against which the claim is made; provided that in~~ fund. In any fiscal ~~year~~ year, however, the Department shall not expend ~~from either fund~~ more than one percent (1%) of the unobligated balance of the fund on 30 June of the previous fiscal year. The cost of contractual services ~~to evaluate a claim or for expert witness or consultant services to defend a decision with respect to a claim shall be included as costs under G.S. 143-215.94B(b) and 143-215.94B(b1).~~authorized by this subsection are considered costs under subsections (b) and (b1) of G.S. 143-215.94B.

…

(e5) (1) As used in this subsection:

…

b. "Preapproval" means a determination by the Department that:

1. The nature and scope of a task is reasonable and necessary to be performed under ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1)~~ subsection (b) or (b1) of G.S. 143-215.94B in order to achieve the purposes of this Part.
2. The amount estimated for the cost of a task does not exceed the amount or rate that is reasonable for that task.

(2) The Department may require an owner, operator, or landowner to obtain preapproval before proceeding with any task. The Department shall specify those tasks for which preapproval is required. The Department shall deny any request for payment or reimbursement of the cost of any task for which preapproval is required if the owner, operator, or landowner failed to obtain preapproval of the task. Preapproval of a task by the Department does not guarantee payment or reimbursement in the amount estimated for the cost of the task at the time preapproval is requested. The Department shall pay or reimburse the cost of a task only if all of the following apply:

a. The cost is eligible to be paid under ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1).~~subsection (b) or (b1) of G.S. 143-215.94B.
b. Payment is in accordance with ~~G.S. 143-215.94B(d) or G.S. 143-215.94D(d).~~G.S. 143-215.94B(d).
c. The Department determines that the cost is reasonable and necessary.

(3) The Commission may adopt rules governing payment or reimbursement of reasonable and necessary costs and, consistent with any rules adopted by the Commission, the Department shall develop, implement, and periodically revise a schedule of costs that the Department determines to be reasonable and necessary costs for specific tasks. Statements that specify tasks for which preapproval is required and schedules of reasonable and necessary costs for specific tasks are statements within the meaning of G.S. 150B-2(8a)g. This subsection ~~shall not be construed to~~ does not invalidate any rule of the Commission related to preapproval of tasks that will result in a cost that is eligible to be paid or reimbursed under ~~G.S. 143-215.94B(b), 143-215.94B(b1), or 143-215.94D(b1), provided, however, that the~~ subsection (b) or (b1) of G.S. 143-215.94B. The Department may specify ~~additional~~ tasks for which preapproval is ~~required.~~required in addition to any specified by the Commission.

(4) In all cases, the Department shall require an owner, operator, or landowner to submit documentation sufficient to establish that a claim is eligible to be paid or reimbursed under this Part before the Department pays or reimburses the claim.

(5) The Department shall authorize a task the cost of which is to be paid or reimbursed from the Commercial Fund ~~or the Noncommercial Fund~~ only when the task is scheduled to be performed on the basis of a priority determination pursuant to subsection (e4) of this section. The Department shall not pay or reimburse the cost of any task for which authorization is required under this subsection until the Department has preapproved and authorized the task.

(6) Except as provided in subdivisions (8) and (9) of this subsection, the Department shall not authorize any task the cost of which is to be paid or reimbursed from the Commercial Fund ~~or the Noncommercial Fund~~ unless the Department determines, based on the scope of the work to be performed and the schedule of reasonable and necessary costs, that sufficient funds will

be available in the Commercial Fund ~~or the Noncommercial Fund, whichever applies,~~ to pay or reimburse the cost of that task within 90 days after the Department determines that the owner, operator, or landowner has submitted a claim with documentation sufficient to establish that the claim is eligible to be paid under this Part.

…

(8) The Department may preapprove and authorize ~~a task the cost of which is to be paid or reimbursed~~ for payment or reimbursement from the Commercial Fund ~~or the Noncommercial Fund~~ a task that has not been authorized pursuant to subdivisions (5) and (6) of this subsection if the owner, operator, or landowner specifically requests that the task be authorized and agrees that the claim for payment or reimbursement of the task's cost will not be paid until after the Department has paid all claims for payment or reimbursement of costs for tasks ~~that~~ the Department has authorized pursuant to subdivisions (5) and (6) of this subsection.

(9) The Department may preapprove and authorize ~~a task the cost of which is to be paid or reimbursed~~ for payment or reimbursement from the Commercial Fund ~~or the Noncommercial Fund~~ a task that has not been authorized pursuant to subdivisions (5) and (6) of this subsection if the discharge or release creates an emergency situation. An emergency situation exists when a discharge or release of petroleum results in an imminent threat to human health or the environment. A claim for payment or reimbursement of costs for tasks ~~that are~~ authorized under this subdivision shall be paid or reimbursed on the same basis as tasks ~~that are~~ authorized under subdivisions (5) and (6) of this subsection.

…

(g) No owner or operator shall be reimbursed pursuant to this section, and the Department shall seek reimbursement of the ~~appropriate fund~~ Commercial Fund or of the Department for any monies disbursed from the ~~appropriate fund~~ Commercial Fund or expended by the Department if any of the following apply:

(1) The owner or operator has willfully violated any substantive law, rule, or regulation applicable to underground storage tanks and intended to prevent or mitigate discharges or releases or to facilitate the early detection of discharges or releases.

(2) The discharge or release is the result of the owner's or operator's willful or wanton misconduct.

(3) The owner or operator has failed to pay any annual tank operating fee due pursuant to G.S. 143-215.94C.

…

(j) An owner, operator, or landowner shall request that the Department determine whether any of the costs of assessment and cleanup of a discharge or release from a petroleum underground storage tank are eligible to be paid or reimbursed from ~~either~~ the Commercial Fund within one year after completion of any task that is eligible to be paid or reimbursed under G.S. 143-215.94B(b) or 143-215.94B(b1).

…."

SECTION 5.19.(d) G.S. 143-215.94G, as amended by Section 5.35(*l*) of this act, reads as rewritten:

"**§ 143-215.94G. Authority of the Department to engage in cleanups; actions for fund reimbursement.**

(a) If there is a discharge or release of petroleum from any of the following, the Department may use staff, equipment, or materials under its control or provided by other

cooperating federal, State, or local agencies and may contract with any agent or contractor it deems appropriate to investigate a release, to develop and implement a cleanup plan, to provide interim alternative sources of drinking water to third parties, and to pay the initial costs for providing permanent alternative sources of drinking water to third parties:

~~(1) A noncommercial underground storage tank.~~

(2) An underground storage tank whose owner or operator cannot be identified or located.

(3) An underground storage tank whose owner or operator fails to proceed as required by G.S. 143-215.94E(a).

(4) A commercial underground storage tank taken out of operation prior to 1 January 1974 if, when the discharge or release is discovered, neither the owner nor operator owns or leases the land on which the underground storage tank is located.

…

(d) The Secretary shall seek reimbursement through any legal means available for the following:

…

(6) The amounts provided for in ~~G.S. 143-215.94B(b5) and G.S. 143-215.94D(b2).~~G.S. 143-215.94B(b5).

(e) In the event that a civil action is commenced to secure reimbursement pursuant to subdivisions (1) through (4) of subsection (d) of this section, the Secretary may recover, in addition to any amount due, the costs of the action, including but not limited to reasonable attorneys' fees and investigation expenses. Any monies received or recovered as reimbursement shall be paid into the ~~appropriate fund~~ Commercial Fund or other source from which the expenditures were made.

(f) Repealed by Session Laws 2015-241, s. 14.16A(f), effective December 31, 2016.

(g) If the Department paid or reimbursed costs that are not authorized to be paid or reimbursed under G.S. 143-215.94B ~~or G.S. 143-215.94D~~ as a result of a misrepresentation by an agent that acted on behalf of an owner, operator, or landowner, the Department shall first seek reimbursement, pursuant to subdivision (1) of subsection (d) of this section, from the agent of monies paid to or retained by the agent.

…."

SECTION 5.19.(e) G.S. 143-215.94V reads as rewritten:

"**§ 143-215.94V. Standards for petroleum underground storage tank cleanup.**

(a) Legislative findings and intent.

(1) The General Assembly finds that:

a. The goals of the underground storage tank program are to protect human health and the environment. Maintaining the solvency of the Commercial Fund ~~and the Noncommercial Fund~~ is essential to these goals.

…

(2) The General Assembly intends:

…

e. That ~~neither~~ the Commercial Fund ~~nor the Noncommercial Fund~~ not be used to clean up sites where the Commission has determined that a discharge or release poses a degree of risk to human health or the environment that is no greater than the acceptable level of risk established by the Commission.

f. Repealed by Session Laws 1998-161, s. 11(c), effective retroactively to January 1, 1998.

g. That the Commercial Fund ~~and the Noncommercial Fund~~ be used to perform the most cost-effective cleanup that addresses imminent threats to human health and the environment.

…

(c) The Commission may require an owner or operator or a landowner eligible for payment or reimbursement under ~~subsections (b), (b1), (c), and (c1)~~ subsections (b) and (b1) of G.S. 143-215.94E to provide information necessary to determine the degree of risk to human health and the environment that is posed by a discharge or release from a petroleum underground storage and to identify the most cost-effective cleanup that addresses imminent threats to human health and the environment.

…

(e) If the Commission concludes under subsection (d) of this section that no cleanup, no further cleanup, or no further action will be required, the Department shall not pay or reimburse any costs otherwise payable or reimbursable under this Article from ~~either~~ the Commercial ~~or Noncommercial~~ Fund, other than reasonable and necessary to conduct the risk assessment required by this section, unless:

(1) Cleanup is ordered or damages are awarded in a finally adjudicated judgment in an action against the owner or landowner. To be eligible for reimbursement of damages arising from a third-party claim for bodily injury or property damage awarded in a finally adjudicated judgment, however, an owner or operator shall (i) notify the Department of any such claim; (ii) provide the Department with all pleadings and other related documents if a lawsuit has been filed; and (iii) provide the Department copies of any medical reports, statements, investigative reports, or certifications from licensed professionals necessary to determine that a claim for bodily injury or property damage is reasonable and necessary. Reimbursement of claims for damages arising from a third-party claim for bodily injury or property damage awarded in a finally adjudicated judgment shall be subject to the limitations set forth in ~~G.S. 143-215.94B(b)(5) and G.S. 143-215.94D(b1)(2), as applicable,~~ G.S. 143-215.94B(b)(5) and any other provision governing third-party claims set forth in this Article.

…

(e1) If the Commission concludes under subsection (d) of this section that further cleanup is required and notifies the owner, operator, or landowner of the cleanup method approved by the Commission as the most cost-effective cleanup method for the site, the Department shall not pay or reimburse any costs otherwise payable or reimbursable under this Article from ~~either~~ the Commercial ~~Fund or Noncommercial~~ Fund, other than those costs that are reasonable and necessary to conduct the risk assessment and to implement the cost-effective cleanup method approved by the Commission. If the owner, operator, or landowner selects a cleanup method other than the one identified by the Commission as the most cost-effective cleanup, the Department shall not pay or reimburse for costs in excess of the cost of implementing the approved cost-effective cleanup.

…

(h) If a discharge or release of petroleum from an underground storage tank results in contamination in soil or groundwater that becomes commingled with contamination that is the result of a discharge or release of petroleum from a source of contamination other than an underground storage tank, the cleanup of petroleum may proceed under rules adopted pursuant to this section. The Department shall not pay or reimburse from the Commercial Fund any costs associated with the assessment or remediation of that portion of contamination that results from a release or discharge of petroleum from a source other than an underground storage ~~tank from either the Commercial Fund or the Noncommercial Fund.~~tank."

SECTION 5.19.(f) G.S. 143B-426.40A(*l*) reads as rewritten:

"(*l*) ~~Assignment of Payments From the Underground Storage Tank Cleanup Funds.~~ Payments from Commercial Fund. – This section does not apply to an assignment of any claim for payment or reimbursement from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund established by ~~G.S. 143-215.94B or the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund established by G.S. 143-215.94D.~~G.S. 143-215.94B."

UPDATE OBSOLETE REFERENCES AND OTHER CONFORMING CHANGES IN ADMINISTRATIVE LAW

SECTION 5.20.(a) G.S. 150B-37(c) is recodified as the last sentence of G.S. 150B-34(a).

SECTION 5.20.(b) G.S. 150B-34, as amended by subsection (a) of this section, reads as rewritten:

"**§ 150B-34. Final decision or order.**

(a) In each contested case the administrative law judge shall make a final decision or order that contains findings of fact and conclusions of law. The administrative law judge shall decide the case based upon the preponderance of the evidence, giving due regard to the demonstrated knowledge and expertise of the agency with respect to facts and inferences within the specialized knowledge of the agency. The Office of Administrative Hearings shall forward a copy of the administrative law judge's final decision or order to each party.

(b) Repealed by Session Laws 1991, c. 35, s. 6.

(c) Repealed by Session Laws 2011-398, s. 18. For effective date and applicability, see editor's note.

(d) Except for the exemptions contained in G.S. 150B-1, the provisions of this section regarding the decision of the administrative law judge ~~shall~~ apply only to agencies subject to Article 3 of this Chapter, notwithstanding any other provisions to the contrary relating to recommended decisions by administrative law judges.

…."

SECTION 5.20.(c) G.S. 90A-30 reads as rewritten:

"**§ 90A-30. Penalties; remedies; contested cases.**

(a) Upon the recommendation of the Board of Certification, the Secretary of Environmental Quality or a delegated representative may impose an administrative, civil penalty on any person, corporation, company, association, partnership, unit of local government, State agency, federal agency, or other legal entity ~~who~~ that violates G.S. 90A-29(a). Each day of a continued violation ~~shall constitute~~ constitutes a separate violation. The penalty shall not exceed one hundred dollars ($100.00) for each day ~~such~~ the violation continues. No penalty shall be assessed until the person alleged to be in violation has been notified of the violation.

The clear proceeds of penalties imposed pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(b) Any person wishing to contest a penalty issued under this section ~~shall be~~ is entitled to an administrative hearing and judicial review conducted according to the procedures outlined in Articles 3 and 4 of Chapter 150B of the General Statutes.

(c) The Secretary may bring a civil action in the superior court of the county in which the violation is alleged to have occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to an owner or person in control of a water treatment ~~facility~~facility:

(1) ~~Who~~ The owner or person has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of ~~such penalty, or~~the penalty.

(2) ~~Who~~ The owner or person has requested an administrative hearing and fails to pay the penalty within 60 days after ~~service of~~ the Office of Administrative

Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34.

(d) Notwithstanding any other provision of law, this section imposes the only penalty or sanction, civil or criminal, for violations of G.S. 90A-29(a) or for the failure to meet any other legal requirement for a water system to have a certified operator in responsible charge."

SECTION 5.20.(d) G.S. 104E-24 reads as rewritten:

"**§ 104E-24. Administrative penalties.**

(a) The Department may impose an administrative penalty on ~~any person:~~a person that does either of the following:

(1) ~~Who fails~~ Fails to comply with this Chapter, any order issued ~~hereunder,~~ under it, or any rules adopted pursuant to ~~this Chapter;~~it.

(2) ~~Who refuses~~ Refuses to allow an authorized representative of the Radiation Protection Commission or the Department of Health and Human Services a right of entry as provided for in G.S. 104E-11 or impounding materials as provided for in G.S. 104E-14.

(b) Each day of a continuing violation ~~shall constitute~~ constitutes a separate violation. ~~Such~~ The penalty shall not exceed ten thousand dollars ($10,000) per day. In determining the amount of the penalty, the Department shall consider the degree and extent of the harm caused by the violation. Any person assessed a penalty shall be notified of the assessment by registered or certified mail, and the notice shall specify the reasons for the assessment.

(c) Any person wishing to contest a penalty or order issued under this section ~~shall be~~ is entitled to an administrative hearing and judicial review in accordance with the procedures outlined in Articles ~~3, 3A,~~ 3 and 4 of Chapter 150B of the General Statutes.

(d) The Secretary may bring a civil action in the superior court of the county in which ~~such~~ the violation is alleged to have occurred to recover the amount of the administrative penalty ~~whenever a person:~~if either of the following applies:

(1) ~~Who~~ The person has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of ~~such penalty, or~~the penalty.

(2) ~~Who~~ The person has requested an administrative hearing and fails to pay the penalty within 60 days after ~~service of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34.

(e) The clear proceeds of penalties imposed pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

SECTION 5.20.(e) G.S. 108A-70.9A(f) reads as rewritten:

"(f) Final Decision. – After a hearing before an administrative law judge, ~~the judge~~ OAH shall ~~return~~ forward a written copy of the administrative law judge's decision to the Department and the recipient in accordance with ~~G.S. 150B-37.~~ G.S. 150B-34. The ~~Department~~ decision shall notify the Department and the recipient ~~of the final decision and~~ of the right to judicial review of the decision pursuant to Article 4 of Chapter 150B of the General Statutes."

SECTION 5.20.(f) G.S. 108A-70.9B(g) reads as rewritten:

"(g) Decision. – The administrative law judge assigned to a contested Medicaid case shall hear and decide the case without unnecessary delay. The judge shall prepare a written decision and ~~send~~ shall forward a copy of it to the parties in accordance with ~~G.S. 150B-37.~~G.S. 150B-34."

SECTION 5.20.(g) G.S. 108D-16 reads as rewritten:

"**§ 108D-16. Notice of final decision and right to seek judicial review.**

The administrative law judge assigned to conduct a contested case hearing under G.S. 108D-15 shall hear and decide the case without unnecessary delay. The judge shall prepare a written decision that includes findings of fact and conclusions of law and ~~send~~ shall forward a copy of it to the parties in accordance with ~~G.S. 150B-37.~~ G.S. 150B-34. The written decision

shall notify the parties ~~of the final decision and~~ of the right of the enrollee and the managed care entity to seek judicial review of the decision under Article 4 of Chapter 150B of the General Statutes."

SECTION 5.20.(h) G.S. 122C-24 reads as rewritten:

"**§ 122C-24. Adverse action on a license.**

(a) The Secretary may deny, suspend, amend, or revoke a license in any case in which the Secretary finds that there has been a substantial failure to comply with any provision of this Article or other applicable statutes or any applicable rule adopted pursuant to these statutes. ~~Action[s]~~ Actions under this section and appeals of those actions shall be in accordance with rules of the Commission and Chapter 150B of the General Statutes.

~~(b) When an appeal is filed concerning the denial, suspension, amendment, or revocation of a license, a copy of the proposal for decision shall be sent to the Chairman of the Commission in addition to the parties specified in G.S. 150B-34. The Chairman or members of the Commission designated by the Chairman may submit for the Secretary's consideration written or oral comments concerning the proposal prior to the issuance of a final agency decision in accordance with G.S. 150B-36.~~"

SECTION 5.20.(i) G.S. 122C-24.1 reads as rewritten:

"**§ 122C-24.1. Penalties; remedies.**

…

(h) The Secretary may bring a civil action in the superior court of the county ~~wherein~~ where the violation occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to a facility:

(1) ~~Which~~ The facility has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of the ~~penalty, or~~penalty.

(2) ~~Which~~ The facility has requested an administrative hearing and fails to pay the penalty within 60 days after ~~receipt of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-37.~~G.S. 150B-34.

…

(j) The clear proceeds of civil penalties provided for in this section shall be remitted to the ~~State Treasurer for deposit~~ Civil Penalty and Forfeiture Fund in accordance with ~~State law.~~G.S. 115C-457.2.

…."

SECTION 5.20.(j) G.S. 131D-34 reads as rewritten:

"**§ 131D-34. Penalties; remedies.**

…

(g) The Secretary may bring a civil action in the superior court of the county ~~wherein~~ where the violation occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to a facility:

(1) ~~Which~~ The facility has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of the ~~penalty, or~~penalty.

(2) ~~Which~~ The facility has requested an administrative hearing and fails to pay the penalty within 60 days after ~~receipt of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34.

…

(i) The clear proceeds of civil penalties provided for in this section shall be remitted to the ~~State Treasurer for deposit~~ Civil Penalty and Forfeiture Fund in accordance with ~~State law.~~G.S. 115C-457.2."

SECTION 5.20.(k) G.S. 131E-129(f) reads as rewritten:

"(f) The Secretary may bring a civil action in the superior court of the county ~~wherein~~ where the violation occurred to recover the amount of the administrative penalty ~~whenever~~ if either of the following applies to a facility:

(1) ~~Which~~ The facility has not requested an administrative hearing and fails to pay the penalty within 60 days after being notified of the ~~penalty; or~~penalty.

(2) ~~Which~~ The facility has requested an administrative hearing and fails to pay the penalty within 60 days after ~~receipt of~~ the Office of Administrative Hearings forwards a written copy of the decision as provided in ~~G.S. 150B-36.~~G.S. 150B-34."

SECTION 5.20.(*l*) G.S. 143-215.94G reads as rewritten:

"**§ 143-215.94G. Authority of the Department to engage in cleanups; actions for fund reimbursement.**

(a) ~~The~~ If there is a discharge or release of petroleum from any of the following, the Department may use staff, equipment, or materials under its control or provided by other cooperating federal, State, or local agencies and may contract with any agent or contractor it deems appropriate to investigate a release, to develop and implement a cleanup plan, to provide interim alternative sources of drinking water to third parties, and to pay the initial costs for providing permanent alternative sources of drinking water to third ~~parties, and shall pay the costs resulting from the Commercial Fund whenever there is a discharge or release of petroleum from any of the following:~~parties:

(1) A noncommercial underground storage tank.

(2) An underground storage tank whose owner or operator cannot be identified or located.

(3) An underground storage tank whose owner or operator fails to proceed as required by G.S. 143-215.94E(a).

(4) A commercial underground storage tank taken out of operation prior to 1 January 1974 if, when the discharge or release is discovered, neither the owner nor operator owns or leases the land on which the underground storage tank is located.

(a1) Every State agency shall provide to the Department to the maximum extent feasible ~~such~~ any staff, equipment, and materials ~~as may be~~ that are available and useful to the development and implementation of a cleanup program.

(a2) The cost of any action authorized under subsection (a) of this section shall be paid, to the extent funds are available, from the following sources in the order listed:

(1) Any funds to which the State is entitled under any federal program providing for the cleanup of petroleum discharges or releases from underground storage tanks, including, but not limited to, the Leaking Underground Storage Tank Trust Fund established pursuant to 26 U.S.C. § 4081 and 42 U.S.C. § 6991b(h).

(2) The Commercial Fund.

(a3) Expired October 1, 2011, pursuant to Session Laws 2001-442, s. 8, as amended by Session Laws 2008-195, s. 11.

(b) Whenever the discharge or release of a petroleum product is from a commercial underground storage tank, the Department may supervise the cleanup of environmental damage required by G.S. 143-215.94E(a). If the owner or operator elects to have the Commercial Fund reimburse or pay for any costs allowed under subsection (b) or (b1) of G.S. 143-215.94B, the Department shall require the owner or operator to submit documentation of all expenditures claimed for the purposes of establishing that the owner or operator has spent the amounts required to be paid by the owner or operator pursuant to and in accordance with G.S. 143-215.94E(b). The Department shall allow credit for all expenditures that the Department determines to be reasonable and necessary. The Department ~~may~~ shall not pay for any costs for which the

Commercial Fund was established until the owner or operator has paid the amounts specified in G.S. 143-215.94E(b).

(c) The Secretary shall keep a record of all expenses incurred for the services of State personnel and for the use of the State's equipment and material.

(d) The Secretary shall seek reimbursement through any legal means ~~available, for:~~available for the following:

(1) Any costs not authorized to be paid from the Commercial ~~Fund;~~Fund.

(2) The amounts provided for in G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) required to be paid for by the owner or operator pursuant to G.S. 143-215.94E(b) ~~where~~ if the owner or operator of a commercial underground storage tank is later identified or ~~located;~~located.

(3) The amounts provided for in G.S. 143-215.94B(b) or G.S. 143-215.94B(b1) required to be paid for by the owner or operator pursuant to G.S. 143-215.94E(b) ~~where~~ if the owner or operator of a commercial underground storage tank failed to proceed as required by ~~G.S. 143-215.94E(a);~~G.S. 143-215.94E(a).

(3a) The amounts provided for by G.S. 143-215.94B(b)(5) required to be paid by the owner or operator to third parties for the cost of providing interim alternative sources of drinking water to third parties and the initial cost of providing permanent alternative sources of drinking water to third ~~parties;~~parties.

(4) Any funds due under ~~G.S. 143-215.94E(g); and~~G.S. 143-215.94E(g).

(5) Any funds to which the State is entitled under any federal program providing for the cleanup of petroleum discharges or releases from underground storage ~~tanks; [and]~~tanks.

(6) The amounts provided for in G.S. 143-215.94B(b5) and G.S. 143-215.94D(b2).

(e) In the event that a civil action is commenced to secure reimbursement pursuant to subdivisions (1) through (4) of subsection (d) of this section, the Secretary may recover, in addition to any amount due, the costs of the action, including but not limited to reasonable ~~attorney's~~ attorneys' fees and investigation expenses. Any monies received or recovered as reimbursement shall be paid into the appropriate fund or other source from which the expenditures were made.

(f) Repealed by Session Laws 2015-241, s. 14.16A(f), effective December 31, 2016.

(g) If the Department paid or reimbursed costs that are not authorized to be paid or reimbursed under G.S. 143-215.94B or G.S. 143-215.94D as a result of a misrepresentation by an agent ~~who~~ that acted on behalf of an owner, operator, or landowner, the Department shall first seek reimbursement, pursuant to subdivision (1) of subsection (d) of this section, from the agent of monies paid to or retained by the agent.

(h) The Department shall take administrative action to recover costs or bring a civil action pursuant to subdivision (1) of subsection (d) of this section to seek reimbursement of costs in accordance with the ~~time limits set out in this subsection.~~following time limits:

(1) The Department shall take administrative action to recover costs or bring a civil action to seek reimbursement of costs that are not authorized to be paid from the Commercial Fund under subdivision (1), (2), or (3) of G.S. 143-215.94B(d) within five years after payment.

(2) The Department shall take administrative action to recover costs or bring a civil action to seek reimbursement of costs other than those described in subdivision (1) of this subsection within three years after payment.

(3) Notwithstanding the time limits set out in subdivisions (1) and (2) of this subsection, the Department may take administrative action to recover costs or

bring a civil action to seek reimbursement of costs paid as a result of fraud or misrepresentation at any time.

(i) An administrative action or civil action that is not commenced within the time allowed by subsection (h) of this section is barred.

(j) Except with the consent of the claimant, the Department ~~may~~ shall not withhold payment or reimbursement of costs that are authorized to be paid from the Commercial Fund in order to recover any other costs that are in dispute unless the Department is authorized to withhold payment by a final decision ~~of the Commission pursuant to G.S. 150B-36~~ in a contested case under Article 3 of Chapter 150B of the General Statutes or by an order or final decision of a court."

REPEAL OBSOLETE ARTICLE

SECTION 5.21. Article 29A of Chapter 143 of the General Statutes is repealed.

PART V-A. HELENE RELATED FUNDING AND FLEXIBILITY

HELENE RELATED FUNDING: COMPETITIVE GRANT PRIORITIZATION

SECTION 5A.1.(a) Notwithstanding any other provision of law, for the 2025-2027 fiscal biennium, the following programs and funds, which collectively represent over seven hundred fifty million dollars ($750,000,000) in the base budget from competitive grant programs over the biennium, shall prioritize applicants from counties that (i) were designated, in whole or in part, by the United States Department of Housing and Urban Development as the most impacted and distressed counties from Hurricane Helene and (ii) have a population of 300,000 or fewer based upon the 2023 Certified County Population Estimates from the State Demographer:

(1) Needs-Based Public School Capital Fund, established in Article 38B of Chapter 115C of the General Statutes. The matching requirement under G.S. 115C-546.11 is waived for applicants qualifying under this subsection for prioritization.
(2) Community Health Grant Program administered by the Department of Health and Human Services, Division of Central Management, Office of Rural Health (Rural Health).
(3) State-Designated Rural Health Centers Support Grant Program and Rural Health Capital Grants Program administered by Rural Health.
(4) Agricultural Water Resources Assistance Program, established under Article 5 of Chapter 139 of the General Statutes.
(5) Utility Account, established under G.S. 143B-437.01.
(6) Rural Engagement & Investment Program under the Department of Commerce, Rural Economic Development Division.
(7) Parks and Recreation Trust Fund, established under G.S. 143B-135.56.
(8) North Carolina Land and Water Fund, established under G.S. 143B-135.234.
(9) Grants administered by the North Carolina Arts Council, established under Part 14 of Article 2 of Chapter 143B of the General Statutes.
(10) Grants awarded by the State Water Infrastructure Authority from the State Drinking Water and Wastewater Reserves.

SECTION 5A.1.(b) Each agency overseeing the administration of funds from the programs and funds listed in subsection (a) of this section shall require applicants seeking prioritization to attest that (i) the application for funds is for repair, replacement, or construction of equipment, buildings, or natural features due to damage or effects from Hurricane Helene, including capacity-building, and (ii) the amount of funds requested is the amount of unmet need above the amount paid by insurance and available federal aid.

HELENE RELATED FUNDING: STATE AGENCIES OPERATIONS

SECTION 5A.2. In order to augment State funds that are available for operational needs of various State agencies resulting from recovery and relief efforts related to damage and suffering caused by Hurricane Helene, the General Assembly has identified and transferred to the Helene Fund funds from other reserves, in the amount of seven hundred million dollars ($700,000,000), that are currently unutilized or underutilized and has used a portion of those funds for multiple agencies, as provided elsewhere in this act, including the North Carolina Community College System, the Department of Commerce, the Office of the Governor, and The University of North Carolina.

HELENE RELATED FUNDING: SEWER/WATER

SECTION 5A.3. The General Assembly finds that the supplemental appropriations provided by Congress in the American Relief Act of 2025 (P.L. 118-158) and allocated by the U.S. Environmental Protection Agency to the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund for wastewater treatment works, drinking water facilities, and decentralized wastewater treatment systems in the State impacted by Hurricane Helene should be expeditiously used for repair and replacement of drinking water and wastewater infrastructure damaged by Hurricane Helene.

Accordingly, the General Assembly has appropriated in this act for the 2025-2026 fiscal year the sum of six hundred eighty-five million six hundred thirteen thousand dollars ($685,613,000) in federal disaster funding in this act, which is allocated in and for the following amounts and uses:

(1) Two hundred fifty-three million six hundred eighty-one thousand dollars ($253,681,000) to the Clean Water State Revolving Fund established in G.S. 159G-22(b) (CWSRF) and four hundred nine million four hundred twenty-two thousand dollars ($409,422,000) to the Drinking Water State Revolving Fund established in G.S. 159G-22(c) (DWSRF) for funding of projects consistent with applicable federal law and guidance to CWSRF and DWSRF eligible entities that were damaged, can demonstrate impact, or experienced a loss or disruption of a mission-essential function caused by Hurricane Helene.

(2) Twenty-two million five hundred ten thousand dollars ($22,510,000) to the CWSRF to improve the resilience of decentralized wastewater treatment systems to flooding, to assess the potential to connect homes served by decentralized wastewater treatment systems to centralized wastewater systems, and to fund such connections.

HELENE RELATED FUNDING: TRANSPORTATION

SECTION 5A.4. In order to augment State funds that are available for needs resulting from recovery and relief efforts related to damage and suffering caused by Hurricane Helene, the General Assembly is identifying and reallocating transportation funds that are unutilized or underutilized to meet the cash flow and federal matching requirements for transportation infrastructure recovery in Helene impacted counties. To this end, as otherwise provided in this act, the General Assembly has identified six hundred thirty-three million six hundred thirty-nine thousand six hundred thirty dollars ($633,639,630) in Part XLIII of this act for reallocation for uses consistent with the Highway Fund and this act.

HELENE RELATED FUNDING: PUBLIC SCHOOL CAPITAL

SECTION 5A.5. The State Controller shall transfer interest earned as of June 30, 2025, from the Needs-Based Public School Capital Fund established in Article 38B of Chapter

115C of the General Statutes, estimated at thirty-nine million six hundred thousand dollars ($39,600,000), to the Department of Public Instruction for Capital Recovery Funds for the Public School Facilities Program, established in S.L. 2024-53, Committee Report, page F2, Item 7.

EMERGENCY FLEXIBILITY OF FUNDS

SECTION 5A.6. G.S. 166A-19.40 reads as rewritten:

"**§ 166A-19.40. Use of contingency and emergency funds.**

(a) Use of Contingency and Emergency Funds. – The Governor may use contingency and emergency funds:

(1) As necessary and appropriate to provide relief and assistance from the effects of an emergency.

(2) As necessary and appropriate for National Guard training in preparation for emergencies with the concurrence of the Council of State.

(b) Repealed by Session Laws 2015-241, s. 6.19(a), effective July 1, 2015.

(c) Use of Other Funds. – The Governor may reallocate on a nonrecurring basis such other funds as may reasonably be available within the appropriations of the various departments when all of the following conditions are satisfied:

(1) The severity and magnitude of the emergency so requires.

(2) Contingency and emergency funds are insufficient or inappropriate.

(3) A state of emergency has been declared pursuant to G.S. 166A-19.20(a).

(4) Funds in the State Emergency Response and Disaster Relief Fund are insufficient."

PART VI. COMMUNITY COLLEGE SYSTEM

INSTITUTIONAL SUPPORT CONSOLIDATION

SECTION 6.1.(a) The State Board of Community Colleges shall consolidate administrative functions held across the community colleges system into a new administrative structure. The President of the Community Colleges System, a consultant hired by the State Board, or individual community colleges may submit recommendations to the State Board, but all decision-making power on the development of the new structure resides with the State Board. The new structure developed pursuant to this section shall go into effect beginning with the 2026-2027 academic year. The State Board may use up to two million dollars ($2,000,000) in nonrecurring funds appropriated in this act for the 2025-2026 fiscal year for the following:

(1) To contract with a third-party consultant to assist with development of the new administrative structure.

(2) To conduct studies related to developing the new administrative structure.

(3) Other purposes the State Board deems relevant to developing the new administrative structure.

SECTION 6.1.(b) The State Board shall submit a report to the Joint Legislative Education Oversight Committee on the administrative structure developed pursuant to this section no later than April 15, 2026. The report shall include at least the following:

(1) An overview of the new structure compared to the prior structure.

(2) A summary of efficiencies achieved by the new structure.

REPEAL MINORITY MALE SUCCESS INITIATIVE REPORT

SECTION 6.2. G.S. 115D-58.17(a) reads as rewritten:

"(a) No later than February 15, 2024, and annually thereafter, the State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee on outcomes related to ~~the following recurring programs:~~

~~(1) Minority male mentoring programs, including the Minority Male Success Initiative.~~

~~(2)~~ ~~The~~ the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis."

PROPEL NC

SECTION 6.3.(a) The following session laws are repealed:

(1) Subsection (b) of Section 8.3 of S.L. 2011-145.

(2) Subsection (a) of Section 10.4 of S.L. 2013-360.

SECTION 6.3.(b) The State Board of Community Colleges shall revise its funding formula for community colleges and allocate funds under that revised formula, beginning with the 2025-2026 fiscal year, according to the following minimum criteria:

(1) Each community college shall continue to receive a base allocation of funds.

(2) In addition to the base allocation of funds, funds shall be provided to community colleges based on the number of full-time equivalent (FTE) students enrolled in curriculum, workforce continuing education, and Basic Skills courses.

(3) Funds allocated pursuant to subdivision (2) of this subsection shall be weighted based on the workforce sector of each course, as determined by the State Board. In making its determinations, the State Board shall consider salary data and labor market demand for the applicable workforce sector.

SECTION 6.3.(c) Part 3 of Article 1 of Chapter 115D of the General Statutes, as enacted by this act, is further amended by adding a new section to read:

"**§ 115D-10.55. Course review.**

The State Board of Community Colleges shall review and revise, as necessary, its workforce sector designations for curriculum, workforce continuing education, and Basic Skills courses at community colleges by July 15, 2028, and every three years thereafter."

SECTION 6.3.(d) Of the funds appropriated for the purposes of this section, the State Board of Community Colleges shall increase funding for pathways related to healthcare, engineering and advanced manufacturing, trades and transportation, and information technology.

SECTION 6.3.(e) No later than April 1, 2027, the Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on the revisions to its funding formula for community colleges pursuant to subsection (b) of this section, including the structure of the revised formula, the process for implementing the revised formula, and any recommended changes to the revised formula.

NCCCS IDD WORKFORCE TRAINING EXPANSION

SECTION 6.4.(a) G.S. 115D-10.21(a), as enacted by this act, reads as rewritten:

"(a) The State Board of Community Colleges shall establish a community college training program for up to ~~15~~ 25 community colleges. The program shall provide opportunities for micro-credentials or other credentials that lead to increased employment outcomes for individuals with intellectual and developmental disabilities (IDD). To the extent funds are appropriated for this purpose, the program shall improve the ability of participating community colleges to offer training and educational components that include improving employability skills and providing on-the-job training and apprenticeships with business and industry for individuals with IDD. The goal of the program shall be to inform community colleges and address cross-departmental supports within the individual community colleges on programs for individuals with IDD related to at least the following:

(1) Establishing best practices for providing vocational training for individuals with IDD.

(2) Providing financial and benefits counseling.

(3) Developing strategies on integrating assistive technology.
(4) Maximizing access, with supports, to credential and degree programs, including micro-credentials that are established by the State Board.
(5) Identifying methods to increase orientation and integration of individuals with IDD into the college community to the greatest extent possible.
(6) Determining a needs assessment, marketing, and evaluation to serve a broad array of individuals with developmental and other similar disabilities or learning challenges to assure adequate demand for new or existing programs."

SECTION 6.4.(b) Of the funds appropriated for North Carolina Community Colleges System IDD Workforce Training Expansion in this act, the Community Colleges System Office shall use the funds as follows:

(1) The sum of six hundred forty thousand dollars ($640,000) in recurring funds shall be used to create two positions to facilitate the creation of work-based learning opportunities and be dedicated to engagement with business and industry partners statewide. These funds shall also be used for the expansion of Career and College Promise high school pathways and pre-apprenticeships and work-based learning for individuals with intellectual and developmental disabilities.
(2) The sum of eight hundred ten thousand dollars ($810,000) may be used for marketing evaluation, online resources, professional development, and infrastructure support.
(3) The remaining funds shall be used to expand the program developed pursuant to G.S. 115D-10.21, as amended by this section.

SECTION 6.4.(c) The Community Colleges System Office shall continue to provide funds to community colleges participating in the program developed pursuant to G.S. 115D-10.21, as amended by this section, at the rate of one hundred ninety-four thousand dollars ($194,000) per participating community college.

CHAPTER 115D REORGANIZATION

SECTION 6.5.(a) Article 1 of Chapter 115D of the General Statutes reads as rewritten:

"Article 1.

"General Provisions for State Administration.

"Part 1. Establishment and Administration of the North Carolina Community Colleges System.

"**§ 115D-1. Statement of purpose.**

The purposes of this Chapter are to provide for the establishment, organization, and administration of a system of educational institutions throughout the State offering courses of instruction in one or more of the general areas of two-year college parallel, technical, vocational, and adult education programs, to serve as a legislative charter for such institutions, and to authorize the levying of local taxes and the issuing of local bonds for the support thereof. The major purpose of each and every institution operating under the provisions of this Chapter shall be and shall continue to be the offering of vocational and technical education and training, and of basic, high school level, academic education needed in order to profit from vocational and technical education, for students who are high school graduates or who are beyond the compulsory age limit of the public school system and who have left the public schools, provided, juveniles of any age committed to the Division of Juvenile Justice of the Department of Public Safety by a court of competent jurisdiction may, if approved by the director of the youth development center to which they are assigned, take courses offered by institutions of the system if they are otherwise qualified for admission.

The Community Colleges System Office is designated as the primary lead agency for delivering workforce development training, adult literacy training, and adult education programs in the State.

…

"**§ 115D-1.3. Accreditation of secondary school located in North Carolina shall not be a factor in admissions, loans, scholarships, or other educational policies.**

(a) For purposes of this section, the term "accreditation" shall include certification or any other similar approval process.

(b) The State Board of Community Colleges shall adopt a policy that prohibits any community college from soliciting or using information regarding the accreditation of a secondary school located in North Carolina that a person attended as a factor affecting admissions, loans, scholarships, or other educational activity at the community college, unless the accreditation was conducted by a State agency.

…

"**§ 115D-4.1. College transfer program approval; standards for programs; annual reporting requirements.**

(a) Repealed by Session Laws 1995, c. 288, s. 1, effective September 1, 1995.

(b) The State Board of Community Colleges may approve the addition of the college transfer program to a community college. If addition of the college transfer program to an institution would require a substantial increase in funds, State Board approval shall be subject to appropriation of funds by the General Assembly for this purpose.

(c) Addition of the college transfer program shall not decrease an institution's ability to provide programs within its basic mission of vocational and technical training and basic academic education.

(d) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the addition of the college transfer program to institutions.

(e) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the operation of college transfer programs.

(f) The Board of Governors of The University of North Carolina shall report to each community college and to the State Board of Community Colleges in accordance with G.S. 116-11(10b) on the academic performance of that community college's transfer students. If the State Board of Community Colleges finds that college transfer students from a community college are not consistently performing adequately at a four-year college, the Board shall review the community college's program and determine what steps are necessary to remedy the problem. The Board shall report annually to the General Assembly on the reports it receives and on what steps it is taking to remedy problems that it finds.

(g) The Community Colleges System Office shall report by April 15, 2011, and annually thereafter, to the Joint Legislative Education Oversight Committee, the State Board of Education, the Office of State Budget and Management, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall include:

(1) The courses and programs within the 2+2 E-Learning Initiative;

(2) The total number of prospective teachers that have taken or are taking part in this initiative to date broken down by the current academic period and each of the previous academic periods since the program's inception;

(3) The total number of teachers currently in the State's classrooms, by local school administrative unit, who have taken part in this initiative;

(4) The change in the number of teachers available to schools since the program's inception;

~~(5) The qualitative data from students, teachers, local school administrative unit personnel, university personnel, and community college personnel as to the impact of this initiative on our State's teaching pool; and~~

~~(6) An explanation of the expenditures and collaborative programs between the North Carolina Community College System and The University of North Carolina, including recommendations for improvement.~~

"**~~§ 115D-5. Administration of institutions by State Board of Community Colleges; personnel exempt from North Carolina Human Resources Act; extension courses; tuition waiver; in-plant training; contracting, etc., for establishment and operation of extension units of the community college system; use of existing public school facilities.~~**

~~(a) The State Board of Community Colleges may adopt and execute such policies, regulations and standards concerning the establishment, administration, and operation of institutions as the State Board may deem necessary to insure the quality of educational programs, to promote the systematic meeting of educational needs of the State, and to provide for the equitable distribution of State and federal funds to the several institutions.~~

~~The State Board of Community Colleges shall establish standards and scales for salaries and allotments paid from funds administered by the State Board, and all employees of the institutions shall be exempt from the provisions of the North Carolina Human Resources Act. Any and all salary caps set by the State Board for community college presidents shall apply only to the State-paid portion of the salary. Except as otherwise provided by law, the employer contribution rate on the local-paid portion of the salary, to be paid from local funds, shall be set by the State Treasurer based on actuarial recommendations. The State Board shall have authority with respect to individual institutions: to approve sites, capital improvement projects, budgets; to approve the selection of the chief administrative officer; to establish and administer standards for professional personnel, curricula, admissions, and graduation; to regulate the awarding of degrees, diplomas, and certificates; to establish and regulate student tuition and fees within policies for tuition and fees established by the General Assembly; and to establish and regulate financial accounting procedures.~~

~~The State Board of Community Colleges shall require each community college to meet the faculty credential requirements of its accrediting agency for all community college programs.~~

~~(a1) Notwithstanding G.S. 66-58(c)(3) or any other provisions of law, the State Board of Community Colleges may adopt rules governing the expenditure of funds derived from bookstore sales by community colleges. These expenditures shall be consistent with the mission and purpose of the Community College System. Profits may be used in the support and enhancement of the bookstores, for student aid or scholarships, for expenditures of direct benefit to students, and for other similar expenditures authorized by the board of trustees, subject to rules adopted by the State Board. These funds shall not be used to supplement salaries of any personnel.~~

~~(a2) The State Board of Community Colleges shall comply with the provisions of G.S. 116-11(10a) to plan and implement an exchange of information between the public schools and the institutions of higher education in the State.~~

~~(a3) The State Board of Community Colleges shall adopt the following rules to assist community colleges in their administration of procedures necessary to implement G.S. 20-11 and G.S. 20-13.2:~~

~~(1) To establish the procedures a person who is or was enrolled in a community college must follow and the requirements that person must meet to obtain a driving eligibility certificate.~~

~~(2) To require the person who is required under G.S. 20-11(n) to sign the driving eligibility certificate to provide the certificate if he or she determines that one of the following requirements is met:~~

a. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and is not subject to G.S. 20-11(n1).
b. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and G.S. 20-11(n1).

(3) To provide for an appeal through the grievance procedures established by the board of trustees of each community college by a person who is denied a driving eligibility certificate.

(4) To define exemplary student behavior and to define what constitutes the successful completion of a drug or alcohol treatment counseling program.

The State Board also shall develop policies as to when it is appropriate to notify the Division of Motor Vehicles that a person who is or was enrolled in a community college no longer meets the requirements for a driving eligibility certificate. The State Board also shall adopt guidelines to assist the presidents of community colleges in their designation of representatives to sign driving eligibility certificates.

The State Board shall develop a form for the appropriate individuals to provide their written, irrevocable consent for a community college to disclose to the Division of Motor Vehicles that the student no longer meets the conditions for a driving eligibility certificate under G.S. 20-11(n)(1) or G.S. 20-11(n1), if applicable, in the event that this disclosure is necessary to comply with G.S. 20-11 or G.S. 20-13.2. Other than identifying under which statutory subsection the student is no longer eligible, no other details or information concerning the student's school record shall be released pursuant to this consent.

(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for the following:

(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate.

(2) Courses requested by the following entities that support the organizations' training needs and are on a specialized course list approved by the State Board of Community Colleges:

a. Volunteer fire departments.
b. Municipal, county, or State fire departments.
c. Volunteer EMS or rescue and lifesaving departments.
d. Municipal, county, or State EMS or rescue and lifesaving departments.
d1. Law enforcement, fire, EMS or rescue and lifesaving entities serving a lake authority that was created by a county board of commissioners prior to July 1, 2012.
e. Radio Emergency Associated Communications Teams (REACT) under contract to a county as an emergency response agency.
f. Municipal, county, or State law enforcement agencies.
f1. Campus police agencies of private institutions of higher education certified by the Attorney General pursuant to Chapter 74G of the General Statutes.

~~g. The Division of Prisons of the Department of Adult Correction and the Division of Juvenile Justice of the Department of Public Safety for the training of full-time custodial employees and employees of the Divisions required to be certified under Article 1 of Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.~~

~~h. Repealed by Session Laws 2017-186, s. 2(hhhhh), effective December 1, 2017.~~

~~i. The Eastern Band of Cherokee Indians law enforcement, fire, EMS or rescue and lifesaving tribal government departments or programs.~~

~~j. The Criminal Justice Standards Division of the Department of Justice for the training of criminal justice professionals, as defined in G.S. 17C-20(6), who are required to be certified under (i) Article 1 of Chapter 17C of the General Statutes and the rules of the North Carolina Criminal Justice Education and Training Standards Commission or (ii) Chapter 17E of the General Statutes and the rules of the North Carolina Sheriffs' Education and Training Standards Commission. The waivers provided for in this sub-subdivision apply to participants and recent graduates of the North Carolina Criminal Justice Fellows Program to obtain certifications for eligible criminal justice professions as defined in G.S. 17C-20(6).~~

~~(2a) Firefighters, EMS personnel, and rescue and lifesaving personnel whose duty station is located on a military installation within North Carolina for courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges.~~

~~(3) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.~~

~~(4) Trainees enrolled in courses conducted under the Customized Training Program.~~

~~(5) through (9) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.~~

~~(10) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR).~~

~~(11) Repealed by Session Laws 2013-360, s. 10.6, effective July 1, 2013.~~

~~(12) All courses taken by high school students at community colleges, in accordance with G.S. 115D-20(4) and this section.~~

~~(13) Human resources development courses for any individual who (i) is unemployed; (ii) has received notification of a pending layoff; (iii) is working and is eligible for the Federal Earned Income Tax Credit (FEITC); or (iv) is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.~~

~~(14) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.~~

~~(15) Courses providing employability skills, job-specific occupational or technical skills, or developmental education instruction to certain students who are concurrently enrolled in an eligible community college literacy course, in accordance with rules adopted by the State Board of Community Colleges.~~

~~(16) Courses provided to students who are participating in a pre-apprenticeship or apprenticeship program that meets all of the following criteria:~~

~~a. Meets one of the following:~~

~~1. Is a registered apprenticeship program recognized by the United States Department of Labor.~~

2. Is a pre-apprenticeship program recognized and approved by the State agency administering the statewide apprenticeship program.

b. Has a documented plan of study with courses relating to a job-specific occupational or technical skill.

c. Requires the participants in the program to be North Carolina high school students when entering the program.

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals.

(b1) The State Board of Community Colleges shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, ten-, eleven-, or twelve-month term. Community colleges may also use State and local funds to pay tuition and registration fees for professional development courses and for other courses consistent with the academic assistance program authorized by the State Human Resources Commission.

(b2) Beginning February 1, 2018, and annually thereafter, the Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on the number and type of waivers granted pursuant to subsection (b) of this section.

(c) No course of instruction shall be offered by any community college at State expense or partial State expense to any captive or co-opted group of students, as defined by the State Board of Community Colleges, without prior approval of the State Board of Community Colleges. All course offerings approved for State prison inmates or prisoners in local jails must be tied to clearly identified job skills, transition needs, or both. Approval by the State Board of Community Colleges shall be presumed to constitute approval of both the course and the group served by that institution. The State Board of Community Colleges may delegate to the President the power to make an initial approval, with final approval to be made by the State Board of Community Colleges. A course taught without such approval will not yield any full-time equivalent students, as defined by the State Board of Community Colleges.

(c1) Community colleges shall report full-time equivalent (FTE) student hours for correction education programs on the basis of student membership hours. No community college shall operate a multi-entry/multi-exit class or program in a prison facility, except for a literacy class or program.

The State Board shall work with the Division of Adult Correction and Juvenile Justice of the Department of Public Safety on offering classes and programs that match the average length of stay of an inmate in a prison facility.

(c2) Courses in federal prisons shall not earn regular budget full-time equivalents, but may be offered on a self-supporting basis.

(c3) Funds appropriated for community college courses for prison inmates shall be used only for inmates in State prisons. The first priority for the use of these funds shall be to restore the FTE for basic skills courses to the FY 2008-2009 level. Funds not needed for this purpose may be used for continuing education and curriculum courses related to job skills training.

(d) Recodified as G.S. 115D-5.1(a) by Session Laws 2005-276, s. 8.4(a), effective July 1, 2005.

(e) Repealed by Session Laws 1999-84, s. 3, effective May 21, 1999.

(f) A community college may not offer a new program without the approval of the State Board of Community Colleges except that approval shall not be required if the tuition for the program will fully cover the cost of the program. If at any time tuition fails to fully cover the cost of a program that falls under the exception, the program shall be discontinued unless approved by the State Board of Community Colleges. If a proposed new program would serve more than one community college, the State Board of Community Colleges shall perform a feasibility study

prior to acting on the proposal. The State Board of Community Colleges shall consider whether a regional approach can be used when developing new programs and, to the extent possible, shall initiate new programs on a regional basis.

The State Board of Community Colleges shall collect data on an annual basis on all new programs and program terminations it approved and any regionalization of programs during the year, including the specific reasons for which each program was terminated or approved.

(f1) The State Board shall adopt a policy requiring community colleges to be accredited in accordance with G.S. 115D-6.2.

(g) Funds appropriated to the Community Colleges System Office as operating expenses for allocation to the institutions comprising the North Carolina Community College System shall not be used to support recreation extension courses. The financing of these courses by any institution shall be on a self-supporting basis, and membership hours produced from these activities shall not be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level.

(h) Whenever a community college offers real estate continuing education courses pursuant to G.S. 93A-4.1, the courses shall be offered on a self-supporting basis.

(i) Recodified as G.S. 115D-5.1(c) by Session Laws 2005-276, s. 8.4(a), effective July 1, 2005.

(j) The State Board of Community Colleges shall use its Board Reserve Fund for feasibility studies, pilot projects, start-up of new programs, and innovative ideas.

(k) Recodified as G.S. 115D-5.1(b) by Session Laws 2005-276, s. 8.4(a), effective July 1, 2005.

(*l*) The State Board shall review and approve lease purchase and installment purchase contracts as provided under G.S. 115D-58.15(b). The State Board shall adopt policies and procedures governing the review and approval process.

(m) The State Board of Community Colleges shall maintain an accountability function that conducts periodic reviews of each community college operating under the provisions of this Chapter. The purpose of the compliance review shall be to ensure that (i) data used to allocate State funds among community colleges is reported accurately to the System Office and (ii) community colleges are charging and waiving tuition and registration fees consistent with law. The State Board of Community Colleges shall require the use of a statistically valid sample size in performing compliance reviews of community colleges. All compliance review findings that are determined to be material shall be forwarded to the college president, local college board of trustees, the State Board of Community Colleges, and the State Auditor. The State Board of Community Colleges shall adopt rules governing the frequency, scope, and standard of materiality for compliance reviews.

(n) The North Carolina Community Colleges System Office shall provide the Department of Revenue with a list of all community colleges, including name, address, and other identifying information requested by the Department of Revenue. The North Carolina Community Colleges System Office shall update this list whenever there is a change.

(o) All multicampus centers approved by the State Board of Community Colleges shall receive funding under the same formula. The State Board of Community Colleges shall not approve any additional multicampus centers without identified recurring sources of funding. A community college facility shall be considered a multicampus center if it meets all of the following criteria:

(1) Is at least 4 miles away from the main campus of the community college and other multicampus center locations.

(2) Any other criteria established by the State Board.

(p) The North Carolina Community College System may offer courses, in accordance with Article 17D of Subchapter V of Chapter 115C of the General Statutes, to individuals who choose to enter the teaching profession through residency licensure.

~~(q) Repealed by Session Laws 2009-451, s. 8.9, effective July 1, 2009.~~

~~(r) The State Board of Community Colleges shall develop curriculum and continuing education standards for courses of instruction in American Sign Language and shall encourage community colleges to offer courses in American Sign Language as a modern foreign language.~~

~~(s) The State Board of Community Colleges may establish, retain and budget fees charged to students taking an adult high school equivalency diploma test, including fees for retesting. Fees collected for this purpose shall be used only to (i) offset the costs of the test, including the cost of scoring the test, (ii) offset the costs of printing adult high school equivalency diplomas, and (iii) meet federal and State reporting requirements related to the test.~~

~~(t) The purpose of the first semester of the Gateway to College Program is to address additional support to successfully complete the program. Students may need to take developmental courses necessary for the transition to more challenging courses; therefore, the State Board of Community Colleges shall (i) permit high school students who are enrolled in Gateway to College Programs to enroll in developmental courses based on an assessment of their individual student needs by a high school and community college staff team and (ii) include this coursework in computing the budget FTE for the colleges.~~

~~(u) The State Board of Community Colleges shall direct each community college to adopt a policy that authorizes a minimum of two excused absences each academic year for religious observances required by the faith of a student. The policy may require that the student provide written notice of the request for an excused absence a reasonable time prior to the religious observance. The policy shall also provide that the student shall be given the opportunity to make up any tests or other work missed due to an excused absence for a religious observance.~~

~~(v) Community colleges may teach curriculum courses at any time during the year, including the summer term. Student membership hours from these courses shall be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level.~~

~~(w) The State Board of Community Colleges shall review, at least every five years, service areas that include counties assigned to more than one community college to determine the feasibility of continuing to assign those counties to more than one community college. The State Board shall revise service areas as needed to ensure that counties are served effectively. The first review and any revisions shall be completed no later than March 1, 2016, and the State Board shall report its findings and any revisions to the Joint Legislative Education Oversight Committee no later than March 1, 2016. All subsequent reviews and revisions shall also be submitted to the Committee.~~

~~(x) In addition to the evaluation of cooperative innovative high schools by the State Board of Education pursuant to G.S. 115C-238.55, the State Board of Community Colleges, in conjunction with the State Board of Education and the Board of Governors of The University of North Carolina, shall evaluate the success of students participating in the Career and College Promise Program, including the College Transfer pathway and the Career and Technical Education pathway. Success shall be measured by high school retention rates, high school completion rates, high school dropout rates, certification and associate degree completion, admission to four-year institutions, postgraduation employment in career or study-related fields, and employer satisfaction of employees who participated in the programs. The evaluation shall also include an analysis of the cost of students participating in each of the programs within the Career and College Promise Program, including at least the following:~~

~~(1) Total enrollment funding, the number of budgeted full-time equivalent students, and the number of students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.~~

~~(2) The cost and number of waivers of tuition and registration fees provided for students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.~~

~~(3) Any additional costs of a student attending courses on campus if a student is not attending public school in a local school administrative unit for the majority of the student's instructional time.~~

~~The Boards shall jointly report by March 15 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division of the General Assembly. The report shall be combined with the evaluation of cooperative innovative high schools required by G.S. 115C-238.55, and the Community Colleges System Office shall be responsible for submitting the combined report.~~

~~(y) The State Board of Community Colleges shall adopt a policy to be applied uniformly throughout the Community College System to provide that any student enrolled in a community college who is a National Guard service member placed onto State active duty status during an academic term shall be given an excused absence for the period of time the student is on active duty. The policy shall further provide all of the following:~~

~~(1) The student shall be given the opportunity to make up any test or other work missed during the excused absence.~~

~~(2) The student shall be given the option, when feasible, to continue classes and coursework during the academic term through online participation for the period of time the student is placed on active duty.~~

~~(3) The student shall be given the option of receiving a temporary grade of "incomplete (IN)" or "absent from the final exam (AB)" for any course that the student was unable to complete as a result of being placed on State active duty status; however, the student must complete the course requirements within the period of time specified by the community college to avoid receiving a failing grade for the course.~~

~~(4) The student shall be permitted to drop, with no penalty, any course that the student was unable to complete as a result of being placed on State active duty status.~~

~~(z) The State Board of Community Colleges shall monitor community colleges for compliance with Article 38 of Chapter 116 of the General Statutes. If the State Board determines that a community college is in violation of Article 38, it shall report the identity of the community college to the Joint Legislative Education Oversight Committee.~~

"**§ 115D-5.1. Workforce Development Programs.**

~~(a) Community colleges shall assist in the preemployment and in-service training of employees in industry, business, agriculture, health occupation and governmental agencies. Such training shall include instruction on worker safety and health standards and practices applicable to the field of employment. The State Board of Community Colleges shall make appropriate regulations including the establishment of maximum hours of instruction which may be offered at State expense in each in-plant training program. No instructor or other employee of a community college shall engage in the normal management, supervisory and operational functions of the establishment in which the instruction is offered during the hours in which the instructor or other employee is employed for instructional or educational purposes.~~

~~(b) through (d) Repealed by Session Laws 2008-107, s. 8.7(a), effective July 1, 2008.~~

~~(e) There is created within the North Carolina Community College System the Customized Training Program. The Customized Training Program shall offer programs and training services to assist new and existing business and industry to remain productive, profitable, and within the State. Before a business or industry qualifies to receive assistance under the~~

~~Customized Training Program, the President of the North Carolina Community College System shall determine that:~~

~~(1) The business is making an appreciable capital investment;~~

~~(2) The business is deploying new technology;~~

~~(2a) The business or individual is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the State; and~~

~~(3) The skills of the workers will be enhanced by the assistance.~~

~~(f) The Community Colleges System Office shall report no later than September 1 of each year to the Joint Legislative Education Oversight Committee on:~~

~~(1) The total amount of funds received by a company under the Customized Training Program.~~

~~(1a) The types of services sought by the company, whether for new, expanding, or existing industry.~~

~~(2) The amount of funds per trainee received by that company.~~

~~(3) The amount of funds received per trainee by the community college delivering the training.~~

~~(4) The number of trainees trained by the company and community college.~~

~~(5) The number of years that company has been funded.~~

~~(f1) Notwithstanding any other provision of law, the State Board of Community Colleges may adopt guidelines that allow the Customized Training Program to use funds appropriated for that program to support training projects for the various branches of the Armed Forces of the United States.~~

~~(f2) Funds available to the Customized Training Program shall not revert at the end of a fiscal year but shall remain available until expended. Up to ten percent (10%) of the college-delivered training expenditures and up to five percent (5%) of the contractor-delivered training expenditures for the prior fiscal year for Customized Training may be allotted to each college for capacity building at that college.~~

~~(f3) Of the funds appropriated in a fiscal year for the Customized Training Programs, the State Board of Community Colleges may approve the use of up to eight percent (8%) for the training and support of regional community college personnel to deliver Customized Training Program services to business and industry.~~

~~(g) The State Board shall adopt guidelines to implement this section. At least 20 days before the effective date of any criteria or nontechnical amendments to guidelines, the State Board must publish the proposed guidelines on the Community Colleges System Office's web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the State Board must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the State Board has completed these notifications. For the purpose of this subsection, a technical amendment is either of the following:~~

~~(1) An amendment that corrects a spelling or grammatical error.~~

~~(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.~~

"**~~§ 115D-5.1A. Short-Term Workforce Development Grant Program.~~**

~~(a) Program Established. There is established the North Carolina Community College Short-Term Workforce Development Grant Program (Program) to be administered by the State Board of Community Colleges. The State Board shall adopt rules for the disbursement of the grants pursuant to this section.~~

~~(b) Programs of Study. The State Board of Community Colleges, in collaboration with the Department of Commerce, shall determine the eligible programs of study for the Program, according to the occupations that are in the highest demand in the State. The eligible programs~~

~~of study shall include programs such as architecture and construction, health sciences, information technology, electrical line worker, and manufacturing programs and may include other programs to meet local workforce needs.~~

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

~~(d) Report. The State Board shall submit a report by April 1, 2024, and annually thereafter, on the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division. The report shall contain, for each academic year and by programs of study, the amount of grant funds disbursed and the number of eligible students receiving funds.~~

"**~~§ 115D-5.2. Commercial fishing and aquaculture classes.~~**

~~(a) The General Assembly urges all community colleges serving the coastal area of the State to offer classes on commercial fishing and aquaculture.~~

~~(b) The North Carolina Community Colleges System Office shall provide technical assistance to these colleges on offering such classes.~~

~~(c) The North Carolina Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on any fiscal and administrative issues it identifies that limit colleges' ability to offer such courses.~~

"**§ 115D-5.5. Board Reserve Fund.**

The State Board of Community Colleges shall use its Board Reserve Fund for feasibility studies, pilot projects, start-up of new programs, and innovative ideas.

"Part 2. Administration of Local Community Colleges by State Board of Community Colleges.

"**§ 115D-6. Withdrawal of State support.**

The State Board of Community Colleges may withdraw or withhold State financial and administrative support of any institutions subject to the provisions of this Chapter in the event ~~that:~~of any of the following:

(1) The required local financial support of an institution is not ~~provided;~~provided.

(2) Sufficient State funds are not ~~available;~~available.

(3) The officials of an institution refuse or are unable to maintain prescribed standards of administration or ~~instruction; or~~instruction.

(4) Local educational needs for such an institution cease to exist.

"**§ 115D-6.1. Administration of institutions.**

(a) Policies. – The State Board of Community Colleges may adopt and execute such policies, regulations, and standards concerning the establishment, administration, and operation of institutions as the State Board may deem necessary to ensure the quality of educational programs, to promote the systematic meeting of educational needs of the State, and to provide for the equitable distribution of State and federal funds to the several institutions.

(b) Authority. – The State Board shall have the following authority with respect to individual institutions:

(1) To approve sites, capital improvement projects, and budgets.

(2) To approve the selection of the chief administrative officer.

(3) To establish and administer standards for professional personnel, curricula, admissions, and graduation.

(4) To regulate the awarding of degrees, diplomas, and certificates.

(5) To establish and regulate student tuition and fees within policies for tuition and fees established by the General Assembly.

(6) To establish and regulate financial accounting procedures.

(c) Salaries. – The State Board shall establish standards and scales for salaries and allotments paid from funds administered by the State Board, and all employees of the institutions shall be exempt from the provisions of the North Carolina Human Resources Act. Any and all salary caps set by the State Board for community college presidents shall apply only to the State-paid portion of the salary. Except as otherwise provided by law, the employer contribution rate on the local-paid portion of the salary, to be paid from local funds, shall be set by the State Treasurer based on actuarial recommendations.

(d) Faculty Credentials. – The State Board of Community Colleges shall require each community college to meet the faculty credential requirements of its accrediting agency for all community college programs.

"**§ 115D-6.2. ~~Accreditation.~~Accreditation policy.**

The State Board of Community Colleges shall adopt a policy requiring community colleges to be accredited in accordance with G.S. 115D-21.2.

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

~~(1) Accreditation cycle. The period of time during which a community college is accredited.~~

~~(2) Accrediting agency. An agency or association that accredits institutions of higher education.~~

~~(3) Regional accrediting agency. One of the following accrediting agencies:~~

~~a. Higher Learning Commission.~~

~~b. Middle States Commission on Higher Education.~~

~~c. New England Commission on Higher Education.~~

~~d. Northwest Commission on Colleges and Universities.~~

~~e. Southern Association of Colleges and Schools Commission on Colleges.~~

~~f. Western Association of Schools and Colleges Accrediting Commission for Community and Junior Colleges.~~

~~(b) Prohibit Consecutive Accreditation by an Accrediting Agency. A community college shall not receive accreditation by an accrediting agency for consecutive accreditation cycles except as provided in subsection (c) of this section.~~

~~(c) Accreditation Transfer Procedure. A community college that pursues accreditation with a different accrediting agency in accordance with this section shall pursue accreditation with a regional accrediting agency. If the community college is not granted candidacy status by any regional accrediting agency that is different from its current accrediting agency at least three years prior to the expiration of its current accreditation, the community college may remain with its current accrediting agency for an additional accreditation cycle.~~

~~(d) Certain Programs Exempt. The requirements of this section do not apply to professional, departmental, or certificate programs at community colleges that have specific accreditation requirements or best practices, as identified by the State Board of Community Colleges.~~

~~(e) Cause of Action. A community college may bring a civil action, as follows:~~

~~(1) Against any person who makes a false statement to the accrediting agency of the community college, if all of the following criteria are met:~~

~~a. The statement, if true, would mean the community college is out of compliance with its accreditation standards.~~

~~b. The person made the statement with knowledge that the statement was false or with reckless disregard as to whether it was false.~~

~~c. The accrediting agency conducted a review of the community college as a proximate result of the statement.~~

~~d. The review caused the community college to incur costs.~~

~~(2) A community college that prevails on a cause of action initiated pursuant to this subsection shall be entitled to the following:~~

~~a. Costs related to the review conducted by the accrediting agency, including for the following:~~

~~1. Additional hours worked by community college personnel.~~

~~2. Contracted services, including outside legal counsel.~~

~~3. Travel, lodging, and food expenses.~~

~~4. Fees required by the agency.~~

~~b. Reasonable attorney fees.~~

~~c. Court costs.~~

"**§ 115D-6.5. Notice of noncompliance; appointment of an interim board of trustees.**

…

(c) Interim Board Assumption of Powers and Duties. – The adoption of the resolution to remove the full board under this section shall have the effect of vacating the terms of all of the members serving on the board of trustees. Notwithstanding G.S. 115D-12, the State Board of Community Colleges shall appoint an interim five-member board of trustees for a period not to exceed 12 months with input from the advisory committee listed in subsection (a) of this section. To preserve local autonomy, the appointing authorities of the local administrative area of the community college under G.S. 115D-12 shall make recommendations to the State Board on the appointment of the members to the interim board of trustees. All appointees to the interim board of trustees shall be residents of the administrative area of the institution for which they are selected or of counties contiguous thereto with the exception of members provided for in ~~subsection (a) of G.S. 115D-12, Group Four.~~ G.S. 115D-12(a)(3). At the end of the period of service of the interim board of trustees, a board of trustees for the community college shall be appointed in accordance with G.S. 115D-12. Initial terms of members of the new board of trustees shall be staggered to align with the remainder of the vacated terms of the members of the board of trustees.

…

"**§ 115D-9.5. Bookstore sales.**

Notwithstanding G.S. 66-58(c)(3) or any other provisions of law, the State Board of Community Colleges may adopt rules governing the expenditure of funds derived from bookstore sales by community colleges. These expenditures shall be consistent with the mission and purpose of the Community College System. Profits may be used in the support and enhancement of the bookstores, for student aid or scholarships, for expenditures of direct benefit to students, and for other similar expenditures authorized by the board of trustees, subject to rules adopted by the State Board. These funds shall not be used to supplement salaries of any personnel.

"**§ 115D-9.10. Exchange of information with The University of North Carolina and North Carolina public schools.**

The State Board of Community Colleges shall comply with the provisions of G.S. 116-11(10a) to plan and implement an exchange of information between the public schools and the institutions of higher education in the State.

"**§ 115D-9.15. Lease purchase and installment purchase contracts.**

The State Board of Community Colleges shall review and approve lease purchase and installment purchase contracts as provided under G.S. 115D-58.15(b). The State Board shall adopt policies and procedures governing the review and approval process.

"**§ 115D-9.20. Compliance review and requested information.**

(a) Compliance Review. – The State Board of Community Colleges shall maintain an accountability function that conducts periodic reviews of each community college operating under the provisions of this Chapter. The purpose of the compliance review shall be to ensure that (i) data used to allocate State funds among community colleges is reported accurately to the System Office and (ii) community colleges are charging and waiving tuition and registration fees

consistent with law. The State Board of Community Colleges shall require the use of a statistically valid sample size in performing compliance reviews of community colleges. All compliance review findings that are determined to be material shall be forwarded to the college president, local college board of trustees, the State Board of Community Colleges, and the State Auditor. The State Board of Community Colleges shall adopt rules governing the frequency, scope, and standard of materiality for compliance reviews.

(b) Information to Department of Revenue. – The North Carolina Community Colleges System Office shall provide the Department of Revenue with a list of all community colleges, including name, address, and other identifying information requested by the Department of Revenue. The North Carolina Community Colleges System Office shall update this list whenever there is a change.

"**§ 115D-9.25. Multicampus centers.**

All multicampus centers approved by the State Board of Community Colleges shall receive funding under the same formula. The State Board of Community Colleges shall not approve any additional multicampus centers without identified recurring sources of funding. A community college facility shall be considered a multicampus center if it meets the criteria established by the State Board and is at least 4 miles away from the main campus of the community college and other multicampus center locations.

"**§ 115D-9.30. Service areas.**

The State Board of Community Colleges shall review, at least every five years, service areas that include counties assigned to more than one community college to determine the feasibility of continuing to assign those counties to more than one community college. The State Board shall revise service areas as needed to ensure that counties are served effectively. The State Board shall report its findings and any revisions to the Joint Legislative Education Oversight Committee within 60 days of revisions being made.

"**§ 115D-9.35. Athletic teams.**

The State Board of Community Colleges shall monitor community colleges for compliance with Article 38 of Chapter 116 of the General Statutes. If the State Board determines that a community college is in violation of Article 38 of Chapter 116 of the General Statutes, it shall report the identity of the community college to the Joint Legislative Education Oversight Committee.

…

"Part 3. Community College Programs.

"**§ 115D-10.5. Program funding.**

(a) New Programs and Terminations of Programs. – A community college may not offer a new program without the approval of the State Board of Community Colleges except that approval shall not be required if the tuition for the program will fully cover the cost of the program. If at any time tuition fails to fully cover the cost of a program that falls under the exception, the program shall be discontinued unless approved by the State Board. If a proposed new program would serve more than one community college, the State Board shall perform a feasibility study prior to acting on the proposal. The State Board shall consider whether a regional approach can be used when developing new programs and, to the extent possible, shall initiate new programs on a regional basis. The State Board shall collect data on an annual basis on all new programs and program terminations it approved and any regionalization of programs during the year, including the specific reasons for which each program was terminated or approved.

(b) Recreation Extension Courses. – Funds appropriated to the Community Colleges System Office as operating expenses for allocation to the institutions comprising the North Carolina Community College System shall not be used to support recreation extension courses. The financing of these courses by any institution shall be on a self-supporting basis, and membership hours produced from these activities shall not be counted when computing full-time equivalent students (FTE) for use in budget-funding formulas at the State level.

(c) Real Estate Continuing Education Courses. – Whenever a community college offers real estate continuing education courses, the courses shall be offered on a self-supporting basis.

"**§ 115D-10.10. College transfer program approval; standards for programs; annual reporting requirements.**

(a) The State Board of Community Colleges may approve the addition of the college transfer program to a community college. If addition of the college transfer program to an institution would require a substantial increase in funds, State Board approval shall be subject to appropriation of funds by the General Assembly for this purpose.

(b) Addition of the college transfer program shall not decrease an institution's ability to provide programs within its basic mission of vocational and technical training and basic academic education.

(c) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the addition of the college transfer program to institutions.

(d) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the operation of college transfer programs.

(e) The Board of Governors of The University of North Carolina shall report to each community college and to the State Board of Community Colleges in accordance with G.S. 116-11(10b) on the academic performance of that community college's transfer students. If the State Board of Community Colleges finds that college transfer students from a community college are not consistently performing adequately at a four-year college, the Board shall review the community college's program and determine what steps are necessary to remedy the problem. The Board shall report annually to the General Assembly on the reports it receives and on what steps it is taking to remedy problems that it finds.

(f) The Community Colleges System Office shall report annually by April 15 to the Joint Legislative Education Oversight Committee, the State Board of Education, the Office of State Budget and Management, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall include the following:

(1) The courses and programs within the 2+2 E-Learning Initiative.

(2) The total number of prospective teachers that have taken or are taking part in this initiative to date broken down by the current academic period and each of the previous academic periods since the program's inception.

(3) The total number of teachers currently in the State's classrooms, by local school administrative unit, who have taken part in this initiative.

(4) The change in the number of teachers available to schools since the program's inception.

(5) The qualitative data from students, teachers, local school administrative unit personnel, university personnel, and community college personnel as to the impact of this initiative on our State's teaching pool.

(6) An explanation of the expenditures and collaborative programs between the North Carolina Community College System and The University of North Carolina, including recommendations for improvement.

"**§ 115D-10.15. Workforce development programs.**

Community colleges shall assist in the preemployment and in-service training of employees in industry, business, agriculture, health occupation, and governmental agencies. Such training shall include instruction on worker safety and health standards and practices applicable to the field of employment. The State Board of Community Colleges shall make appropriate regulations, including the establishment of maximum hours of instruction which may be offered at State expense in each in-plant training program. No instructor or other employee of a community college shall engage in the normal management, supervisory, and operational

functions of the establishment in which the instruction is offered during the hours in which the instructor or other employee is employed for instructional or educational purposes.

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

(a) There is created within the North Carolina Community College System the Customized Training Program. The Customized Training Program shall offer programs and training services to assist new and existing business and industry to remain productive, profitable, and within the State. Before a business or industry qualifies to receive assistance under the Customized Training Program, the President of the North Carolina Community College System shall determine the following:

(1) The business is making an appreciable capital investment.

(2) The business is deploying new technology.

(3) The business or individual is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the State.

(4) The skills of the workers will be enhanced by the assistance.

(b) The Community Colleges System Office shall report no later than September 1 of each year to the Joint Legislative Education Oversight Committee on the following:

(1) The total amount of funds received by a company under the Customized Training Program.

(2) The types of services sought by the company, whether for new, expanding, or existing industry.

(3) The amount of funds per trainee received by that company.

(4) The amount of funds received per trainee by the community college delivering the training.

(5) The number of trainees trained by the company and community college.

(6) The number of years that company has been funded.

(c) Notwithstanding any other provision of law, the State Board of Community Colleges may adopt guidelines that allow the Customized Training Program to use funds appropriated for that program to support training projects for the various branches of the Armed Forces of the United States.

(d) Funds available to the Customized Training Program shall not revert at the end of a fiscal year but shall remain available until expended. Up to ten percent (10%) of the college-delivered training expenditures and up to five percent (5%) of the contractor-delivered training expenditures for the prior fiscal year for Customized Training may be allotted to each college for capacity building at that college.

(e) Of the funds appropriated in a fiscal year for the Customized Training Program, the State Board of Community Colleges may approve the use of up to eight percent (8%) for the training and support of regional community college personnel to deliver Customized Training Program services to business and industry.

(f) The State Board shall adopt guidelines to implement this section. At least 20 days before the effective date of any criteria or nontechnical amendments to guidelines, the State Board must publish the proposed guidelines on the Community Colleges System Office's website and provide notice to persons who have requested notice of proposed guidelines. In addition, the State Board must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the State Board has completed these notifications. For the purpose of this subsection, a technical amendment is either of the following:

(1) An amendment that corrects a spelling or grammatical error.

(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.

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

(a) Program Established. – There is established the North Carolina Community College Short-Term Workforce Development Grant Program (Program) to be administered by the State Board of Community Colleges. The State Board shall adopt rules for the disbursement of the grants pursuant to this section.

(b) Programs of Study. – The State Board of Community Colleges, in collaboration with the Department of Commerce, shall determine the eligible programs of study for the Program, according to the occupations that are in the highest demand in the State. The eligible programs of study shall include programs such as architecture and construction, health sciences, information technology, electrical line worker, and manufacturing programs and may include other programs to meet local workforce needs.

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

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

"**§ 115D-10.21. Training programs for students with intellectual and developmental disabilities.**

(a) The State Board of Community Colleges shall establish a community college training program for up to 15 community colleges. The program shall provide opportunities for micro-credentials or other credentials that lead to increased employment outcomes for individuals with intellectual and developmental disabilities (IDD). To the extent funds are appropriated for this purpose, the program shall improve the ability of participating community colleges to offer training and educational components that include improving employability skills and providing on-the-job training and apprenticeships with business and industry for individuals with IDD. The goal of the program shall be to inform community colleges and address cross-departmental supports within the individual community colleges on programs for individuals with IDD related to at least the following:

(1) Establishing best practices for providing vocational training for individuals with IDD.

(2) Providing financial and benefits counseling.

(3) Developing strategies on integrating assistive technology.

(4) Maximizing access, with supports, to credential and degree programs, including micro-credentials that are established by the State Board.

(5) Identifying methods to increase orientation and integration of individuals with IDD into the college community to the greatest extent possible.

(6) Determining a needs assessment, marketing, and evaluation to serve a broad array of individuals with developmental and other similar disabilities or learning challenges to assure adequate demand for new or existing programs.

(b) No later than May 1 of each year, the Community Colleges System Office shall report on the funds appropriated to the System Office for the purposes of this section to the Joint Legislative Education Oversight Committee and the Fiscal Research Division. At a minimum, the report shall address the impact of the program, the use of any additional positions created at community colleges, professional development training for staff, and funding sources identified for individuals with IDD to build programs at community colleges that support postsecondary

trainings and certifications that enable individuals with IDD to engage in competitive, sustainable employment.

"**§ 115D-10.25. Commercial fishing and aquaculture classes.**

(a) The General Assembly urges all community colleges serving the coastal area of the State to offer classes on commercial fishing and aquaculture.

(b) The North Carolina Community Colleges System Office shall provide technical assistance to these colleges on offering such classes.

(c) The North Carolina Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on any fiscal and administrative issues it identifies that limit colleges' ability to offer such courses.

"**§ 115D-10.30. Correction education programs.**

(a) Approval. – No course of instruction shall be offered by any community college at State expense or partial State expense to any captive or co-opted group of students, as defined by the State Board of Community Colleges, without prior approval of the State Board. All course offerings approved for State prison inmates or prisoners in local jails must be tied to clearly identified job skills, transition needs, or both. Approval by the State Board shall be presumed to constitute approval of both the course and the group served by that institution. The State Board may delegate to the President the power to make an initial approval, with final approval to be made by the State Board. A course taught without such approval will not yield any full-time equivalent students, as defined by the State Board. Community colleges shall report full-time equivalent (FTE) student hours for correction education programs on the basis of student membership hours. Funds appropriated for community college courses for prison inmates shall be used only for inmates in State prisons. The first priority for the use of these funds shall be to restore the FTE for basic skills courses to the FY 2008-2009 level. Funds not needed for this purpose may be used for continuing education and curriculum courses related to job skills training. No community college shall operate a multi-entry/multi-exit class or program in a prison facility, except for a literacy class or program. The State Board shall work with the Division of Adult Correction and Juvenile Justice of the Department of Public Safety on offering classes and programs that match the average length of stay of an inmate in a prison facility.

(b) Courses in Federal Prisons. – Courses in federal prisons shall not earn regular budget full-time equivalents but may be offered on a self-supporting basis.

"**§ 115D-10.35. Teacher residency licensure courses.**

The North Carolina Community College System may offer courses, in accordance with Article 17D of Subchapter V of Chapter 115C of the General Statutes, to individuals who choose to enter the teaching profession through residency licensure.

"**§ 115D-10.40. American Sign Language courses.**

The State Board of Community Colleges shall develop curriculum and continuing education standards for courses of instruction in American Sign Language and shall encourage community colleges to offer courses in American Sign Language as a modern foreign language.

"**§ 115D-10.45. Adult high school equivalency diploma test.**

The State Board of Community Colleges may establish, retain, and budget fees charged to students taking an adult high school equivalency diploma test, including fees for retesting. Fees collected for this purpose shall be used only to (i) offset the costs of the test, including the cost of scoring the test, (ii) offset the costs of printing adult high school equivalency diplomas, and (iii) meet federal and State reporting requirements related to the test.

"**§ 115D-10.50. Motorcycle Safety Instruction Program.**

(a) There is created a Motorcycle Safety Instruction Program for the purpose of establishing statewide motorcycle safety instruction to be delivered through the Community Colleges System Office. The Program may be administered by a motorcycle safety coordinator who shall be responsible for the planning, curriculum, and completion requirements of the Program. The State Board of Community Colleges may elect a motorcycle safety coordinator

upon nomination of the President of the Community College System, and the compensation of the motorcycle safety coordinator shall be fixed by the State Board upon recommendation of the President of the Community College System pursuant to G.S. 115D-3. The State Board of Community Colleges may contract with an appropriate public or private agency or person to carry out the duties of the motorcycle safety coordinator.

(b) The Motorcycle Safety Instruction Program shall be implemented through the Community Colleges System Office at institutions which choose to provide the Program. The motorcycle safety coordinator shall select and facilitate the training and certification of instructors who will implement the Program.

"Part 4. Students.

"**§ 115D-10.65. Accreditation of secondary school located in North Carolina shall not be a factor in admissions, loans, scholarships, or other educational policies.**

(a) For purposes of this section, the term "accreditation" shall include certification or any other similar approval process.

(b) The State Board of Community Colleges shall adopt a policy that prohibits any community college from soliciting or using information regarding the accreditation of a secondary school located in North Carolina that a person attended as a factor affecting admissions, loans, scholarships, or other educational activity at the community college, unless the accreditation was conducted by a State agency.

"**§ 115D-10.70. Driving eligibility certificates.**

(a) The State Board of Community Colleges shall adopt the following rules to assist community colleges in their administration of procedures necessary to implement G.S. 20-11 and G.S. 20-13.2:

(1) To establish the procedures a person who is or was enrolled in a community college must follow and the requirements that person must meet to obtain a driving eligibility certificate.

(2) To require the person who is required under G.S. 20-11(n) to sign the driving eligibility certificate to provide the certificate if he or she determines that one of the following requirements is met:

a. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and is not subject to G.S. 20-11(n1).

b. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and G.S. 20-11(n1).

(3) To provide for an appeal through the grievance procedures established by the board of trustees of each community college by a person who is denied a driving eligibility certificate.

(4) To define exemplary student behavior and to define what constitutes the successful completion of a drug or alcohol treatment counseling program.

(b) The State Board shall develop policies as to when it is appropriate to notify the Division of Motor Vehicles that a person who is or was enrolled in a community college no longer meets the requirements for a driving eligibility certificate. The State Board also shall adopt guidelines to assist the presidents of community colleges in their designation of representatives to sign driving eligibility certificates.

(c) The State Board shall develop a form for the appropriate individuals to provide their written, irrevocable consent for a community college to disclose to the Division of Motor Vehicles that the student no longer meets the conditions for a driving eligibility certificate under G.S. 20-11(n)(1) or G.S. 20-11(n1), if applicable, in the event that this disclosure is necessary to comply with G.S. 20-11 or G.S. 20-13.2. Other than identifying under which statutory subsection the student is no longer eligible, no other details or information concerning the student's school record shall be released pursuant to this consent.

"**§ 115D-10.75. Excused absences for religious observances.**

The State Board of Community Colleges shall direct each community college to adopt a policy that authorizes a minimum of two excused absences each academic year for religious observances required by the faith of a student. The policy may require that the student provide written notice of the request for an excused absence a reasonable time prior to the religious observance. The policy shall also provide that the student shall be given the opportunity to make up any tests or other work missed due to an excused absence for a religious observance.

"**§ 115D-10.76. Excused absences for National Guard service members.**

The State Board of Community Colleges shall adopt a policy to be applied uniformly throughout the Community College System to provide that any student enrolled in a community college who is a National Guard service member placed onto State active duty status during an academic term shall be given an excused absence for the period of time the student is on active duty. The policy shall further provide all of the following:

(1) The student shall be given the opportunity to make up any test or other work missed during the excused absence.

(2) The student shall be given the option, when feasible, to continue classes and coursework during the academic term through online participation for the period of time the student is placed on active duty.

(3) The student shall be given the option of receiving a temporary grade of "incomplete (IN)" or "absent from the final exam (AB)" for any course that the student was unable to complete as a result of being placed on State active duty status; however, the student must complete the course requirements within the period of time specified by the community college to avoid receiving a failing grade for the course.

(4) The student shall be permitted to drop, with no penalty, any course that the student was unable to complete as a result of being placed on State active duty status."

SECTION 6.5.(b) G.S. 115D-20(4) reads as rewritten:

"(4) To apply the standards and requirements for admission and graduation of students and other standards established by the State Board of Community Colleges. ~~Notwithstanding any law or administrative rule to the contrary, local community colleges are permitted to offer the following programs:~~

~~a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with public school units and nonpublic schools to offer courses through the following programs:~~

~~1. Repealed by Session Laws 2022-71, s. 3.2, effective July 8, 2022.~~

~~2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate, diploma, or State or industry-recognized credential and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in (i) industrial and engineering technologies, (ii) agriculture and natural resources, (iii) transportation technology, (iv) construction, or (v) business technologies.~~

~~3. College transfer pathways requiring the successful completion of 30 semester credit hours of transfer courses, including English and mathematics, for the following students:~~

~~I. Qualified junior and senior high school students.~~

~~II. Qualified freshman and sophomore high school students, if all of the following requirements are met:~~

~~A. The student is determined to be academically gifted, have a demonstrated readiness for the course material, and have the maturity to justify admission to the community college by (i) the community college president, (ii) the student's high school principal or equivalent administrator, and (iii) the academically gifted coordinator, if one is employed by the high school or local school administrative unit.~~

~~B. The student participates in academic advising focused on the implications of being admitted to college early with representatives from the high school and the community college.~~

~~C. The student's parent or guardian has given consent for the student to participate.~~

~~a1. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer cooperative innovative high school programs, as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.~~

~~b. During the summer quarter, persons less than 16 years old may be permitted to take noncredit courses on a self-supporting basis, subject to rules of the State Board of Community Colleges.~~

~~c. High school students may be permitted to take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.~~

~~d. High school students 16 years and older may be permitted to take noncredit courses, except adult basic skills, subject to rules promulgated by the State Board of Community Colleges.~~

~~e. Notwithstanding any other provision of this subdivision, qualified youth 15 years and older may be permitted to enroll in courses, including certification-eligible courses, in fire training pursuant to G.S. 95-25.5(n) and on a specialized course list approved by the State Board of Community Colleges in accordance with G.S. 115D-5(b)(2).~~"

SECTION 6.5.(c) Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-21.2. Accreditation.**

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

(1) Accreditation cycle. – The period of time during which a community college is accredited.

(2) Accrediting agency. – An agency or association that accredits institutions of higher education.

(3) Regional accrediting agency. – One of the following accrediting agencies:

a. Higher Learning Commission.

b. Middle States Commission on Higher Education.

c. New England Commission on Higher Education.

d. Northwest Commission on Colleges and Universities.

e. Southern Association of Colleges and Schools Commission on Colleges.
f. Western Association of Schools and Colleges Accrediting Commission for Community and Junior Colleges.

(b) Prohibit Consecutive Accreditation by an Accrediting Agency. – A community college shall not receive accreditation by an accrediting agency for consecutive accreditation cycles except as provided in subsection (c) of this section.

(c) Accreditation Transfer Procedure. – A community college that pursues accreditation with a different accrediting agency in accordance with this section shall pursue accreditation with a regional accrediting agency. If the community college is not granted candidacy status by any regional accrediting agency that is different from its current accrediting agency at least three years prior to the expiration of its current accreditation, the community college may remain with its current accrediting agency for an additional accreditation cycle.

(d) Certain Programs Exempt. – The requirements of this section do not apply to professional, departmental, or certificate programs at community colleges that have specific accreditation requirements or best practices, as identified by the State Board of Community Colleges.

(e) Cause of Action. – A community college may bring a civil action, as follows:

(1) Against any person who makes a false statement to the accrediting agency of the community college, if all of the following criteria are met:
a. The statement, if true, would mean the community college is out of compliance with its accreditation standards.
b. The person made the statement with knowledge that the statement was false or with reckless disregard as to whether it was false.
c. The accrediting agency conducted a review of the community college as a proximate result of the statement.
d. The review caused the community college to incur costs.

(2) A community college that prevails on a cause of action initiated pursuant to this subsection shall be entitled to the following:
a. Costs related to the review conducted by the accrediting agency, including for the following:
1. Additional hours worked by community college personnel.
2. Contracted services, including outside legal counsel.
3. Travel, lodging, and food expenses.
4. Fees required by the agency.
b. Reasonable attorneys' fees.
c. Court costs."

SECTION 6.5.(d) G.S. 115D-21.5 is repealed.

SECTION 6.5.(e) Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-21.10. Curriculum courses taught throughout year.**

Community colleges may teach curriculum courses at any time during the year, including the summer term. Student membership hours from these courses shall be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level."

SECTION 6.5.(f) Chapter 115D of the General Statutes is amended by adding a new Article to read:

"Article 2B.
"High School Programs.

"**§ 115D-30.1. Career and College Promise Program.**

(a) There is established the Career and College Promise Program to allow pathways for qualified high school students to take community college courses without the payment of tuition.

(b) Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with public school units and nonpublic schools to offer courses through the following programs:

(1) Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate, diploma, or State or industry-recognized credential and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in one of the following:

a. Industrial and engineering technologies.
b. Agriculture and natural resources.
c. Transportation technology.
d. Construction.
e. Business technologies.

(2) College transfer pathways requiring the successful completion of 30 semester credit hours of transfer courses, including English and mathematics, for the following students:

a. Qualified junior and senior high school students.
b. Qualified freshmen and sophomore high school students, if all of the following requirements are met:

1. The student is determined to be academically gifted, have a demonstrated readiness for the course material, and have the maturity to justify admission to the community college by (i) the community college president, (ii) the student's high school principal or equivalent administrator, and (iii) the academically gifted coordinator, if one is employed by the high school or local school administrative unit.
2. The student participates in academic advising focused on the implications of being admitted to college early with representatives from the high school and the community college.
3. The student's parent or guardian has given consent for the student to participate.

"**§ 115D-30.5. Evaluation of Career and College Promise Program.**

(a) Evaluation. – In addition to the evaluation of cooperative innovative high schools by the State Board of Education pursuant to G.S. 115C-238.55, the State Board of Community Colleges, in conjunction with the State Board of Education and the Board of Governors of The University of North Carolina, shall evaluate the success of students participating in the Career and College Promise Program, including the College Transfer pathway and the Career and Technical Education pathway.

(b) Metrics. – Success shall be measured by high school retention rates, high school completion rates, high school dropout rates, certification and associate degree completion, admission to four-year institutions, postgraduation employment in career or study-related fields, and employer satisfaction of employees who participated in the programs. The evaluation shall also include an analysis of the cost of students participating in each of the programs within the Career and College Promise Program, including at least the following:

(1) Total enrollment funding, the number of budgeted full-time equivalent students, and the number of students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.

(2) The cost and number of waivers of tuition and registration fees provided for students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.

(3) Any additional costs of a student attending courses on campus if a student is not attending public school in a local school administrative unit for the majority of the student's instructional time.

(c) Report. – The Boards shall jointly report by March 15 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division of the General Assembly. The report shall be combined with the evaluation of cooperative innovative high schools required by G.S. 115C-238.55, and the Community Colleges System Office shall be responsible for submitting the combined report.

"**§ 115D-30.10. Cooperative innovative high schools.**

Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer cooperative innovative high school programs, as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.

"**§ 115D-30.15. Noncredit courses.**

Subject to rules adopted by the State Board of Community Colleges, local community colleges may provide for the following:

(1) During the summer quarter, persons less than 16 years old may be permitted to take noncredit courses on a self-supporting basis.

(2) High school students may be permitted to take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.

(3) High school students 16 years and older may be permitted to take noncredit courses, except adult basic skills.

(4) Notwithstanding any other provision of this Article, qualified youth 15 years and older may be permitted to enroll in courses, including certification-eligible courses, in fire training pursuant to G.S. 95-25.5(n) and on a specialized course list approved by the State Board of Community Colleges in accordance with G.S. 115D-30.1.

"**§ 115D-30.20. Gateway to College Program.**

The purpose of the first semester of the Gateway to College Program is to address additional support to successfully complete the Program. Students may need to take developmental courses necessary for the transition to more challenging courses; therefore, the State Board of Community Colleges shall (i) permit high school students who are enrolled in Gateway to College Programs to enroll in developmental courses based on an assessment of their individual student needs by a high school and community college staff team and (ii) include this coursework in computing the budget FTE for the colleges.

"**§ 115D-30.25. NC Career Coach Program.**

(a) Purpose. – There is established the NC Career Coach Program to place community college career coaches in high schools to assist students with determining career goals and identifying community college programs that would enable students to achieve these goals.

(b) Memorandum of Understanding. – The board of trustees of a community college and a local board of education of a local school administrative unit within the service area of the community college shall enter into a memorandum of understanding for the placement of career coaches employed by the board of trustees of the community college in schools within the local school administrative unit. At a minimum, the memorandum of understanding shall include the following:

(1) Requirement that the community college provides the following:

a. Hiring, training, and supervision of career coaches. The board of trustees may include a local board of education liaison on the hiring

committee to participate in the decision making regarding hiring for the coach positions.

b. Salary, benefits, and all other expenses related to the employment of the career coach. The coach will be an employee of the board of trustees and will not be an agent or employee of the local board of education.

c. Development of pedagogical materials and technologies needed to enhance the advising process.

d. Criminal background checks required by the local school administrative unit for employees working directly with students.

e. Agreement that, while on any school campus, the career coach will obey all local board of education rules and will be subject to the authority of the school building administration.

(2) Requirement that the local school administrative unit provides the following to career coaches:

a. Access to student records, as needed to carry out the coach's job responsibilities.

b. Office space on site appropriate for student advising.

c. Information technology resources, including, but not limited to, internet access, telephone, and copying.

d. Initial school orientation and ongoing integration into the faculty and staff community.

e. Promotion of school-wide awareness of coach duties.

f. Facilitation of the coach's access to individual classes and larger assemblies for the purposes of awareness building.

(c) Application for NC Career Coach Program Funding. – The board of trustees of a community college and a local board of education of a local school administrative unit within the service area of the community college jointly may apply for available funds for NC Career Coach Program funding from the State Board of Community Colleges. The State Board of Community Colleges shall establish a process for award of funds as follows:

(1) Advisory committee. – Establishment of an advisory committee, which shall include representatives from the NC Community College System, the Department of Public Instruction, the Department of Commerce, and at least three representatives of the business community, to review applications and make recommendations for funding awards to the State Board.

(2) Application submission requirements. – The State Board of Community Colleges shall require at least the following:

a. Evidence of a signed memorandum of understanding that meets, at a minimum, the requirements of this section.

b. Evidence that the funding request will be matched with local funds in accordance with the following:

1. Matching funds may come from public or private sources.

2. The match amount shall be determined based on the development tier designation of the county in which the local school administrative unit is located where the career coach is assigned on the date of the award of funds by the State Board of Community Colleges according to the following:

I. If located in a tier one county as defined in G.S. 143B-437.08, no local match shall be required.

II. If located in a tier two county as defined in G.S. 143B-437.08, one dollar ($1.00) of local funds for

every two dollars ($2.00) in State funds shall be required.

III. If located in a tier three county as defined in G.S. 143B-437.08, one dollar ($1.00) of local funds for every one dollar ($1.00) in State funds shall be required.

(3) Awards criteria. – The State Board of Community Colleges shall develop criteria for consideration in determining the award of funds that shall include the following:

a. Consideration of the workforce needs of business and industry in the region.

b. Targeting of resources to enhance ongoing economic activity within the community college service area and surrounding counties.

c. Geographic diversity of awards.

(d) Annual Report. –

(1) The board of trustees of a community college that employs one or more career coaches shall report annually to the State Board of Community Colleges on implementation and outcomes of the Program, including the following information:

a. Number of career coaches employed.

b. Number of local school administrative units served and names of schools in which career coaches are placed.

c. Number of students annually counseled by career coaches.

d. Impact of career coaches on student choices, as determined by a valid measure selected by the State Board of Community Colleges.

(2) The State Board of Community Colleges shall report annually no later than October 1 to the Joint Legislative Education Oversight Committee on the following:

a. A compilation of the information reported by the board of trustees of community colleges, as provided in subdivision (1) of this subsection.

b. Number and names of partnership applicants for NC Career Coach Program funding.

c. Number, names, and amounts of those awarded NC Career Coach Program funding."

SECTION 6.5.(g) G.S. 115D-39, 115D-39.1, 115D-40.1, and 115D-40.5 are codified into Part 2 of Article 3 of Chapter 115D of the General Statutes, which shall be entitled "Tuition and Fees." The remaining sections of Article 3 of Chapter 115D of the General Statutes are codified into Part 1 of Article 3 of Chapter 115D of the General Statutes, which shall be entitled "Funding of Community Colleges."

SECTION 6.5.(h) Part 2 of Article 3 of Chapter 115D of the General Statutes is amended by adding new sections to read:

"**§ 115D-39.2. Pro rata tuition and uniform registration fees.**

In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds.

"**§ 115D-39.5. Tuition waivers.**

(a) Allowed Tuition Waivers. – The State Board of Community Colleges shall not waive tuition and registration fees for any individuals, except the State Board may, as provided by general and uniform regulations, waive tuition and registration fees for the following:

(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate.

(2) Courses requested by the following entities that support the organizations' training needs and are on a specialized course list approved by the State Board:

a. Volunteer fire departments.

b. Municipal, county, or State fire departments.

c. Volunteer EMS or rescue and lifesaving departments.

d. Municipal, county, or State EMS or rescue and lifesaving departments.

e. Law enforcement, fire, or EMS or rescue and lifesaving entities serving a lake authority that was created by a county board of commissioners prior to July 1, 2012.

f. Radio Emergency Associated Communications Teams (REACT) under contract to a county as an emergency response agency.

g. Municipal, county, or State law enforcement agencies.

h. Campus police agencies of private institutions of higher education certified by the Attorney General pursuant to Chapter 74G of the General Statutes.

i. The Division of Prisons of the Department of Adult Correction and the Division of Juvenile Justice of the Department of Public Safety for the training of full-time custodial employees and employees of the Divisions required to be certified under Article 1 of Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.

j. The Eastern Band of Cherokee Indians law enforcement, fire, or EMS or rescue and lifesaving tribal government departments or programs.

k. The Criminal Justice Standards Division of the Department of Justice for the training of criminal justice professionals, as defined in G.S. 17C-20(6), who are required to be certified under (i) Article 1 of Chapter 17C of the General Statutes and the rules of the North Carolina Criminal Justice Education and Training Standards Commission or (ii) Chapter 17E of the General Statutes and the rules of the North Carolina Sheriffs' Education and Training Standards Commission. The waivers provided for in this sub-subdivision apply to participants and recent graduates of the North Carolina Criminal Justice Fellows Program to obtain certifications for eligible criminal justice professions, as defined in G.S. 17C-20(6).

(3) Firefighters, EMS personnel, and rescue and lifesaving personnel whose duty station is located on a military installation within North Carolina for courses that support their organizations' training needs and are approved for this purpose by the State Board.

(4) Trainees enrolled in courses conducted under the Customized Training Program.

(5) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR).

(6) All courses taken by high school students at community colleges, in accordance with this section and Article 2B of this Chapter.

(7) Human resources development courses for any individual who (i) is unemployed, (ii) has received notification of a pending layoff, (iii) is working

and is eligible for the Federal Earned Income Tax Credit (FEITC), or (iv) is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.

(8) Courses providing employability skills, job-specific occupational or technical skills, or developmental education instruction to certain students who are concurrently enrolled in an eligible community college literacy course, in accordance with rules adopted by the State Board.

(9) Courses provided to students who are participating in a pre-apprenticeship or apprenticeship program that meets all of the following criteria:

a. Meets one of the following:

1. Is a registered apprenticeship program recognized by the United States Department of Labor.

2. Is a pre-apprenticeship program recognized and approved by the State agency administering the statewide apprenticeship program.

b. Has a documented plan of study with courses relating to a job-specific occupational or technical skill.

c. Requires the participants in the program to be North Carolina high school students when entering the program.

(b) Faculty and Staff. – The State Board shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, 10-, 11-, or 12-month term. Community colleges may also use State and local funds to pay tuition and registration fees for professional development courses and for other courses consistent with the academic assistance program authorized by the State Human Resources Commission.

(c) Annual Report. – Annually by February 1, the Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on the number and type of waivers granted pursuant to subsection (a) of this section."

SECTION 6.5.(i) G.S. 115D-41 is recodified as G.S. 115D-38.5.

SECTION 6.5.(j) G.S. 115D-43 is recodified as G.S. 115D-38.10.

SECTION 6.5.(k) G.S. 115D-44 is repealed.

SECTION 6.5.(*l*) G.S. 20-11(n) reads as rewritten:

"(n) Driving Eligibility Certificate. – A person who desires to obtain a permit or license issued under this section must have a high school diploma or its equivalent or must have a driving eligibility certificate. A driving eligibility certificate must meet the following conditions:

(1) The person who is required to sign the certificate under subdivision (4) of this subsection must show that he or she has determined that one of the following requirements is met:

a. The person is currently enrolled in school and is making progress toward obtaining a high school diploma or its equivalent.

b. A substantial hardship would be placed on the person or the person's family if the person does not receive a certificate.

c. The person cannot make progress toward obtaining a high school diploma or its equivalent.

(1a) The person who is required to sign the certificate under subdivision (4) of this subsection also must show that one of the following requirements is met:

a. The person who seeks a permit or license issued under this section is not subject to subsection (n1) of this section.

b. The person who seeks a permit or license issued under this section is subject to subsection (n1) of this section and is eligible for the certificate under that subsection.

(2) It must be on a form approved by the Division.

(3) It must be dated within 30 days of the date the person applies for a permit or license issuable under this section.

(4) It must be signed by the applicable person named below:

a. The principal, or the principal's designee, of the public school in which the person is enrolled.

b. The administrator, or the administrator's designee, of the nonpublic school in which the person is enrolled.

c. The person who provides the academic instruction in the home school in which the person is enrolled.

c1. The person who provides the academic instruction in the home in accordance with an educational program found by a court, prior to July 1, 1998, to comply with the compulsory attendance law.

d. The designee of the board of directors of the charter school in which the person is enrolled.

e. The president, or the president's designee, of the community college in which the person is enrolled.

Notwithstanding any other law, the decision concerning whether a driving eligibility certificate was properly issued or improperly denied shall be appealed only as provided under the rules adopted in accordance with G.S. 115C-12(28), ~~115D-5(a3),~~ 115D-10.70, or 115C-566, whichever is applicable, and may not be appealed under this Chapter."

SECTION 6.5.(m) G.S. 20-13.2(c1) reads as rewritten:

"(c1) Upon receipt of notification from the proper school authority that a person no longer meets the requirements for a driving eligibility certificate under G.S. 20-11(n), the Division must expeditiously notify the person that his or her permit or license is revoked effective on the thirtieth calendar day after the mailing of the revocation notice. The Division must revoke the permit or license of that person on the thirtieth calendar day after the mailing of the revocation notice. Notwithstanding subsection (d) of this section, the length of revocation must last for the following periods:

(1) If the revocation is because of ineligibility for a driving eligibility certificate under G.S. 20-11(n)(1), then the revocation shall last until the person's eighteenth birthday.

(2) If the revocation is because of ineligibility for a driving eligibility certificate under G.S. 20-11(n1), then the revocation shall be for a period of one year.

For a person whose permit or license was revoked due to ineligibility for a driving eligibility certificate under G.S. 20-11(n)(1), the Division must restore a person's permit or license before the person's eighteenth birthday, if the person submits to the Division one of the following:

(1) A high school diploma or its equivalent.

(2) A driving eligibility certificate as required under G.S. 20-11(n).

If the Division restores a permit or license that was revoked due to ineligibility for a driving eligibility certificate under G.S. 20-11(n)(1), any record of revocation or suspension shall be expunged by the Division from the person's driving record. The Division shall not expunge a suspension or revocation record if a person has had a prior expunction from the person's driving record for any reason.

For a person whose permit or license was revoked due to ineligibility for a driving eligibility certificate under G.S. 20-11(n1), the Division shall restore a person's permit or license before the end of the revocation period, if the person submits to the Division a driving eligibility certificate as required under G.S. 20-11(n).

Notwithstanding any other law, the decision concerning whether a driving eligibility certificate was properly issued or improperly denied shall be appealed only as provided under the rules adopted in accordance with G.S. 115C-12(28), ~~115D-5(a3),~~ 115D-10.70, or 115C-566, whichever is applicable, and may not be appealed under this Chapter."

SECTION 6.5.(n) G.S. 90-631(b) reads as rewritten:

"(b) A massage and bodywork therapy program operated by a North Carolina community college that is accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2,~~ G.S. 115D-21.2, is exempt from the approval process, licensure process, or both, established by the Board. The college shall certify annually to the Board that the program meets or exceeds the minimum standards for curriculum, faculty, and learning resources established by the Board. Students who complete the program shall qualify for licenses from the Board as if the program were approved, licensed, or both, by the Board."

SECTION 6.5.(o) G.S. 93A-4(a2) reads as rewritten:

"(a2) A certified real estate education provider shall pay a fee of ten dollars ($10.00) per licensee to the Commission for each licensee completing a postlicensing education course conducted by the school, provided that these fees shall not be charged to a community college, junior college, college, or university located in this State and accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively."

SECTION 6.5.(p) G.S. 93A-38.5(e) reads as rewritten:

"(e) The Commission may establish a nonrefundable course application fee to be charged to private real estate education providers for the review and approval of a proposed continuing education course. The fee shall not exceed one hundred twenty-five dollars ($125.00) per course. The Commission may charge the private real estate education providers of an approved course a nonrefundable fee not to exceed seventy-five dollars ($75.00) for the annual renewal of course approval.

A private real estate education provider shall pay a fee of ten dollars ($10.00) per licensee to the Commission for each licensee completing an approved continuing education course conducted by the sponsor.

The Commission shall not charge a course application fee, a course renewal fee, or any other fee for a continuing education course sponsored by a community college, junior college, college, or university located in this State and accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively."

SECTION 6.5.(q) G.S. 93E-1-7(b2) reads as rewritten:

"(b2) The Board shall not charge a course application fee, a course renewal fee, or any other fee for a continuing education course offered by a North Carolina college, university, junior college, or community or technical college accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively, or an agency of the federal, State, or local government."

SECTION 6.5.(r) G.S. 93E-1-8 reads as rewritten:

"**§ 93E-1-8. Education program approval and fees.**

…

(b) The Board may by rule set nonrefundable fees chargeable to private real estate appraisal schools or course sponsors, including appraisal trade organizations, for the approval and annual renewal of approval of their qualifying courses required by G.S. 93E-1-6(a), or equivalent courses. The fees shall be one hundred dollars ($100.00) per course for approval and fifty dollars ($50.00) per course for renewal of approval. No fees shall be charged for the approval or renewal of approval to conduct appraiser qualifying courses where such courses are offered by a North Carolina college, university, junior college, or community or technical college accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively, or an agency of the federal, State, or local government.

…

(d) Nonrefundable fees of one hundred dollars ($100.00) per course may be charged to schools and course sponsors for the approval to conduct appraiser continuing education courses and fifty dollars ($50.00) per course for renewal of approval. However, no fees shall be charged for the approval or renewal of approval to conduct appraiser continuing education courses where such courses are offered by a North Carolina college, university, junior college, or community or technical college accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively, or by an agency of the federal, State, or local government. A nonrefundable fee of fifty dollars ($50.00) per course may be charged to current or former licensees or certificate holders requesting approval by the Board of a course for continuing education credit when approval of such course has not been previously obtained by the offering school or course sponsor."

SECTION 6.5.(s) G.S. 95-25.5(n) reads as rewritten:

"(n) Nothing in this section prohibits qualified youths under 18 years of age from participating in training through their fire department, the Office of State Fire Marshal, or the North Carolina Community College System. As used in this subsection, the term "qualified youth under 18 years of age" means an uncompensated fire department or rescue squad member who is at least the age of 15 and under the age of 18 and who is a member of a bona fide fire department, as that term is defined in G.S. 58-86-2(4), or of a rescue squad described in G.S. 58-86-2(6). A qualified youth under 18 years of age under this subsection may be permitted to enroll in courses, including certification-eligible courses, in fire training at a community college on a specialized course list approved by the State Board of Community Colleges pursuant to ~~G.S. 115D-20(4)c.~~G.S. 115D-30.15(4)."

SECTION 6.5.(t) G.S. 115C-84.3(a)(3) reads as rewritten:

"(3) Institution of higher education courses, as provided in Article 16 of this Chapter or ~~G.S. 115D-20(4).~~Article 2B of Chapter 115D of the General Statutes."

SECTION 6.5.(u) G.S. 115C-238.55 reads as rewritten:

"**§ 115C-238.55. Evaluation of cooperative innovative high schools.**

The State Board of Education and the governing Boards shall evaluate the success of students in cooperative innovative high schools approved under this Part. Success shall be measured by high school retention rates, high school completion rates, high school dropout rates, certification and associate degree completion, admission to four-year institutions, postgraduation employment in career or study-related fields, and employer satisfaction of employees who participated in and graduated from the schools. The Boards shall jointly report by March 15 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division of the General Assembly on the evaluation of these schools. The report shall be combined with the evaluation of and analysis of cost of students participating in the Career and College Promise Program required by ~~G.S. 115D-5(x),~~ G.S. 115D-30.5, and the Community Colleges System Office shall be responsible for submitting the combined report."

SECTION 6.5.(v) G.S. 115D-2(2) reads as rewritten:

"(2) The term "community college" is defined as an educational institution operating under the provisions of this Chapter and dedicated primarily to the educational needs of the service area which it serves, and may offer any of the following:

a. The freshmen and sophomore courses of a college of arts and sciences, authorized by ~~G.S. 115D-4.1;~~G.S. 115D-10.10.

b. Organized credit curricula for the training of technicians; curricular courses may carry transfer credit to a senior college or university where the course is comparable in content and quality and is appropriate to a chosen course of ~~study;~~study.

c. Vocational, trade, and technical specialty courses and ~~programs, and~~programs.

d. Courses in general adult education."

SECTION 6.5.(w) G.S. 115D-39(a1) reads as rewritten:

"(a1) In addition, federal law enforcement officers, firefighters, EMS personnel, and rescue and lifesaving personnel whose permanent duty station is within North Carolina and who do not otherwise qualify for tuition waivers under ~~G.S. 115D-5(b)(2a)~~ G.S. 115D-39.5(a)(3) shall also be eligible for the State resident community college tuition rate for courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges."

SECTION 6.5.(x) G.S. 115D-41(a) reads as rewritten:

"(a) Community college contracts with local school administrative units shall not be used by these agencies to supplant funding for a public school high school teacher providing courses offered pursuant to ~~G.S. 115D-20(4)~~ Article 2B of this Chapter who is already employed by the local school administrative unit. In no event shall a community college contract with a local school administrative unit to provide high school level courses."

SECTION 6.5.(y) Article 6A of Chapter 115D of the General Statutes is repealed.

SECTION 6.5.(z) G.S. 116-201(b)(8) reads as rewritten:

"(8) "Private institution" means an institution other than a seminary, Bible school, Bible college or similar religious institution in this State that is not owned or operated by the State or any agency or political subdivision thereof, or by any combination thereof, that offers post-high school education and is accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, or the Transnational Association of Christian Colleges and Schools, or, in the case of institutions that are not eligible to be considered for accreditation, accredited in those categories and by those nationally recognized accrediting agencies that the Authority may designate;"

SECTION 6.5.(aa) G.S. 116-280(3) reads as rewritten:

"(3) Eligible private postsecondary institution. – A school that is any of the following:

a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is either (i) accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, or the Transnational Association of Christian Colleges and Schools or (ii) was accredited by ~~SACSCOC~~ the Southern Association of Colleges and Schools Commission on Colleges on January 1, 2021, and, beginning January 1, 2021, was a member of the Transnational Association of Christian Colleges and Schools.

2. Awards a postsecondary degree as defined in G.S. 116-15.

b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection."

SECTION 6.5.(bb) G.S. 126-5(c2)(3) reads as rewritten:

"(3) Employees of community colleges whose salaries are fixed in accordance with ~~G.S. 115D-5~~ G.S. 115D-6.1 and G.S. 115D-20 and employees of the

Community Colleges System Office whose salaries are fixed by the State Board of Community Colleges in accordance with G.S. 115D-3."

SECTION 6.5.(cc) Section 6.9(b) of S.L. 2023-134 reads as rewritten:

"**SECTION 6.9.(b)** Of the recurring funds appropriated in this act to the Community Colleges System Office for the 2023-2025 fiscal biennium to support increasing program offerings for individuals with IDD pursuant to ~~G.S. 115D-44, as enacted by this section,~~ G.S. 115D-10.21, the System Office shall establish at least two statewide positions for program support, provide professional development training for college advising staff to assist students with IDD for career pathway exploration and the identification of credentials leading to competitive employment, and explore funding sources to sustain programs for students with IDD."

NCCCS LEARNING MANAGEMENT SYSTEM

SECTION 6.6.(a) The State Board of Community Colleges shall conduct a competitive solicitation, including a request for information or a request for proposals, to provide a learning management system to all community colleges. The competitive solicitation shall be completed by December 31, 2025. Answers to the competitive solicitation shall include information on how the learning management system would align with the learning management systems (i) offered by the Department of Public Instruction to local school administrative units and (ii) used by the constituent institutions of The University of North Carolina.

SECTION 6.6.(b) By December 31, 2025, the State Board shall report to the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division on the information received.

SECTION 6.6.(c) G.S. 143B-1320 reads as rewritten:

"**§ 143B-1320. Definitions; scope; exemptions.**

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

(1) CGIA. – Center for Geographic Information and Analysis.

…

(17) State agency or agency. – Any agency, department, institution, commission, committee, board, division, bureau, office, unit, officer, or official of the State. The term does not include the legislative or judicial branches of ~~government~~ government, the Community Colleges System Office, or The University of North Carolina.

…

(b) Exemptions. – Except as otherwise specifically provided by law, the provisions of this Chapter do not apply to the following entities: the General Assembly, the Judicial Department, the Community Colleges System Office, and The University of North Carolina and its constituent institutions. These entities may elect to participate in the information technology programs, services, or contracts offered by the Department, including information technology procurement, in accordance with the statutes, policies, and rules of the Department. The election must be made in writing, as follows:

(1) For the General Assembly, by the Legislative Services Commission.

(2) For the Judicial Department, by the Chief Justice.

(2a) For the Community Colleges System Office, by the State Board of Community Colleges.

(3) For The University of North Carolina, by the Board of Governors.

(4) For the constituent institutions of The University of North Carolina, by the respective boards of trustees.

…."

FISCAL RESPONSIBILITY AND COMMUNITY COLLEGE TECH PLANNING

SECTION 6.7. Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-9.40. Evaluation of technology costs.**

The State Board of Community Colleges shall adopt a policy that requires all community colleges to evaluate the following when acquiring technology, computer hardware, and software:

(1) The long-term cost of ownership, including costs of repairing the technology, computer hardware, or software.

(2) Any flexibility for innovation during the life of the technology, computer hardware, or software.

(3) Any anticipated resale or salvage value at the end of the target life cycle for the technology, computer hardware, or software based on the average resale or salvage value of similar technology, computer hardware, or software as a percentage of the initial cost of purchase."

COMMUNITY COLLEGE SEAMLESS SKILLS INITIATIVE

SECTION 6.8.(a) Initiative Established; Purpose. – There is established the Community College Seamless Skills Initiative (Initiative). The purpose of the Initiative is to create a competency-based education (CBE) model that seamlessly connects high school and community college. By aligning learning experiences from high school with college-level competencies, the Initiative enables students to explore career pathways, earn dual credit, and fulfill computer science requirements while gaining credentials of value in high-demand technology employment sectors through college credit.

SECTION 6.8.(b) Initiative Participants. – Fayetteville Technical Community College (FTCC) and Wilkes Community College (WCC) shall partner to implement the duties of the Initiative.

SECTION 6.8.(c) Project Commitments. – The Project shall commit to accomplishing each of the following:

(1) Establish high-tech pathways that will integrate high school and community college curricula for hands-on, project-based learning.

(2) Develop competency-based pathways that will create cross-curricular maps for dual credit, fostering seamless transitions between secondary and postsecondary education.

(3) Scale and replicate to be able to build a scalable framework for rapid implementation across North Carolina.

(4) Empower student ownership by enabling students to set long-term learning goals and to manage and own their credentials with a digital wallet.

(5) Facilitate student work experiences to accelerate learning and transition students into work through "learn & earn" work-based learning in partnership with public agencies and private employers.

(6) Address workforce needs by developing and sustaining a comprehensive talent pipeline of skilled workers for high-demand technology fields in occupations that depend upon informational technology and operational technology for operational success.

(7) Develop statewide resources, including a guidebook to facilitate model replication and a new talent development model to accelerate learning using CBE.

SECTION 6.8.(d) Digital Wallet. – The participants in the Initiative shall contract with a third-party entity to create a secure, interoperable digital wallet platform capable of issuing, storing, verifying, and sharing learner credentials, including microcredentials, certifications, transcripts, and verified skill records. The platform shall allow for credential portability across educational institutions and employers, support open standards for

interoperability, and ensure privacy and security in compliance with applicable laws. The system shall enable learners to manage a comprehensive, lifelong record of achievement that is accessible, verifiable, and shareable with third parties through digital means. All credential and learner data shall be owned and controlled by the student and shall not be stored in centralized cloud infrastructure.

SECTION 6.8.(e) Support. – The Community Colleges System Office shall provide ongoing technical support to community colleges participating in the Initiative. FTCC shall enter into a memorandum of understanding with WCC to jointly co-design the Program. As part of this effort, the colleges shall engage an organization with demonstrated expertise in designing and implementing learner-centered, modular, and competency-based high school programs aligned with emerging and high-tech career pathways. The selected organization shall have a history of co-designing stackable credentials with local education agencies and postsecondary institutions and a proven track record of building digital infrastructure that supports student-paced progression, interdisciplinary instruction, and authentic skill development. The organization shall assist in the development of a comprehensive framework for the Program, including course design, sequencing, credentialing structure, and related elements necessary to support personalized student progression during the 2025-2026 school year.

SECTION 6.8.(f) Of the funds appropriated from the General Fund to the Community Colleges System Office for the purposes in this section, the sum of two million seven hundred fifty thousand dollars ($2,750,000) shall be allocated to FTCC and the sum of one million dollars ($1,000,000) shall be allocated to WCC. Funds allocated for the purposes outlined in this section shall not revert but shall remain available until the end of the 2028-2029 fiscal year.

HIGH-COST WORKFORCE PROGRAMS START-UP FUNDS

SECTION 6.9.(a) Establishment of the Fund. – Of the funds appropriated to the Community Colleges System Office (System Office) by this act for the 2025-2027 fiscal biennium, the System Office shall establish the Fund for High-Cost Workforce Programs (Fund). Any unexpended funds remaining in the Fund at the end of the fiscal year shall not revert to the General Fund but shall remain available for the purposes set forth in this section. The Fund shall be used to assist community colleges in starting new programs in high-demand career fields that require significant start-up funds. Only programs offered at community colleges aligned with high salary and high demand workforce sectors shall be eligible for the award of funds.

SECTION 6.9.(b) Applications. – The System Office shall establish an application process for community colleges to apply for awards from the Fund no later than the beginning of each year of the 2025-2027 fiscal biennium. To be eligible to receive funds, colleges shall submit to the System Office a completed application, which shall include at least the following information:

(1) A description of the proposed new program requiring start-up funds.
(2) Documentation of industry demand for the program or documentation of future local, regional, or statewide employment needs that will be met by the program.
(3) Total cash cost to start the program and maintain the program over two fiscal years.
(4) A plan for the fiscal sustainability of the new program.

SECTION 6.9.(c) Limitation on the Use of Funds. – A community college may only apply for the award of funds to support one new program in each fiscal year. Funds shall remain available to the community college for a period of two fiscal years.

SECTION 6.9.(d) Matching Funds. – A community college shall be required to match a percentage of the total cash cost of the program with non-State funds based on a college's total full-time equivalents (FTE) according to the following:

(1) Community colleges with a total FTE of greater than 6,500 shall be required to match fifteen percent (15%) of the cost.
(2) Community colleges with a total FTE between 2,500 and 6,500 shall be required to match ten percent (10%) of the cost.
(3) Community colleges with a total FTE below 2,500 shall be required to match five percent (5%) of the cost.

SECTION 6.9.(e) Administration. – The System Office may adopt any regulations, policies, or procedures regarding the application process, use of funds, eligibility requirements, and any other rules necessary related to the administration of the Fund. The System Office may use up to one hundred thousand dollars ($100,000) each fiscal year for administrative costs for establishing and implementing the program.

SECTION 6.9.(f) Report. – The System Office shall submit an initial report to the Joint Legislative Education Oversight Committee by December 1, 2026, and an annual report thereafter for each year the System Office provides funds to community colleges from the Fund on the programs receiving the funds, which shall include at least the following information:

(1) The community colleges that received funds, the amount of funds, and the types of programs started.
(2) The use of funds by community colleges receiving awards, including costs associated with student instruction, faculty salaries, instructional supplies, related instructional equipment, and accreditation costs.
(3) Evaluation of the success of the new community college programs receiving funds.

NO FINANCIAL BENEFIT FOR CC STUDENTS CONVICTED OF ASSAULTING OFFICERS OR EMPLOYEES OF THE STATE

SECTION 6.10.(a) G.S. 115D-5 is amended by adding a new subsection to read:

"(aa) The State Board of Community Colleges shall adopt a policy prohibiting the Community Colleges System Office and community colleges from providing a State-funded scholarship or grant to any student who has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled as a student. The prohibition begins with the semester or academic term following the conviction."

SECTION 6.10.(b) This section is effective December 1, 2025, and applies to offenses committed on or after that date.

PART VII. PUBLIC INSTRUCTION

REPEAL TEACHNC INITIATIVE

SECTION 7.1. Section 7.20 of S.L. 2021-180 is repealed.

REPEAL LEARNING.COM FUNDING

SECTION 7.2.(a) Subsection (c) of Section 7.23K of S.L. 2017-57, as amended by Section 7.7 of S.L. 2018-5 and Section 7.17 of S.L. 2023-134, is repealed.

SECTION 7.2.(b) Section 2 of S.L. 2020-49 is repealed.

SECTION 7.2.(c) Section 7.83 of S.L. 2021-180 is repealed.

REPEAL PLASMA GAMES PROGRAM

SECTION 7.3. Section 7.69 of S.L. 2023-134, as amended by Section 2.8F of S.L. 2024-1, is repealed.

REPEAL REQUIREMENT FOR CONTRACT WITH COLLEGE BOARD FOR ADVANCED PLACEMENT PROFESSIONAL DEVELOPMENT

SECTION 7.4.(a) Subsections (f) and (g) of G.S. 115C-174.26 are repealed.

SECTION 7.4.(b) Subsection (h) of G.S. 115C-174.26 reads as rewritten:

"(h) The State Board of Education shall report annually by December 15 to the Joint Legislative Education Oversight Committee on advanced courses in North Carolina. The report shall include, at a minimum, the following information:

~~(1) The North Carolina Advanced Placement Partnership's report to the Department of Public Instruction as required by subsection (g) of this section and the State Board's assessment of that report.~~

(2) Number of students enrolled in advanced courses and participating in advanced course examinations, including demographic information by gender, race, and free and reduced-price lunch status.

(3) Student performance on advanced course examinations, including information by course, local school administrative unit, and school.

(4) Number of students participating in 10th grade PSAT/NMSQT testing.

~~(5) Number of teachers attending summer institutes offered by the North Carolina Advanced Placement Partnership.~~

(6) Distribution of funding appropriated for advanced course testing fees and professional development by local school administrative unit and school.

~~(7) Status and efforts of the North Carolina Advanced Placement Partnership.~~

(8) Other trends in advanced courses and examinations."

REPEAL BEGINNINGS REPORT

SECTION 7.5. Subsection (b) of Section 7.28 of S.L. 2023-134 is repealed.

REPEAL SCHOOLS THAT LEAD PROGRAM

SECTION 7.6. Section 7.11 of S.L. 2021-180 is repealed.

MODIFY ELIGIBILITY TO RECEIVE AP, IB, AND AICE TEST FEES

SECTION 7.7. G.S. 115C-174.26(a) reads as rewritten:

"(a) It is the intent of the State to enhance accessibility and encourage students to enroll in and successfully complete more rigorous advanced courses to enable success in postsecondary education for all students. For the purposes of this section, an advanced course is an Advanced Placement course, an International Baccalaureate Diploma Programme course, or a Cambridge Advanced International Certificate of Education (AICE) course, including an AS-Level or A-Level course. To attain this goal, to the extent funds are made available for this purpose, <u>economically disadvantaged</u> students enrolled in public schools shall be exempt from paying any fees for administration of examinations for advanced courses and registration fees for advanced courses in which the student is enrolled regardless of the score the student achieves on an examination. A student receiving instruction through a home school, as provided by Part 3 of Article 39 of this Chapter, shall be eligible to participate in administration of examinations for advanced courses as provided in G.S. 115C-565.1."

STREAMLINE LIMITED ENGLISH PROFICIENT ALLOTMENT

SECTION 7.8.(a) The title of Article 32F of Chapter 115C of the General Statutes reads as rewritten:

"Supplemental School ~~Funding.~~<u>Funding and Other Allotments.</u>"

SECTION 7.8.(b) Article 32F of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**<u>§ 115C-472.30. Limited English proficient allotment.</u>**

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

SECTION 7.8.(c) When making adjustments to allocations to local school administrative units from the limited English proficient allotment for the 2025-2026 fiscal year, no local school administrative unit with an average daily membership of 20,000 or fewer students for the 2025-2026 school year shall receive a negative adjustment in excess of fifty thousand dollars ($50,000) when compared to the allocation received during the 2024-2025 fiscal year from that allotment.

REPEAL TEXTBOOK COMMISSION

SECTION 7.9.(a) G.S. 115C-86 through G.S. 115C-95 and G.S. 115C-97 are repealed.

SECTION 7.9.(b) Part 3 of Article 8 of Chapter 115C of the General Statutes reads as rewritten:

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

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

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

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

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

…

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

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

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

~~(1) Acquire by contract such basic textbooks as are or may be on the adopted list of the State of North Carolina which the Board finds necessary to meet the~~

needs of the State public school system and to carry out the provisions of this Part.

(2) Provide a system of distribution of these textbooks and distribute the books that are provided without using any depository or warehouse facilities other than those operated by the State Board of Education.

(3) Provide for the free use, with proper care and return, of elementary and secondary basic textbooks. instructional materials. The title of said books the instructional materials shall be vested in the State.

…

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

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

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

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

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

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

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

(b2) Local boards of education may:

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

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

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

…

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

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

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

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

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

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

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

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

(1) Obscene.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 7.9.(c) G.S. 115C-11(d) reads as rewritten:

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

SECTION 7.9.(d) G.S. 115C-11(e) is repealed.

SECTION 7.9.(e) G.S. 115C-12(9)b. is repealed.

SECTION 7.9.(f) G.S. 115C-12(18)d. reads as rewritten:

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

SECTION 7.9.(g) G.S. 115C-47 reads as rewritten:

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

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

…

(6) To Regulate Fees, Charges and Solicitations. – Local boards of education shall adopt rules and regulations governing solicitations of, sales to, and fund-raising activities conducted by, the students and faculty members in schools under their jurisdiction, and no fees, charges, or costs shall be collected from students and school personnel without approval of the board of education as recorded in the minutes of ~~said~~ the board; provided, this subdivision shall not apply to such ~~textbooks~~ instructional material fees as are

determined and established by the State Board of Education. The local board of education shall publish a schedule of fees, charges, and solicitations approved by the local board on the local school administrative unit's Web site by October 15 of each school year and, if the schedule is subsequently revised, within 30 days following the revision.

…

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

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

…."

SECTION 7.9.(h) G.S. 115C-76.55 reads as rewritten:

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

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

SECTION 7.9.(i) G.S. 115C-81.5(b)(3) is repealed.

SECTION 7.9.(j) G.S. 115C-81.25(b)(3) is repealed.

SECTION 7.9.(k) G.S. 115C-81.25(d) reads as rewritten:

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

SECTION 7.9.(*l*) G.S. 115C-105.25(b)(12) reads as rewritten:

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

SECTION 7.9.(m) G.S. 115C-242(3) reads as rewritten:

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

schools of such unit, promote the efficient organization and operation of such public schools."

SECTION 7.9.(n) G.S. 115C-271(d)(2) reads as rewritten:

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

SECTION 7.9.(o) G.S. 115C-384(c) reads as rewritten:

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

SECTION 7.9.(p) G.S. 115C-390.2(*l*)(1) reads as rewritten:

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

SECTION 7.9.(q) G.S. 115C-390.5(c)(1) reads as rewritten:

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

SECTION 7.9.(r) G.S. 115C-398 reads as rewritten:

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

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

SECTION 7.9.(s) G.S. 143A-48 is repealed.

SECTION 7.9.(t) No further funds shall be allocated into the State Textbook fund. The Department of Public Instruction, in coordination with the Office of State Budget and Management, shall ensure that the fund is dissolved once all funds are expended.

SECTION 7.9.(u) Effective July 1, 2025, there is established the Instructional Materials funding allotment within the State Public School Fund. The State Board of Education shall establish the purposes for which the funds within the Instructional Materials funding allotment may be used for the purchase and maintenance of instructional and supplemental materials as identified in Part 3 of Article 8 of Chapter 115C of the General Statutes. Funds allocated to the Instructional Materials funding allotment in fiscal years 2025-2026, 2026-2027, and 2027-2028 shall not revert to the General Fund at the end of the fiscal year but shall remain available until expended.

SECTION 7.9.(v) This section becomes effective July 1, 2025, and applies beginning with the 2025-2026 school year.

STABILIZATION OF LOW-WEALTH ALLOTMENT

SECTION 7.10. The Department of Public Instruction shall examine the formula for the supplemental funding in low-wealth counties allotment and develop a new funding model for that allotment. The new model shall prioritize counties receiving more predictable allotments year to year to avoid large differentials between consecutive school years. The model developed pursuant to this section shall allocate no more than the funds allocated for low-wealth supplemental funding in the 2025-2026 school year. The Department shall propose technical adjustments for low-wealth supplemental funding to the State Board of Education for approval before submitting the model to the Fiscal Research Division no later than February 15, 2026. The technical adjustments shall include a list of any laws that would need to be adjusted or repealed to allow for the new funding model to be implemented as well as a comparison of funding received under the old model and the recommended new model, sorted by county.

TECHNICAL ADJUSTMENT TO ADMINISTRATIVE LICENSURE REQUIREMENTS

SECTION 7.11.(a) G.S. 115C-270.20(b) reads as rewritten:

"(b) Administrator Licenses. – The State Board shall establish rules for the issuance of the following classes of administrator licenses, including required levels of preparation for each classification:

(1) Administrator license. – A five-year renewable license issued to an individual who meets all of the following requirements:

a. Holds a bachelor's degree.

b. Has successfully completed an approved administrator preparation program.

c. Has at least four years of experience as a licensed professional educator.

d. ~~Has~~ For individuals seeking a principal license, has submitted a portfolio to the State Board for approval that meets criteria adopted by the State Board.

…."

SECTION 7.11.(b) This section is effective when it becomes law and applies to applicants for licensure on or after that date.

VARIOUS EDUCATION REPORT CHANGES

SECTION 7.12.(a) G.S. 115C-12(25) is recodified as G.S. 115C-21(a)(10) and reads as rewritten:

"(10) Duty to Report to Joint Legislative Education Oversight Committee. – Upon the request of the Joint Legislative Education Oversight Committee, the ~~State Board~~ Superintendent of Public Instruction shall examine and evaluate issues, programs, policies, and fiscal information, and shall make reports to that Committee. Furthermore, by ~~November 15~~ March 15 of each year, the ~~State Board~~ Superintendent of Public Instruction shall submit reports to that Committee regarding schools identified as low-performing, school improvement plans found to significantly improve student performance, personnel actions taken in low-performing schools, and recommendations for additional legislation to improve student performance and increase local flexibility."

SECTION 7.12.(b) Subdivision (4) of subsection (d) of G.S. 115C-81.45 is repealed.

SECTION 7.12.(c) Subsection (b) of Section 7.17 of S.L. 2018-5 is repealed.

SECTION 7.12.(d) Subsection (d) of Section 7.32 of S.L. 2017-57 is repealed.

SECTION 7.12.(e) G.S. 115C-12(48) reads as rewritten:

"(48) Computer Science Reporting. – The State Board of Education shall report annually by ~~November 15~~ March 15 to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, and the House Appropriations Committee on Education on the following data related to computer science participation. For each item, the report shall include (i) statewide data for the current school year, and the four years prior when data is available, to establish trends in computer science instruction and (ii) data for the current school year for each public school unit, disaggregated by school within that unit:

…."

SECTION 7.12.(f) G.S. 115C-316.2 is repealed.

SECTION 7.12.(g) G.S. 115C-316.5(a) reads as rewritten:

"(a) For the purposes of this section, the term "school health personnel" refers to ~~the same positions listed in G.S. 115C-316.2(a).~~school psychologists, school counselors, school nurses, and school social workers."

SECTION 7.12.(h) G.S. 115C-299.5 reads as rewritten:

"**§ 115C-299.5. Duty to monitor ~~the state of the teaching profession.~~teacher attrition and mobility.**

…

(b) ~~State of the Teaching Profession~~ Teacher Attrition and Mobility Report. – The State Board of Education shall monitor and compile an annual report to be submitted by the Department of Public Instruction by ~~December 15~~ February 15 annually on the ~~state of the~~ attrition and mobility of teachers in the teaching profession in North Carolina that includes data on the decisions of teachers to leave the teaching profession and vacancies in teaching positions as provided in subsections (c) and (e) of this section. The State Board shall adopt standard procedures for each local board of education to use in requesting information required by this report and shall require each local board of education to report the information to the State Board in a standard format adopted by the State Board."

SECTION 7.12.(i) G.S. 115C-12(22), as amended by S.L. 2023-134, reads as rewritten:

"(22) Duty to Monitor the ~~State of the Teaching~~ Attrition and Mobility of Teachers and the State of the School Administration ~~Professions~~ Profession in North Carolina. – The State Board of Education shall monitor and compile an annual report on the ~~state of the teaching~~ attrition and mobility of teachers and the state of the school administration ~~professions~~ profession in North Carolina, as provided in G.S. 115C-289.2 and G.S. 115C-299.5."

SECTION 7.12.(j) G.S. 115C-289.2(d) reads as rewritten:

"(d) Report Consolidation. – The report required by this section shall be consolidated with the ~~report on the State of the Teaching Profession~~ Teacher Attrition and Mobility Report required by G.S. 115C-299.5."

SECTION 7.12.(k) G.S. 115C-269.50 reads as rewritten:

"**§ 115C-269.50. EPP report cards.**

The State Board shall create an annual report card for each EPP that, at a minimum, summarizes the information collected in the annual performance reports, as set forth in G.S. 115C-269.35(b). The report cards shall provide user-friendly access to the public, and shall provide the ability to easily compare annual report card information between EPPs, including performance and other data reported by each EPP, as provided in G.S. 115C-269.35(b). The State Board shall make the report cards available to the public through the State Board's Internet ~~Web site~~ website on an annual basis beginning ~~December 15, 2019,~~ February 15, 2026, and the Department of Public Instruction shall submit the report to the Joint Legislative Education Oversight Committee annually by that date."

SECTION 7.12.(*l*) Subsection (b) of Section 8.30 of S.L. 2015-241, as amended by Section 3.1(b) of S.L. 2019-165, is repealed.

SECTION 7.12.(m) G.S. 115C-450(d) reads as rewritten:

"(d) No later than ~~May 15, 2022, and every six months thereafter,~~ February 15 of each year, the Department of Public Instruction shall report all the following information to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division:

…."

SECTION 7.12.(n) G.S. 115C-218.42(e) reads as rewritten:

"(e) Reporting. – No later than ~~March~~ August 15 of each year in which funds are awarded under the Program, the Department shall report to the Joint Legislative Education Oversight Committee, the Joint Legislative Transportation Oversight Committee, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, and the Fiscal Research Division on the administration of the Program, including at least the following information:

…."

SECTION 7.12.(o) G.S. 115C-218.110(b) reads as rewritten:

"(b) The State Board of Education shall review and evaluate the educational effectiveness of the charter schools authorized under this Article and the effect of charter schools on the public schools in the local school administrative unit in which the charter schools are located. The Board shall report annually no later than ~~June~~ August 15 to the Joint Legislative Education Oversight Committee on the following:

…."

SECTION 7.12.(p) G.S. 115C-107.5 reads as rewritten:

"**§ 115C-107.5. Annual reports.**

The State Board shall ~~report~~ send a copy of the annual report submitted as part of the State Performance Plan and Annual Performance Report that is submitted to the United States Department of Education and United States Office of Special Education Programs no later than October 15 of each year to the Joint Legislative Education Oversight Committee on the implementation of this Article and the educational performance of children with disabilities. The report may be filed electronically. ~~Each annual report shall include the following information:~~

~~(1) A copy of the following documents that were submitted, received, or made public during the year:~~

~~a. The most recent State performance plan and any amendments to that plan submitted to the Secretary of Education.~~

~~b. Compliance and monitoring reports submitted to the Secretary of Education.~~

~~c. The annual report submitted to the Secretary of Education on the performance of the State under its performance plan.~~

~~d. Any other information required under IDEA to be made available to the public.~~

~~(2) An analysis of the educational performance of children with disabilities in the State and a summary of disputes under Part 1D of this Chapter.~~

~~(3) Development and implementation of any policies related to improving outcomes for elementary and secondary school students with disabilities, including any changes related to the directives set forth in Section 8.30 of S.L. 2015-241 as follows:~~

~~a. Reforms related to IEP requirements.~~

~~b. Transition services for students with disabilities from elementary to middle school, middle to high school, and high school to postsecondary education, and for employment opportunities and adult living options.~~

~~c. Increased access to Future Ready Core Course of Study for students with disabilities.~~

~~d. Model programs for use by local school administrative units to improve graduation rates and school performance of students with disabilities.~~"

SECTION 7.12.(q) G.S. 115C-107.3 reads as rewritten:

"**§ 115C-107.3. Child find.**

(a) The Board shall require an annual census of all children with disabilities residing in the State, subdivided for "identified" and "suspected" children with disabilities, to be taken in each school year. Suspected children are those in the formal process of being evaluated or identified as children with disabilities. The census shall be conducted annually and shall be completed by October 15, submitted to the Governor and General Assembly and made available to the public by January 15 annually. The census submitted to the General Assembly may be a

copy of any information or any report submitted to the federal government as part of compliance with the Individuals with Disabilities Education Act pursuant to 20 U.S.C. § 1418.

(b) In taking the census, the Board requires the cooperation, participation, and assistance of all local educational agencies. Therefore, each local educational agency shall cooperate and participate with and assist the Board in conducting the census.

(c) The census shall include the number of children identified and suspected with disabilities, their age, the nature of their disability, their county or city of residence, their local school administrative unit residence, whether they are being provided special educational or related services and if so by what local educational agency, the identity of each local educational agency having children with disabilities in its care, custody, management, jurisdiction, control, or programs, the number of children with disabilities being served by each local educational agency, and any other information or data that the Board requires. The census shall be of children with disabilities between the ages three through 21 but is not required to include children with disabilities that have graduated from high school."

CHANGES TO LITERACY INSTRUCTION

SECTION 7.13.(a) G.S. 115C-83.6 reads as rewritten:

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

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

(a1) Kindergarten through ~~third~~ fifth grade reading assessments shall yield data that can be used with the Education Value-Added Assessment System (EVAAS) to analyze student data to identify root causes for difficulty with reading development and to determine actions to address them.

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

(b) Formative and diagnostic assessments and resultant literacy interventions shall address oral language, phonological and phonemic awareness, phonics, vocabulary, fluency, and comprehension using developmentally appropriate practices. These assessments may be administered by computer or other electronic device.

(c) Local school administrative units are encouraged to partner with community organizations, businesses, and other groups to provide volunteers, mentors, or tutors to assist with the provision of literacy interventions that enhance reading development and proficiency."

SECTION 7.13.(b) G.S. 115C-83.6B(a) reads as rewritten:

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

more major reading areas. Based on the most recently collected data, the IRP shall include the following information, specific to the identified student:

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

SECTION 7.13.(c) G.S. 115C-83.9(a) reads as rewritten:

"(a) Parents or guardians shall be notified in writing, and in a timely manner, that the student shall be retained, unless he or she is exempt from mandatory retention for good cause, if the student is not demonstrating reading proficiency by the end of third grade. Parents or guardians shall receive this notice when a kindergarten, first, second, or third grade student (i) is demonstrating difficulty with reading development; or (ii) is not reading at grade level. Additionally, parents or guardians shall receive notice when a fourth or fifth grade student is demonstrating difficulty with reading development or is not reading on grade level as determined by assessments given pursuant to G.S. 115C-83.6."

SECTION 7.13.(d) G.S. 115C-83.10(b) reads as rewritten:

"(b) Each local board of education shall report annually in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

(1) A description of all literacy interventions provided to students who have been retained under G.S. 115C-83.7(a).
(2) The number of first and second grade students attending a reading camp offered by the local board.
(3) The license area or areas, years of licensed teaching experience, grade level assignment, and any other specific subject-area assignments of each teacher providing instruction at a reading camp.
(4) The number and percentage of teachers providing instruction at a reading camp who were paid a reading performance bonus during the school year immediately preceding the reading camp and the grade level on which the bonus was based.
(5) The number of kindergarten through ~~third~~ fifth grade students with an Individual Reading Plan."

SECTION 7.13.(e) G.S. 115C-174.11(a) reads as rewritten:

"(a) Assessment Instruments for ~~Kindergarten, First, Second, and Third~~ Kindergarten Through Fifth Grades. – The State Board of Education shall develop, adopt, and provide to the local school administrative units developmentally appropriate individualized assessment instruments aligned with the standard course of study and Part 1A of Article 8 of this Chapter for ~~the kindergarten, first, second, and third grades.~~ kindergarten through fifth grade. Local school administrative units shall use these assessment instruments provided to them by the State Board for ~~kindergarten, first, second, and third~~ kindergarten through fifth grade students to assess progress, diagnose difficulties, and inform instruction and remediation needs. Local school administrative units shall not use standardized tests for summative assessment of kindergarten, first, and second grade students except as required as a condition of receiving federal grants."

SECTION 7.13.(f) The Department of Public Instruction shall use funds appropriated for this purpose in this act to contract with Lexia Learning Systems, LLC, to provide Lexia Aspire Professional Learning to all English Language Arts and Exceptional Children teachers who teach students in grades six through eight in schools that are identified as low-performing schools based on data from the 2024-2025 school year. Teachers that complete

training pursuant to this subsection shall receive stipends of up to two hundred dollars ($200.00) for the 2025-2026 school year.

SECTION 7.13.(g) The State Board of Education shall develop literacy standards for grades six through eight to align with the professional learning provided pursuant to subsection (f) of this section.

FISCAL RESPONSIBILITY AND K-12 TECH PLANNING

SECTION 7.14.(a) Part 3A of Article 8 of Chapter 115C of the General Statutes is amended by adding new sections to read:

"**§ 115C-102.10. Technology costs considerations.**

The State Board of Education shall adopt rules requiring all public school units to evaluate the following when acquiring technology, computer hardware, and software:

(1) The long-term cost of ownership, including costs of repairing the technology, computer hardware, or software.

(2) Any flexibility for innovation during the life of the technology, computer hardware, or software.

(3) Any anticipated resale or salvage value at the end of the target life cycle for the technology, computer hardware, or software based on the average resale or salvage value of similar technology, computer hardware, or software as a percentage of the initial cost of purchase.

"**§ 115C-102.11 Break/fix rate reporting requirement.**

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

(1) Break/fix rate. – The percentage obtained by dividing the number of school technology devices reported as malfunctioning or needing repair due to physical damage, hardware failure, or other breakage incidents prior to the stated life cycle period, not covered by insurance or a policy plan period, by the total number of school technology devices in operation during that period.

(2) School technology device. – Any electronic or computerized equipment provided for educational purposes in a public school unit, including computers, tablets, interactive whiteboards, and similar devices or anything considered a digital device for purposes of the digital learning dashboard pursuant to G.S. 115C-102.9.

(b) Each governing body of a public school unit shall submit a report on the following information to the State Board of Education by August 15 annually:

(1) The break/fix rate of the school technology devices in the public school unit for the previous school year.

(2) The total number of school technology devices currently in operation in the public school unit.

(3) The total number of school technology devices in the public school unit requiring repair that (i) underwent repair or (ii) were no longer in service during the previous school year.

(4) The total amount of funds spent to repair or replace school technology devices during the previous school year.

(c) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by November 15 annually on the break/fix rate of school technology devices across all public school units based on the reports submitted by the governing bodies in accordance with subsection (b) of this section. This report shall include a summary of the data reported by each governing body and recommendations to reduce break/fix rates in the future."

SECTION 7.14.(b) The first reports from governing bodies of public school units required by G.S. 115C-102.11(b), as enacted by this section, shall be submitted no later than August 15, 2026, based on data collected during the 2025-2026 school year. The first report from

the State Board of Education required by G.S. 115C-102.11(c), as enacted by this section, shall be submitted no later than November 15, 2026.

SECTION 7.14.(c) G.S. 115C-12 is amended by adding a new subdivision to read:

"(50) To Require Evaluation of Technology Costs. – The State Board shall adopt rules governing public school units evaluating technology costs in accordance with G.S. 115C-102.10."

SECTION 7.14.(d) G.S. 115C-47 is amended by adding new subdivisions to read:

"(70) To Evaluate Technology Costs. – A local board of education shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(71) To Report on Break/Fix Rate. – A local board of education shall report annually to the State Board of Education on the break/fix rate of school technology devices in accordance with G.S. 115C-102.11."

SECTION 7.14.(e) G.S. 115C-150.12C is amended by adding new subdivisions to read:

"(37) Evaluate technology costs. – The board of trustees shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(38) Report on break/fix rate. – The board of trustees shall report annually to the State Board of Education on the break/fix rate of school technology devices used in the school in accordance with G.S. 115C-102.11."

SECTION 7.14.(f) Part 2 of Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-218.33. School technology.**

(a) A charter school shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(b) A charter school shall report annually to the State Board of Education on the break/fix rate of school technology devices used in the school in accordance with G.S. 115C-102.11."

SECTION 7.14.(g) G.S. 115C-238.66 is amended by adding new subdivisions to read:

"(18a) The board of directors shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(18b) The board of directors shall report annually to the State Board of Education on the break/fix rate of technology used in the school in accordance with G.S. 115C-102.11."

SECTION 7.14.(h) G.S. 116-239.8(b) is amended by adding new subdivisions to read:

"(21a) Evaluate technology costs. – The chancellor shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(21b) Report on break/fix rate. – The chancellor shall report annually to the State Board of Education on the break/fix rate of technology used in the school in accordance with G.S. 115C-120.11."

SECTION 7.14.(i) This section is effective when it becomes law and applies beginning with the 2025-2026 academic year.

AUTOMATIC ENROLLMENT IN ADVANCED ENGLISH LANGUAGE ARTS COURSES

SECTION 7.15.(a) G.S. 115C-81.36 reads as rewritten:

"**§ 115C-81.36. Advanced courses in ~~mathematics.~~mathematics and English Language Arts.**

(a) When practicable, local boards of education shall offer advanced learning opportunities ~~in mathematics~~ in grades three through five, and advanced courses ~~in mathematics~~ in all grades six and higher. For the purposes of this section, advanced learning opportunities are those services and curricular modifications in mathematics and English Language Arts for academically or intellectually gifted students approved as part of the local plan, as required by ~~G.S. 115C-150.7.~~G.S. 115C-150.7, and advanced courses are advanced courses in mathematics and English Language Arts.

(a1) When advanced learning opportunities are offered ~~in mathematics~~ in grades three through five, any student scoring at the highest level on the corresponding end-of-grade test shall, for the next school year, be provided advanced learning opportunities ~~in mathematics~~ approved for that student's grade level. ~~No student who qualifies under this subsection shall be removed from the advanced learning opportunity provided to the student unless a parent or guardian of the student provides written consent for the student to be excluded or removed after being adequately informed that the student's placement was determined by the student's achievement on the previous end-of-grade test.~~

(b) When advanced courses are offered ~~in mathematics~~ in grades six and higher, any student scoring at the highest level on the corresponding end-of-grade or end-of-course test for the ~~mathematics~~ course in which the student was most recently enrolled shall be enrolled in the advanced course for the next ~~mathematics~~ course in which the student is enrolled. ~~A student in seventh grade scoring at the highest level on the seventh grade mathematics end-of-grade test shall be enrolled in a high school level mathematics course in eighth grade. Local boards of education may provide supplemental content enrichment, which may include the administration of diagnostic assessments, to students enrolled in a high school level mathematics course. No student who qualifies under this subsection shall be removed from the advanced or high school mathematics course in which the student is enrolled unless a parent or guardian of the student provides written consent for the student to be excluded or removed from that course after being adequately informed that the student's placement was determined by the student's achievement on the previous end-of-grade or end-of-course test.~~

(b1) When a high school mathematics course is offered in eighth grade, a student in seventh grade scoring at the highest level on the seventh grade mathematics end-of-grade test shall be enrolled in a high school level mathematics course in eighth grade. Local boards of education may provide supplemental content enrichment, which may include the administration of diagnostic assessments, to students enrolled in a high school level mathematics course.

(c) By ~~December 15, 2020,~~ December 15, 2025, and annually thereafter, the Department of Public Instruction shall submit a report to the Joint Legislative Education Oversight Committee containing data collected for the current school year on the ~~number and demographics~~ number, demographics, and socioeconomic status of students who were eligible for advanced ~~mathematics~~ courses under this section, including high school level mathematics courses in eighth grade, and of those students, the ~~number and demographics~~ number, demographics, and socioeconomic status of those who were placed in advanced ~~mathematics~~ courses and were not placed in advanced ~~mathematics~~ courses. The report shall include information on the type and format of advanced ~~mathematics~~ courses provided and shall also include any feedback provided by local boards of education on the implementation of this section.

(d) The Department of Public Instruction shall provide guidance to local boards of education on how to best develop programming and courses to ensure all impacted students receive rigorous, academically appropriate instruction in ~~mathematics.~~mathematics and English Language Arts.

(e) No student who qualifies for advanced learning opportunities or advanced courses under this section shall be removed from the advanced learning opportunity or advanced course

provided to the student unless a parent or guardian of the student provides written consent for the student to be excluded or removed after being adequately informed that the student's placement was determined by the student's achievement on the previous end-of-grade or end-of-course test. Local boards of education may provide supplemental content enrichment, which may include the administration of diagnostic assessments, to students enrolled in advanced courses."

SECTION 7.15.(b) This section is effective when it becomes law and applies beginning with the 2025-2026 school year.

HIGHLY EFFECTIVE LIMITED LICENSE TEACHERS

SECTION 7.16.(a) G.S. 115C-270.15 reads as rewritten:

"**§ 115C-270.15. Examination requirements.**

…

(e) Conversion to Continuing Professional License. – ~~The~~ Except as provided in subsection (f) of this section, the State Board shall not convert an ~~IPL or RL~~ IPL, RL, or limited license to a continuing professional license for a teacher who has not fulfilled the examination requirements of this section.

(f) Waiver of Examination Requirements for Certain Individuals with Limited Licenses. – The State Board shall convert a limited license to a continuing professional license for a teacher who has available growth data under the Education Value-Added Assessment System (EVAAS) and has a positive average growth score for two of the three most recent years."

SECTION 7.16.(b) This section is effective when it becomes law and applies to limited licenses expiring on or after that date.

COMPETENCY-BASED HIGH SCHOOL/HEALTHCARE AND HIGH-TECH PATHWAYS PROGRAM

SECTION 7.17.(a) Program Established; Purpose. – There is established the Competency-Based High School/Healthcare and High-Tech Pathways Program (Program). The purpose of the Program is to create pathways that will utilize competency-based education (CBE). Pathways will result in obtaining either an associate degree or an industry recognized credential, certification, or licensure based on the student's goal of employment or enrollment. Students will decide their college or career track at the end of their junior year with an initial emphasis on healthcare preparation.

SECTION 7.17.(b) Participants. – Mooresville Graded School District (MGSD) shall partner with Mitchell Community College (MCC) to implement the Program.

SECTION 7.17.(c) Program Time Line. – MGSD, in collaboration with MCC, shall contract with an organization with demonstrated expertise in designing and implementing learner-centered, modular, and competency-based high school programs that align with emerging and high-tech career pathways. The organization shall have experience in co-designing stackable credentials with local education agencies and higher education partners and a documented track record of developing digital infrastructure that supports student-paced progression, interdisciplinary learning, and real-world skill acquisition. This expert partner shall assist in developing a framework for the Program, including course design, sequencing, credentialing structure, and other elements necessary for personalized student progression during the 2025-2026 school year. Students will have the opportunity to participate in a pathway provided by the Program by the 2027-2028 school year at the latest.

SECTION 7.17.(d) Program Flexibilities. – Notwithstanding any provision of law to the contrary, the following flexibilities shall be available to Program participants:

(1) MGSD may offer Credit by Demonstrated Mastery assessments and CTE Proof of Learning assessments outside of existing State testing windows.

(2) MCC may enroll MGSD students in community college courses prior to their eleventh grade year without the student meeting the requirements for ninth and tenth grade students pursuant to subdivision (4) of G.S. 115D-20.
(3) Students participating in the Program shall have access to all community college courses at MCC, regardless of pathway selection.
(4) MGSD may replace any high school graduation credit requirement, except those outlined in this subdivision, with either community college courses offered by MCC or locally developed CBE courses that are consistent with the student's pathway. MGSD shall not replace any graduation credit requirements in the following subject areas:
a. English.
b. Mathematics.
c. Science.
d. Social Studies.
(5) MGSD may operate any high school in the local school administrative unit consistent with the flexibilities of a school operating under a restart model pursuant to G.S. 115C-105.37B(a)(2).

SECTION 7.17.(e) Selection of Third-Party Vendor. – MGSD shall select a third-party vendor (Vendor) that is an educational support provider with a nationally recognized, research-based instructional and leadership framework, including a High Reliability School model, a taxonomy of educational objectives aligned to classroom strategies, and a system for implementing personalized competency-based education. The provider shall have published extensively in peer-reviewed and practitioner literature, have an established track record of working directly with K-12 schools and districts across multiple states, and offer professional development services, implementation support, and instructional resources developed and led by a founding education researcher with over four decades of influence in curriculum, instruction, and assessment.

SECTION 7.17.(f) MGSD Partnership with Vendor. – MGSD shall partner with the Vendor selected pursuant to subsection (e) of this section to develop standards-aligned proficiency scales for all content areas in grades nine through 12 to ensure educators in the participating schools have the tools necessary to successfully transition to CBE approaches. The Vendor shall provide professional development and coaching to the schools in MGSD to ensure educators can engage in learning about CBE approaches, including implementation of the proficiency scales developed by MGSD.

SECTION 7.17.(g) Funding. – Of the funds appropriated to the Department of Public Instruction allocated to MGSD pursuant to this section, MGSD shall use the funds for the following purposes:
(1) To contract with experts in CBE and designing stackable credentials pursuant to subsection (c) of this section.
(2) To hire one additional staff member at MGSD to oversee implementation of the Program.
(3) To partner with a Vendor pursuant to subsection (f) of this section.

LIGHTHOUSE MATH PROJECT

SECTION 7.18.(a) Project Established; Purpose. – There is established the Lighthouse Math Project (Project). The purpose of the Project is to increase the percentage of high school students who are (i) eligible to complete college level mathematics upon graduation from high school and (ii) able to complete college level math either through dual enrollment while in high school or within the first year of college enrollment.

SECTION 7.18.(b) Project Participants. – Wake Technical Community College (Wake Tech) shall partner with Wake County Public School System (WCPSS) for high school

students at East Wake High School and Knightdale High School to be eligible to participate in the Project at the Wake Tech East campus of Wake Tech. Wake Tech and WCPSS shall partner with SparkNC to align the Project participants' ongoing efforts at the Wake Tech East campus with the design and implementation of the Project.

SECTION 7.18.(c) Project Commitments. – WCPSS, in collaboration with Wake Tech, shall contract with Khan Academy, Inc. (Khan), for use of the artificial intelligence student tutoring program, Khanmigo. Students enrolling at participating high schools shall have access to Khanmigo from the time of enrollment in the high school and continuing through their attendance at Wake Tech if the student chooses to enroll at Wake Tech East. Wake Tech shall collaborate with Khan to do the following:

(1) Develop and deliver at least one Khanmigo-centered gateway college math course to be offered to high school students at participating high schools to be completed as a college level math course. This course shall also be available to students who graduate from participating high schools and enroll in the courses at Wake Tech East.

(2) Develop a Khanmigo-centered developmental math course sequence that will be provided by Wake Tech faculty to students from participating high schools in one of the following formats:

a. As part of a Career and College Promise Career Ready Pathway.

b. As supplement to a Career and College Promise Pathway.

c. As a summer bridge program available to students prior to or subsequent to their junior and senior years of high school.

d. As a community college course during the first semester of enrollment at Wake Tech.

SECTION 7.18.(d) Modular Math Course. – As part of the Project, Khan, in consultation with Wake Tech and WCPSS, shall work to develop a self-paced, competency-based modular math course with appropriate student diagnostics and student assessments based on the college readiness math competencies provided as part of the Project. It is the intent that students successfully demonstrating college readiness math competencies will be eligible to enroll in college level math courses.

SECTION 7.18.(e) Funding; DPI. – Of the funds appropriated from the General Fund to the Department of Public Instruction, the sum of up to five hundred thousand dollars ($500,000) in nonrecurring funds for the 2025-2026 fiscal year shall be used to contract with Khan for licenses for the Khanmigo application and to create the course developed pursuant to subdivision (1) of subsection (c) of this section. Funds appropriated for the purposes laid out in this section shall not revert but shall remain available to accomplish the purposes of this section until the end of the 2026-2027 fiscal year.

SECTION 7.18.(f) Funding; NCCCS. – Of the funds appropriated to the Community Colleges System Office for the 2025-2026 fiscal year, the sum of one million dollars ($1,000,000) in nonrecurring funds shall be used to establish time-limited positions at Wake Tech. Two positions shall be assigned to work in each participating high school to assist in the implementation of the courses offered by the Project. Funds appropriated for the purposes laid out in this section shall not revert but shall remain available to accomplish the purposes of this section until the end of the 2028-2029 fiscal year.

COMPETENCY-BASED EDUCATION AND HIGH SCHOOL REDESIGN STRATEGIC NETWORK

SECTION 7.19. Mooresville Graded School District, Mitchell Community College, Wake Technical Community College, Wake County Public School System, Fayetteville Technical Community College, Wilkes Community College, and SparkNC shall collaborate to create a Competency-Based Education and High School Redesign Strategic Network (Network).

The president of SparkNC, or the president's designee, shall serve as the chair of the Network. The chair shall coordinate the operations of the Network and provide administrative and technical support for the Network to the extent such support is necessary. The Network shall provide a means for each entity to share what it has learned and developed regarding CBE and high school redesign. The goals of the Network shall be to advance the goals of developing a CBE approach to education across the State.

NORTH CAROLINA COMPETENCY-BASED EDUCATION INNOVATION GRANT PROGRAM

SECTION 7.20.(a) Program Established; Purpose. – There is established the North Carolina Competency-Based Education Innovation Grant and Network Program (Program). The purpose of the program is to provide funding and support to schools and districts to support the transition to competency-based education (CBE) models that focus on mastery of learning rather than instructional time. The grant aims to promote innovative instructional practices, flexible assessment models, and systemic shifts to ensure all students progress based on demonstrated proficiency.

SECTION 7.20.(b) Program Objectives. – The objectives of the Program are as follows:

(1) Redesign learning pathways. – Support schools and districts in developing personalized, CBE models that allow students to progress at their own pace.

(2) Assessment innovation. – Utilize formative and performance-based assessments that measure student mastery of skills and knowledge, including the use of AI learning tools.

(3) Educator capacity building. – Provide common professional development for educators on instructional strategies and assessment practices aligned with transitioning to CBE.

(4) Develop strategies for statewide scaling and best practices. – Develop and share resources, implementation strategies, and lessons learned to expand CBE across North Carolina.

SECTION 7.20.(c) Phase One. – The first phase of the Program shall begin with the 2025-2026 school year and continue until the conclusion of the 2028-2029 school year. Public school units shall submit applications and complete any planning or organizational duties during the 2025-2026 school year with implementation of CBE in participating schools beginning with the 2026-2027 school year.

SECTION 7.20.(d) Application. – The Department of Public Instruction shall create an application for the Program and make the application available to all public school units no later than 60 days after this act becomes law. Public school units shall submit their applications to the Department no later than 60 days after the application becomes available. The Department shall select 10 schools to participate in the Program no later than 60 days after the close of the application period. When selecting schools to participate in the Program, the Department shall prioritize schools that show a strong commitment to implementing CBE and innovation in assessment. The Department shall develop criteria to determine which schools are most ready to transition to CBE. The application shall include at least the following:

(1) A comprehensive plan outlining the school's vision for competency-based education.

(2) A description of instructional and assessment shifts to be implemented.

(3) A budget for use of grant funds and a sustainability plan to continue utilizing CBE after the conclusion of Phase One.

(4) Commitments from public school units leadership and stakeholders.

SECTION 7.20.(e) Grant Funds; Use; Training. – Grant awards shall be in the amount of three hundred thirty thousand dollars ($330,000) to each participating school.

Participating schools shall use the sum of ninety-five thousand dollars ($95,000) each school year to receive training on the implementation of CBE in the school. The remaining grant funds shall be used for costs associated with the transition to CBE, including travel costs and CBE resources. Grant funds shall remain available until the end of the 2028-2029 fiscal year.

SECTION 7.20.(f) Selection of Third-Party Vendor. – The Department shall select a third-party vendor (Vendor) that is an educational support provider with a nationally recognized, research-based instructional and leadership framework, including a High Reliability School model, a taxonomy of educational objectives aligned to classroom strategies, and a system for implementing personalized competency-based education. The provider must have published extensively in peer-reviewed and practitioner literature, have an established track record of working directly with K-12 schools and districts across multiple states, and offer professional development services, implementation support, and instructional resources developed and led by a founding education researcher with over four decades of influence in curriculum, instruction, and assessment.

SECTION 7.20.(g) Department Partnership with Vendor. – The Department shall partner with the Vendor selected pursuant to subsection (f) of this section to develop publicly available, standards-aligned proficiency scales for all content areas and grade levels to ensure educators in the participating schools have the tools necessary to successfully transition to CBE approaches. The Vendor shall provide annual professional development events throughout the regions of the State to ensure educators can engage in learning about CBE approaches, including implementation of the proficiency scales developed by the Department.

SECTION 7.20.(h) Department Duties. – The Department of Public Instruction shall do the following as part of the Program:

(1) Develop, in collaboration with the Vendor, a CBE Network to support the long-term transition to CBE. The CBE Network shall do the following:
   a. Provide strategic guidance and policy recommendations for scaling CBE statewide.
   b. Facilitate collaboration among grant recipients, educators, policymakers, and CBE industrial leaders.
   c. Develop a long-term roadmap for CBE implementation statewide.
   d. Offer professional learning communities and shared online resources to support ongoing innovation and capacity building.
   e. Develop methods of measuring proficiency for all courses offered as part of the standard course of study in kindergarten through grade 12, with support from the Vendor.
   f. Disseminate developed proficiency measures to all public school units and post standards developed to align with the proficiency measures online on a publicly accessible website.
   g. Conduct research and evaluation to inform best practices and continuous improvement in participating schools.

(2) Provide support and technical assistance, professional learning opportunities, and access to the CBE network for all grant recipients.

SECTION 7.20.(i) Reporting; Participants. – Each participating school shall submit a quarterly progress report to the Department detailing implementation of CBE in the school. The Department shall establish the due dates and mechanism for the submission of the progress reports. Progress shall include available student learning outcome data, including evidence of progress toward content mastery.

SECTION 7.20.(j) Reporting; Department. – The Department of Public Instruction shall submit a final report on the outcomes of Phase One of the Program to the Joint Legislative Education Oversight Committee by December 1, 2029. The report shall include the following:

(1) A summary of student outcomes reported by participating schools.

(2) Any challenges experienced by participating schools or the Department with implementation of the Program.
(3) Recommendations for scaling the Program statewide.
(4) Any other information the Department deems relevant.
(5) Any information requested by the Committee.

AI ACADEMIC SUPPORT PROGRAM

SECTION 7.21. Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 42.
"Academic Support Programs.

"**§ 115C-650. Establish AI Academic Support Program.**

(a) Purpose; Program. – There is established the AI Academic Support Program (Program) to allow public school units to contract with Khan Academy, Inc., (Khan Academy) for use of the academic support service Khanmigo, in grades six through 12. Khanmigo is an application that uses artificial intelligence to support teachers with lesson plan development and to support students with lesson comprehension.

(b) Funding. – Funds shall be allocated to each public school unit on the basis of average daily membership (ADM) in grades six through 12 in the public school unit for the purposes set out in this section.

(c) Funding Use. – Public school units that utilize funds pursuant to this section shall use all funds to contract with Khan Academy for use of the Khanmigo service, any associated professional development, and the rostering programs required pursuant to subsection (e) of this section.

(d) Contract Term. – Public school units entering into contracts with Khan Academy shall contract for a term of one year. At the end of each school year, each public school unit shall evaluate the use of Khanmigo services in the public school unit prior to contracting with Khan Academy for the subsequent school year. The evaluation shall include all of the information required to be reported on by the Department of Public Instruction in subdivisions (2) through (7) of subsection (h) of this section. Public school units shall submit their evaluations to the Department of Public Instruction by July 15 of each year that funds are used pursuant to this section.

(e) Class Rostering for Khanmigo. – All public school units that contract with Khan Academy pursuant to this section shall use a secure, cloud-based, single sign-on, and class rostering platform to manage access to digital instructional resources and student information systems and to facilitate automated data integration between educational applications and school district systems. Class rostering products used pursuant to this section must be approved by the Department.

(f) Juvenile Justice. – The Department shall contract with Khan for 500 Khanmigo licenses and training for use in schools operated by the Division of Juvenile Justice of the Department of Public Safety. The Department of Public Instruction shall provide technical support to the Division of Juvenile Justice for the use of Khanmigo. The Division of Juvenile Justice shall comply with evaluation requirements pursuant to subsection (d) of this section.

(g) Study. – The Office of Learning Research at the North Carolina Collaboratory (OLR) shall design and conduct a study to measure the effectiveness of using Khanmigo, including any impact on student performance and growth. As part of the study, the Department of Public Instruction shall aggregate and report to OLR on the evaluations submitted by public school units and the Division of Juvenile Justice pursuant to subsections (d) and (f) of this section. OLR shall collaborate with Khan Academy to aggregate data on student performance by teacher and by subgroup, to the extent allowed by law. OLR shall provide the results of this study to the Joint Legislative Education Oversight Committee no later than April 1, 2028.

(h) Report. – No later than February 15 of each year in which funds are made available for the Program, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee at least the following information:

(1) The number public school units that contracted with Khan Academy pursuant to this article.

(2) The number of students using the Khanmigo application.

(3) The average number of minutes and interactions students had with the Khanmigo application weekly.

(4) The number of teachers using the application.

(5) The average number of minutes and interactions teachers had with the Khanmigo application weekly.

(6) Any identified impact on student outcomes.

(7) Any identified impact on teacher performance.

(8) The number of moderation flags generated by the application."

AUTHORIZE NEW COOPERATIVE INNOVATIVE HIGH SCHOOLS AND CODIFY SUPPLEMENTAL FUNDING

SECTION 7.22.(a) With the funds appropriated to the Department of Public Instruction by this act for cooperative innovative high schools, the Department shall allocate to local school administrative units the sum of six hundred thirty-five thousand dollars ($635,000) in recurring funds for the 2025-2026 fiscal year in amounts consistent with those set forth in G.S. 115C-238.54A, as enacted by this section, as supplemental funding for the following cooperative innovative high schools for the 2025-2026 school year:

(1) Hawthorne Academy of Health Sciences.

(2) Martin Innovative Early College of Health Sciences.

(3) Moore County Cooperative Innovative High School.

SECTION 7.22.(b) Beginning with the 2025-2026 school year and for subsequent school years thereafter, notwithstanding G.S. 115C-238.51A(c), G.S. 115C-238.54, and any other provision of law to the contrary, Hawthorne Academy of Health Sciences, Martin Innovative Early College of Health Sciences, and Moore County Cooperative Innovative High School shall be permitted to operate in accordance with G.S. 115C-238.53 and G.S. 115C-238.54 as cooperative innovative high schools approved under G.S. 115C-238.51A(c) and shall be subject to the evaluation requirements of G.S. 115C-238.55.

SECTION 7.22.(c) Part 9 of Article 16 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-238.54A. Cooperative innovative high schools – supplemental allotment funding based on county development tier designation.**

(a) Allocation of Funding. – The Department shall allocate cooperative innovative high school supplemental allotment funds to local school administrative units with a cooperative innovative high school approved pursuant to G.S. 115C-238.51A(c) based on developmental tier area, as defined in G.S. 143B-437.08, as follows:

(1) Local school administrative units located in a development tier one area shall be allocated funding as follows:

a. The sum of two hundred seventy-five thousand dollars ($275,000) in recurring funds for each cooperative innovative high school in the unit.

b. For the Northeast Regional School of Biotechnology and Agriscience, the Department shall allocate the sum of three hundred ten thousand dollars ($310,000) in recurring funds from the regional school supplemental allotment for the school for each fiscal year.

(2) Local school administrative units located in a development tier two area shall be allocated the sum of two hundred thousand dollars ($200,000) in recurring funds for each cooperative innovative high school in the unit.

(3) Local school administrative units located in a development tier three area shall be allocated the sum of one hundred eighty thousand dollars ($180,000) in recurring funds for each cooperative innovative high school in the unit.

(b) Applicability of Funds. – The allotment of funds to local school administrative units pursuant to subsection (a) of this section shall include cooperative innovative high schools approved pursuant to G.S. 115C-238.51A(c) operated by a local school administrative unit regardless of not receiving allotments in a prior fiscal year. Funds shall not be allocated to local school administrative units for cooperative innovative high schools approved by the State Board pursuant to G.S. 115C-238.51A(b)."

REPEAL CODING AND MOBILE APP DEVELOPMENT GRANT PROGRAM

SECTION 7.23. Section 7.23 of S.L. 2017-57 is repealed.

MAINTAIN COVERAGE OF COPAYS FOR REDUCED-PRICE SCHOOL MEALS

SECTION 7.24.(a) G.S. 115C-264 is amended by adding a new subsection to read:

"(a1) A local board of education that is operating a school nutrition program shall provide school lunches, and if provided, breakfasts, to students at no cost to the student for students in all grade levels that qualify for reduced-price meals under the federal National School Lunch Program or School Breakfast Program. If funds from alternate sources are insufficient to provide school meals at no costs to students for students that qualify for reduced-price meals, the Department of Public Instruction may use funds appropriated to the State Aid for Public Schools Fund for this purpose."

SECTION 7.24.(b) Section 7.58 of S.L. 2023-134 is repealed.

CHARTER SCHOOLS REVIEW BOARD AMENDMENTS

SECTION 7.25.(a) G.S. 115C-218 reads as rewritten:

"**§ 115C-218. Purpose of charter schools; role of State Board of Education; establishment of North Carolina Charter Schools Review Board and North Carolina Office of Charter Schools.**

…

(a1) State Board of Education. – The State Board of Education shall have the following duties regarding charter schools:

(1) Rulemaking. – To ~~establish~~ adopt all rules for the operation and approval of charter schools. Any rule or policy adopted by the State Board regarding charter schools shall first be ~~recommended~~ approved by the Charter Schools Review Board.

(2) Funding. – To allocate funds to charter schools.

(3) Appeals. – To hear appeals from decisions of the Charter Schools Review Board under G.S. 115C-218.9.

(4) Accountability. – To ensure accountability from charter schools for school finances and student performance.

(5) Review of financial assistance. – The State Board shall assign the Review Board to conduct any hearings pursuant to 20 U.S.C. § 1231b-2, including making findings and recommendations regarding those hearings.

(b) North Carolina Charter Schools Review Board. –

…

(10) Powers and duties. – The Review Board shall have the following duties:

a. To ~~make recommendations to the State Board of Education on the adoption of~~ propose, recommend, and approve rules and policies regarding all aspects of charter school operation, including time lines, processes, standards, and criteria for acceptance and approval of applications, monitoring of charter schools, and grounds for revocation of charters.

…

e. To conduct hearings and make findings and recommendations pursuant to subdivision (a1)(5) of this section.

f. To contract for and employ legal counsel, including private counsel, to advise, represent, and provide litigation services to the Review Board, without need to obtain permission or approval pursuant to G.S. 114-2.3 or G.S. 147-17.

…

(c) North Carolina Office of Charter Schools. –

…

(2) Executive Director. – The Executive Director shall report to and serve at the pleasure of the ~~Superintendent of Public Instruction~~ Review Board at a salary established by the ~~Superintendent~~ Review Board within the funds appropriated for this purpose. The duties of the Executive Director shall include presenting the recommendations and decisions of the Review Board at meetings of the State Board.

…."

SECTION 7.25.(b) G.S. 115C-218.15(c) reads as rewritten:

"(c) A charter school shall operate under the written charter signed by the State Superintendent and the applicant. The terms of the written charter shall be approved by the Review Board. A charter school is not required to enter into any other contract. The charter shall incorporate the information provided in the application, as modified during the charter approval process, and any terms and conditions imposed on the charter school by the Review Board, or if the approval is granted through an appeal pursuant to G.S. 115C-218.9, any conditions imposed by the State Board of Education. No other terms may be imposed on the charter school as a condition for receipt of local funds."

SECTION 7.25.(c) G.S. 115C-218.85 is amended by adding a new subsection to read:

"(d) Notwithstanding G.S. 116-11(10a) or any other provision of law to the contrary, a charter school shall not be required to list class rank on a student's official transcript or record."

SECTION 7.25.(d) G.S. 115C-218.90(a) is amended by adding a new subdivision to read:

"(7) A charter school may develop and use any evaluation for conducting evaluation of teachers provided that it includes standards and criteria similar to those used in the North Carolina Professional Teaching Standards and North Carolina Teacher Evaluation Process, or such other evaluation standard and process required to be used by local school administrative units."

SECTION 7.25.(e) G.S. 115C-218.94 is amended by adding a new subsection to read:

"(c) The Review Board shall require charter schools that are identified as low-performing or continually low-performing to prepare and report on plans to improve the performance of the school. The requirements of G.S. 115C-105.27 shall not apply to charter schools."

SECTION 7.25.(f) G.S. 115C-218.105 reads as rewritten:

"**§ 115C-218.105. State and local funds for a charter school.**

…

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

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

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

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

…

(c2) The ~~Superintendent of Public Instruction~~ Review Board shall, in consultation with charter schools and local school administrative units, create a standardized enrollment verification and transfer request document that each charter school shall use to request the per pupil share of the local current expense fund from the local school administrative units. Charter schools shall only be required to list the name, age, grade, address, date of charter enrollment, date of charter withdrawal, district of residence, and student identification number of each student as provided to the charter school by the student's parent or guardian in the enrollment verification and transfer request document that the charter school submits to the local school administrative units. A charter school, in its discretion, may take further steps to confirm the student's residence in a particular local school administrative unit.

(c3) The ~~Superintendent of Public Instruction~~ Review Board shall, in consultation with charter schools and local school administrative units, create a standardized procedure that local school administrative units shall use when transferring the per pupil share of the local current expense fund to charter schools. The standardized procedure for transfer of the per pupil share of the local current expense fund shall require, to the extent practicable, that the local school administrative units make the transfers by electronic transfer.

…."

SECTION 7.25.(g) G.S. 115C-218.123 is amended by adding a new subsection to read:

"(c) If a school is operating under a charter that allows for a remote academy as part of the charter, and the school enrolls or intends to enroll 250 or more students in the remote academy, the school may request that the Review Board grant the remote academy portion of the school a separate charter by submitting the information listed under subsection (a) of this section with the request. Requests submitted pursuant to this section shall be reviewed through an expedited process to be established by the Review Board. The Review Board shall not require a planning year for remote academies granted a charter pursuant to this subsection."

SECTION 7.25.(h) G.S. 115C-218.125 reads as rewritten:

"**§ 115C-218.125. Evaluation.**

(a) The State Board of Education shall evaluate the success of remote charter academies approved under this Part. Success shall be measured by school performance scores and grades, retention rates, attendance rates, and, for grades nine through 12, high school completion and dropout rates. The Board shall report by November 15 of each year to the Joint Legislative Education Oversight Committee on the evaluation of these academies and on any recommended statutory changes.

(b) If a school is operating under a charter that includes in-person instruction and a remote charter academy, the remote charter academy shall receive a separate school performance grade and be treated as a separate school for the purposes of assessing the performance of the remote charter academy pursuant to G.S. 115C-12(9)c1., 115C-83.15, 115C-218.94, and 115C-218.95."

SECTION 7.25.(i) This section is effective when it becomes law and applies beginning with the 2025-2026 school year.

SCHOOL BUSINESS SYSTEMS MODERNIZATION PLANS

SECTION 7.26.(a) For a public school unit to receive an allocation from the nonrecurring funds appropriated to the Department of Public Instruction in this act for the 2025-2026 fiscal year for business systems modernization, the Department shall require the public school unit to submit a letter of intent to the Department no later than September 1, 2026. The letter of intent must (i) verify that the public school unit has not previously received funds for business systems modernization, (ii) specify the platform the public school unit intends to use, and (iii) state the projected implementation time line. Any platform chosen must integrate with the Department's Licensure and Uniform Education Reporting System and analytics system.

SECTION 7.26.(b) Notwithstanding G.S. 143C-1-2(b), any funds that have been appropriated to the Department of Public Instruction for the purpose of business systems modernization that have not been obligated by June 30, 2031, shall revert to the General Fund.

SHIFT FUNDS FROM GOGUARDIAN TO GAGGLE

SECTION 7.27. Of the four million four hundred thousand dollars ($4,400,000) in recurring funds appropriated to the Department of Public Instruction for the 2023-2024 fiscal year in S.L. 2023-134 to provide technology and services to mitigate cyberbullying, monitor student internet activity, and assist with suicide prevention services, the Department shall, beginning with the 2025-2026 fiscal year, use the full amount to contract with Gaggle.Net, Inc., to provide technology and services to mitigate cyberbullying, monitor student internet activity, and assist with suicide prevention services.

FORMALIZE THE DIAPER BANK OF NORTH CAROLINA'S ROLE AS PROVIDER OF FEMININE HYGIENE PRODUCTS FOR PUBLIC SCHOOLS

SECTION 7.28. G.S. 115C-377 reads as rewritten:

"**§ 115C-377. Feminine Hygiene Products ~~Grant~~ Program.**

(a) Program; Purpose. – The Department of Public Instruction shall establish the Feminine Hygiene Products ~~Grant~~ Program (Program) to ~~assist public school units participating in the Program in providing~~ provide students ~~with~~ feminine hygiene products at no charge to the student. The Department shall run the Program in accordance with this section in each year in which funds are made available for the purpose.

~~(b) Grants. To the extent funds are made available for the Program, the Department of Public Instruction shall award public school units grants of up to five thousand dollars ($5,000) on a first-come, first-served basis, and the Department shall prioritize awarding grants to public school units that did not receive an award pursuant to the Program in the previous fiscal year. No public school unit shall receive more than one grant per fiscal year.~~

(b1) Participation. – The Department of Public Instruction shall develop a process through which public school units can elect to participate in the Program for each school year.

(b2) Contract for Products. – The Department of Public Instruction shall contract with the Diaper Bank of North Carolina to provide feminine hygiene products to all public school units that elect to participate in the Program on a pro rata basis based on the number of female students in grades six through 12 in the participating public school unit.

(c) Reporting. – No later than March ~~15, 2023, and every year thereafter that funds are made available for~~ 15 of each year of the Program, the Department shall report to the Joint Legislative Education Oversight Committee on the public school units receiving ~~grants~~ products under the Program, the ~~specific~~ number of feminine hygiene products ~~purchased with the grant funds,~~ provided through the Program, the number of students served by the Program, and the impact of the Program on student health and well-being."

ADVANCED TEACHING ROLES – LIMITED CLASS SIZE EXCEPTION, GRANT FUNDING FORMULA, AND TRACK ROLES IN STUDENT INFORMATION SYSTEM

SECTION 7.29.(a) Notwithstanding G.S. 115C-301 or G.S. 115C-310.7, the State Board of Education may grant a public school unit participating in the Advanced Teaching Roles program under Article 20A of Chapter 115C of the General Statutes, that received its final year of grant funding under G.S. 115C-310.11 in the 2024-2025 school year, authorization to exceed the maximum class size requirements for kindergarten through third grade for the 2025-2026 school year.

SECTION 7.29.(b) G.S. 115C-310.11 is amended by adding a new subsection to read:

"(a1) Award. – For an ATR unit's initial planning year, the Department shall award the unit the sum of one hundred fifty thousand dollars ($150,000) for the year. In each subsequent year the ATR unit receives grant funds, the Department shall award the unit ten thousand dollars ($10,000) for each new advanced leadership teacher role identified in the unit's ATR plan."

SECTION 7.29.(c) G.S. 115C-310.15 is amended by adding a new subsection to read:

"(d) The Department of Public Instruction shall create designations for teachers serving in advanced teaching roles in the student information system."

ALLOW CHARTER SCHOOLS TO RELOCATE WITHIN 10 MILES

SECTION 7.30. G.S. 115C-218.8 reads as rewritten:

"**§ 115C-218.8. Nonmaterial revisions of charters.**

It shall not be considered a material revision of a charter and shall not require prior approval of the Review Board for a charter school to do any of the following:

…

(4) Relocate the charter school within a 10-mile radius inside the same local school administrative unit identified in the charter."

NO ALTERNATE SCHOOL MEALS BASED ON STUDENT PAY STATUS

SECTION 7.31.(a) G.S. 115C-264 is amended by adding a new subsection to read:

"(e) Governing bodies of public school units shall offer the same meal selections to all students regardless of student pay status for the nutrition program. For purposes of this section, pay status includes students receiving free or reduced-price lunch or students that have unpaid meal debt. This policy does not require a governing body to provide a student any optional meal items that result in additional charges to the student."

SECTION 7.31.(b) G.S. 115C-218.75(n) reads as rewritten:

"(n) ~~Unpaid Meal Debt.~~ School Nutrition Program. – If a charter school ~~participates in the~~ offers a school nutrition program, the charter school shall comply with the following in offering the program:

(1) A charter school may not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d).

(2) A charter school shall not provide alternate meals based on student pay status in accordance with G.S. 115C-264(e)."

SECTION 7.31.(c) G.S. 115C-218.75(*l*) is recodified as subdivision (3) of G.S. 115C-218.75(n), as amended by subsection (b) of this section.

SECTION 7.31.(d) G.S. 115C-238.66(22) reads as rewritten:

"(22) ~~Unpaid meal debt.~~ School nutrition program. – If a regional school ~~participates in the~~ offers a school nutrition program, the regional school shall comply with the following in offering the program:

a. A regional school may not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d).

b. A regional school shall not provide alternate meals based on student pay status in accordance with G.S. 115C-264(e)."

SECTION 7.31.(e) G.S. 115C-238.66(20) is recodified as sub-subdivision c. of G.S. 115C-238.66(22), as amended by subsection (d) of this section.

SECTION 7.31.(f) This section applies beginning with the 2025-2026 school year.

CEP TIME LINE SHIFT AND CLARIFY BREAKFAST LOCATION

SECTION 7.32. Section 7.59 of S.L. 2023-134 reads as rewritten:

"**SECTION 7.59.(a)** Program; Purpose. – The Department of Public Instruction shall establish the CEP Meal Program Incentive ~~for the 2023-2025 fiscal biennium~~ to expand public school participation in the federal Community Eligibility Provision (CEP) program to increase the number of students with access to healthy, cost-free school breakfast and lunch. The incentive program shall be available to public school units for the 2024-2025 fiscal year. In each year where funds are made available for the purpose, the CEP program shall be run subject to the provisions of this section.

…

"**SECTION 7.59.(c)** Application. – By ~~January 15, 2024,~~ April 15 of each year of the program, the Department shall develop the application for the incentive program and make it available to public school units. Public school units or individual schools shall submit their applications by ~~March 1, 2024.~~ June 1 of each year of the program. At a minimum, the application shall include the following information:

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

(2) The Identified Student Percentage (ISP) for the school or schools for the ~~2024-2025~~ current school year.

(3) The number of students enrolled in the school or schools for the ~~2024-2025~~ current school year.

(4) Participation rates in the National School Breakfast and Lunch programs for the 2023-2024 school year for the schools requesting to receive the incentive.

"**SECTION 7.59.(d)** Selection. – By ~~April 30, 2024,~~ July 15 of each year of the program, the Department shall determine whether each applicant is eligible to participate in the incentive program. The Department shall then award grants to all eligible public school units and schools. If there are insufficient funds to award grants to all eligible public school units or schools, the Department shall first prioritize awarding grants to public school units and schools with an Identified Student Percentage (ISP) of greater than or equal to fifty-five percent (55%) and then prioritize awarding grants to those schools that will draw the greatest federal match.

"**SECTION 7.59.(e)** Grants. – The Department shall issue State reimbursements to participating public school units and schools to supplement federal reimbursements of school meals. State reimbursement shall equal the difference between the federal free rate and the federal paid rate for the number of meals served at the participating schools equal to a 0.2 multiplier of the ISP for the participating schools. State and federal reimbursements shall not exceed one hundred percent (100%) of the federal free rate of meals served. Schools utilizing the incentive shall ~~offer breakfast after the bell and in the classroom.~~have an innovative breakfast option available where students have access to breakfast and are allowed to consume breakfast in the classroom.

…

"**SECTION 7.59.(g)** Report. – No later than January ~~1, 2025,~~ 1 of each year of the program, the Department shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division at least the following information:

…."

SPARKNC EXTENSION

SECTION 7.33. Section 7.62 of S.L. 2023-134, as amended by Section 3J.14 of S.L. 2024-57, reads as rewritten:

"**SECTION 7.62.(a)** There is established the SparkNC ~~Pilot~~ Program (Program) ~~for~~ beginning with the 2023-2025 fiscal ~~biennium.~~ biennium continuing through the 2031-2033 fiscal biennium. The ~~pilot program~~ Program authorizes SparkNC, a North Carolina nonprofit corporation, in partnership with ~~selected~~ public school units, to develop a nontraditional, student-driven pathway through which students may select and complete modular learning experiences that, when aggregated, will provide a competency-based equivalency to a traditional elective course credit. SparkNC shall provide a menu of modular learning experiences that include opportunities for work-based learning. For purposes of this section, "Learning Accelerator" is either a High-Tech or Health Science Learning Accelerator. The competency-based elective credit shall be denoted on student transcripts as a Learning Accelerator credit and be focused on science, technology, engineering, and mathematics (STEM). A student may earn up to four credits in Learning Accelerators but may not complete the same learning experience more than once for credit.

"**SECTION 7.62.(b)** Each public school unit partnering with SparkNC in accordance with this section (partnering public school units) shall enter a memorandum of understanding with SparkNC to meet certain requirements for the Program. These requirements shall include the provision of a physical learning lab staffed by a learning lab facilitator, operated on a schedule agreed upon by the public school unit and SparkNC, that will provide a site for collaborative learning and networking. Learning lab facilitators shall facilitate interdistrict instruction, provide student advising, design learning experiences, coordinate with industry partners, and validate student work.

"**SECTION 7.62.(c)** Notwithstanding any State Board of Education rules, partnering public school units shall award the elective credit in a Learning Accelerator to any student who completes a combination of learning experiences determined by SparkNC to provide the competency-based elective credit in that course upon verification of successful completion of the learning experiences and integrity of student work products by the learning lab facilitator. The elective credit shall be denoted as achieved competency on the student's transcript. A student's participation in learning experiences but failure to earn elective credit shall not be denoted as a fail on the student's transcript.

"**SECTION 7.62.(d)** The following provisions shall apply to the Program:

(1) Notwithstanding G.S. 115C-295 and any related State Board of Education rules, learning lab facilitators shall not be required to hold teacher licensure but shall meet the standards established by the memorandum of understanding. Learning lab facilitators shall be the teacher of record for students enrolled in the Program. Additional non-licensed personnel may be contracted with on a full- or part-time basis for the purpose of providing timely, real-world content, industry expertise, and student learning experiences. Learning lab facilitators and contract personnel with the Program shall be subject to the requirements of Part 6 of Article 22 of Chapter 115C of the General Statutes (Criminal History Checks).

(2) For the purposes of student participation in the Program, the requirements of Part 2 of Article 8 of Chapter 115C of the General Statutes (Calendar) shall not apply. Students may continue to participate in the Program and aggregate learning experiences throughout the time the students are enrolled in the public school unit and shall not be limited to a semester or school year.

Learning experiences may be provided to students in person, remotely, or through asynchronous learning experiences.

(3) Notwithstanding G.S. 115C-316 or any other law or rule to the contrary, public school units shall not be required to pay learning lab facilitators in accordance to the salary schedule used for other teachers employed by the public school unit.

(4) If a course in computer science is required for high school graduation, completion of the competency-based elective credit of a High-Tech Learning Accelerator shall be deemed to satisfy the requirement.

"**SECTION 7.62.(e)** ~~For the 2023-2024 and 2024-2025 school years, all~~ All public school units are eligible to participate in the Program.

"**SECTION 7.62.(f)** The nonrecurring funds appropriated to the Department of Public Instruction in the 2023-2024 and 2024-2025 fiscal years for the purposes of this section shall be allocated as a directed grant to SparkNC to provide students a nontraditional pathway to earn competency-based Learning Accelerator elective credits. Funds allocated pursuant to this section shall not revert to the General Fund but shall remain available until the end of the ~~2025-2026~~ 2026-2027 fiscal year. SparkNC shall utilize the grant to partner with and provide services in the maximum number of public school units possible.

"**SECTION 7.62.(g)** SparkNC, in consultation with the partnering public school units, shall provide ~~an interim~~ a report to the Joint Legislative Education Oversight Committee by March ~~1, 2025,~~ 1 of each year of the Program on the following information, disaggregated for each public school unit by grade level and school, when possible:

(1) Number and percentage of student participation in the Program.

(2) Student retention and persistence in the Program.

(3) Student completion of Learning Accelerator elective credits and student achievement of personalized learning goals within the Program.

(4) Student evaluation of the Program.

(5) Student interest in science, technology, engineering, and mathematics following participation in the Program.

(6) Cost per student for Program participation.

(7) The number and percentage of students who have participated in the Program who choose to pursue a career pathway or further study in a STEM field.

(8) Public school unit persistence in the Program.

(9) Recommendations for Program changes, including recommended legislative changes and changes needed to ensure that federal funding for career and technical education can be used for the Program.

(10) An overview of how all funds appropriated for the Program were spent.

(11) Recommendations on development of a competency transcript.

"~~**SECTION 7.62.(h)** SparkNC, in consultation with the partnering public school units, shall provide a final report to the Joint Legislative Education Oversight Committee by February 15, 2027, on the following information, disaggregated for each public school unit by grade level and school, when possible:~~

~~(1) Number and percentage of student participation in the Program.~~

~~(2) Student retention and persistence in the Program.~~

~~(3) Student completion of the High-Tech Learning Accelerator elective.~~

~~(4) Student evaluation of the Program.~~

~~(5) Student interest in science, technology, engineering, and mathematics following participation in the Program.~~

~~(6) Cost per student for Program participation.~~

~~(7) The number and percentage of students who have participated in the Program who choose to pursue a career pathway or further study in a STEM field.~~

~~(8) Public school unit persistence in the Program.~~
~~(9) Recommendations for Program changes, including recommended legislative changes and changes needed to ensure that federal funding for career and technical education can be used for the Program.~~
~~(10) Recommendations on development of a competency transcript.~~

"**SECTION 7.62.(i)** The Department of Public Instruction shall amend the North Carolina CTE State Plan (Plan) prior to the 2026-2027 school year to remove any barriers within the Plan that prevent or inhibit public school units from using CTE funds to support participation in the Program."

STUDENT USE OF WIRELESS COMMUNICATION DEVICES

SECTION 7.34.(a) Article 7B of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 8. Miscellaneous Requirements.

"**§ 115C-76.100. Regulation of wireless communication devices.**

(a) The following definitions apply in this section:
(1) Wireless communication device. – Any portable wireless device that has the capability to provide voice, messaging, or other data communication between two or more parties, including the following:
a. Cellular telephones.
b. Tablet computers.
c. Laptop computers.
d. Paging devices.
e. Two-way radios.
f. Gaming devices.
(2) Wireless communication policy. – A policy governing the use of wireless communication devices by students.

(b) The governing body of a public school unit shall establish a wireless communication policy. At a minimum, except as permitted in subsection (c) of this section, the policy shall prohibit students from using, displaying, or having a wireless communication device turned on during instructional time.

(c) A wireless communication policy shall allow student use of a wireless communication device during instructional time as follows:
(1) If authorized by a teacher for educational purposes or for use in the event of an emergency. The governing body may establish parameters to be followed by a teacher in granting authorizations.
(2) As required by the student's individualized education program or section 504 (29 U.S.C. § 794) plan.
(3) As required to manage a student's health care, in accordance with a documented medical condition.

(d) The governing body shall establish the consequences for violations of the wireless communication policy, which may include confiscation of the wireless communication device and disciplinary measures under the public school unit's Code of Student Conduct.

(e) No later than September 1 of the year in which this section becomes effective, every public school unit shall send to the Department of Public Instruction a copy of the public school unit's wireless communication policy. The public school unit shall provide the Department of Public Instruction with a copy of the wireless communication policy anytime it is changed. No later than October 1 of each year, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee the number of public school units that are in compliance with this section and the name of any public school unit which is not in compliance with this section."

SECTION 7.34.(b) This section applies beginning with the 2025-2026 school year.

PUBLIC SCHOOL ENROLLMENT STABILITY FOR MILITARY STUDENTS

SECTION 7.35. G.S. 115C-366(a9) reads as rewritten:

"(a9) A student who is not a domiciliary of a local school administrative unit that resides with a parent or legal guardian that is on active military duty shall be permitted to register to enroll in the public schools of that unit by remote means, including electronic means, prior to commencement of the student's residency in the local school administrative unit ~~if all of the following apply:~~subject to the following conditions:

(1) To be eligible to register to enroll prior to becoming a domiciliary, all of the following conditions must be met:

a. A parent or legal guardian is on active military duty and (i) is transferred or pending transfer pursuant to an official military order to a military installation or reservation in the ~~State.~~State or (ii) is separating from active duty service within the next 12 months and intends to establish residency in the State.

~~(2)~~b. Upon request by the local school administrative unit where the student seeks to register to enroll, a parent or legal guardian provides (i) a copy of the official military order transferring to a military installation or reservation located in the ~~State.~~State or (ii) an official military document showing an anticipated date of separation. Each local school administrative unit may determine the document or documents sufficient to establish an anticipated date of separation so long as the document required is easily accessible by the parent or legal guardian.

~~(3)~~c. A parent or legal guardian completes and submits the local school administrative unit's required enrollment forms and documentation, except ~~that proof of residency and~~ documentation related to disciplinary actions pursuant to G.S. 115C-366(a4) shall not be required until the student transfers into the local school administrative unit, at which time they shall be required prior to commencing attendance.

(2) Once registered to be enrolled, the following apply:

a. A local school administrative unit shall make available to a student who registers to enroll pursuant to this subsection the same opportunities available to a student enrolled contemporaneously with domicilia, such as requesting or applying for school assignment, registering for courses, and applying for any other programs that require additional request or application.

b. A student enrolled pursuant to this subsection may ~~not~~ attend school in the local school administrative unit until ~~proof of residency is provided in accordance with the requirements of the local school administrative unit.~~the later of (i) one year from the parent or legal guardian's reporting-for-duty or separation date or (ii) the end of the school year in which the student began attending the school. The parent or legal guardian shall provide proof of residency before the expiration of the allotted period of attendance provided in this sub-subdivision.

c. If a student begins attending a school pursuant to this subsection in grade 11 or 12, the local school administrative unit shall extend the period of attendance allowed under sub-subdivision b. of this

subdivision to allow the student to attend the school through high school graduation.

Nothing in this subsection shall be construed to curtail a local school administrative unit's authority pursuant to G.S. 115C-366(a5)."

EXTENDED LEARNING AND INTEGRATED STUDENT SUPPORTS COMPETITIVE GRANT PROGRAM

SECTION 7.36. Article 16 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 7A. Extended Learning and Integrated Student Supports Grant Program.

"**§ 115C-238.35. Program; purpose.**

(a) Program; Purpose. – There is established the Extended Learning and Integrated Student Supports Grant Program (Program). Nonprofit corporations and nonprofit corporations working in collaboration with local school administrative units operating relevant programs may apply for the Program. The purpose of the Program is to fund high-quality, independently validated extended learning and integrated student support service programs for at-risk students that raise standards for student academic outcomes by focusing on the following:

(1) Use of an evidence-based model with a proven track record of success.

(2) Inclusion of rigorous, quantitative performance measures to confirm effectiveness of the program.

(3) Deployment of multiple tiered supports in schools to address student barriers to achievement, such as strategies to improve chronic absenteeism, antisocial behaviors, academic growth, and enhancement of parent and family engagement.

(4) Alignment with State performance measures, student academic goals, and the North Carolina Standard Course of Study.

(5) Prioritization in programs to integrate clear academic content, in particular, science, technology, engineering, and mathematics (STEM) learning opportunities or reading development and proficiency instruction.

(6) Minimization of student class size when providing instruction or instructional supports and interventions.

(7) Expansion of student access to high-quality learning activities and academic support that strengthen student engagement and leverage community-based resources, which may include organizations that provide mentoring services and private-sector employer involvement.

(8) Utilization of digital content to expand learning time, when appropriate.

(b) Program Requirements. – In each year in which sufficient funds are available, the Department of Public Instruction shall administer the Program in accordance with this Part.

(c) Program Funding. – The Department shall use up to seven million dollars ($7,000,000) from the At-Risk Student Services Alternative School Allotment each fiscal year to fund the Program. Of the funds used to fund the Program, the Department may use up to two hundred thousand dollars ($200,000) for each fiscal year for expenses of administering the Program.

"**§ 115C-238.36. Awards; eligible uses.**

(a) Eligible Uses. – Grants shall be used to award funds for new or existing eligible programs for at-risk students operated by nonprofit corporations and nonprofit corporations working in collaboration with local school administrative units. Programs should focus on serving (i) at-risk students not performing at grade level as demonstrated by statewide assessments, (ii) students at risk of dropout, and (iii) students at risk of school displacement due to suspension or expulsion as a result of antisocial behaviors. Priority consideration shall be given

to applications demonstrating models that focus services and programs in schools that are identified as low-performing pursuant to G.S. 115C-105.37.

(b) Awards; Required Match. – Grant participants are eligible to receive grants for up to two years in an amount of up to five hundred thousand dollars ($500,000) each year. A grant participant shall provide certification to the Department of Public Instruction that the grants received under the Program shall be matched on the basis of three dollars ($3.00) in grant funds for every one dollar ($1.00) in nongrant funds. Matching funds shall not include other State funds. The Department shall also give priority consideration to an applicant that is a nonprofit corporation working in partnership with a local school administrative unit resulting in a match utilizing federal funds under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended, or Title IV of the Higher Education Act of 1965, as amended, and other federal or local funds. Matching funds may include in-kind contributions for up to fifty percent (50%) of the required match.

(c) A nonprofit corporation may act as its own fiscal agent for the purposes of this Program.

"**§ 115C-238.37. Reporting requirements.**

(a) Recipient Reporting. – No later than July 15 of each year in which a grant recipient is participating in the Program, the recipient shall report to the Department of Public Instruction on the expenditure of grant funds and the progress of the Program, including alignment with State academic standards, data collection for reporting student progress, the source and amount of matching funds, and other measures, before receiving funding for the next fiscal year. Grant recipients shall also submit a final report on key performance data, including statewide test results, attendance rates, graduation rates, and promotion rates, and financial sustainability of the Program.

(b) Department Reporting. – No later than September 15 of each year of the Program, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee on the Program, including recommendations regarding effective program models, standards, and performance measures based on student performance, leveraging of community-based resources to expand student access to learning activities, academic and behavioral support services, and potential opportunities for the State to invest in proven models for future grant programs."

TEACHER APPRENTICESHIP PROGRAM

SECTION 7.37.(a) Article 17D of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-269.33. Teacher Apprenticeship Program.**

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

(1) Advanced Teaching Roles unit. – As defined in G.S. 115C-310.3(6).

(2) Apprentice. – A person who is employed as an apprentice by an apprenticeship employer and meets all of the following criteria:

a. Holds a bachelor's degree.

b. Is eligible to hold or holds one of the following:

1. An emergency license.

2. A residency license.

3. A permit to teach issued by the Department in accordance with rules adopted by the State Board of Education.

c. Submitted a Free Application for Federal Student Aid (FAFSA).

(3) Apprenticeship employer. – An Advanced Teaching Roles unit that meets all of the following criteria:

a. Has a registered apprenticeship program under requirements established by the United States Department of Labor.

b. Employs apprentices under the Program.

(4) Department. – The Department of Public Instruction.

(5) Program. – The Teacher Apprenticeship Program.

(6) RFP. – Request for proposals.

(b) Program Established; Purpose. – There is established the Teacher Apprenticeship Program as a competitive grant program for the purpose of increasing the number of professionally licensed teachers in the State and improving teacher competency, student outcomes, and teacher retention in the State. The Department of Public Instruction shall administer the Program in collaboration with ApprenticeshipNC as set forth in this section.

(c) Request for Proposals. – No later than November 1 of each year, ApprenticeshipNC shall issue an RFP for the Program. Advanced Teaching Roles units may submit proposals by January 1 of the following calendar year. Proposals shall include at least the following information:

(1) A plan to establish a registered teacher apprenticeship program in collaboration with ApprenticeshipNC, including at least the following information:

a. The number of apprentices the unit intends to employ using grant funds for State-funded salary supplements, State-funded enrollment expenses, or both.

b. Specific subject areas and grade levels in the local school administrative unit with teacher shortages.

(2) A system of supports that would be provided for apprentices, including qualifications of mentor teachers and a schedule of supervision.

(3) Alternative sources of funding to support apprenticeships that could be paired with State funds received under the Program, including federal workforce development funds.

(4) An explanation of how the unit would incorporate its registered teacher apprenticeship program with its advanced teaching roles program to enhance the learning environment for apprentices.

(5) Strategies to encourage candidates to accept an apprenticeship instead of directly entering the teacher profession on a Residency License, Emergency License, or permit to teach.

(d) Selection of Recipients. – By March 15 of each school year in which proposals are submitted, ApprenticeshipNC shall review the proposals and select local school administrative units to participate in the Program, beginning in the subsequent school year. ApprenticeshipNC shall notify the Department of its selections, and the Department shall allocate funds to the selected Advanced Teaching Roles units in accordance with subsection (e) of this section.

(e) Allocation of State Grant Funds. – To the extent funds are appropriated by the General Assembly for this purpose, the Department shall allocate the funds for grants to apprenticeship employers based on the number of apprentices the unit intends to employ receiving grant funds for State-funded salary supplements, State-funded enrollment expenses, or both, up to a maximum of 10 total apprentices per unit, as follows:

(1) Up to seven thousand five hundred dollars ($7,500) per apprentice per year, plus any additional funds necessary for benefits, to provide salary supplements for apprentices in accordance subdivision (3) of subsection (f) of this section.

(2) Up to five thousand dollars ($5,000) per apprentice per year for the costs of enrollment of an apprentice in an institution of higher education in accordance with subdivision (5) of subsection (f) of this section.

(f) Program Requirements. – The following minimum requirements shall apply to apprentices and apprenticeship employers under the Program:

(1) Number of apprentices. – An apprenticeship employer shall employ no more than a maximum of 10 total apprentices who receive grant funds for State-funded salary supplements, State-funded enrollment expenses, or both. An apprenticeship employer may employ additional apprentices receiving funds for salary supplements or education expenses from other sources.

(2) Funds for positions. – An apprenticeship employer may employ apprentices using State funds allotted for teacher assistant positions, with roles and responsibilities modified to meet the requirements of the Program, or other available funds.

(3) Salary supplements. – As follows:

a. An apprenticeship employer shall provide the following salary supplements:

1. For each apprentice, up to a maximum of seven thousand five hundred dollars ($7,500) per apprentice.

2. For each mentor teacher, up to a maximum of five thousand dollars ($5,000) per mentor teacher.

b. An apprenticeship employer may provide a salary supplement for any other teacher employed by the local school administrative unit who agrees to become the teacher of record for additional students to facilitate the operation of the registered apprenticeship program in that unit, up to a maximum of three thousand dollars ($3,000).

(4) Mentors. – Each apprentice shall work full time in a classroom with a mentor teacher who is a member of a team of teachers that is led by a teacher with an advanced teaching role. For purposes of this subdivision, a mentor teacher may include a classroom excellence teacher as defined in G.S. 115C-310.3(7).

(5) Enrollment costs. – An apprentice shall enroll in or remain enrolled in a recognized educator preparation program. An apprenticeship employer may provide up to a maximum of five thousand dollars ($5,000) per apprentice per year for the costs of enrollment in an institution of higher education. These funds shall only be used after the apprentice has exhausted all other scholarships or grants covering the cost of attendance at an institution of higher education, including federal Pell grants.

(6) Limitations. – An apprentice shall not do any of the following:

a. Serve as the teacher of record for any students.

b. Engage in substitute teaching for more than eight hours per week.

c. Work as an apprentice for more than three years.

(g) Term. – The Department shall award grant funds to selected Advanced Teaching Roles units to serve as apprenticeship employers for one or more terms of three years. Prior to the conclusion of a term, ApprenticeshipNC shall evaluate the success of the Program at the unit and the compliance of the unit with the requirements of this section. At the conclusion of the evaluation, ApprenticeshipNC may, in its discretion, renew the apprenticeship employer for an additional term. Throughout the Program, an apprenticeship employer shall provide any information or access requested by ApprenticeshipNC to evaluate the registered apprenticeship program pursuant to this section.

(h) Emergency Position Conversion. – Notwithstanding G.S. 115C-105.25(b), an apprenticeship employer may convert one position allocated to the unit for classroom teachers to its dollar equivalent at the salary on the first step of the "A" Teachers Salary Schedule for every one apprentice employed by the unit who is receiving State grant funds if all of the following are met:

(1) The apprentice receiving State grant funds would have been eligible to fill the vacant position using a residency license, emergency license, or permit to teach but was instead hired into the apprentice position.

(2) The funds are only used for one or more of the following purposes in accordance with the requirements of the Program:

a. Salary supplements for apprentices.

b. Salary supplements for mentor teachers.

c. Costs of enrollment in an institution of higher education.

d. Salary supplements for teachers identified in sub-subdivision b. of subdivision (3) of subsection (f) of this section.

(i) Administration. – Of the funds appropriated to the Department of Public Instruction for the Program for each fiscal year, the Department shall allocate the greater of fifteen percent (15%) or three hundred thousand dollars ($300,000) to ApprenticeshipNC to do all of the following in consultation with the Department:

(1) Outline the duties and responsibilities of apprentices, including on-the-job training requirements.

(2) Collaborate with recognized educator preparation programs to establish education requirements for apprentices and revise curriculum requirements for student teaching to include apprenticeships under the Program.

(3) Create minimum competencies for apprentices that reflect the progressive acquisition of ability.

(4) Create resources that can be used by apprenticeship employers to select and train mentor teachers, including the responsibilities of a mentor teacher and background information on teacher apprenticeship programs.

(5) Develop a process to monitor apprentices in their first years of teaching after successful completion of the Program to evaluate the qualities of teacher candidates that correlate to successful outcomes and lower teacher turnover rates.

(6) Assist apprenticeship employers with the following:

a. Combining State and federal funds to maximize the number of apprentices in the Program.

b. Complying with applicable State and federal law.

(7) Develop a training module for mentor teachers that establishes standards for mentor teachers under the Program and incorporates, where applicable, any preexisting standards for mentor teachers.

(j) Report. – No later than March 15 of each year, ApprenticeshipNC shall report to the Joint Legislative Education Oversight Committee on the Program, including at least the following information:

(1) The impact of the Program for each apprenticeship employer on the following:

a. The number of teachers, disaggregated by licensure type.

b. Student outcomes.

c. Teacher retention.

(2) Successful strategies and best practices used by apprenticeship employers.

(3) Any barriers to expanding the Program."

SECTION 7.37.(b) G.S. 115C-269.32 is repealed.

SECTION 7.37.(c) Notwithstanding any other provision of law or a provision of the Committee Report described in Section 43.2 of S.L. 2023-134 to the contrary, of the one million dollars ($1,000,000) in recurring funds allocated for the Teacher Apprentice Grant Program pursuant to G.S. 115C-269.32, beginning in the 2025-2026 fiscal year, these funds shall instead be used for the Teacher Apprenticeship Program established pursuant to subsection (a) of this section.

SECTION 7.37.(d) This section becomes effective July 1, 2025. ApprenticeshipNC shall issue the initial request for proposals pursuant to G.S. 115C-269.33, as enacted by subsection (a) of this section, by November 1, 2025, for applications from local school administrative units to establish registered teacher apprenticeship programs beginning in the 2026-2027 school year. Notwithstanding G.S. 115C-269.33(j), as enacted by subsection (a) of this section, ApprenticeshipNC shall provide its initial report on the impact of the Teacher Apprenticeship Program by March 15, 2027.

REPEAL INTERNSHIP REQUIREMENTS FOR STUDENTS IN ADMINISTRATOR PREPARATION PROGRAMS

SECTION 7.38.(a) G.S. 115C-270.20(b) reads as rewritten:

"(b) Administrator Licenses. – The State Board shall establish rules for the issuance of the following classes of administrator licenses, including required levels of preparation for each classification:

(1) Administrator license. – A five-year renewable license issued to an individual who meets all of the following requirements:
   a. Holds a bachelor's degree.
   b. Has successfully completed an approved administrator preparation program.
   c. Has at least four years of experience as a licensed professional educator.
   d. Has submitted a portfolio to the State Board for approval that meets criteria adopted by the State Board.

(2) Provisional assistant principal license. – A one-year license to be employed as an assistant principal, renewable twice, issued to an employee of a local board of education if ~~one of the following requirements is met:~~
   ~~a.~~ ~~The~~ the local board of education determines there is a demonstrated need for administrators and the employee enrolls in an approved administrator preparation program by the end of the first year of provisional licensure.
   ~~b. The employee is participating in an internship required for completion of an approved administrator preparation program.~~"

SECTION 7.38.(b) G.S. 115C-284.1(d) reads as rewritten:

"(d) Minimum Approval Standards. – At a minimum, the rules established as provided in subsection (c) of this section shall require APPs to meet the following requirements:

~~(1) Require all candidates to complete an internship that is at least 500 hours in duration.~~

…

(8) Require written agreements between the institution of higher education and a public school unit to govern their shared responsibility for (i) recruitment and preparation of school administrators, especially with regard to clinical experiences, ~~including the internship,~~ and (ii) a new administrator's success once employed.

…."

INCREASE STATE MATCH FOR SMALL COUNTY AND LOW-WEALTH SIGNING BONUS PROGRAM

SECTION 7.39.(a) G.S. 115C-302.8(b) reads as rewritten:

"(b) Signing Bonus Program. – To the extent funds are provided for this purpose, the Department of Public Instruction shall establish and administer a signing bonus program for teachers. Signing bonuses shall be provided each school year to all eligible employees who are

employed by an eligible employer as long as they are matched on the basis of ~~one dollar ($1.00)~~ two dollars ($2.00) in State funds for every one dollar ($1.00) in local funds, up to ~~one thousand dollars ($1,000)~~ two thousand dollars ($2,000) in State funds."

SECTION 7.39.(b) This section applies beginning with the 2025-2026 school year.

TREASURER TO AWARD GRANTS FROM NEEDS-BASED PUBLIC SCHOOL CAPITAL FUNDS

SECTION 7.40.(a) Article 38B of Chapter 115C of the General Statutes reads as rewritten:

"Article 38B.

"Needs-Based Public School Capital Fund.

"**§ 115C-546.10. Fund created; purpose; prioritization.**

There is created the Needs-Based Public School Capital Fund as an interest-bearing, nonreverting special fund in the Department of Public Instruction. The State Treasurer shall be the custodian of the Needs-Based Public School Capital Fund and shall invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The Department of ~~Public Instruction~~ State Treasurer shall award grants from the Fund to counties to assist with their critical public school building capital needs in accordance with the following priorities:

(1) Counties designated as development tier one areas.
(2) Counties with greater need and less ability to generate sales tax and property tax revenue.
(3) Counties with a high debt-to-tax revenue ratio.
(4) The extent to which a project will address critical deficiencies in adequately serving the current and future student population.
(5) Projects with new construction or complete renovation of existing facilities.
(6) Projects that will consolidate two or more schools into one new facility.
(7) Counties that have not received a grant under this Article in the previous three years.

"**§ 115C-546.11. Matching requirement; use of funds; maximum awards; project review.**

…

(d) ~~The Department of Public Instruction shall review projected enrollment to evaluate the reasonableness of a project's size and scope.~~ A county may include in a grant application a minimum grant amount that would enable the project to proceed. A grant application that proposes to consolidate two or more schools by (i) making additions or renovations at one or more school facilities and (ii) closing one or more existing school facilities may be submitted and considered ~~by the Department of Public Instruction~~ as a single project. Each application for a grant under this Article shall be evaluated independent of other grant applications submitted. A county may not apply for projects that exceed an aggregate amount greater than the maximum grant award amounts listed in subsection (c) of this section in any single year.

(e) The Department of Public Instruction shall receive all grant applications and supporting materials to ensure that all eligibility criteria under this section are met. The Department of Public Instruction shall provide all grant applications and the supporting materials that meet the requirements under this Article to the Department of State Treasurer for evaluation, selection, and award of grant funds. Upon the evaluation and selection of the grant recipients, the Department of State Treasurer shall notify the Department of Public Instruction of the selected grant recipients and the amount of grant funds awarded to each of the recipients. The Department of Public Instruction is responsible for disbursing the awarded grant funds to each selected grant recipient.

(f) The Department of ~~Public Instruction~~ State Treasurer shall not award a grant to an applicant at less than the requested amount or less than the maximum grant amounts listed in

subsection (c) of this section for the purpose of reserving the amount of grant funds available for other grant applications.

(g) If a county declines or otherwise forfeits a grant awarded under this section, the Department of State Treasurer shall not award additional grants to that county for 24 months from the date the grant award was declined or forfeited.

…

"**§ 115C-546.14. Reporting.**

(a) On or before April 1 of each year, a grant recipient shall submit to the Department of Public Instruction and the Department of State Treasurer an annual report for the preceding year that describes the progress of the project for which the grant was received. The grant recipient shall submit a final report to the Department of Public Instruction and the Department of State Treasurer within three months of the completion of the project.

(b) On or before May 1 of each year, the Department of ~~Public Instruction~~ State Treasurer, in consultation with the Department of Public Instruction, shall submit a report to the ~~chairs of the Senate Appropriations Committee on Education/Higher Education, the chairs of the House Appropriations Committee on Education,~~ Joint Legislative Education Oversight Committee and the Fiscal Research Division. The report shall contain at least all of the following information for the fiscal year:

(1) Number, description, and geographic distribution of projects awarded.

(2) Total cost of each project and amount supported by the Needs-Based Public School Capital Fund.

(3) Projections for local school administrative unit capital needs for the next 30 years based upon present conditions and estimated demographic changes.

(4) Any legislative recommendations for improving the Needs-Based Public School Capital Fund program."

SECTION 7.40.(b) This section applies beginning with grants awarded for the 2025-2026 fiscal year.

PART VII-A. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 7A.1.(a) The following monthly teacher salary schedule shall apply for each year of the 2025-2027 fiscal biennium to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2025-2027 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	$4,151
1	$4,227
2	$4,303
3	$4,379
4	$4,455
5	$4,531
6	$4,629
7	$4,721
8	$4,812
9	$4,905
10	$4,997
11	$5,088
12	$5,180
13	$5,271
14	$5,363

15-24	$5,455
25+	$5,665

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

(1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.

(2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

(3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the supplement provided to them as "M" teachers.

(4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the supplement provided to them as "M" teachers.

(5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

(6) School counselors who are licensed as counselors at the master's degree level or higher shall receive a salary supplement each month of one hundred dollars ($100.00).

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

(1) The first step of the salary schedule shall be equivalent to the sixth step of the "A" salary schedule.

(2) These employees shall receive the following salary supplements each month:

a. Ten percent (10%) of their monthly salary, excluding the supplement provided pursuant to sub-subdivision b. of this subdivision.

b. Three hundred fifty dollars ($350.00).

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

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

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

SECTION 7A.1.(e) A teacher compensated in accordance with this salary schedule for the 2025-2027 fiscal biennium shall receive an amount equal to the greater of the following:

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

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

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

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

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

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

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

CONSOLIDATED TEACHER BONUS PROGRAM

SECTION 7A.2.(a) Article 20 of Chapter 115C of the General Statutes is amended by adding the following new section to read:

"**§ 115C-302.9. Teacher bonuses.**

(a) Program. – The State Board of Education shall establish a consolidated teacher bonus program to reward teacher performance and encourage student learning and improvement. To attain this goal, to the extent funds are made available for this purpose, the Department of Public Instruction shall administer bonus pay to qualifying teachers whose salaries are supported from State funds in January of each year, based on data from the prior school year, in accordance with this section.

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

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

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

1. A qualifying public school unit.

2. The North Carolina Virtual Public School program.

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

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

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

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

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

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

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

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

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

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

1. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for third grade reading from the previous school year.
2. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for fourth or fifth grade reading from the previous school year.
3. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for fourth, fifth, sixth, seventh, or eighth grade mathematics from the previous school year.

c. Was employed by a local school administrative unit that employed in the previous school year three or fewer total teachers in that teacher's grade level as long as the teacher has an EVAAS student growth index score from the previous school year of exceeded expected growth in one of the following subject areas:
1. Third grade reading.
2. Fourth or fifth grade reading.
3. Fourth, fifth, sixth, seventh, or eighth grade mathematics.

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

(5) Predecessor bonus programs. – All of the following:
a. The Advanced Placement/International Baccalaureate/Cambridge AICE Teacher Bonus Program provided in Section 8.8 of S.L. 2016-94, as amended by Section 8.8B of S.L. 2017-57, Section 2.10 of S.L. 2017-97, and Section 8.10 of S.L. 2018-5.
b. The Industry Certifications and Credentials Teacher Bonus Program provided in Section 8.9 of S.L. 2016-94, as amended by Section 8.8B of S.L. 2017-57, Section 2.10 of S.L. 2017-97, and Section 8.10 of S.L. 2018-5.
c. The Third Grade Read to Achieve Teacher Bonus Program provided in Section 8.8C of S.L. 2017-57, as amended by Section 2.10 of S.L. 2017-97 and Section 8.10 of S.L. 2018-5.
d. The Fourth and Fifth Grade Reading Teacher Bonus Program provided in Section 8.8D of S.L. 2017-57, as amended by Section 8.11 of S.L. 2018-5.
e. The Fourth to Eighth Grade Math Teacher Bonus Program provided in Section 8.8E of S.L. 2017-57, as amended by Section 8.12 of S.L. 2018-5.
f. Advanced course and CTE Teacher bonuses provided in Section 7A.4 of S.L. 2021-180.
g. Bonuses for Teachers Based on Student Growth provided in Section 7A.2 of S.L. 2022-74.
h. The Consolidated Teacher Bonus Program provided in Section 7A.3 of S.L. 2023-134.

(6) Qualifying public school unit. – Any of the following:
a. A local school administrative unit.
b. A charter school.
c. A regional school.

d. A school providing elementary or secondary instruction operated by The University of North Carolina under Article 29A of Chapter 116 of the General Statutes.

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

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

b. Retired, between the last day of the school year in which the data is collected and January 1 of the corresponding school year in which the bonus is paid, after attaining one of the following:

1. The age of at least 65 with five years of creditable service.
2. The age of at least 60 with 25 years of creditable service.
3. Thirty years of creditable service.

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

(1) For Advanced Placement courses, a score of three or higher on the College Board Advanced Placement Examination.

(2) For International Baccalaureate Diploma Programme courses, a score of four or higher on the International Baccalaureate course examination.

(3) For the Cambridge AICE program, a score of "E" or higher on the Cambridge AICE program examinations.

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

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

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

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

(1) Academic rigor shall be based on the number of instructional hours, including work experience or internship hours, required to earn the industry certification or credential, with extra weight given for coursework that also provides community college credit.

(2) Employment value shall be based on the entry wage, growth rate in employment for each occupational category, and average annual openings for the primary occupation linked with the industry certification or credential.

(f) Statewide Growth Bonuses. – The Department shall provide bonuses to qualifying teachers who are eligible teachers under sub-subdivision a. of subdivision (3) of subsection (b) of this section, as follows:

(1) The sum of five million dollars ($5,000,000) shall be allocated for bonuses to eligible teachers under sub-sub-subdivision a.1. of subdivision (3) of subsection (b) of this section. These funds shall be distributed equally among qualifying teachers.

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

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

(g) Local Growth Bonuses. – The Department shall provide bonuses to eligible teachers under sub-subdivisions b. and c. of subdivision (3) of subsection (b) of this section, as follows:

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

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

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

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

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

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

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

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

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

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

(1) Number of students enrolled and taking examinations in each of the following categories of courses:
  a. Advanced Placement.
  b. International Baccalaureate Diploma Programme.
  c. Cambridge AICE program.
  d. Courses needed for the attainment of an industry certification or credential.

(2) Number of students receiving outcomes on examinations resulting in the award of a bonus for a teacher in each category of courses identified in subdivision (1) of this subsection.

(3) Number of teachers receiving a bonus in each category of courses identified in subdivision (1) of this subsection.

(4) The amounts awarded to teachers for each category of courses identified in subdivision (1) of this subsection.

(5) The type of industry certifications and credentials earned by the students, the value ranking for each certification and credential, the number of bonuses earned for each certification or credential, and the total bonus amount awarded for each certification or credential.

(6) Average bonus amount awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section.

(7) The percentage of teachers who received a bonus pursuant to this section and were eligible to receive a bonus for teaching in the same grade level or course in either or both of the prior two school years pursuant to this section or a predecessor bonus program.

(8) The percentage of teachers who received a bonus pursuant to this section and received a bonus for teaching in the same grade level or course in either or both of the prior two school years pursuant to this section or a predecessor bonus program.

(9) The statistical relationship between a teacher receiving a bonus pursuant to this section and receiving a bonus for teaching in the same grade level or course in one or more prior school years pursuant to this section or a predecessor bonus program.

(10) The distribution of statewide and local growth bonuses awarded pursuant to this section as among qualifying public school units and, where applicable, schools within those units."

SECTION 7A.2.(b) This section applies beginning with bonuses awarded in January of 2026 based on data from the 2024-2025 school year.

SUPPLEMENTAL FUNDS FOR TEACHER COMPENSATION

SECTION 7A.3.(a) Use of Funds. – For each year of the 2025-2027 fiscal biennium, except as provided in subsection (g) of this section, the State Board of Education shall allocate funds pursuant to this section to eligible local school administrative units to provide salary supplements to teachers and qualifying school administrators in those units. Allocation of salary supplements among teachers and qualifying school administrators within each eligible local school administrative unit, including whether a teacher or qualifying school administrator receives a salary supplement and the amount of the supplement provided to that person, shall be determined in the discretion of the local board of education of the eligible unit, except that no individual salary supplement shall exceed the per teacher funding amount awarded to that unit pursuant to subdivision (4) of subsection (c) of this section.

SECTION 7A.3.(b) Definitions. – As used in this section, the following definitions shall apply:

(1) Adjusted market value of taxable real property. – A county's assessed taxable real property value, using the latest available data published by the Department of Revenue, divided by the county's sales assessment ratio determined under G.S. 105-289(h).

(2) Composite value. – For each eligible county, the sum of the following:
   a. The taxable real property factor multiplied by sixty-five percent (65%).
   b. The median household income factor multiplied by twenty-five percent (25%).
   c. The effective tax rate factor multiplied by ten percent (10%).

(3) County allocation factor. – For each eligible county, the supplement factor for that county divided by the sum of all supplement factors for the State.

(4) Effective tax rate. – The actual county tax rate multiplied by the most recent annual sales assessment ratio for that county.

(5) Effective tax rate factor. – For each eligible county, the effective tax rate for that county divided by the median effective tax rate in the State.

(6) Eligible county. – A county that has an adjusted market value of taxable real property of less than seventy billion dollars ($70,000,000,000).

(7) Eligible local school administrative unit. – A local school administrative unit located in whole or in part in an eligible county.

(8) Eligible school. – A public school that is located in an eligible county and governed by a local school administrative unit.

(9) Maintenance of effort amount. – For each local school administrative unit in each fiscal year, the supplant factor multiplied by the total State and non-State funds expended for salaries for teachers from the fiscal year for which the most recent salary data are available.

(10) Median household income. – A county's median household income for the most recent 12 months for which data are available, as that term is used in G.S. 143B-437.08.

(11) Median household income factor. – For each eligible county, the median household income in the State divided by the median household income for that county.

(12) Non-State funds. – Any funds held by a local school administrative unit, other than nonrecurring federal funds received as a result of legislation enacted by Congress in response to COVID-19, that are not State funds.

(13) Qualifying school administrator. – Any of the following:
   a. Assistant principals paid pursuant to G.S. 115C-285(a)(8).
   b. Principals paid pursuant to G.S. 115C-285(a)(8a).

(14) Supplant factor. – For each local school administrative unit in each fiscal year of the fiscal biennium, the total non-State funds expended for salary supplements for teachers in the 2020-2021 fiscal year divided by the total State and non-State funds expended for salaries for teachers in the 2020-2021 fiscal year.

(15) Supplement factor. – For each eligible county, the composite value multiplied by the number of State-funded teachers employed in a school in the county that is governed by a local school administrative unit.

(16) Taxable real property factor. – For each eligible county, the median adjusted market value of taxable real property in the State divided by the adjusted market value of taxable real property for that county.

(17) Teacher. – Teachers and instructional support personnel.

SECTION 7A.3.(c) Allocation of Funds. – The State Board of Education shall allocate funds for salary supplements to eligible local school administrative units according to the following procedure:

(1) County allocation. – For each eligible county, the State Board shall determine a county allocation by multiplying the county allocation factor for that county by the funding amount appropriated pursuant to this section for the applicable fiscal year.

(2) Per teacher funding amount. – For each eligible county, the State Board shall determine a per teacher funding amount by dividing the county allocation amounts determined pursuant to subdivision (1) of this subsection by the total number of State-funded teachers employed in all eligible schools in that county.

(3) Unit funding amount. – For each eligible local school administrative unit, the State Board shall determine the funding amount for that unit based on the per teacher funding amount or amounts for the eligible county or counties where the unit is located. For each county with an eligible school governed by the unit, the State Board shall multiply the applicable per teacher funding amount for that county determined pursuant to subdivision (2) of this subsection by the number of State-funded teachers employed in the eligible school in that county. If the unit is located in multiple eligible counties, the State Board shall aggregate those amounts.

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

SECTION 7A.3.(d) Charter Schools. – Funds appropriated to the Department of Public Instruction pursuant to this section shall be subject to the allocation of funds for charter schools described in G.S. 115C-218.105. The General Assembly encourages charter schools receiving funds pursuant to this section to provide salary supplements to teachers and qualifying school administrators in the charter school in accordance with the requirements of this section.

SECTION 7A.3.(e) Formula for Distribution of Supplemental Funding Pursuant to this Section Only. – The formula in this section is solely a basis for distribution of supplemental funding to eligible local school administrative units and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for eligible local school administrative units.

SECTION 7A.3.(f) Nonsupplant Requirement. – A local school administrative unit that receives funds under this section shall use those funds to supplement non-State funds provided for salary supplements for teachers and qualifying school administrators and shall not

use any State funds, including funds received under this section, Section 7A.4 of S.L. 2023-134, or Section 7A.12 of S.L. 2021-180, to supplant non-State funds provided for salary supplements for teachers and qualifying school administrators. For purposes of this section, a local school administrative unit has supplanted non-State funds if the State Board finds that the amount of non-State funds expended by the unit for salary supplements was less than ninety-five percent (95%) of the maintenance of effort amount for the local school administrative unit.

SECTION 7A.3.(g) Nonsupplant Enforcement. – The State Board of Education shall not allocate any funds under this section to a local school administrative unit if it determines that the unit has supplanted non-State funds in violation of subsection (f) of this section.

SECTION 7A.3.(h) Reports. – No later than April 15 of each year of the 2025-2027 fiscal biennium, the State Board of Education shall report the following information for the applicable fiscal year to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

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

PRINCIPAL SALARY SCHEDULE

SECTION 7A.4.(a) The following annual salary schedule for principals shall apply for each year of the 2025-2027 fiscal biennium, beginning July 1, 2025:

2025-2027 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	$78,764	$86,640	$94,517
201-400	$82,702	$90,972	$99,242
401-700	$86,640	$95,305	$103,969
701-1,000	$90,579	$99,636	$108,695
1,001-1,600	$94,517	$103,969	$113,420
1,601+	$98,454	$108,300	$118,146

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

(1) A principal shall be paid according to the Exceeded Growth column of the schedule if the school growth scores show the school or schools exceeded expected growth in at least two of the prior three school years.
(2) A principal shall be paid according to the Met Growth column of the schedule if any of the following apply:
    a. The school growth scores show the school or schools met expected growth in at least two of the prior three school years.

b. The school growth scores show the school or schools met expected growth in at least one of the prior three school years and exceeded expected growth in one of the prior three school years.

c. The principal supervised a school in at least two of the prior three school years that was not eligible to receive a school growth score.

(3) A principal shall be paid according to the Base column if any of the following apply:

a. The school growth scores show the school or schools did not meet expected growth in at least two of the prior three school years.

b. The principal has not supervised any school as a principal for a majority of the school year in at least two of the prior three school years.

SECTION 7A.4.(b) For purposes of determining the average daily membership of a principal's school, the allotted average daily membership for the school for the applicable school year shall be used. For purposes of this section, the allotted average daily membership of a principal's school shall include any prekindergarten students in membership at that school.

SECTION 7A.4.(c) For purposes of determining the school growth scores for each school the principal supervised in one or more prior school years, the following school growth scores shall be used during the following time periods:

(1) For the first six months of the applicable fiscal year, the school growth scores from the first, second, and third years.

(2) For the second six months of the applicable fiscal year, the school growth scores from the second, third, and fourth years.

(3) If a principal does not have a school growth score from any of the school years identified in this subsection, the most recent available growth scores, up to the fourth year, shall be used.

SECTION 7A.4.(d) Beginning with the 2017-2018 fiscal year, in lieu of providing annual longevity payments to principals paid on the principal salary schedule, the amounts of those longevity payments are included in the annual amounts under the principal salary schedule.

SECTION 7A.4.(e) A principal compensated in accordance with this section for the 2025-2027 fiscal biennium shall receive an amount equal to the greater of the following:

(1) The applicable amount on the principal salary schedule for the applicable fiscal year.

(2) For principals who were eligible for longevity in the 2016-2017 fiscal year, the sum of the following:

a. The salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

b. The longevity that the principal would have received as provided for State employees under the North Carolina Human Resources Act for the 2016-2017 fiscal year based on the principal's current years of service.

(3) For principals who were not eligible for longevity in the 2016-2017 fiscal year, the salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

SECTION 7A.4.(f) For purposes of this section, the following definitions apply:

(1) First year. – The school year immediately preceding the second year.

(2) Fourth year. – The school year immediately preceding the applicable school year.

(3) Second year. – The school year immediately preceding the third year.

(4) The applicable fiscal year. – The fiscal year of the 2025-2027 fiscal biennium in which the principal is employed.

(5) The applicable school year. – The school year of the 2025-2027 fiscal biennium in which the principal is employed.

(6) Third year. – The school year immediately preceding the fourth year.

BONUSES FOR PRINCIPALS

SECTION 7A.5. Article 19 of Chapter 115C of the General Statutes is amended by adding the following new section to read:

"**§ 115C-285.5. Bonuses for principals.**

(a) To the extent funds are made available for this purpose, the Department of Public Instruction shall administer a bonus in each fiscal year to any principal who supervised a school as a principal for a majority of the previous school year if that school was in the top fifty percent (50%) of school growth in the State during the previous school year, calculated by the State Board pursuant to G.S. 115C-83.15(c), as follows:

Principal Bonus Schedule

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

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

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

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

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

(e) The bonus provided pursuant to this section shall be paid no later than October 31 of each year to qualifying principals employed as of October 1 of that year."

ASSISTANT PRINCIPAL SALARIES

SECTION 7A.6.(a) For each year of the 2025-2027 fiscal biennium, beginning July 1, 2025, assistant principals shall receive a monthly salary based on the salary schedule for teachers who are classified as "A" teachers plus nineteen percent (19%). An assistant principal shall be placed on the step on the salary schedule that reflects the total number of years of experience as a certified employee of the public schools. For purposes of this section, an administrator with a one-year provisional assistant principal's certificate shall be considered equivalent to an assistant principal.

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

SECTION 7A.6.(c) Beginning with the 2017-2018 fiscal year, in lieu of providing annual longevity payments to assistant principals on the assistant principal salary schedule, the amounts of those longevity payments are included in the monthly amounts provided to assistant principals pursuant to subsection (a) of this section.

SECTION 7A.6.(d) An assistant principal compensated in accordance with this section for the 2025-2027 fiscal biennium shall receive an amount equal to the greater of the following:

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

CENTRAL OFFICE SALARIES

SECTION 7A.7.(a) For the 2025-2027 fiscal biennium, beginning July 1, 2025, the annual salary for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers whose salaries are supported from State funds shall be increased by one and one-quarter percent (1.25%).

SECTION 7A.7.(b) The monthly salary maximums that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2025-2027 fiscal biennium, beginning July 1, 2025:

	2025-2027 Fiscal Biennium Maximum
School Administrator I	$7,668
School Administrator II	$8,124
School Administrator III	$8,608
School Administrator IV	$8,944
School Administrator V	$9,302
School Administrator VI	$9,853
School Administrator VII	$10,247

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

SECTION 7A.7.(c) The monthly salary maximums that follow apply to superintendents for each year of the 2025-2027 fiscal biennium, beginning July 1, 2025:

	2025-2027 Fiscal Biennium Maximum
Superintendent I	$10,861
Superintendent II	$11,508
Superintendent III	$12,200
Superintendent IV	$12,933
Superintendent V	$13,710

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

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

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

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

NONCERTIFIED PERSONNEL SALARIES

SECTION 7A.8. For the 2025-2027 fiscal biennium, beginning July 1, 2025, the annual salary for noncertified public school employees whose salaries are supported from State funds shall be increased as follows:

(1) For permanent, full-time employees on a 12-month contract, by one and one-quarter percent (1.25%).

(2) For the following employees, by an equitable amount based on the amount specified in subdivision (1) of this section:

a. Permanent, full-time employees on a contract for fewer than 12 months.

b. Permanent, part-time employees.

c. Temporary and permanent hourly employees.

PART VIII. THE UNIVERSITY OF NORTH CAROLINA SYSTEM

UNC/ESCHEAT FUND FOR STUDENT FINANCIAL AID PROGRAMS

SECTION 8.1.(a) G.S. 116B-7 reads as rewritten:

"**§ 116B-7. Distribution of fund.**

(a) ~~The~~ Unless otherwise provided in the Current Operations Appropriations Act, as defined in G.S. 143C-1-1, the income derived from the investment or deposit of the Escheat Fund shall be distributed annually on or before August 15 to the State Education Assistance Authority for grants and loans to aid worthy and needy students who are (i) residents of this State and ~~are~~ (ii) enrolled in public institutions of higher education in this State. Such grants and loans shall be made upon terms, consistent with the provisions of the Current Operations Appropriations Act and this Chapter, pursuant to which the State Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to 116-209.23, Article 23 of Chapter 116 of the General Statutes, policies of the Board of Governors of The University of North Carolina regarding need-based grants for students of The University of North Carolina, and policies of the State Board of Community Colleges regarding need-based grants for students of the community colleges. The Authority shall deposit an amount specified in the Current Operations Appropriations Act from the Escheat Fund into the Scholarship Reserve Fund for Public Colleges and Universities pursuant to G.S. 116-209.85 each fiscal year to fund the North Carolina Need-Based Scholarship for Public Colleges and Universities pursuant to Part 5 of Article 23 of Chapter 116 of the General Statutes.

(a1) Notwithstanding any other provision of this Chapter, if the income derived from the investment or deposit of the Escheat Fund is less than the amounts referenced in the Current Operations Appropriations Act, the difference may be taken from the Escheat Fund principal to

reach the appropriations referenced in that act. However, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

(a2) Except as otherwise provided by law, if any funds appropriated from the Escheat Fund by the Current Operations Appropriations Act for student financial aid remain uncommitted at the end of a fiscal year, the funds shall be returned to the Escheat Fund.

(b) An amount specified in the Current Operations Appropriations Act shall be transferred annually from the Escheat Fund to the Board of Governors of The University of North Carolina to be allocated to the State Education Assistance Authority to partially fund the program of Scholarships for Children of War Veterans established by Part 2 of Article 14 of Chapter 143B of the General Statutes. Those funds may be used only for residents of this State who (i) are worthy and needy as determined by the Department of Military and Veterans Affairs and (ii) are enrolled in public institutions of higher education of this State."

SECTION 8.1.(b) G.S. 116-209.18 reads as rewritten:

"**§ 116-209.18. Powers of Authority to administer student assistance program.**

In order to accomplish the purposes of this Article the Authority is ~~authorized:~~authorized to do all of the following:

(1) ~~To receive~~ Receive from the general fund or other sources such sums as the General Assembly may authorize from time to time for such purposes, and to receive from any other donor, public or private, such sums as may be made available, and to cause such sums to be disbursed for the purposes for which they have been ~~provided;~~provided.

(2) ~~To establish~~ Establish such criteria as the Authority shall deem necessary or desirable for determining the need of students for grants under this Article, as opposed to other forms of financial assistance, and for deciding who shall receive ~~grants;~~grants.

(3) ~~To prescribe~~ Prescribe the form and to regulate the submission of applications for assistance and to prescribe the procedures for considering and approving such ~~applications;~~applications.

(4) ~~To provide~~ Provide for the making of, and to make, grants under this Article under such terms and conditions as the Authority shall deem ~~advisable;~~advisable.

(5) ~~To encourage~~ Encourage educational institutions to increase the resources available for financial assistance; to prescribe such formulas for institutional maintenance of effort as the Authority may determine to be consistent with the purposes of this ~~Article;~~Article.

(6) ~~To provide~~ Provide by contract for the administration of all or any portion of the student assistance program by nonprofit organizations or corporations, pursuant to regulations and criteria established by the ~~Authority;~~Authority.

(7) ~~To serve,~~ Serve, on designation by the Governor, or as may otherwise be provided by federal law, as the State agency to administer such statewide programs of student assistance as shall be established from time to time under federal ~~law; and~~law.

(7a) Except for grants or loans for student financial aid programs where a specific evaluation is already required in law, conduct periodic evaluations of expenditures for student financial aid programs administered by the Authority to determine if allocations are utilized to ensure access to institutions of higher education and to meet the goals of the respective programs. The Authority may make recommendations for redistribution of funds for those programs to the President of The University of North Carolina and the President of the Community College System regarding their respective student financial aid

programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

(8) ~~To have~~ Have all other powers and authority necessary to carry out the purposes of the student assistance program, including, without limitation, all the powers given to the Authority by G.S. 116-204 and by other provisions of the General Statutes."

ESTABLISH SCHOOL OF CIVIC LIFE AND LEADERSHIP

SECTION 8.2.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 31B.

"The School of Civic Life and Leadership.

"**§ 116-258.1. The School of Civic Life and Leadership established.**

(a) For purposes of this Article, the term "the School" refers to the School of Civic Life and Leadership established pursuant to subsection (b) of this section.

(b) The Board of Trustees of the University of North Carolina at Chapel Hill, in consultation with the Board of Governors of The University of North Carolina, the Provost of the University of North Carolina at Chapel Hill, and faculty and administration officials at the University of North Carolina at Chapel Hill, shall establish the School of Civic Life and Leadership as a separate reporting unit of the University of North Carolina at Chapel Hill.

"**§ 116-258.2. Scope.**

The School shall do at least the following:

(1) Provide course opportunities for students. Courses may focus on the development of democratic competencies informed by American history, the American political tradition, and the study of the great texts and traditions of Western civilization that form the foundation of the American republic. The purpose of these courses is to foster public discourse and civil engagement necessary to promote democracy and benefit society.

(2) Develop programming to address the topics identified in subdivision (1) of this section and provide resources to students, faculty, and the general public, as needed.

"**§ 116-258.3. Faculty.**

(a) The Dean of the School shall be appointed by the Chancellor of the University of North Carolina at Chapel Hill, with the consent of the Board of Trustees of the University of North Carolina at Chapel Hill. Neither the Chancellor nor the Board of Trustees shall delegate this responsibility to another party.

(b) All faculty hired by or appointed to the School shall be subject to the approval of the Dean of the School.

(c) Faculty members may hold joint or courtesy appointments with other reporting units of the University of North Carolina at Chapel Hill. All joint and courtesy appointments shall be made at the discretion of the Dean of the School."

SECTION 8.2.(b) For the 2025-2026 academic year, the following shall occur:

(1) The School of Civic Life and Leadership (the School) shall employ at least 20 faculty members hired from outside the University of North Carolina at Chapel Hill. These faculty members shall be hired with permanent tenure or be eligible to receive permanent tenure in accordance with policies adopted by The Board of Governors of The University of North Carolina and the University of North Carolina at Chapel Hill.

(2) The School shall not employ any additional faculty by joint or courtesy appointment with other reporting units of the University of North Carolina at Chapel Hill unless the school has employed at least 20 faculty members hired

from outside the University of North Carolina at Chapel Hill in accordance with this subsection.

SECTION 8.2.(c) Notwithstanding G.S. 116-30.2, the recurring funds allocated to the School of Civic Life and Leadership (the School) by this section beginning in the 2025-2026 fiscal year shall be used only to support the School and shall not be redirected for any other purpose. In addition, these funds shall be used to supplement and not supplant any funds the School would otherwise receive, including funds received by the School based on enrollment.

SECTION 8.2.(d) No later than November 15, 2026, the Board of Trustees of the University of North Carolina at Chapel Hill shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the progress made toward establishing the School of Civic Life and Leadership (the School), including at least the following information:

(1) Courses and other programming provided by the School.
(2) Faculty hired by the School, including the number of faculty members hired from outside the University of North Carolina at Chapel Hill.
(3) Uses of funds appropriated to the School pursuant to this section.
(4) Any other matter the Board deems relevant to the progress of establishing the School.

FUNDING REDUCTION FOR CERTAIN CENTERS AND INSTITUTES

SECTION 8.3.(a) For each year of the 2025-2027 fiscal biennium, in order to maximize the receipt of federal funds and improve the quality of research provided in this State, the Board of Governors of The University of North Carolina shall reduce by at least thirty-three million six hundred sixty thousand dollars ($33,660,000) the total recurring funds allocated to the constituent institutions of The University of North Carolina for centers or institutes at those institutions that are identified by the Board of Governors as low-performing, redundant, failing to maximize the receipt of federal grant funds, or are otherwise in conflict with federal law, State law, the policies of the Board of Governors, or the vision and purpose of The University of North Carolina. These reductions shall not be allocated by the Board of Governors in an across-the-board method but shall be done in a manner that recognizes the importance of the academic missions and differences among the identified constituent institutions. As a part of this process, the Board of Governors shall require the constituent institutions of The University of North Carolina to evaluate the centers and institutes at those institutions and provide recommendations to the Board of Governors on reductions that would be appropriate under this section.

SECTION 8.3.(b) No later than April 1 of each year of the 2025-2027 fiscal biennium, the Board of Governors of The University of North Carolina shall report on the implementation of the reductions required in this section for that fiscal year to the Joint Legislative Education Oversight Committee and the Fiscal Research Division.

REPEAL FUTURE TEACHERS OF NORTH CAROLINA PROGRAM

SECTION 8.4. Part 4B of Article 1 of Chapter 116 of the General Statutes is repealed.

ACADEMIC PROGRAM REVIEW

SECTION 8.5.(a) For purposes of this section, the term "identified constituent institution" refers to every constituent institution of The University of North Carolina except the following:

(1) The North Carolina School of Science and Mathematics.
(2) The University of North Carolina at Asheville.
(3) The University of North Carolina at Greensboro.

SECTION 8.5.(b) No later than June 30, 2026, in order to reduce the recurring funds appropriated to the Board of Governors of The University of North Carolina in the 2026-2027 fiscal year and allocated to identified constituent institutions by the sum of at least twenty million dollars ($20,000,000) in accordance with this section, each identified constituent institution, in collaboration with The University of North Carolina System Office, shall review and reduce or eliminate academic programs or other curriculum at that institution that are low-performing, redundant, have insufficient enrollment, produce an insufficient return on investment, or are otherwise in conflict with the policies of the Board of Governors or the vision and purpose of The University of North Carolina.

SECTION 8.5.(c) The University of North Carolina System Office shall report on the implementation of the reductions required in this section for the 2026-2027 fiscal year to the Joint Legislative Education Oversight Committee and the Fiscal Research Division no later than April 1, 2027.

ESTABLISH STANDARDS FOR AGREEMENTS BETWEEN CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA AND LOCAL SCHOOL ADMINISTRATIVE UNITS FOR THE OPERATION AND MAINTENANCE OF LABORATORY SCHOOLS

SECTION 8.6. G.S. 116-239.8(b) reads as rewritten:

"(b) The chancellor shall be the administrative head of a laboratory school approved by the Subcommittee and shall provide general direction for the establishment and operation of a laboratory school. The chancellor, with advice and input from the advisory board established in subdivision (1) of this subsection, shall adopt policies, operating procedures, and the courses of study to govern the operation of the laboratory school. The chancellor may designate the duties required by this Article to other personnel as necessary. The chancellor shall also have the following powers and duties:

…

(4) ~~Operation and maintenance of laboratory schools.~~ Cost standards for laboratory schools. – The Board of Governors and the State Board of Education shall jointly determine standards for establishing the costs to local school administrative units for providing the facilities and services identified in ~~this subdivision~~ subdivision (4b) of this subsection for the operation and maintenance of a laboratory school. The standards shall include at least the lease amount by square foot for facility leases, which shall incorporate the cost of the outstanding debt service for the facility.

(4a) Memorandum of understanding. – The chancellor and the local school administrative unit shall adopt a memorandum of understanding for the operation and maintenance of the laboratory school that includes the facilities and services identified in subdivision (4b) of this subsection. The chancellor and the local school administrative unit shall review and update the memorandum at least every three years and any updated memorandum shall take effect no earlier than the next school year. For any proposal to amend a term of the memorandum regarding facilities, services, or operations of the laboratory school, the proposing party shall provide at least six months' notice, and the amendment shall take effect no earlier than the next school year.

(4b) Facilities and services. – A local school administrative unit shall provide, at the laboratory school's request, any of the following facilities and services to the laboratory ~~school, but the costs of those facilities and services charged to the laboratory school shall not exceed the established standards for determination of costs. The following shall be determined in a memorandum of understanding between the chancellor and the local school administrative~~

~~unit for the operation and maintenance of the laboratory school as needed:~~school:

a. Facilities and leases. – Upon request, the local school administrative unit in which the laboratory school is located shall lease adequate facilities to the constituent institution for use as a laboratory school. Unless the laboratory school requests not to include any of the following, the lease shall include use of or access to any existing buildings, parking areas, playgrounds, driveways required for ingress and egress, furniture, classroom space, a cafeteria or multipurpose room, moveable equipment, appliances, playground materials, including a library collection, instructional materials, and classroom and other technology equipment necessary to operate the laboratory school. The lease term shall be terminated if the laboratory school ceases operation. Upon request, the local school administrative unit shall maintain the facilities and premises of the laboratory school and keep them in good repair and tenantable condition by providing all routine custodial services and routine facilities maintenance services, including routine indoor maintenance, routine mowing, trimming, and maintenance of exterior landscaping and snow removal, and timely repair of the facilities and premises. The chancellor is authorized to execute the lease agreement and memoranda of agreement for the operation of a laboratory school.

b. Transportation services. – Upon request, the local school administrative unit in which the laboratory school is located shall provide transportation to students who reside in the local school administrative unit and attend the laboratory school, including any students who are homeless and require assistance pursuant to 42 U.S.C. § 11301, et seq., the McKinney-Vento Homeless Assistance Act. The requirement to provide transportation to students residing in the local school administrative unit shall (i) apply regardless of where a laboratory school student resides in the unit or how the unit's transportation policies and practices are applied to other students and (ii) upon request, include providing transportation of students and personnel for laboratory school extracurricular activities and educational trips in the same manner as other schools in the unit for that school year.

c. Food services. – ~~The laboratory school shall strive to ensure that one hundred percent (100%) muscadine grape juice is made available to students as a part of the school's nutrition program or through the operation of the school's vending facilities. Upon request,~~ Food services shall be provided to students of the laboratory school as follows:

1. Unless the laboratory school agrees in the memorandum of understanding to administer the National School Lunch Program as the school food authority for its own students, the local school administrative unit in which the laboratory school is located shall administer the National School Lunch Program as the school food authority for the laboratory school in accordance with G.S. 115C-264. As part of that process, the local school administrative unit shall do at least the following:

I. Purchase, prepare, deliver, and serve food and drink for students in the laboratory school.

II. Engage in any contracts or other actions necessary to provide these services, including procuring federal reimbursement funds.

2. The laboratory school shall strive to ensure that one hundred percent (100%) muscadine grape juice is made available to students as part of the school's nutrition program or through the operation of the school's vending facilities.

d. Student support services. – Upon request, the local school administrative unit in which the laboratory school is located shall provide any of the following student support services for the operation of the laboratory school, including:

1. Services required by the Department of Public Instruction for children with disabilities.
2. Children and family support services, including social worker and school nurse services.
3. Other health services, including dental screenings, vision screenings, and similar health services that apply to other students enrolled in the local school administrative unit.
4. Parent involvement coordinator services.
5. School counselor services.

(4c) Costs of services; reimbursement. – The local school administrative unit may charge the costs of the facilities and services provided pursuant to subdivision (4b) of this subsection to the laboratory school. These charges shall not exceed the standards for determination of costs established pursuant to subdivision (4) of this subsection. If a local school administrative unit fails to provide any of the services listed in subdivision (4b) of this subsection, the laboratory school may provide those services without the support of the local school administrative unit. In the event a laboratory school provides its own services pursuant to this subdivision, the laboratory school may charge the local school administrative unit for the actual costs of those services, even if those services exceed the standards for determination of costs established pursuant to subdivision (4) of this subsection, and the local school administrative unit shall reimburse the laboratory school for those services from non-State funds.

…."

REPEAL MENTORING AND COACHING SUPPORT FUNDS FOR TEACHING FELLOWS AND THE NORTH CAROLINA EDUCATION ENDOWMENT FUND

SECTION 8.7.(a) G.S. 116-209.62 reads as rewritten:

"**§ 116-209.62. North Carolina Teaching Fellows Program established; administration.**

…

(c) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only for (i) forgivable loans granted under the Program, (ii) administrative costs associated with the Program, including recruitment and recovery of funds advanced under the Program, ~~(iii) mentoring and coaching support to forgivable loan recipients, and (iv)~~ and (iii) extracurricular enhancement activities of the Program in accordance with the following:

(1) The Authority shall transfer the greater of six hundred thousand dollars ($600,000) or ten percent (10%) of the available funds from the Trust Fund to The University of North Carolina System Office at the beginning of each fiscal year for the Program's administrative costs, the salary of the Director of

the Program and other Program staff, expenses of the Commission, and to provide the Commission with funds to use for the extracurricular enhancement activities of the Program.

(2) The Authority may use the greater of two hundred fifty thousand dollars ($250,000) or four percent (4%) of the funds appropriated to the Trust Fund each fiscal year for administrative costs associated with the Program.

~~(3) The Authority shall provide the Commission with up to six hundred thousand dollars ($600,000) from the Trust Fund in each fiscal year for the Commission to provide mentoring and coaching support to forgivable loan recipients through the North Carolina New Teacher Support Program in an amount of up to two thousand two hundred dollars ($2,200) for each Program recipient. Funds shall be prioritized for teachers serving in North Carolina public schools identified as low-performing under G.S. 115C-105.37.~~

…

(j) Annual Report. – The Commission, in coordination with the Authority, the Department of Public Instruction, and the selected educator education programs participating in the Program shall report no later than January 1, 2019, and annually thereafter, to the Joint Legislative Education Oversight Committee regarding the following:

…

~~(2a) Mentoring and coaching support through the North Carolina New Teacher Support Program, including the following:~~

~~a. Number of forgivable loan recipients who received mentoring and coaching support when employed at a low-performing school identified under G.S. 115C-105.37.~~

~~b. Number of forgivable loan recipients who received mentoring and coaching support when employed at a school not identified as low-performing under G.S. 115C-105.37.~~

(3) Selected school outcomes by program, including the following:

a. Turnover rate for forgivable loan ~~graduates, including the turnover rate for graduates who also received mentoring and coaching support through the North Carolina New Teacher Support Program.~~graduates.

b. Aggregate information on student growth and proficiency as provided annually by the State Board of Education to the Commission in courses taught by forgivable loan graduates.

c. Fulfillment rate of forgivable loan graduates."

SECTION 8.7.(b) Article 32E of Chapter 115C of the General Statutes is repealed.

UNC PLAN TO INCORPORATE POSITION INFORMATION INTO BEACON/HR PAYROLL SYSTEM

SECTION 8.8. The Board of Governors of The University of North Carolina, in collaboration with the Office of State Controller and the State Chief Information Officer, shall develop a plan that incorporates all position and salary information for employees of constituent institutions of The University of North Carolina, The University of North Carolina System Office, the State Education Assistance Authority, and any other entity under the purview of the Board of Governors of The University of North Carolina into the Building Enterprise Access for North Carolina's Core Operation Needs (BEACON) human resources payroll system. The Board of Governors shall report the plan to the Joint Legislative Education Oversight Committee and the Fiscal Research Division no later than April 15, 2026.

LIMIT ADVANCED PLACEMENT TEST FEE EXEMPTION TO STUDENTS ENROLLED IN THE NORTH CAROLINA SCHOOL OF SCIENCE AND

MATHEMATICS AND THE UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS WITH THE GREATEST NEED

SECTION 8.9. G.S. 116-43.30 reads as rewritten:

"**§ 116-43.30. Advanced Placement courses for secondary school students.**

(a) It is the intent of the State to enhance accessibility and encourage secondary school students to enroll in and successfully complete more rigorous Advanced Placement courses to enable success in postsecondary education for all students. To attain this goal, to the extent funds are made available for this purpose, secondary school students with the greatest financial need who are enrolled in the North Carolina School of Science and Mathematics and the high school academic program at the University of North Carolina School of the Arts shall be exempt from paying any fees for registration and administration of examinations for Advanced Placement courses in which the student is enrolled, regardless of the score the student achieves on an examination.

(b) The University of North Carolina System Office shall report annually by December 15 to the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee on Advanced Placement course information for the North Carolina School of Science and Mathematics and the high school academic program at the University of North Carolina School of the Arts. The report shall include, at a minimum, the following information from the prior fiscal year:

(1) Number of students enrolled in Advanced Placement courses and participating in Advanced Placement course examinations, including demographic information by gender and race.

(2) Student performance on Advanced Placement course examinations, including information by course and school.

(3) Amount of State funds expended for fees for Advanced Placement courses by school."

PERMIT CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA TO PROVIDE DISCOUNTED TUITION TO PERSONS RECEIVING MILITARY TUITION ASSISTANCE OR PERSONS ENROLLED IN AN EMPLOYER-SPONSORED FINANCIAL SUPPORT PROGRAM

SECTION 8.10.(a) G.S. 116-143 reads as rewritten:

"**§ 116-143. State-supported institutions of higher education required to charge tuition and fees.**

…

(c) Inasmuch as the giving of tuition and fee waivers, or especially reduced rates, represent in effect a variety of scholarship awards, the said practice is hereby prohibited except when expressly authorized by statute.

~~(d) Notwithstanding the above provision relating to the abolition of free tuition, the Board of Governors of The University of North Carolina may, in its discretion, provide regulations under which personnel may during the period of normal employment enroll in The University of North Carolina free of charge for tuition and fees, provided such enrollment does not interfere with normal employment obligations and further provided that such enrollments are not counted for the purpose of receiving General Fund appropriations as follows:~~

~~(1) Except as provided in subdivision (2) of this subsection, a full-time faculty member of the rank of full-time instructor or above and any full-time staff member of The University of North Carolina may enroll in not more than three courses per year.~~

~~(2) A full-time or part-time campus law enforcement officer may enroll in the number of courses per year determined by regulation.~~

(d1) Notwithstanding subsection (c) of this section, the Board of Governors of The University of North Carolina may do any of the following:

(1) Personnel. – Provide regulations under which personnel may enroll in The University of North Carolina free of charge for tuition and fees during the period of normal employment if the (i) enrollment does not interfere with normal employment obligations and (ii) enrollments are not counted for the purpose of receiving General Fund appropriations. Personnel may enroll free of charge for tuition and fees as follows:

a. A full-time faculty member of the rank of full-time instructor or above of The University of North Carolina may enroll in not more than three courses per year.

b. A full-time staff member of The University of North Carolina may enroll in more than three courses per year.

c. A full-time or part-time campus law enforcement officer may enroll in the number of courses per year determined by regulation.

(2) Military students. – Allow constituent institutions, in their discretion, to discount tuition to qualifying military students by an amount of up to the difference in the maximum amount of military tuition assistance funds the student receives and the applicable tuition. For purposes of this subdivision, a qualifying military student is a student who meets the following criteria:

a. Is a resident for tuition purposes under G.S. 116-143.1.

b. Receives either (i) federal military tuition assistance funds or (ii) military tuition assistance funds for members of the North Carolina National Guard under Article 15 of Chapter 127A of the General Statutes.

(3) Employer sponsorships. – Allow constituent institutions, in their discretion, to discount tuition to students who are enrolled in an employer-sponsored financial support program which has been approved by the Board of Governors of The University of North Carolina. The discount may be up to the difference in the maximum amount provided by the employer and the applicable tuition. For purposes of this subdivision, an employer-sponsored financial support program is a program in which the employer of a student has committed to provide financial support to the student to offset the costs of tuition or fees in the student's degree or credential program.

(d2) No later than February 15 of each year, the Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the discounted tuition provided in the previous academic year pursuant to subdivisions (2) and (3) of subsection (d1) of this section, including at least the following information:

(1) The number of students that receive a discount under subdivisions (2) and (3) of subsection (d1) of this section.

(2) The annual financial impact on each constituent institution resulting from the discounted tuition provided.

…."

SECTION 8.10.(b) This section is effective when it becomes law and applies beginning with the 2025-2026 academic year.

ADD WINSTON-SALEM STATE UNIVERSITY TO CHEATHAM-WHITE SCHOLARSHIP

SECTION 8.11.(a) Article 35 of Chapter 116 of the General Statutes reads as rewritten:

"Article 35.
"Cheatham-White Scholarships.
"**§ 116-290. Cheatham-White Scholarships; establishment and purpose; benefits.**

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

…

(c) Number of Scholarships Awarded. – Up to ~~50~~ 150 scholarships, ~~40~~ including at least 120 for resident students and ~~10~~ no more than 30 for nonresident students, may be awarded each academic year to students admitted to North Carolina Agricultural and Technical State University. Up to 50 scholarships, including at least 40 for resident students and no more than 10 for nonresident students, may be awarded each academic year to students admitted to Winston-Salem State University. Up to ~~50~~ 100 scholarships, ~~40~~ including at least 80 for resident students and ~~10~~ no more than 20 for nonresident students, may be awarded each academic year to students admitted to North Carolina Central University.

…

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

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

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

(b) Selection Criteria. – Candidates for Cheatham-White Scholarships shall be selected on the basis of academic merit, honorable character, outstanding leadership potential, and a demonstrable commitment to service. Financial need shall not be a consideration.

…

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

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

…."

SECTION 8.11.(b) This section is effective when it becomes law and applies beginning with the award of scholarship funds in the 2026-2027 academic year so that students may be nominated for receipt of the scholarship at Winston-Salem State University during the 2025-2026 academic year.

REVISE POWERS AND DUTIES OF THE NORTH CAROLINA COLLABORATORY

SECTION 8.12.(a) G.S. 116-255 reads as rewritten:

"**§ 116-255. The North Carolina Collaboratory established.**

…

(b) Duties and Powers. – The Collaboratory shall do at least the following within the funds available:

…

(3) Support research ~~programs~~ and development programs, research administration capacity building, and intra- and inter-campus collaborations at institutions of higher education, particularly institutions identified as historically minority-serving institutions, within the Collaboratory's areas of focus and expertise.

(4) Identify, pursue, and support research and development opportunities through technology research and development, including, but not limited to, funding opportunities and partnerships between institutions of higher education, government agencies, nonprofit organizations, and both private and public businesses. As part of this process, the Collaboratory may (i) identify, develop, execute, and support academic partnerships with State agencies whenever feasible and (ii) offer applicable resources.

…

(6) ~~Maintain an online reporting portal, in partnership with~~ Assist the Office of State Fire ~~Marshal,~~ Marshal in the maintenance of the online reporting portal on the storage and deployment of Aqueous Film-Forming Foams (AFFF) as required by G.S. 58-82B-10.

(7) Teach and train ~~students and faculty~~ students, staff, faculty, and postdoctoral researchers to engage in and administer neutral and unbiased research and advice on science policy through (i) informal workshops and similar events and (ii) formal development and delivery of ~~curriculum.~~curriculum or other information.

(c) Funding Conditions and Restrictions. – The following applies to funding received by the Collaboratory:

…

(2) Funds appropriated by the General Assembly and used by the Collaboratory may not be used for indirect overhead costs at (i) an institution or (ii) an entity partnering with and funded by the Collaboratory.

(3) For research or investigations that need to be carried out expeditiously in response to a project, opportunity, or a legislative mandate, the provisions of Articles 3, 3A, 3B, 3C, 3D, and 8C of Chapter 143 of the General Statutes, G.S. 143-129, and G.S. 116-31.10 shall not apply to the Collaboratory for the purchase of apparatus, supplies, material, services, capital improvements, or equipment in projects addressing ~~an emerging or immediate threat to~~ either (i) a perceived, potential, or real concern regarding public health, safety, or ~~welfare.~~ welfare or (ii) a time-sensitive opportunity that has the potential to benefit the State. This subdivision shall apply only when at least fifty percent (50%) of the total funding for a project was provided by the Collaboratory. For each project that utilizes this exemption, the Collaboratory shall provide a justification in writing and make this document available on its website for the duration of the project.

(4) All units of State and local government shall cooperate and assist the Collaboratory with its research program by providing ~~reasonable~~ access to at least the following:

a. Infrastructure.

b. Personnel.

c. Data.

…

(7) The Collaboratory may negotiate or impose ~~data use, data management,~~ data use and data management terms and conditions for projects funded by the Collaboratory and revenue sharing requirements for intellectual property developed through its research awards using State funds, including, but not limited to, contractual terms that provide for gross revenue distribution to the General Fund and the Collaboratory for future research and development projects.

(8) ~~Funds~~ To the extent permitted under federal law, funds appropriated by the General Assembly from any source of funds to the Collaboratory (i) shall not revert ~~to the General Fund~~ but shall remain available until expended and (ii) shall not apply to the carryforward limitation imposed on constituent institutions of The University of North Carolina by G.S. 116-30.3.

(9) A nonprofit corporation may provide funds directly to the Collaboratory, including grant funds, if the funds are provided (i) as a donation or (ii) for research projects to be conducted at one or more constituent institutions of The University of North Carolina in which the Collaboratory provides those funds to support research at the constituent institution. If the nonprofit corporation provides the funds as a grant to the Collaboratory, the Collaboratory may manage the grant and determine the terms and conditions of the grant and related subawards associated with the grant, including rates, if any, of indirect overhead related to those funds.

(10) If a project or study of the Collaboratory includes records associated with any of the following, then all records associated with that project or study are not public records, as that term is defined in G.S. 132-1:

a. Specific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure, as described in G.S. 132-1.7(a)(5).

b. Vulnerability and risk assessments, as described in G.S. 132-1.7(b).

c. Information relating to the construction, renovation, or repair of public buildings and infrastructure facilities, as described in G.S. 132-1.7(c).

(11) In extraordinary circumstances and only after consultation with the chair or chairs of the Joint Legislative Commission on Governmental Operations, the Collaboratory may repurpose funds appropriated to the Collaboratory for research to be used instead for apparatuses, supplies, materials, services, capital improvements, equipment, or personnel that support projects of the Collaboratory involving (i) a perceived, potential, or real concern regarding public health, safety, or welfare or (ii) a time-sensitive opportunity that has the potential to benefit the State. If the Collaboratory repurposes any funds pursuant to this subdivision, the Collaboratory shall provide a justification in writing to the chair or chairs of the Joint Legislative Commission on Governmental Operations and publish that document on its website for at least the duration of the project in which the funds are used."

SECTION 8.12.(b) G.S. 116-256 reads as rewritten:

"**§ 116-256. Annual report.**

By ~~December 1~~ January 1 of each year, the Collaboratory shall report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Education Oversight Committee on its activities in the prior fiscal year and any legislative recommendations."

SECTION 8.12.(c) G.S. 58-82B-10 reads as rewritten:

"**§ 58-82B-10. Duties of Office of the State Fire Marshal.**

The Office of the State Fire Marshal (OSFM) shall do all of the following:

…

(2) ~~Assist the North Carolina Collaboratory, established under G.S. 116-255, in the development of~~ Develop and maintain, with the assistance of the North Carolina Collaboratory established under G.S. 116-255, an online reporting portal for fire departments operated, regulated, or managed by one or more units of State and local government, including those located at or serving public airports, with the requirements of this Article.

…."

SECTION 8.12.(d) Subsection (i) of Section 8.10 of S.L. 2021-180 reads as rewritten:

"**SECTION 8.10.(i)** ~~The Collaboratory, in partnership with the~~ The Office of the State Fire Marshal ~~(OSFM)~~ (OSFM), in partnership with the Collaboratory and any unit of State and local government deemed relevant by ~~the Collaboratory,~~ OSFM, shall develop and maintain the online reporting portal as required by G.S. 58-82B-10, as enacted by subsection (h) of this section, and G.S. 116-255(b)(6), as enacted by Section 8.8 of this act. The portal shall consist of an online reporting tool and related database that captures the storage and deployment of Aqueous Film-Forming Foams (AFFF) by fire departments in the State that are operated, managed, or overseen by units of local government, including those located at or serving public airports. The reporting tool shall be easily accessible to firefighters and fire department personnel to upload the data. The required inventory data shall include, at a minimum, the following:

…."

ESTABLISH OFFICE OF LEARNING RESEARCH

SECTION 8.13.(a) Article 31A of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-257. Office of Learning Research.**

(a) Office of Learning Research Established. – There is established the Office of Learning Research (OLR) to identify and evaluate the efficacy and efficiency of programs, activities, initiatives, procedures, and any other factors related to elementary and secondary education in the State. The OLR shall be housed within the Collaboratory.

(b) Funding and Duties of the OLR. – Funding allocated to the Collaboratory for the OLR shall be administered by the Collaboratory pursuant to the provisions of G.S. 116-255(c). These funds shall be used to do at least the following:

(1) Provide information and support needed by elementary and secondary public schools, university leaders, and elected officials to make evidence-based decisions.

(2) Collaborate with constituent institutions of The University of North Carolina and other stakeholders to implement innovative policies and programs to accelerate learning for all students.

(3) Work with external research resources and partners to evaluate local, State, and federal programs in order to establish metrics and assess return on investment.

(4) Support the operations of the OLR.

(c) Access to Information. – All units of State and local government, including the State Board of Education, the Department of Public Instruction, and public school units, shall provide access to the OLR to records, data, processes, personnel, and any other information deemed relevant by the Collaboratory to carry out its duties pursuant to G.S. 116-255(b). The access

provided to the Collaboratory pursuant to this subsection shall be in addition to any access provided related to funding received by the Collaboratory under G.S. 116-255(c)."

SECTION 8.13.(b) Section 2A.8 of S.L. 2024-57 reads as rewritten:

"**SECTION 2A.8.(a)** ~~OLR Established.~~ OLR Funds. – There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of one million five hundred thousand dollars ($1,500,000) in recurring funds for the 2024-2025 fiscal year to be allocated to the North Carolina Collaboratory to ~~establish and~~ operate the Office of Learning Research (OLR), beginning in the 2024-2025 fiscal year. ~~The purpose of OLR is to identify and evaluate the efficacy and efficiency of programs, activities, initiatives, procedures, and any other factors related to elementary and secondary education in the State.~~

"**~~SECTION 2A.8.(b)~~** ~~Funding and Duties of OLR. Funding allocated to the Collaboratory for OLR shall be administered by the Collaboratory pursuant to the provisions of G.S. 116-255(c). These funds shall be used to do at least the following:~~

~~(1) Provide information and support needed by elementary and secondary public schools, university leaders, and elected officials to make evidence-based decisions.~~

~~(2) Collaborate with constituent institutions of The University of North Carolina and other stakeholders to implement innovative policies and programs to accelerate learning for all students.~~

~~(3) Work with external research resources and partners to evaluate local, State, and federal programs in order to establish metrics and assess return on investment.~~

~~(4) Support the operations of OLR.~~

"**~~SECTION 2A.8.(c)~~** ~~Collaboratory May Relocate OLR. After the Collaboratory establishes OLR, the Collaboratory may, in consultation with The University of North Carolina System Office and the Provost at the University of North Carolina at Chapel Hill, relocate OLR within the University of North Carolina at Chapel Hill. If the Collaboratory relocates OLR pursuant to this section, the Collaboratory shall do the following:~~

~~(1) Continue to administer funds appropriated in this act for OLR for the operations of OLR, as described in subsection (b) of this section.~~

~~(2) Continue to determine, fund, manage, and oversee the research portfolio of OLR. The entity to which OLR is relocated shall otherwise oversee the operations of OLR.~~

~~(3) Within 60 days of the relocation, report to the Joint Legislative Education Oversight Committee on where OLR was relocated and any other information the Collaboratory deems relevant to the relocation.~~

"**~~SECTION 2A.8.(d)~~** ~~Access to Information. All units of State and local government, including the State Board of Education, the Department of Public Instruction, and public school units, shall provide reasonable access to records, data, processes, personnel, and any other information deemed relevant by the Office or the Collaboratory, to the extent otherwise permitted under State and federal law, to carry out the provisions of this section.~~

"**SECTION 2A.8.(e)** Report. – No later than July 1, 2025, the Collaboratory shall report to the Joint Legislative Education Oversight Committee on the progress made in establishing and operating the OLR pursuant to this section. ~~For each fiscal year OLR is in operation, the Collaboratory shall include in the annual report required by G.S. 116-256 information on the activities of OLR from the prior fiscal year.~~"

SECTION 8.13.(c) This section is effective when it becomes law.

NORTH CAROLINA COLLABORATORY MAY USE CYANOBACTERIAL ALGAL BLOOM TREATMENT PILOT PROJECT FUNDS FOR OTHER RESEARCH PROJECTS

SECTION 8.14.(a) Section 8.18(c) of S.L. 2021-180 reads as rewritten:

"**SECTION 8.18.(c)** The nonrecurring funds appropriated in this act for the 2021-2022 fiscal year to the Board of Governors of The University of North Carolina and allocated to the Collaboratory for the study of a cyanobacterial algal bloom treatment provided in subsection (b) of this section shall not revert to the General Fund at the end of the 2021-2022 fiscal year but shall remain available until expended. If these funds are not fully expended after the Collaboratory completes the evaluation required by this section, the Collaboratory may in its discretion use these funds for other research projects related to the study, analysis, and improvement of surface water quality in the State, including research projects related to nutrient-impaired coastal waters."

SECTION 8.14.(b) This section is effective when it becomes law.

UNIVERSITY OF NORTH CAROLINA SYSTEM FACULTY REALIGNMENT INCENTIVE PROGRAM

SECTION 8.15. Part 1 of Article 1 of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-17.4. Faculty Realignment Incentive Program.**

(a) For purposes of this section, the following definitions shall apply:

(1) Identified faculty member. – A full-time, tenured faculty member employed by a constituent institution of The University of North Carolina who meets all of the following criteria:

a. Is at least 55 years of age.

b. Meets either of the following criteria:

1. Is eligible to commence retirement with an early or service retirement allowance under the Teachers' and State Employees' Retirement System (TSERS).

2. Is vested in the Optional Retirement Program (ORP) for The University of North Carolina.

c. Does not receive disability or workers' compensation benefits.

(2) Program. – The Faculty Realignment Incentive Program established pursuant to this section.

(b) There is established the Faculty Realignment Incentive Program to authorize the Board of Governors of The University of North Carolina to permit constituent institutions of The University of North Carolina to award severance payments to identified faculty members to provide long-term cost-savings and improved operational efficiencies for The University of North Carolina. To the extent funds are made available for this purpose, funds for the Program shall be distributed among constituent institutions based on criteria established by the President of The University of North Carolina. The Program shall meet at least the following requirements:

(1) An identified faculty member shall be selected to receive a payment under the Program in the discretion of the constituent institution where the identified faculty member is employed.

(2) Severance payments shall be equivalent to the identified faculty member's base salary from the prior academic year.

(3) Severance payments shall be exempt from payroll deductions for retirement contributions and shall not be considered compensation for purposes of the supplemental plans administered by The University of North Carolina or plans administered by the Supplemental Retirement Board of Trustees under G.S. 135-96.

(4) If an identified faculty member does not qualify for the full employer premium contribution for retiree health coverage provided under TSERS or ORP, then the constituent institution where the identified faculty member is employed

may provide the faculty member, in addition to a severance payment, an amount equivalent to 12 months of the full employer contribution to the employee health insurance premium.

(c) December 1 of each year, the Board of Governors shall report at least the following information on the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division, disaggregated by constituent institution:

(1) The number of identified faculty members that received funds under the Program.

(2) The total amount paid out by the Program."

REVISE DEADLINE FOR UNC REPORT ON STATE BUDGET ALLOCATIONS AND POLICIES

SECTION 8.16. G.S. 116-11(9b) reads as rewritten:

"(9b) The Board of Governors shall report by ~~February 1~~ March 1 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division on the actions and adjustments necessary to its budgetary policies, regulations, and standards resulting from the Current Operations Appropriations Act for the administration and operation of The University of North Carolina and the distribution of State and federal funds to constituent institutions. The report shall include at least the following information for each constituent institution:

a. Guidelines related to State salaries of University of North Carolina employees, including range, median, and mean of faculty salaries at the institution.
b. Budget allocations and reductions, including for operating expenses and specific programs.
c. Distribution of additional State allocations for enrollment funding.
d. Use of State funds and budget flexibility.
e. Availability of federal funds.
f. Tuition and fees.
g. Composition of the student population at the institution, including headcount enrollment and full-time student enrollment for both undergraduate and graduate students, and aggregate data on residency status, median household income, gender, race, and ethnicity.
h. Student retention and graduation rates.
i. Postsecondary educational attainment rate at the institution, including comparison to statewide data.
j. A comparison to prior fiscal year expenditures and appropriations.
k. The total amount of mandatory student fee revenue collected by institution and fee type.
l. Any source of student auxiliary revenue that represents greater than ten percent (10%) of the overall student auxiliary revenue by institution and revenue type.
m. Any source of sales revenue that represents greater than ten percent (10%) of the overall sales revenue by institution and sales revenue type."

CONSTRUCTION MANAGEMENT CAPACITY FLEXIBILITY

SECTION 8.17.(a) G.S. 143C-4-3.1 is amended by adding a new subsection to read:

"(e1) Notwithstanding any other provision of law, for any project with a total project authorization from the Fund that exceeds twenty million dollars ($20,000,000), a low-capacity institution may use up to one percent (1%) of the total project authorization to support additional project management capacity provided through (i) time-limited employees of the constituent institution or (ii) a non-State third party. The low-capacity institution shall not use the flexibility to supplant funding for existing employees. For the purposes of this subsection, a low-capacity institution is a constituent institution of The University of North Carolina with a full-time equivalent enrollment of less than 10,000 students in the fiscal year preceding authorization of the project by State law."

SECTION 8.17.(b) This section is effective when it becomes law and applies to contracts executed on or after that date.

CARRYFORWARD UNC ENROLLMENT LOSS MITIGATION FUNDS

SECTION 8.18.(a) Section 2A.4 of S.L. 2024-57 reads as rewritten:

"~~**SECTION 2A.4.**~~ **SECTION 2A.4.(a)** There is appropriated from the General Fund to the Board of Governors of The University of North Carolina for the 2024-2025 fiscal year the sum of seven million eight hundred thirty-seven thousand six hundred forty-six dollars ($7,837,646) in nonrecurring funds to be allocated to offset enrollment-related funding losses experienced by certain constituent institutions of The University of North Carolina, as follows:

Allocation	Constituent Institution
$1,364,971	East Carolina University
$1,500,000	University of North Carolina at Asheville
$19,687	University of North Carolina at Greensboro
$3,701,653	University of North Carolina at Pembroke
$1,251,335	Winston-Salem State University

"**SECTION 2A.4.(b)** These funds shall not revert at the end of the 2024-2025 fiscal year but shall remain available until the end of the 2025-2026 fiscal year."

SECTION 8.18.(b) This section becomes effective June 30, 2025.

INCREASE NC PROMISE TUITION FOR NONRESIDENTS

SECTION 8.19.(a) G.S. 116-143.11(a) reads as rewritten:

"(a) The NC Promise Tuition Plan shall be established and implemented as provided by this section. Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina shall set the rate of undergraduate tuition for Elizabeth City State University, the University of North Carolina at Pembroke, Fayetteville State University, and Western Carolina University as follows: the rate of tuition for students deemed to be North Carolina residents for purposes of tuition shall be five hundred dollars ($500.00) per academic semester and the rate of tuition for nonresident students shall be ~~two thousand five hundred dollars ($2,500)~~ three thousand dollars ($3,000) per academic semester."

SECTION 8.19.(b) This section applies beginning in the 2026-2027 academic year to nonresident students matriculating at NC Promise institutions. Any nonresident student enrolled in the 2025-2026 academic year at an NC Promise institution who remains continuously enrolled in that institution shall continue to receive a rate of tuition of two thousand five hundred dollars ($2,500) per academic semester.

SECTION 8.19.(c) For purposes of this section, the term "NC Promise institution" refers to Elizabeth City State University, the University of North Carolina at Pembroke, Fayetteville State University, and Western Carolina University.

INSTITUTIONAL PERFORMANCE ACCOUNTABILITY AND FUNDING

SECTION 8.20.(a) Implementation of Accountability Measures and Performance Standards. – For the 2025-2027 fiscal biennium, the Board of Governors of The University of

North Carolina shall adopt and implement a system of accountability measures and performance standards for the constituent institutions of The University of North Carolina.

SECTION 8.20.(b) Recognition of Successful Institutional Performance. – Of the nonrecurring funds appropriated in this act for each fiscal year of the 2025-2027 fiscal biennium to the Board of Governors of The University of North Carolina for performance funding, the Board may allocate the funds among constituent institutions based on an evaluation of the performance of each institution conducted in accordance with the system of accountability measures and performance standards adopted pursuant to subsection (a) of this section. The evaluation shall include at least the following components:

(1) Performance change, based on the rate of student success at a constituent institution as compared to the baseline or goal rate of student success for that constituent institution.

(2) Institutional impact, based on the number of students at a constituent institution who graduate with a degree.

SECTION 8.20.(c) Institutional Support. – In addition to the nonrecurring funds appropriated in this act for each fiscal year of the 2025-2027 fiscal biennium to the Board of Governors of The University of North Carolina for performance funding, the Board of Governors may allocate additional available funds to specific constituent institutions that require targeted support to increase performance or adapt to significant enrollment changes. Funds allocated to an institution pursuant to this subsection may be used to support strategies at the constituent institution to improve institutional performance.

EXPEDITED TEACHER PIPELINE PATHWAY STUDY

SECTION 8.21. No later than February 15, 2026, the Board of Governors of The University of North Carolina, in collaboration with the State Board of Community Colleges, shall report to the Joint Legislative Education Oversight Committee on a plan for an expedited pathway for North Carolina high school students to enter the teaching profession. The plan shall include at least the following components:

(1) Options for an accelerated transition pathway that allows high school students to earn college credits leading to a teaching license while participating in structured, paid, or other experiential learning in the classroom, including applicable program design and sequencing components needed to achieve that goal.

(2) Maximize usage and transferability of at least the following coursework completion opportunities:

a. College transfer pathways provided through the Career and College Promise Program that support entry into a recognized educator preparation program.

b. Community college coursework leading to completion of an associate degree related to teacher preparation.

c. Online or asynchronous coursework provided at a constituent institution of The University of North Carolina leading to a bachelor's degree.

d. Enrollment in an associate degree program or a bachelor's degree program while serving (i) as a full-time employee in a public school unit and (ii) as a teacher assistant or apprentice in a registered apprenticeship program pursuant to G.S. 115C-269.33, as enacted by Section 7.37 of this act.

(3) Any legislative changes or appropriations needed to implement the plan.

UNC STUDY INCREASING NCSSM MORGANTON SIZE

SECTION 8.22.(a) No later than February 15, 2026, the Board of Governors of The University of North Carolina, in consultation with the Chancellor of the North Carolina School of Science and Mathematics, shall study the feasibility of increasing the size of the Morganton campus of the North Carolina School of Science and Mathematics (NCSSM-Morganton), develop a plan to accommodate at least twice as many enrolled students at NCSSM-Morganton, and report the plan to the Joint Legislative Education Oversight Committee. At a minimum, the plan shall include the following information:

(1) An analysis of the number of students with excellent academic records who apply to the North Carolina School of Science and Mathematics but are not accepted because of lack of physical space or other resources.

(2) Resources needed to accommodate additional students and associated costs, including at least the following:

a. Improvements to physical spaces, including residence halls.

b. Additional faculty and staff.

c. Instructional materials.

d. Other costs, as determined by the Board of Governors.

SECTION 8.22.(b) This section is effective when it becomes law.

PROTECT CAMPUS SURVIVOR'S ACT

SECTION 8.23.(a) G.S. 116-43.17 reads as rewritten:

"**§ 116-43.17. Confidentiality of ~~research data, records, and information of a proprietary nature.~~certain records.**

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

(1) Personally identifiable information. – Any of the following information:

a. The name of a student.

b. The name of the parent or other family member of a student.

c. The address of a student or the student's family.

d. Any personal identifier for a student, including social security number, student number, or biometric record.

e. Any indirect identifier for a student, including date of birth, place of birth, or mother's maiden name.

f. Any other information, alone or in combination, that is linked or linkable to a specific student and that would allow a reasonable person in the community of the public institution of higher education where the student attends, who does not have personal knowledge of the relevant circumstances, to identify the student with reasonable certainty.

g. Any information requested by a person who the public institution of higher education reasonably believes knows the identity of the student to whom the information relates.

(2) Personally identifiable student disciplinary records. – Any records, including materials that are described in G.S. 132-1(a), that meet all of the following criteria:

a. Are made, received, or maintained by a public institution of higher education.

b. Contain personally identifiable information of or about a student.

c. Are related to a complaint, investigation, or resolution of an alleged violation of or noncompliance with the disciplinary or conduct rules or other policy of a public institution of higher education.

(3) Public institution of higher education. – Any of the following:

a. The University of North Carolina.

b. A constituent institution of The University of North Carolina, as defined in G.S. 116-2(4), that is an institution of higher education.
c. The Community Colleges System Office, as defined in G.S. 115D-3.
d. A community college, as defined in G.S. 115D-2(2).

(4) Student. – Any individual (i) who attends or has attended a public institution of higher education and (ii) about whom the public institution of higher education maintains records.

(b) Confidentiality of Certain Records. – The following are not public records under Chapter 132 of the General Statutes:

(1) Research data, records, or information of a proprietary nature, produced or collected by or for state institutions of higher learning in the conduct of commercial, scientific, or technical research where the data, records, or information has not been patented, published, or ~~copyrighted are not public records as defined by G.S. 132-1.~~copyrighted.

(2) Personally identifiable student disciplinary records, even if release of the records would be permitted by the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g (34 C.F.R. Part 99). Nothing in this subdivision is intended to limit the disclosure of public records that do not contain personally identifiable information."

SECTION 8.23.(b) G.S. 115D-78 reads as rewritten:

"**§ 115D-78. Access to information and public records; small business counseling information.**

(a) In accordance with Chapter 132 of the General Statutes, all rules, regulations and public records of the State Board of Community Colleges, the Community Colleges System Office, and local boards of trustees shall be available for examination and reproduction on payment of fees by any person.

(a1) As provided in G.S. 116-43.17, personally identifiable student disciplinary records are not public records under Chapter 132 of the General Statutes.

…."

SECTION 8.23.(c) G.S. 132-1.2 reads as rewritten:

"**§ 132-1.2. Confidential information.**

Nothing in this Chapter shall be construed to require or authorize a public agency or its subdivision to disclose any information that:

…

(11) Reveals personally identifiable student disciplinary records in violation of G.S. 116-43.17."

SECTION 8.23.(d) This section is effective when it becomes law and applies to requests for personally identifiable student disciplinary records submitted on or after that date.

FISCAL RESPONSIBILITY AND UNIVERSITY TECH PLANNING

SECTION 8.24. G.S. 116-11 is amended by adding a new subdivision to read:

"(9c) The Board shall adopt a policy that requires all constituent institutions to evaluate the following when acquiring the technology, computer hardware, and software:

a. The long-term cost of ownership, including costs of repairing the technology, computer hardware, or software.
b. Any flexibility for innovation during the life of the technology, computer hardware, or software.
c. Any anticipated resale or salvage value at the end of the target life cycle for the technology, computer hardware, or software based on the

average resale or salvage value of similar technology, computer hardware, or software as a percentage of the initial cost of purchase."

OFFICE OF LEARNING RESEARCH EVALUATION OF COMPETENCY-BASED LEARNING PROGRAMS

SECTION 8.25. The Office of Learning Research at the North Carolina Collaboratory shall study and evaluate the programs established pursuant to Sections 6.8, 7.17, 7.18, and 7.19 of this act and report to the Joint Legislative Education Oversight Committee by March 15, 2027, and annually thereafter, culminating in a final report on March 15, 2030. Reports shall include at least the following:

(1) The total number of students engaging with these programs.

(2) The total amount of funds expended to implement, design, and operate the programs.

(3) Effects on student achievement and learning outcomes.

NORTH CAROLINA SPORTS RIVALRIES

SECTION 8.26.(a) It is the intent of the General Assembly that the University of North Carolina at Chapel Hill (UNC-CH) and North Carolina State University (NCSU) should attempt to schedule basketball games against every other constituent institution of The University of North Carolina, as follows:

(1) UNC-CH and NCSU should schedule at least three regular season or exhibition games against each constituent institution team competing at the National Collegiate Athletic Association (NCAA) Division II level by the 2039-2040 season.

(2) UNC-CH and NCSU should schedule regular season games against each constituent institution's men's and women's basketball team competing at the NCAA Division I level so that UNC-CH and NCSU both play each men's and women's team at least two times by the 2039-2040 season. At least one game played by each of the UNC and NCSU men's and women's basketball teams against each other constituent institution team pursuant to this section should be an away game for UNC and NCSU.

SECTION 8.26.(b) Nothing in this section shall be construed to limit the ability of UNC-CH and NCSU to schedule more games against teams of other constituent institutions.

NO FINANCIAL BENEFIT FOR UNC STUDENTS CONVICTED OF ASSAULTING OFFICERS OR EMPLOYEES OF THE STATE

SECTION 8.27.(a) G.S. 116-11 is amended by adding a new subdivision to read:

"(7b) The Board of Governors shall adopt a policy prohibiting The University of North Carolina and its constituent institutions from providing a State-funded scholarship or grant to any student who has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled as a student. The prohibition begins with the semester or academic term following the conviction."

SECTION 8.27.(b). Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-143.2A. In-State tuition rate disqualification.**

Notwithstanding G.S. 116-143.1 or any other law to the contrary, a person enrolled at an institution of higher education, as defined in G.S. 116-143.1, is disqualified from receiving the in-State tuition rate if the person has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled in

the institution. The disqualification begins with the semester or academic term following the conviction."

SECTION 8.27.(c) Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-209.19B. State-funded scholarship or grant disqualification.**

The Authority shall adopt a rule prohibiting any student from receiving a State-funded scholarship or grant if the student has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled as a student. The prohibition begins with the semester or academic term following the conviction."

SECTION 8.27.(d) This section is effective December 1, 2025, and applies to offenses committed on or after that date.

PART VIII-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

STUDENT-BASED EDUCATIONAL WALLET PILOT PROGRAM

SECTION 8A.1.(a) Program; Purpose. – There is established the Student-Based Educational Wallet Pilot Program (Pilot) for the 2026-2027 fiscal year to be administered by the State Education Assistance Authority (Authority) in coordination with one public school unit selected by the Authority to participate in the Pilot. The purpose of the Pilot is to foster personalized learning pathways and expand access to educational enrichment by providing funds for high school students to participate in eligible activities and credit-bearing activities. The goal of the Pilot is to establish a streamlined process for students to participate in credit-bearing activities.

SECTION 8A.1.(b) Definitions. – The following definitions shall apply in this section:

(1) Approved provider. – An entity, including a business, nonprofit, vendor, or other organization or institution, that has been approved by the participating public school unit to provide eligible activities, including credit-bearing activities, for participating students.

(2) Eligible activity. – A program, course, or experience occurring outside the traditional classroom that is provided to a participating student by an approved provider and approved by the participating public school unit, including the following:
   a. Career and technical education programs, including student internships.
   b. Art, music, and other performance-based activities.
   c. Science, technology, engineering, and mathematics competitions or research programs.
   d. Leadership and civic engagement programs.
   e. Athletic and other physical education programs that have some instructional component.

(3) Eligible student. – Any student who meets all of the following criteria:
   a. Submits an application to the Authority to participate in the Pilot.
   b. Is enrolled in the high school selected by the participating public school unit to participate in the Pilot.

(4) Credit-bearing activity. – An eligible activity that is approved by the participating public school unit as providing instruction that qualifies a participating student to receive one or more academic credits.

(5) Parent. – A parent, legal guardian, or legal custodian of an eligible student.

(6) Participating public school unit. – The public school unit identified by the Authority to participate in the Pilot.

(7) Participating student. – An eligible student who is admitted to participate in the Pilot by the Authority and whose parent signs the parental agreement.

(8) Qualifying educational expenses. – Tuition, fees, and materials for approved providers for eligible activities, including credit-bearing activities.

(9) Student-Based Educational Wallet or SBEW. – An electronic account provided to a parent for the purpose of holding funds awarded by the Authority for a participating student to engage in eligible activities in accordance with the Pilot.

SECTION 8A.1.(c) Selection of Participating Unit. – No later than August 1, 2025, the Authority shall establish a process to select one participating public school unit for the Pilot. No later than January 1, 2026, the participating public school unit shall provide the Authority with the name of the high school in the unit that will be participating in the Pilot and a list of (i) eligible students, (ii) eligible activities, and (iii) approved providers. The participating public school unit shall only select one high school in the unit to participate in the Pilot. The participating public school unit shall enter into a data sharing agreement with the Authority for the purpose of administering the Pilot and for the protection of student data.

SECTION 8A.1.(d) Selection of Participating Students. – No later than February 2, 2026, the Authority shall make available applications to eligible students for the award of funds for an SBEW to be used for qualifying educational expenses pursuant to the Pilot. Applications shall be submitted electronically. No later than April 15, 2026, the Authority shall admit any eligible student to the Pilot for the 2026-2027 school year who submitted a timely application and whose parent signed the parental agreement. If the funds provided for the Pilot are insufficient to admit all eligible students, the Authority may adopt a lottery process for the selection of participating students.

SECTION 8A.1.(e) Award of Funds. – The Authority shall award funds for the 2026-2027 school year to participating students on a per-student basis in an amount of up to three hundred ninety-five dollars ($395.00) per student. Grant funds shall only be used for qualifying educational expenses in accordance with the parental agreement. The award of funds through an SBEW shall be subject to the execution of a parental agreement as required by subsection (f) of this section. The parent shall then receive an electronic account for the receipt of funds for qualifying educational expenses incurred in the 2026-2027 school year. Requests for qualifying educational expenses are subject to a preapproval process established by the Authority prior to the disbursement of funds from the electronic account. An expense report shall not be required for any expenses that have been preapproved by the Authority and the participating public school unit.

SECTION 8A.1.(f) Parental Agreement; Use of Funds. – The Authority shall provide the parent of an eligible student who applies to participate in the Pilot with a written agreement to be signed and returned to the Authority prior to receiving funds. The agreement shall be submitted to the Authority electronically. The parent shall not designate any entity or individual to execute the agreement on the parent's behalf. A parent or eligible student's failure to comply with this section shall result in a forfeit of funds and those funds may be awarded to another eligible student. The parent shall agree to use the funds deposited into an SBEW only for the qualifying educational expenses of the eligible student. These funds shall not be used for noneducational expenses, including personal items or travel.

SECTION 8A.1.(g) Credit Review. – Notwithstanding any policy or rule adopted by the State Board of Education to the contrary, the participating public school unit shall determine whether an eligible activity constitutes a credit-bearing activity. The Authority and the participating public school unit shall establish a reporting time line for the Authority to provide data on the use of funds for each semester per participating student. The participating public school unit shall establish a review process for whether a student's participation in a credit-bearing activity is sufficient for the student to receive credit. As part of the review process,

the student may submit information to the participating public school unit to demonstrate the student's proficiency in the subject area, including portfolios, performance assessments, and competency-based evaluations.

SECTION 8A.1.(h) Administration. – The Authority, in consultation with the participating public school unit, shall administer the student-based educational wallets for participating students. As part of this process, the Authority shall establish an online portal for students and parents to track account balances, review eligible activities, and submit reimbursement requests. The Authority may contract with a private financial management firm or institution to manage SBEWs in accordance with the Pilot. The Authority may audit a random sampling of SBEWs to ensure compliance with the Pilot and may contract with an independent entity to conduct these audits. The Authority may remove a parent or eligible student from the program and close an SBEW for failure to comply with the terms of the parental agreement, for failure to comply with applicable laws, or because the student is no longer an eligible student. Of the funds allocated to the Authority to award funds under the Pilot, the Authority may retain fifty thousand dollars ($50,000) for administrative costs associated with the Pilot, including contracting with non-State entities for administration of certain components of the Pilot.

SECTION 8A.1.(i) Miscellaneous. – The following shall apply to the Pilot:

(1) Public records. – Applications to participate in the Pilot and personally identifiable information related to eligible students receiving funds shall not be a public record under Chapter 132 of the General Statutes. For the purposes of this subdivision, personally identifiable information means any information directly related to a student or members of a student's household, including the name, birthdate, address, Social Security number, telephone number, email address, or any other information or identification number that would provide information about a specific student or members of a specific student's household.

(2) No refunds to account holders. – An approved provider shall not refund or rebate any funds to a parent or participating student in any manner. The parent shall notify the Authority if such refund is required.

SECTION 8A.1.(j) Report. – No later than February 15, 2027, the North Carolina Collaboratory, in consultation with the Authority and the participating public school unit, shall study and report to the Joint Legislative Education Oversight Committee on the implementation of the Pilot and the impact of the Pilot on student success. At a minimum, the report shall include the following additional information:

(1) The number of students who used funds provided to an SBEW and the amount of funds used.

(2) The credit-bearing opportunities purchased with SBEW funds and the number of credits earned.

(3) All approved providers receiving funds for providing eligible activities under the Pilot and the amount of funding received by each approved provider.

SECTION 8A.1.(k) Funds. – The nonrecurring funds appropriated to the Board of Governors of The University of North Carolina in this act for the 2025-2026 fiscal year to be allocated to the State Education Assistance Authority to implement the Student-Based Educational Wallet Pilot Program in accordance with this section shall not revert at the end of the 2025-2026 fiscal year but shall remain available until the end of the 2026-2027 fiscal year.

REVISE CERTAIN OPPORTUNITY SCHOLARSHIP DOMICILE VERIFICATION REQUIREMENTS

SECTION 8A.2. G.S. 115C-562.3 reads as rewritten:

"**§ 115C-562.3. Verification of eligibility; information from other State agencies.**

(a) To verify that the domicile requirements of G.S. 115C-366 are met for State residency, the Authority shall establish a domicile determination system and shall establish rules for determination of domicile within the State in accordance with this subsection. The Division of Motor Vehicles of the Department of Transportation, the Department of Public Instruction, the Department of Commerce, the Department of Health and Human Services, the Department of Revenue, the State Board of Elections, and the State Chief Information Officer each shall expeditiously cooperate with the Authority in verifying electronically, or by other similarly effective and efficient means, evidence submitted to the Authority for the purposes of establishing the domicile required by G.S. 115C-366 for State residency. The Authority shall accept any of the following as evidence of domicile within the State:

…

(b) Household members of applicants for scholarship grants shall authorize the Authority to access ~~information~~ certain information, including social security numbers and other unique identifiers, needed for verification efforts conducted under this section that is held by other State agencies, including the Department of Revenue, the Department of Health and Human Services, and the Department of Public Instruction.

(b1) The Authority may adopt in its rules a process for contracting with a third-party vendor to facilitate the verification of domicile or other application information in accordance with this section.

(c) By December 1 of each year, the Department of Public Instruction shall provide the Authority the average State per pupil allocation for that fiscal year to determine the maximum scholarship amount for eligible students to be awarded in the following fiscal year in accordance with G.S. 115C-562.2(b2)."

CLARIFY APPLICATION DATE FOR OPPORTUNITY SCHOLARSHIP AND PESA PROGRAMS

SECTION 8A.3.(a) G.S. 115C-562.2(a) reads as rewritten:

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

…."

SECTION 8A.3.(b) G.S. 115C-592(a) reads as rewritten:

"(a) Application Selection. – The Authority shall make available no later than ~~February 1~~ the first Monday in February of each year applications to eligible students for the award of scholarship funds for a personal education student account to be used for qualifying education expenses to attend a nonpublic school. Information about scholarship funds and the application process shall be made available on the Authority's website. Applications shall be submitted electronically. The Authority shall award scholarships according to the following criteria for applications received by ~~March 1~~ the first Monday in March of each year:

…."

PERMIT SEAA TO PROVIDE PAYMENTS FOR TESTS FOR OPPORTUNITY SCHOLARSHIP RECIPIENTS USING ALTERNATIVE METHODS

SECTION 8A.4. G.S. 115C-562.2(b5) reads as rewritten:

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

CLARIFY OPPORTUNITY SCHOLARSHIP RESIDENCY REQUIREMENTS AT TIME OF APPLICATION

SECTION 8A.5. Part 2A of Article 39 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-562.2A. Residency required at time of application.**

(a) Except as otherwise provided in this section, a student shall be a resident of North Carolina that is eligible to attend a North Carolina public school pursuant to Article 25 of this Chapter in both of the following circumstances:

(1) At the time the student applies to receive a scholarship grant under this Part.

(2) At the beginning of each school year in which the student is eligible to receive scholarship grant funds.

(b) A student who is not a resident of North Carolina at the time the student submits an application to receive a scholarship grant under this Part, either during the application period established by the Authority or upon enrollment in a nonpublic school, may be eligible to receive a scholarship grant prior to becoming a resident of North Carolina if all of the following apply:

(1) A parent or legal guardian is on active military duty and is transferred or pending transfer pursuant to an official military order to a military installation or reservation in the State.

(2) Upon request by the Authority, a parent or legal guardian provides a copy of the official military order transferring to a military installation or reservation located in the State.

(3) For the applicant to receive a scholarship grant, the parent or legal guardian completes and submits the application, except that proof of residency shall not be required until the parent or legal guardian transfers into North Carolina.

(c) A student who submits an application or enrolls in a nonpublic school pursuant to subsection (b) of this section shall be permitted to receive grant funds in the first semester of the school year. Thereafter, the student shall not receive a scholarship award until proof of residency is provided in accordance with the requirements of the Authority."

REVISE SCHOLARSHIPS FOR CHILDREN OF WARTIME VETERANS AND TRANSFER ADMINISTRATION FROM THE DEPARTMENT OF MILITARY AND VETERANS AFFAIRS TO THE STATE EDUCATION ASSISTANCE AUTHORITY

SECTION 8A.6.(a) For purposes of subsection (b) of this section, the following definitions shall apply:

(1) Authority. – The State Education Assistance Authority.

(2) Commission. – The Veterans' Affairs Commission of the Department.

(3) Department. – The Department of Military and Veterans Affairs.

(4) Scholarship funds. – Scholarship funds awarded to the child of a North Carolina veteran under Part 2 of Article 14 of Chapter 143B of the General Statutes.

SECTION 8A.6.(b) Notwithstanding Part 2 of Article 14 of Chapter 143B of the General Statutes, for the 2025-2026 academic year, the following shall occur relating to the administration of scholarship funds:

(1) After the selection of persons by the Commission to receive scholarship funds, and in no event later than May 15, 2026, the Commission shall notify the Authority of all selections, and the Department shall notify the Authority of any determinations that a student qualifies for a scholarship funded with monies from the Escheat Fund.

(2) The Authority shall determine whether additional recipients of scholarship funds qualify for scholarships funded with monies from the Escheat Fund

based on a determination of need consistent with other financial assistance programs administered by the Authority.

(3) To the extent funds made available for the award of scholarship funds are insufficient to provide scholarships to all selected persons, the Authority may adjust and standardize award amounts as necessary, including providing pro rata scholarship awards for room and board, to ensure the efficient administration of the scholarship funds.

(4) The Authority alone shall notify all recipients of their selection to receive scholarship funds in accordance with Part 2 of Article 14 of Chapter 143B of the General Statutes. The Department shall not notify any student that he or she is selected to receive scholarship funds in any way, including directly through an award letter or through any other method.

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

(6) From the funds appropriated from the General Fund to the Board of Governors of The University of North Carolina and allocated to the Authority in the 2025-2026 fiscal year to support the award of scholarship funds, the Authority may use up to two and one-half percent (2.5%) for administration costs.

SECTION 8A.6.(c) The following are repealed:

(1) G.S. 143B-1211(11).

(2) G.S. 143B-1220(3).

(3) G.S. 143B-1223 through G.S. 143B-1228.

SECTION 8A.6.(d) Article 23 of Chapter 116 of the General Statutes is amended by adding the following new Part to read:

"Part 8. Children of Wartime Veterans Scholarship.

"**§ 116-209.110. Purpose.**

In appreciation for the service and sacrifices of North Carolina's war veterans and as evidence of this State's concern for their children, there is established the Children of Wartime Veterans Scholarship Program to be administered by the State Education Assistance Authority.

"**§ 116-209.112. Definitions.**

The following definitions shall apply in this Part:

(1) Active federal service. – One of the following:

a. Full-time duty in the Armed Forces other than active duty for training.

b. Active duty for training, if disability or death occurs (i) as a direct result of armed conflict or (ii) while engaged in extra-hazardous service, including such service under conditions simulating war.

(2) Armed Forces. – The United States Army, Navy, Marine Corps, Air Force, Space Force, and Coast Guard, including their reserve components.

(3) Authority. – The State Education Assistance Authority established pursuant to Article 23 of Chapter 116 of the General Statutes.

(4) Eligible child. – A person who meets all of the following criteria:

a. Is under 25 years of age at the time of application for a scholarship.

b. Qualifies as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.

c. Holds a high school diploma or its equivalent.

d. Is the child of a veteran who meets one of the following criteria:

1. Is a resident of North Carolina at the time of scholarship documentation completion.

2. Was a resident of North Carolina at the time of entrance into service in the Armed Forces.
3. Was permanently stationed in North Carolina at the time of his or her death.
4. Is an active duty service member permanently stationed in North Carolina at the time of documentation completion.

e. Submits a completed Free Application for Federal Student Aid (FAFSA) to the Authority.

(5) Eligible institution. – A State educational institution or a private educational institution.

(6) Period of war or wartime. – Any of the periods or circumstances described below:

a. Any period of war as defined in 38 U.S.C. § 101.

b. Any period of service in the Armed Forces during which the veteran parent of an applicant for a scholarship under this Part suffered death or disability (i) as a direct result of armed conflict or (ii) while engaged in extra-hazardous service, including such service under conditions simulating war.

(7) Private educational institution. – An eligible private postsecondary institution that meets the criteria of G.S. 116-280(3), except for G.S. 116-280(3)a.3. if applicable.

(8) Program. – The Children of Wartime Veterans Scholarship Program established by this Part.

(9) State educational institution. – Any constituent institution of The University of North Carolina, or any community college operated under the provisions of Chapter 115D of the General Statutes of North Carolina.

(10) Veteran. – Either of the following:

a. A person who served as a member of the Armed Forces in active federal service during a period of war and who was either separated from the Armed Forces under honorable conditions or who is currently serving in a second or subsequent enlistment.

b. A person who was separated from the Armed Forces under honorable conditions and whose death or disability was incurred (i) as a direct result of armed conflict or (ii) while engaged in extra-hazardous service, including such service under conditions simulating war.

"**§ 116-209.114. Scholarship.**

(a) Scholarship Benefits. – A scholarship granted pursuant to this Part shall consist of the following benefits and other requirements and limitations for eligible children enrolled as undergraduate students at eligible institutions:

(1) Scholarship funds may be used for any of the following purposes:

a. The cost of attendance at an eligible institution, including tuition, fees, room, and board.

b. The cost of short-term workforce training courses leading to industry credentials.

(2) An eligible child shall only receive one scholarship under this Part. The award shall be for up to four academic years, which need not be consecutive.

(3) No educational assistance shall be afforded to an eligible child under this Part after the end of a six-year period beginning on the date the scholarship is first awarded. Whenever an eligible child is enrolled in an eligible institution and the period for a scholarship ends while enrolled in a term, quarter, or semester,

such period shall be extended to the end of such term, quarter, or semester, but not beyond the eligibility limitation of four academic years.

(4) No scholarship awarded to an eligible child pursuant to this Part shall exceed an amount equal to the highest cost of attendance for attendance at a State educational institution for that academic year.

(5) If a student also receives a scholarship or other grant covering the tuition-specific cost of attendance at the eligible institution for which the scholarship is awarded, then the amount of the scholarship awarded under this Part shall be reduced by an appropriate amount determined by the Authority. The scholarship shall be reduced so that the sum of all grants and scholarship aid covering the cost of attendance received by the student, including the scholarship under this section, shall not exceed the cost of attendance for the eligible institution at which the student is enrolled.

(6) A student who has been awarded a scholarship under this section shall maintain satisfactory academic progress according to the standards of the eligible institution throughout the four academic years for which the student is eligible for a scholarship under this section.

(b) Selection of Recipients. – The Authority shall select recipients for scholarships and disburse the scholarships in accordance with the provisions of G.S. 116-209.116. The Authority may contract with another State agency or a third-party entity to determine eligibility and select recipients as required by G.S. 116-209.116(a)(1). In the event there are not sufficient funds to provide each eligible child who has properly applied with a full scholarship as provided by this Part, each eligible child shall receive a pro rata share of funds available for the academic year.

(c) Award of Funds; Priority. – Beginning May 1 of the year in which the recipient enrolls in an eligible institution, the Authority shall begin awarding scholarship funds to students who have properly applied in the following order:

(1) Students who received scholarship funds under Part 2 of Article 14 of Chapter 143B of the General Statutes in the previous academic year.

(2) Students who received scholarship funds under Part 2 of Article 14 of Chapter 143B of the General Statutes in any previous academic year.

(3) All other students.

"**§ 116-209.116. Administration and funding.**

(a) Responsibilities of the Authority. – The Authority shall administer the award of scholarships under this Part and have all of the following associated responsibilities:

(1) Determining the eligibility of applicants and selecting recipients.

(2) Awarding funds to scholarship recipients.

(3) Suspending or revoking scholarships if the Authority finds that a recipient does any of the following:

a. Does not maintain satisfactory academic progress.

b. Engages in riots, unlawful demonstrations, the seizure of educational buildings, or otherwise engages in disorderly conduct, breaches of the peace or unlawful assemblies.

(4) Promulgating such rules and regulations not inconsistent with the other provisions of this Part as the Authority deems necessary for the orderly administration of the Program. These rules may require eligible institutions to provide such reports and other information as are necessary to carry out the provisions of this Part, including whether a recipient is not maintaining satisfactory academic progress or engaging in any of the actions described in sub-subdivision b. of subdivision (3) of this subsection.

(b) Funding. – Funds for the support of the Program shall be appropriated to the Board of Governors of The University of North Carolina to be allocated to the Authority as a reserve

for payment of approved expenses for the cost of attendance. Funds to support the Program shall be supported by receipts from the Escheat Fund, as provided by G.S. 116B-7, to the extent those funds are used for worthy and needy residents of this State who are enrolled in public institutions of higher education of this State.

(c) Withdrawal from Enrollment. – Irrespective of any other provision of this Part, the Authority may prescribe special procedures for adjusting the accounts of scholarship recipients who, for reasons of illness, physical inability to attend class, or for other valid reason satisfactory to the Authority may withdraw from eligible institutions prior to the completion of the term, semester, quarter, or other academic period being attended at the time of withdrawal. Such procedures may include, but shall not be limited to, permitting an eligible institution to pay the recipient the dollar value of his or her unused scholarship for the academic period being attended, with a corresponding deduction of this period from his or her remaining scholarship eligibility time.

(d) Administrative Costs. – Of the funds available each fiscal year to support the Program, the following shall occur:

(1) The Authority may use up to two and one-half percent (2.5%) for administrative costs related to the Program.

(2) Up to five million dollars ($5,000,000) that are unexpended at the end of each fiscal year shall not revert but shall remain available for future scholarships to be awarded under this Part.

"**§ 116-209.118. Report on scholarships.**

By January 1 of each year, the Authority shall report the following information related to scholarships awarded under this Part to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

(1) A description of the Program by year, including statutory establishment, purpose, and eligibility.

(2) The number of scholarships awarded in the prior academic year, disaggregated on the basis of at least the following:

a. Number of full-time students receiving scholarships, grouped by public, private, and community colleges.

b. Number of new applicants for scholarships.

c. Number of new scholarship awards offered, denied, and accepted.

d. Range and average amount of scholarships awarded.

e. Actual amount of award provided by eligible institution.

f. Total expenditures for scholarship awards classified by source, including State funds and Escheat Fund.

g. Total costs of administering the Program.

(3) The amount of funds held in reserve by the Authority for the award of scholarships under the Program at the end of the prior fiscal year."

SECTION 8A.6.(e) G.S. 116-204 reads as rewritten:

"**§ 116-204. Powers of Authority.**

The Authority is hereby authorized and empowered:

…

(11a) To ~~be responsible for the disbursement and accounting of funds for the State's Scholarships for Children of Wartime Veterans established by Part 2 of Article 14 of Chapter 143B of the General Statutes.~~administer the Children of Wartime Veterans Scholarship established by Part 8 of Article 23 of this Chapter.

…."

SECTION 8A.6.(f) G.S. 116-209.23 reads as rewritten:

"**§ 116-209.23. Inconsistent laws inapplicable.**

Insofar as the provisions of this Article are inconsistent with the provisions of any general or special laws, or parts thereof, the provisions of this Article shall be ~~controlling, except that no provision of the 1971 amendments to this Article shall apply to scholarships for children of war veterans as set forth in Part 2 of Article 14 of Chapter 143B of the General Statutes, as amended.~~controlling."

SECTION 8A.6.(g) G.S. 116B-7(b) reads as rewritten:

"(b) An amount specified in the Current Operations Appropriations Act shall be transferred annually from the Escheat Fund to the Board of Governors of The University of North Carolina to be allocated to the State Education Assistance Authority to partially fund the ~~program of Scholarships for Children of War Veterans established by Part 2 of Article 14 of Chapter 143B of the General Statutes.~~ Children of Wartime Veterans Scholarship established by Part 8 of Article 23 of Chapter 116 of the General Statutes. Those funds may be used only for residents of this State who (i) are worthy and needy as determined by the ~~Department of Military and Veterans Affairs~~ Authority and (ii) are enrolled in public institutions of higher education of this State."

SECTION 8A.6.(h) G.S. 116-209.124(4), as enacted by Section 8A.9 of this act, reads as rewritten:

"(4) Eligible postsecondary institution. – Any of the following postsecondary educational institutions:

a. A constituent institution of The University of North Carolina.

b. A community college under the jurisdiction of the State Board of Community Colleges.

c. ~~A private educational institution as defined in G.S. 143B-1224.~~An eligible private postsecondary institution that meets the criteria of G.S. 116-280(3), except for G.S. 116-280(3)a.3. if applicable.

d. A private vocational institution, including Federal Aviation Administration certificated aviation training programs."

SECTION 8A.6.(i) Notwithstanding Part 8 of Article 23 of Chapter 116 of the General Statutes, as enacted by this section, the following shall apply for any student who received an award of scholarship funds under Part 2 of Article 14 of Chapter 143B of the General Statutes in a previous academic year who would be eligible to receive funds under Part 2 of Article 14 of Chapter 143B of the General Statutes, as that Part existed immediately prior to its repeal, beginning in the 2026-2027 academic year:

(1) The student shall be considered an "eligible child" under G.S. 116-209.112(4).

(2) The student shall receive at least the amount of scholarship funds the student received under Part 2 of Article 14 of Chapter 143B of the General Statutes.

SECTION 8A.6.(j) Subsections (c), (d), (e), (f), (g), (h), and (i) of this section become effective July 1, 2026, and apply beginning with the award of scholarship funds in the 2026-2027 academic year. Except as otherwise provided, this section becomes effective July 1, 2025.

SEAA MAY REALLOCATE UNENCUMBERED FUNDS FROM PRIVATE NEED-BASED SCHOLARSHIPS TO PROVIDE FUNDS FOR SPRING 2025 AWARDS FOR CHILDREN OF WARTIME VETERANS SCHOLARSHIPS

SECTION 8A.7. Notwithstanding G.S. 116-283(c), of the funds appropriated to the Board of Governors of The University of North Carolina and allocated to the State Education Assistance Authority for need-based scholarships for students attending private institutions of higher education in accordance with Article 34 of Chapter 116 of the General Statutes that are unexpended at the end of the 2024-2025 fiscal year, the Authority may reallocate up to two million one hundred thousand dollars ($2,100,000) in nonrecurring funds for the 2025-2026 fiscal year to instead support scholarships for children of wartime veterans that were awarded in

the spring 2025 academic semester in accordance with Part 2 of Article 14 of Chapter 143B of the General Statutes.

REQUIRE SEAA TO PROVIDE TESTING COSTS FOR PESA RECIPIENTS

SECTION 8A.8. G.S. 115C-592 is amended by adding the following new subsection to read:

"(c1) Test Costs. – In addition to the amount of the scholarship award, for any student receiving a scholarship award in grades three, eight, or 11 and upon the request of the parent of that student, the Authority shall provide for the student an amount equal to the cost of the nationally standardized test required to be administered as provided in G.S. 115C-562.5."

CODIFY NORTH CAROLINA PATRIOT STAR FAMILY SCHOLARSHIP PROGRAM

SECTION 8A.9.(a) Article 23 of Chapter 116 of the General Statutes is amended by adding the following new Part to read:

"Part 9. North Carolina Patriot Star Family Scholarship Program.

"**§ 116-209.120. Program established.**

The Board of Governors of The University of North Carolina shall establish the North Carolina Patriot Star Family Scholarship Program. To the extent funds are made available for the Program, the Board shall award funds for the purpose of administering scholarships under the Program to (i) the Patriot Foundation, a nonprofit corporation, and (ii) the Marine Corps Scholarship Foundation, Inc., a nonprofit corporation.

"**§ 116-209.122. Purpose of the Program.**

The Patriot Foundation and the Marine Corps Scholarship Foundation, Inc., respectively, shall provide for scholarships to eligible children and eligible spouses of certain veterans, eligible children of certain currently serving members of the Armed Forces, and eligible disabled veterans to attend eligible postsecondary institutions in accordance with the requirements of this Part.

"**§ 116-209.124. Definitions.**

For the purposes of this Part, the following definitions shall apply:

(1) Armed Forces. – A component of the United States Army, Navy, Marine Corps, Air Force, Space Force, and Coast Guard, including their reserve components.

(2) Eligible child or eligible children. – Any person who meets all of the following requirements:

a. Is attending or has been accepted to enroll in an eligible postsecondary institution.

b. Is a legal resident of North Carolina when scholarship documentation is completed, provided that if a child is claimed as a dependent by the child's parent, residency may be established based on a parent meeting the requirements of sub-sub-sub-subdivision IV. of sub-sub-subdivision 1. of sub-subdivision d. of this subdivision.

c. Has complied with the requirements of the Selective Service System, if applicable.

d. The parent of the person is a veteran or a currently serving member of the Armed Forces that meets all of the following criteria:

1. One of the following residency conditions:

I. Is a resident of North Carolina at the time of scholarship documentation completion.

II. Was a resident of North Carolina at the time of entrance into service in the Armed Forces.

III. Was permanently stationed in North Carolina at the time of his or her death.

IV. Is an active duty service member permanently stationed in North Carolina at the time of documentation completion.

2. One of the following service conditions:

I. Was a member of the Armed Forces who was killed in action or in the line of duty or died of wounds or other causes not due to the service member's willful misconduct during a period of war, national emergency, or training in preparation for future conflicts and is a direct result of service in the line of duty.

II. Was a member of the Armed Forces who died of service-connected injuries, wounds, illness, or other causes incurred or aggravated while a member of the Armed Forces during a period of war, national emergency, or training in preparation for future conflicts and is a direct result of service in the line of duty. Standard documentation of the parent's death, wounds, injury, or illness shall be supplied by a scholarship recipient at the time of scholarship request.

III. Is a veteran of the Armed Forces who meets both of the following criteria:

A. Incurred traumatic injuries or wounds or sustained a major illness while a member of the Armed Forces during a period of war, national emergency, or training in preparation for future conflicts, and the injuries, wounds, or illness are a direct result of service in the line of duty.

B. Is receiving compensation of at least fifty percent (50%) as rated by the U.S. Department of Veterans Affairs for a disability connected to the injuries, wounds, or illness identified in accordance with sub-sub-sub-subdivision I. of this sub-sub-subdivision.

IV. Is a current member of the Armed Forces who incurred traumatic injuries or wounds or sustained a major illness while a member of the Armed Forces during a period of war, national emergency, or training in preparation for future conflicts, and the injuries, wounds, or illness are a direct result of service in the line of duty. The parent's traumatic wounds, injury, or major illness must be documented by the member's Unit Commander.

(3) Eligible disabled veteran. – Any person who meets all of the following criteria:

a. Is a parent of an eligible child pursuant to sub-sub-sub-subdivision III. of sub-sub-subdivision 2. of sub-subdivision d. of subdivision (2) of this subsection.

b. Is a resident of North Carolina when scholarship documentation is completed.

c. Is attending or has been accepted to enroll in an eligible postsecondary institution.

(4) Eligible postsecondary institution. – Any of the following postsecondary educational institutions:

a. A constituent institution of The University of North Carolina.

b. A community college under the jurisdiction of the State Board of Community Colleges.

c. A private educational institution as defined in G.S. 143B-1224.

d. A private vocational institution, including Federal Aviation Administration certificated aviation training programs.

(5) Eligible spouse. – Any person who meets all of the following criteria:

a. Is attending or has been accepted to enroll in an eligible postsecondary institution.

b. Is a legal resident of North Carolina when scholarship documentation is completed.

c. Has complied with the requirements of the Selective Service System, if applicable.

d. Meets one of the conditions set forth in sub-sub-sub-subdivisions I. through III. of sub-sub-subdivision 2. of sub-subdivision d. of subdivision (2) of this subsection.

(6) Program. – The North Carolina Patriot Star Family Scholarship Program established pursuant to G.S. 116-209.122.

(7) Veteran. – An individual who has served and is no longer serving in the Armed Forces of the United States. For the purposes of this subdivision, the veteran shall have separated from the Armed Forces under honorable conditions or whose death or disability of at least fifty percent (50%) or more was incurred as a direct result of service in the line of duty.

"**§ 116-209.126. Administration; awards.**

(a) To the extent funds are made available for the Program, the Patriot Foundation and the Marine Corps Scholarship Foundation, Inc., shall each separately administer and award scholarships to eligible applicants in accordance with the requirements of the Program. In administering the Program, each nonprofit corporation shall be responsible for oversight for the scholarships awarded through its organization under the Program to ensure compliance with the provisions of this Part.

(b) Each nonprofit corporation shall, at a minimum, establish criteria and procedures related to scholarship documentation completion, the amount of individual scholarships, the permissible uses of scholarship funds, the period of eligibility for award of a scholarship, the conditions for a revocation of a scholarship, and any other procedures it deems necessary for its administration of the Program.

(c) If an eligible child or eligible spouse receives a scholarship or other grant covering the costs of attendance at an eligible postsecondary institution for which the scholarship is awarded, then the amount of a scholarship awarded under this Part shall be reduced so that the sum of all grants and scholarships covering the costs of attendance received by the eligible child or eligible spouse does not exceed the costs of attendance for the institution. For the purposes of this section, costs of attendance shall include monies for tuition, fees, books, supplies, and school-related expenses, including laptops, equipment, tutoring support, as well as room and board, as long as the scholarship recipient is enrolled as at least a half-time student at the institution. Off-campus housing costs for room and board are also included to the extent the eligible postsecondary institution includes it in its costs of attendance.

"**§ 116-209.128. Reporting.**

(a) The Patriot Foundation shall submit a report by April 1 of each year in which the Patriot Foundation spends State funds made available for the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the activities related to the Program and the use of the State funds.

(b) The Marine Corps Scholarship Foundation, Inc., shall submit a report by April 1 of each year in which the Marine Corps Scholarship Foundation, Inc., spends State funds made available for the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the activities related to the Program and the use of the State funds."

SECTION 8A.9.(b) Notwithstanding any other provision of law or the Committee Report described in Section 43.2 of S.L. 2021-180, the recurring funds appropriated to the Board of Governors of The University of North Carolina and allocated to the Patriot Foundation and the Marine Corps Scholarship Foundation, Inc., to administer the North Carolina Patriot Star Family Scholarship Program pursuant to Section 8.3 of S.L. 2021-180, as amended by Section 2.8 of S.L. 2022-6, shall instead be used to administer the North Carolina Patriot Star Family Scholarship Program pursuant to Part 9 of Article 23 of Chapter 116 of the General Statutes, as enacted by this section.

SECTION 8A.9.(c) Section 8.3 of S.L. 2021-180, as amended by Section 2.8(a) of S.L. 2022-6, is repealed.

SECTION 8A.9.(d) Subsections (a) and (b) of this section apply beginning with the 2025-2026 academic year.

REVISE NEED-BASED SCHOLARSHIP FOR PRIVATE COLLEGES AND UNIVERSITIES

SECTION 8A.10.(a) G.S. 116-280 reads as rewritten:

"**§ 116-280. Definitions.**

The following definitions apply to this Article:

…

(3) Eligible private postsecondary institution. – A school that is any of the following:

a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is either (i) accredited by a regional accrediting agency, as defined in G.S. 115D-6.2 and G.S. 116-11.4, or the Transnational Association of Christian Colleges and Schools or (ii) was accredited by SACSCOC on January 1, 2021, and, beginning January 1, 2021, was a member of the Transnational Association of Christian Colleges and Schools.

2. Awards a postsecondary degree as defined in G.S. 116-15.

3. Held institutional endowment funds with a total value of equal to or less than the sum of one billion dollars ($1,000,000,000) on August 1, 2022.

a1. A postsecondary educational institution with a physical location in this State that is not owned or operated by the State of North Carolina or an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) and designated by the SACSCOC as a level VI degree-granting institution.

2. Awards a postsecondary degree as defined in G.S. 116-15.

b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection.

(4) Main permanent campus. – A campus owned by the eligible private postsecondary institution that provides permanent on-premises housing, food services, and classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined in G.S. 116-15.

…

(5a) Physical location. – A facility or campus owned by an eligible private postsecondary institution that provides permanent classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined in G.S. 116-15.

…."

SECTION 8A.10.(b) G.S. 116-283 reads as rewritten:

"**§ 116-283. Administration; some unexpended scholarship funds do not revert.**

…

(c) ~~Scholarship~~ Up to five million dollars ($5,000,000) in scholarship funds unexpended at the end of each fiscal year shall remain available for future scholarships to be awarded under this Article."

SECTION 8A.10.(c) G.S. 116-209.100(1)c. reads as rewritten:

"c. ~~A nonprofit~~ An eligible private postsecondary institution as defined in G.S. 116-280(3)."

SECTION 8A.10.(d) G.S. 116-209.45(b)(1a)g. reads as rewritten:

"g. ~~An eligible private postsecondary institution as defined in G.S. 116-280(3).~~An eligible private postsecondary institution that meets the criteria of G.S. 116-280(3), except for G.S. 116-280(3)a.3. if applicable."

SECTION 8A.10.(e) G.S. 116-209.100(1)c. reads as rewritten:

"c. ~~A nonprofit postsecondary institution as defined in G.S. 116-280(3).~~An eligible private postsecondary institution that meets the criteria of G.S. 116-280(3), except for G.S. 116-280(3)a.3. if applicable."

SECTION 8A.10.(f) Subsection (b) of this section becomes effective July 1, 2025. Except as otherwise provided, this section is effective when it becomes law. This section applies beginning with scholarships awarded in the 2025-2026 academic year.

PART IX. HEALTH AND HUMAN SERVICES

PART IX-A. AGING [RESERVED]

PART IX-B. CENTRAL MANAGEMENT AND SUPPORT

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.

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.

HEALTH INFORMATION EXCHANGE ACT REVISIONS

SECTION 9B.3.(a) Article 29B of Chapter 90 of the General Statutes reads as rewritten:

"Article 29B.
"Statewide Health Information Exchange Act.

"**§ 90-414.1. Title.**

This ~~act~~ Article shall be known and may be cited as the "Statewide Health Information Exchange Act."

"**§ 90-414.2. Purpose.**

This Article is intended to improve the quality of health care delivery within this State by facilitating and regulating the use of a voluntary, statewide health information exchange network for the secure electronic transmission of individually identifiable health information among health care providers, health plans, ~~and~~ health care ~~clearinghouses~~ clearinghouses, and the State in a manner that is consistent with the Health Insurance Portability and Accountability Act, Privacy Rule and Security Rule, 45 C.F.R. §§ 160, 164.

"**§ 90-414.3. Definitions.**

The following definitions apply in this Article:

(1) Annual compliance report. – The annual report required by G.S. 90-414.13.

(1a) Business associate. – As defined in 45 C.F.R. § 160.103.

(2) Business associate contract. – The documentation required by 45 C.F.R. § 164.502(e)(2) that meets the applicable requirements of 45 C.F.R. § 164.504(e).

(3) Covered entity. – Any entity described in 45 C.F.R. § 160.103 or any other facility or practitioner licensed by the State to provide health care services.

(3a) Data transfer systems. – Electronic systems or platforms that (i) facilitate the submission of any combination of clinical, demographic, or claims data to the HIE Network and (ii) are maintained, controlled, directed, or licensed by, or on behalf of, a covered entity or hybrid entity subject to this Article. Data transfer systems may be comprised of health information technology or claims processing technology, or both, including hardware, software, integrated technologies and related licenses, or packaged solutions sold as services. Data transfer systems include, but are not limited to, electronic systems or platforms related to electronic health records, pharmacy benefits and claims, claims processing, or care management. Data transfer systems do not include any information technology systems that are directly maintained, controlled, or licensed by the State Health Plan for Teachers and State Employees.

(4) Department. – North Carolina Department of Health and Human Services.

(5) Disclose or disclosure. – The release, transfer, provision of access to, or divulging in any other manner an individual's protected health information through the HIE Network.

(6) Repealed by Session Laws 2017-57, s. 11A.5(f), effective July 1, 2017.

(7) GDAC. – The North Carolina Government Data Analytics Center.

(8) HIE Network. – The voluntary, statewide health information exchange ~~network~~ network, which is a health data utility overseen and administered by the Authority.

(9) HIPAA. – Sections 261 through 264 of the federal Health Insurance Portability and Accountability Act of 1996, P.L. 104-191, as amended, and any federal regulations adopted to implement these sections, as amended.

(10) Individual. – As defined in 45 C.F.R. § 160.103.

(11) North Carolina Health Information Exchange Advisory Board or Advisory Board. – The Advisory Board established under G.S. 90-414.8.

(12) North Carolina Health Information Exchange Authority or Authority. – The entity established pursuant to G.S. 90-414.7.

(13) Opt out. – An individual's affirmative decision communicated to the Authority in writing to disallow his or her protected health information from being disclosed by the Authority to covered entities or other persons or entities through the HIE Network.

(13a) Organization National Provider Identifier or Organization NPI. – The HIPAA Administrative Simplification Standard that utilizes a 10-position all-numeric identification number assigned by the federal National Provider System to uniquely identify a health care provider that is an entity other than an individual human being that furnishes health care.

(14) Protected health information. – As defined in 45 C.F.R. § 160.103.

(15) Public health purposes. – The public health activities and purposes described in 45 C.F.R. § 164.512(b).

(16) Qualified organization. – An entity with which the Authority has contracted for the sole purpose of facilitating the exchange of data with or through the HIE Network.

(17) Research purposes. – Research purposes referenced in and subject to the standards described in 45 C.F.R. § 164.512(i).

(18) State CIO. – The State Chief Information Officer.

(19) State-funded health care. – Means all of the following:

a. The North Carolina Medicaid program.

b. The State Health Plan for Teachers and State Employees.

c. Health care facilities and health care programs administered or operated by the Department of Health and Human Services, the Department of Public Safety, or the Department of Adult Correction, and their employees, agents, or grantees.

(20) State health care funds. – Monies paid to providers or entities for the provision of health care services to recipients of State-funded health care. The term includes both (i) direct payments from the State to providers and entities and (ii) payments that providers and entities receive from third parties, or the agents of third parties, that are retained by the State for the administration or delivery, or both, of State-funded health care, including prepaid health plans as defined in G.S. 108D-1 and claims processors as defined in G.S. 135-48.1.

"**§ 90-414.4. Required participation in HIE Network for some providers.**

(a) Findings. – The General Assembly makes the following findings:

(1) That controlling escalating ~~health care~~ costs of ~~the Medicaid program and other~~ State-funded health care ~~services~~ is of significant importance to the State, its taxpayers, its Medicaid recipients, and other ~~recipients~~ beneficiaries of State-funded health ~~care services.~~care.

(2) That the State and covered entities in North Carolina need timely access to certain demographic and clinical information pertaining to services rendered to ~~Medicaid and other~~ beneficiaries of State-funded health care ~~program beneficiaries~~ and paid for with ~~Medicaid or other State-funded~~ State health care funds in order to assess performance, improve health care outcomes, pinpoint medical expense trends, identify beneficiary health risks, and evaluate how the State is spending money on Medicaid and other State-funded health ~~care services. The~~ care. To that end, the Department of Information Technology, the Department of State Treasurer, State Health Plan Division, and the Department of Health and Human Services, Division of Health Benefits, have an affirmative duty to facilitate and support participation by covered entities in the statewide health information exchange network.

(3) That making demographic and clinical information available to the State and covered entities in North Carolina by secure electronic means as set forth in subsection (b) of this section will improve care coordination within and across health systems, increase care quality for ~~such beneficiaries,~~ beneficiaries of State-funded health care, enable more effective population health

management, reduce duplication of medical services, augment syndromic surveillance, allow more accurate measurement of care services and outcomes, increase strategic knowledge about the health of the population, and facilitate health care cost containment.

(a1) Mandatory Connection to HIE Network. – Notwithstanding the voluntary nature of the HIE Network under G.S. 90-414.2, the following providers and entities shall be connected to the HIE Network and begin submitting data through the HIE Network pertaining to services rendered to ~~Medicaid~~ beneficiaries ~~and to other~~ of State-funded health care ~~program beneficiaries~~ and paid for with ~~Medicaid or other State-funded~~ State health care funds in accordance with the following time line:

(1) The following providers of Medicaid services licensed to operate in the State that have an electronic health record system shall begin submitting, at a minimum, demographic and clinical data by June 1, 2018:
   a. Hospitals as defined in G.S. 131E-176(13).
   b. Physicians licensed to practice under Article 1 of ~~Chapter 90 of the General Statutes,~~ this Chapter, except for licensed physicians whose primary area of practice is psychiatry.
   c. Physician assistants as defined in 21 NCAC 32S.0201.
   d. Nurse practitioners as defined in 21 NCAC 36.0801.

(2) Except as provided in subdivisions (3), (4), and (5) of this subsection, all other providers of ~~Medicaid and~~ State-funded health care ~~services~~ and their affiliated entities shall begin submitting demographic and clinical data by January 1, 2023.

(3) The following entities shall submit encounter and claims data, as appropriate, in accordance with the following time line:
   a. Prepaid Health Plans, as defined in G.S. 108D-1, by the commencement date of a capitated contract with the Division of Health Benefits for the delivery of Medicaid services as specified in Article 4 of Chapter 108D of the General Statutes.
   b. Local management entities/managed care organizations, as defined in G.S. 122C-3, by June 1, 2020.

   If authorized by the Authority in accordance with this Article, the Department of Health and Human Services may submit the data required by this subsection on behalf of the entities specified in this subdivision.

(4) The following entities shall begin submitting demographic and clinical data by January 1, 2023:
   a. Physicians who perform procedures at ambulatory surgical centers as defined in G.S. 131E-146.
   ~~b. Dentists licensed under Article 2 of Chapter 90 of the General Statutes.~~
   c. Licensed physicians whose primary area of practice is psychiatry.
   d. The State Laboratory of Public Health operated by the Department of Health and Human Services.

(5) The following entities shall begin submitting claims data by January 1, 2023:
   a. Pharmacies registered with the North Carolina Board of Pharmacy under Article 4A of ~~Chapter 90 of the General Statutes.~~this Chapter.
   b. State health care facilities operated under the jurisdiction of the Secretary of the Department of Health and Human Services, including State psychiatric hospitals, developmental centers, alcohol and drug treatment centers, neuro-medical treatment centers, and residential programs for children such as ~~the Wright School and~~ the Whitaker Psychiatric Residential Treatment Facility.

c. Dentists licensed under Article 2 of this Chapter.

~~(a2) Extensions of Time for Establishing Connection to the HIE Network. – The Department of Information Technology, in consultation with the Department of Health and Human Services and the State Health Plan for Teachers and State Employees, may establish a process to grant limited extensions of the time for providers and entities to connect to the HIE Network and begin submitting data as required by this section upon the request of a provider or entity that demonstrates an ongoing good-faith effort to take necessary steps to establish such connection and begin data submission as required by this section. The process for granting an extension of time must include a presentation by the provider or entity to the Department of Information Technology, the Department of Health and Human Services, and the State Health Plan for Teachers and State Employees on the expected time line for connecting to the HIE Network and commencing data submission as required by this section. Neither the Department of Information Technology, the Department of Health and Human Services, nor the State Health Plan for Teachers and State Employees shall grant an extension of time (i) to any provider or entity that fails to provide this information to both Departments, and the State Health Plan for Teachers and State Employees, (ii) that would result in the provider or entity connecting to the HIE Network and commencing data submission as required by this section later than January 1, 2023. The Department of Information Technology shall consult with the Department of Health and Human Services and the State Health Plan for Teachers and State Employees to review and decide upon a request for an extension of time under this section within 30 days after receiving a request for an extension.~~

~~(a3) Exemptions from Connecting to the HIE Network. – The Secretary of Health and Human Services, or the Secretary's designee, shall have the authority to grant exemptions to classes of providers of Medicaid and other State-funded health care services for whom acquiring and implementing an electronic health record system and connecting to the HIE Network as required by this section would constitute an undue hardship. The Secretary, or the Secretary's designee, shall promptly notify the Department of Information Technology of classes of providers granted hardship exemptions under this subsection. Neither the Secretary nor the Secretary's designee shall grant any hardship exemption that would result in any class of provider connecting to the HIE Network and submitting data later than December 31, 2022.~~

(a4) Connected Status. – A provider or entity identified in subsection (a1) of this section is deemed connected to the HIE Network when the covered entity that provides, maintains, controls, directs, or licenses that provider's or entity's data transfer system has done all of the following:

(1) Established an operable technical connection with the HIE Network approved by the Authority that supports the submission of required patient data generated by the provider or entity.

(2) Provided its Organization NPI to the Authority.

(3) Executed with the Authority a valid, written participation agreement pursuant to subdivision (b)(6) of G.S. 90-414.7.

(4) Communicated to the Authority, in writing, the identity of all providers and entities on whose behalf it maintains a data transfer system.

(5) Either has met or is making reasonable efforts to meet data quality standards established by the Authority that are published on its website.

(b) Mandatory Submission of Demographic and Clinical Data. – Notwithstanding the voluntary nature of the HIE Network under G.S. 90-414.2 and, except as otherwise provided in ~~subsection~~ subsections (c) and (c1) of this section, ~~as a condition of receiving State funds, including Medicaid funds,~~ the following entities shall submit at least twice daily, through the HIE network, demographic and clinical information pertaining to services rendered to ~~Medicaid and other~~ beneficiaries of State-funded health care ~~program beneficiaries~~ and paid for with

~~Medicaid or other State-funded~~ State health care funds, solely for the purposes set forth in subsection (a) of this section:

(1) Each hospital, as defined in G.S. 131E-176(13) that has an electronic health record system.

(2) Each Medicaid provider, unless the provider is an ambulatory surgical center as defined in G.S. 131E-146; however, a physician who performs a procedure at the ambulatory surgical center must be connected to the HIE Network.

(3) Each provider that receives State health care funds for the provision of ~~health services,~~ State-funded health care, unless the provider is an ambulatory surgical center as defined in G.S. 131E-146; however, a physician who performs a procedure at the ambulatory surgical center must be connected to the HIE Network.

(4) Each prepaid health plan, as defined in G.S. 58-93-5, that is under a capitated contract with the Department for the delivery of Medicaid services, or a local management entity/managed care organization, as defined in ~~G.S. 122C-3.~~G.S. 122C-3, that is under a capitated prepaid health plan contract with the Department.

(b1) Balance Billing Prohibition. – An in-network provider or entity ~~who~~ that (i) renders health care services, including prescription drugs and durable medical equipment, under a contract with the State Health Plan for Teachers and State Employees and ~~who~~ (ii) is not connected to the HIE Network in accordance with this Article, is prohibited from billing the State Health Plan or a Plan member more than either party would be billed if the entity or provider was connected to the HIE Network. Balance billing because the provider or entity did not connect to the HIE Network is prohibited.

(c) Exemption for Certain Records. – ~~Providers with patient records that are subject to the disclosure restrictions of 42 C.F.R. § 2 are exempt from the requirements of subsection (b) of this section but only with respect to the patient records subject to these disclosure restrictions. Providers shall comply with the requirements of subsection (b) of this section with respect to all other patient records. A pharmacy shall only be~~ Pharmacies registered with the North Carolina Board of Pharmacy under Article 4A of this Chapter and dentists licensed under Article 2 of this Chapter are only required to submit claims data pertaining to services rendered to ~~Medicaid and other State-funded health care program~~ beneficiaries of State-funded health care and paid for with ~~Medicaid or other State-funded~~ State health care funds.

(c1) Exemption from Twice Daily Submission. – ~~A pharmacy shall only be~~ The following entities are required to submit claims data only once daily through the HIE ~~Network~~ Network:

(1) Pharmacies registered with the North Carolina Board of Pharmacy under Article 4A of this Chapter, using pharmacy industry standardized formats.

(2) Dentists licensed under Article 2 of this Chapter.

(c2) 42 C.F.R. § 2 Records. – Notwithstanding subsection (b) of this section, patient records protected by 42 C.F.R. § 2 shall be disclosed through the HIE Network only if the Authority has provided written notice to the participating entity that data protected by 42 C.F.R. § 2 can be disclosed for a specific purpose.

(d) Method of Data Submissions. – ~~The~~ Any provider or entity required to submit data ~~submissions required~~ under this section shall ~~be~~ make the submission by connection to the HIE Network periodic asynchronous secure structured file transfer or any other secure electronic means commonly used in the industry and consistent with document exchange and data submission standards established by the ~~Office~~ Assistant Secretary for Technology Policy/Office of the National Coordinator for Information Technology within the U.S. Department of Health and Human Services.

(e) Voluntary Connection for Certain Providers. – Notwithstanding the mandatory connection and data submission requirements ~~in~~ of subsections (a1) and (b) of this section, the

following providers of ~~Medicaid services or other~~ State-funded health care ~~services~~ are not required to connect to the HIE Network or submit data but may connect to the HIE Network and submit data voluntarily:

(1) Community-based long-term services and supports providers, including personal care services, private duty nursing, home health, and hospice care providers.
(2) Intellectual and developmental disability services and supports providers, such as day supports and supported living providers.
(3) Community Alternatives Program waiver services (including CAP/DA, CAP/C, and Innovations) providers.
(4) Eye and vision services providers.
(5) Speech, language, and hearing services providers.
(6) Occupational and physical therapy providers.
(7) Durable medical equipment providers.
(8) Nonemergency medical transportation service providers.
(9) Ambulance (emergency medical transportation service) providers.
(10) Local education ~~agencies and~~ agencies, school-based health ~~providers.~~providers, and student health centers that primarily serve students matriculating at public or private institutions of higher education in this State.
(11) Chiropractors licensed under Article 8 of this Chapter.
(12) Dentists licensed under Article 2 of this Chapter.

Connection to the HIE Network by any other covered entities that are not required by subsections (a1) and (b) of this section to connect to the HIE Network or submit data is voluntary.

(e1) Mandatory and Voluntary Connection and Submissions by the Same Covered Entity. – A covered entity that provides, maintains, controls, directs, or licenses a data transfer system on behalf of providers and entities that are required to connect to, and submit data through, the HIE Network under this Article, as well as on behalf of providers and entities that voluntarily connect to, and submit data through, the HIE Network may elect not to submit through the HIE Network clinical, demographic, or claims data generated by the providers and entities that voluntarily connect to, and submit data through, the HIE Network. However, the covered entity is required to submit through the HIE Network clinical, demographic, or claims data generated by providers and entities that are required to connect to, and submit data through, the HIE Network.

(f) Confidentiality of Data. – All data submitted to or through the HIE Network containing protected health information, personally identifying information, or a combination of these, that are in the possession of the Department of Information Technology or any other agency of the State are confidential and shall not be defined as public records under G.S. 132-1. This subsection shall not be construed to prohibit the disclosure of any such data as otherwise permitted under federal law.

(g) Time-Limited Exceptions for Connecting to, and Submitting Data Through, the HIE Network. – All of the following apply to any exception granted by the Authority for connecting to, and submitting data through, the HIE Network:

(1) A covered entity that provides, maintains, controls, directs, or licenses a data transfer system on behalf of providers or entities identified in subsection (a1) of this section may seek to obtain from the Authority a time-limited exception for those providers or entities to connect to, and begin submitting required data through, the HIE Network.
(2) The Authority shall administer the process by which a covered entity seeks a time-limited exception for providers or entities to connect to, and begin submitting required data through, the HIE Network. The Authority shall make the final determination about whether to grant or deny requests for a

time-limited exception. Any exception authorized by the Authority may not exceed a one-year period. However, a covered entity may seek to renew an exception.

(3) In order for a covered entity to obtain a time-limited exception for the providers and entities on whose behalf it provides, maintains, controls, directs, or licenses a data transfer system, the covered entity must demonstrate eligibility for the exception by meeting at least one of the following criteria:

a. During the previous year, the covered entity and the providers and entities on whose behalf it maintained, controlled, directed, or licensed a data transfer system received in the aggregate less than one million dollars ($1,000,000) in State health care funds for providing health care services to beneficiaries of State-funded health care.

b. The covered entity and the providers and entities on whose behalf it provides, maintains, controls, directs, or licenses a data transfer system operated in whole or in part in a geographic area with limited or emergent broadband availability. The Department of Information Technology, Division of Broadband, shall identify these geographic areas and the Authority shall publish a list of the identified geographic areas to its website. Alternatively, the Authority, after consultation with the Department of Information Technology, Division of Broadband, may, in its discretion, grant a time-limited exception after evaluating materials provided by a covered entity regarding its level of broadband connectivity.

c. The covered entity will close, dissolve, or be acquired by another entity within the next 12 months.

d. The provider or entity has not yet implemented or is in the process of implementing a data transfer system.

(4) To request a time-limited exception under this subsection, the covered entity shall submit to the Authority an application and attestation form, which shall both be created by the Authority and made available on its website, containing at least all of the following information:

a. Date of request and application period.

b. Name, Organization NPI, and location.

c. Names of providers and entities on whose behalf the covered entity is applying, as well as their respective Organization NPIs.

d. Technical information regarding its data transfer system and vendor, if applicable.

e. Provider network information for the State Health Plan for Teachers and State Employees and the North Carolina Medicaid program, as applicable.

f. Identification of the bases criterion, or criteria, in subdivision (g)(3) of this section for which the covered entity seeks a time-limited exception.

g. Supporting documents and materials determined by the Authority to be necessary to substantiate the covered entity's eligibility for the exception.

h. An attestation executed by an authorized representative of the covered entity regarding the validity, truth, and completeness of the application and attestation form submitted by the covered entity to the Authority.

…

"**§ 90-414.6. State ownership of HIE Network data.**

Any data pertaining to services rendered to ~~Medicaid and other~~ beneficiaries of State-funded health care ~~program beneficiaries~~ that is submitted through and stored by the HIE Network pursuant to G.S. 90-414.4 or any other provision of this Article shall be and will remain the sole property of the State. Any data or product derived from the aggregated, de-identified data submitted to and stored by the HIE Network pursuant to G.S. 90-414.4 or any other provision of this Article, shall be and will remain the sole property of the State. The Authority shall not allow data it receives pursuant to G.S. 90-414.4 or any other provision of this Article to be used or disclosed by or to any person or entity for commercial purposes or for any other purpose other than those set forth in G.S. 90-414.4(a) or G.S. 90-414.2. To the extent the Authority receives requests for electronic health information as the term is defined in 45 C.F.R. § 171.102, or other medical records from an individual, an individual's personal representative, or an individual or entity purporting to act on an individual's behalf, the Authority (i) shall not fulfill the request and (ii) shall make available to the requester and the public, via the Authority's website, educational materials about how to access such information from other sources. If the Authority participates in the Trusted Exchange Framework and Common Agreement, then it may provide individual access services through the Trusted Exchange Framework and Common Agreement. Patient identifiers created and utilized by the Authority to integrate identity data in the HIE Network, along with the minimum necessary required demographic information related to those patients, shall be released to the GDAC and the Department by the Authority for purposes of entity resolution and master data management. These identifiers shall not be considered public records pursuant to Chapter 132 of the General Statutes.

"**§ 90-414.7. North Carolina Health Information Exchange Authority.**

…

(b) Powers and Duties. – The Authority has the following powers and duties:

…

(8) Following consultation with the Advisory Board, enter into, directly or through qualified organizations acting under the authority of the Authority, a HIPAA compliant business associate agreement with each of the persons or entities participating in or granted access or user rights to the HIE ~~Network.~~Network, except for federal agencies that access the HIE Network solely to review patient data for treatment purposes and exchanges made through eHealth Exchange or the Trusted Exchange Framework and Common Agreement so long as the Authority enters into the agreements that are required to participate in each of these respective national networks.

…

…

(10) Facilitate and promote use of the HIE Network by covered ~~entities.~~entities and business associates acting on their behalf.

…

(18) Enforce the provisions of this Article.

(19) Provide data related services, as allowed by G.S. 90-414.16.

(20) Adopt rules as needed to implement the appeal process established by G.S. 90-414.15.

"**§ 90-414.8. North Carolina Health Information Exchange Advisory Board.**

(a) Creation and Membership. – There is hereby established the North Carolina Health Information Exchange Advisory Board within the Department of Information Technology. The Advisory Board shall consist of the following ~~12~~ 13 members:

(1) The following four members appointed by the President Pro Tempore of the Senate:

a. A licensed physician in good standing and actively practicing in this State.

b. A patient representative.
c. An individual with technical expertise in health data analytics.
d. A representative of a behavioral health provider.

(2) The following four members appointed by the Speaker of the House of Representatives:
a. A representative of a critical access hospital.
b. A representative of a federally qualified health center.
c. An individual with technical expertise in health information technology.
d. A representative of a health system or integrated delivery network.

(3) The following three ex officio, nonvoting members:
a. The State Chief Information Officer or a designee.
b. The Director of GDAC or a designee.
c. The Secretary of Health and Human Services, or a designee.

(4) The following ex officio, voting ~~member:~~members:
a. The Executive Administrator of the State Health Plan for Teachers and State Employees, or a designee.
b. The Deputy Secretary for the State's Medicaid program, or a designee.

….

"**§ 90-414.9. Participation by covered entities.**

(a) ~~Each~~ Except for federal agencies that access the HIE Network solely to review patient data for treatment purposes, all covered ~~entity that participates~~ entities that participate in the HIE Network shall enter into a HIPAA compliant business associate agreement described in G.S. 90-414.7(b)(8) and a written participation agreement described in G.S. 90-414.7(b)(6) with the Authority or qualified organization prior to submitting data through or in the HIE Network. Notwithstanding this subsection, the Authority may exchange data in the HIE Network through the national eHealth Exchange and the Trusted Exchange Framework and Common Agreement so long as the Authority enters into the agreements that are necessary to participate in each of these national networks.

(b) Each covered entity that participates in the HIE Network may authorize its business associates on behalf of the covered entity to submit data through, or access data stored in, the HIE Network in accordance with this Article and at the discretion of the Authority, as provided in G.S. 90-414.7(b)(8).

(c) Notwithstanding any federal or State law or regulation to the contrary, each covered entity that participates in the HIE Network may disclose an individual's protected health information through the HIE Network to other covered entities for any purpose permitted by HIPAA.

…

"**§ 90-414.12. Penalties and remedies; immunity for covered entities and business associates for good faith participation.**

(a) Except as provided in subsection (b) of this section, a covered entity that discloses protected health information in violation of this Article is subject to the following:

(1) Any civil penalty or criminal penalty, or both, that may be imposed on the covered entity pursuant to ~~the Health Information Technology for Economic and Clinical Health (HITECH) Act, P.L. 111-5, Div. A, Title XIII, section 13001, as amended, and any regulations adopted under the HITECH Act.~~federal law or regulation.

(2) Any civil remedy available under ~~the HITECH Act or any regulations adopted under the HITECH Act that is available to the Attorney General or to an individual who has been harmed by a violation of this Article, including damages, penalties, attorneys' fees, and costs.~~federal law or regulation.

(3) Disciplinary action by the respective licensing board or regulatory agency with jurisdiction over the covered entity.

(4) Any penalty authorized under Article 2A of Chapter 75 of the General Statutes if the violation of this Article is also a violation of Article 2A of Chapter 75 of the General Statutes.

(5) Any other civil or administrative remedy available to a plaintiff by State or federal law or equity.

(a1) In connection with the submission of the annual compliance report required by G.S. 90-414.13, it is unlawful for any person or entity to knowingly present or cause to be presented to the Authority a false record to avoid full payment of the State health data assessment under G.S. 90-414.4. The Authority may assess against any person or entity that violates this subsection a civil penalty of not less than five thousand dollars ($5,000) and not more than ten thousand dollars ($10,000), plus three times the amount of damages sustained by the Authority as a result of that person's or entity's actions. The clear proceeds of civil penalties provided for in this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(a2) The Authority may assess a civil penalty not to exceed fifty dollars ($50.00) for each day after the required reporting period or deadline that the annual compliance report remains out of compliance with the requirements prescribed by G.S. 90-414.13.

(b) To the extent permitted under or consistent with federal law, a covered entity or its business associate that in good faith submits data through, accesses, uses, discloses, or relies upon data submitted through the HIE Network shall not be subject to criminal prosecution or civil liability for damages caused by such submission, access, use, disclosure, or reliance.

"**§ 90-414.13. Annual compliance report.**

(a) Reporting Requirement. – Each covered entity that provides, maintains, controls, directs, or licenses the data transfer system of a provider or entity subject to G.S. 90-414.4(a1) that provides health care services to beneficiaries of State-funded health care shall submit an annual compliance report to the Authority on a form created by the Authority that meets the requirements of this section.

(b) The Authority shall develop and make available to covered entities an annual compliance report form, which the Authority may update from time to time after consultation with the Advisory Board. The annual compliance report form shall include fields for at least all of the following information:

(1) Name of the covered entity, its location, and the Organization NPI.

(2) Names of providers and entities on whose behalf the covered entity is submitting the annual compliance report, as well as their respective Organization NPIs.

(3) Acknowledgment of the provision of health care services to beneficiaries of State-funded health care.

(4) Status of technical connection to the HIE Network, as determined under G.S. 90-414.4(a4).

(5) The status of data submission through the HIE Network that is in compliance with G.S. 90-414.4.

(6) Representations regarding each of the following, as applicable:

a. For a covered entity that has executed an agreement with the Authority, a representation regarding that entity's compliance with such agreement.

b. For a covered entity that has received a time-limited exception from the Authority, a representation regarding its present intent to connect to, and begin submitting data through, the HIE Network.

c. For a covered entity that is required to pay the State health data assessment fee authorized by G.S. 90-414.14, a representation regarding the amount of the fee owed to the State, an explanation of how the fee amount was calculated, and whether the fee was submitted contemporaneously with the annual compliance report as required by G.S. 90-414.14.

d. For a covered entity that asserts it is exempt from paying the annual State health data assessment fee, representations regarding why it is eligible to claim the exemption allowed by G.S. 90-414.14(e).

(7) Attestation to the completeness and validity of the annual compliance report form and all representations contained on the form.

(c) Covered entities shall submit to the Authority all reports and related statements, documents, and payments required by this section by the first of May each year. Covered entities shall be deemed to have submitted timely annual compliance reports if complete reports are postmarked or digitally time-stamped on or before the day the reports are due to the Authority. If an annual compliance report or any related statements, documents, or payments are submitted in a manner that does not comply with this section, the Authority may assess a civil penalty not to exceed fifty dollars ($50.00) for each day after the first of May that the report remains out of compliance with the requirements of this section. The clear proceeds of civil penalties provided for in this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(d) A covered entity that provides, maintains, controls, directs, or licenses a data transfer system solely on behalf of a provider or entity that voluntarily connects to the HIE Network pursuant to G.S. 90-414.4(e) is not required to submit an annual compliance report.

(e) State agencies are required to submit an abbreviated annual compliance report, on a form provided by the Authority, that shall be made available only to State agencies.

(f) At the request of a covered entity, the Authority may waive any requirement in this section for good cause if the covered entity demonstrates to the satisfaction of the Authority that complying with a requirement in this section would cause an undue hardship.

(g) The Department's Division of Health Benefits shall assist in administering the annual compliance report process as it pertains to the State's Medicaid providers, as determined necessary by the Authority. At a minimum, the Division of Health Benefits shall annually provide the Authority with a current list of enrolled Medicaid providers, assist with notifying those Medicaid providers about the annual compliance report requirement and reporting deadline established by this section, and provide available information requested by the Authority that is necessary for the Authority to audit or verify the completeness and accuracy of an enrolled Medicaid provider's annual compliance report and related materials submitted to the Authority by or on behalf of that provider.

"**§ 90-414.14. Annual State health data assessment fee.**

(a) Annual Fee Requirement. – Each covered entity that provides, maintains, controls, directs, or licenses a data transfer system on behalf of a provider or entity subject to the mandatory connection and data submission requirements of G.S. 90-414.4 shall pay an annual State health data assessment fee each year if the covered entity meets any of the following criteria:

(1) Is not connected to the HIE Network, as determined pursuant to subsection (a4) of G.S. 90-414.4.

(2) Is connected to the HIE Network, as determined pursuant to subsection (a4) of G.S. 90-414.4 but is not submitting required data through the HIE Network.

(b) Amount of Annual Fee. – The General Assembly shall determine the State health data assessment fee schedules for annual compliance report periods.

(c) Fee Due Date. – A covered entity shall pay any required State health data assessment fee contemporaneously with the submission of the annual compliance report required by G.S. 90-414.13.

(d) HIE Network Data and Participation Fund; Use of Proceeds. – The HIE Network Data and Participation Fund (Fund) is established as a special fund in the Department of Information Technology under the management and control of the Authority. The Fund shall consist of the fees collected by the Authority pursuant to this section and all other funds received by the Authority pursuant to this Article, except for the clear proceeds of civil penalties collected pursuant to G.S. 90-414.12, 90-414.13, 90-414.16, and subsection (g) of this section. The Fund shall be placed in an interest-bearing account, and any interest or other income derived from the Fund shall be credited to the Fund. The Authority shall not use monies in this Fund for any purpose other than to pay for expenses incurred by the Authority in carrying out its powers and duties as set forth in this Article. Monies in the Fund shall only be available for expenditure upon an act of appropriation of the General Assembly. The Fund is subject to the provisions of the State Budget Act, except that no unexpended surplus of the Fund shall revert to the General Fund.

(e) Fee Exemption. – A covered entity that provides, maintains, controls, directs, or licenses a data transfer system for providers or entities subject to the HIE Network connection and data submission requirements of this Article may claim an exemption from the State health data assessment fee during a reporting period by demonstrating to the satisfaction of the Authority that one or more of the following is true:

(1) The covered entity has secured a time-limited exception from the Authority under G.S. 90-414.4(g) for the applicable State health data assessment fee reporting period.

(2) The covered entity attests, in writing, that it and the providers and entities on whose behalf it provides, maintains, controls, directs, or licenses a data transfer system received less than five hundred thousand dollars ($500,000) in State health care funds for providing health care services to beneficiaries of State-funded health care.

(3) The covered entity is acting in good faith to comply with the Statewide Health Information Exchange Act as evidenced by all of the following:

a. Has entered into a participation agreement with the Authority.

b. Maintains contact with the Authority.

c. Timely responds to direct communications from the Authority regarding matters such as connection status, onboarding, training, and data submission.

(4) The covered entity is in its first year of existence, as evidenced by filings with the Office of the Secretary of State.

(5) The covered entity attests, in writing, that it is actively transitioning between data transfer systems.

(6) The covered entity is a prepaid health plan, as defined in G.S. 108D-1.

(f) Revocation of Exempt Status. – The Authority may revoke a covered entity's exemption from payment of the State health data assessment fee if the covered entity is unresponsive to communications from the Authority or if the covered entity fails to maintain contact with the Authority. The Authority may revoke an exemption from the payment of the State health data assessment fee for good cause after giving the covered entity 30 days' written notice and an opportunity to cure any unresponsiveness to, or failure to maintain contact with, the Authority.

(g) Civil Penalty for Submitting a False Record to Avoid the Fee. – It is unlawful for any person or entity to knowingly present or cause to be presented to the Authority a false record to avoid full payment of the State health data assessment fee due under this section. The Authority shall assess against any person or entity that violates this section a civil penalty of not less than

five thousand dollars ($5,000) and not more than ten thousand dollars ($10,000), plus three times the amount of damages sustained by the Authority as a result of that person's or entity's actions. The clear proceeds of civil penalties provided for in this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

"**§ 90-414.15. Appeal of Authority's determinations.**

(a) Determinations and Appeals. – The Authority shall make the following determinations regarding providers' and entities' obligations: (i) grant or deny requests for time-limited exceptions under G.S. 90-414.4 and (ii) assess penalties under G.S. 90-414.14. The Authority shall send these determinations, in writing, to providers and entities via certified mail, return receipt requested, and via email, if known to the Authority. If a provider or entity disagrees with the Authority's determination, it shall deliver a petition for appeal to the Department of Information Technology's registered agent via certified mail, return receipt requested, within 30 calendar days after receipt of the Authority's written determination. The petition for appeal shall include an explanation of the specific reasons the provider or entity disagrees with the Authority's determination and shall be supported by documentation and affidavits regarding the petitioner's compliance with this Article along with any other supporting documentation the petitioner deems relevant to the appeal. The Authority shall develop and make available on its website the form to be used by any provider or entity seeking to appeal the Authority's determination.

(b) Untimely Appeals. – A petitioner's failure to submit a timely petition for appeal shall result in the dismissal of the appeal with prejudice. The Department of Information Technology shall notify the provider or entity of such dismissal in writing.

(c) Review by the State CIO or the State CIO's Designee. – The State CIO or the State CIO's designee shall review all timely petitions for appeal under this section. The State CIO or the State CIO's designee may render a decision on the petition without meeting with the petitioner. If the State CIO or State CIO's designee renders a decision without meeting with the petitioner, then the State CIO or the State CIO's designee shall notify the petitioner of his or her decision, in writing, within 30 calendar days after the date the petition was received by the Department of Information Technology. If the State CIO or the State CIO's designee determines it is necessary to meet with the petitioner prior to rendering a decision, the State CIO or the State CIO's designee and petitioner shall schedule a meeting within 30 calendar days after the date the petition was received by the Department of Information Technology, or as soon as reasonably practical thereafter, or as agreed upon by the parties. Within 30 calendar days after the date of the meeting, the State CIO or the State CIO's designee shall submit a decision, in writing, to the petitioner by certified mail, return receipt requested, and via email, if known.

(d) Administrative Review. – If the petitioner disagrees with the decision of the State CIO or the State CIO's designee, the petitioner may commence a contested case under Article 3A of Chapter 150B of the General Statutes. A petition for a contested case shall be filed within 30 calendar days after the earlier of either the date the decision of the State CIO or the State CIO's designee is mailed to the petitioner or the date the decision of the State CIO or the State CIO's designee is emailed to the petitioner. Except as otherwise provided by this Article, no other disputes between the Authority and providers or entities, including disputes involving the terms or conditions of any agreement described in G.S. 90-414.7(b), or a party's performance under any such agreement, are subject to the contested case provisions of Chapter 150B of the General Statutes.

"**§ 90-414.16. Data related services.**

(a) Data Related Services. – The Authority may provide data related services to a covered entity participating in the HIE Network or to a business associate of the participating covered entity that is using the service to perform a function for the participating covered entity. Only covered entities participating in the HIE Network may make a request to the Authority for data related services. Nothing in this section shall be construed to require the Authority to provide data related services to covered entities or their business associates. Data disclosed or used in the

Authority's provision of these services to any person or entity shall not be used for commercial purposes.

(b) Cost Recovery. – If the Authority voluntarily elects to provide a data related service to a covered entity, then it may charge a reasonable fee that may not exceed the actual cost incurred for the service. The cost recovery shall be based on generally accepted accounting principles and may include labor costs of the personnel providing the service, any information technology expense, and any other administrative expense."

SECTION 9B.3.(b) The deadline for submitting the first report due under G.S. 90-414.13 and the accompanying State health data assessment fee, if applicable, is May 1, 2028.

SECTION 9B.3.(c) Pursuant to G.S. 90-414.14(b), the initial State health data assessment fee schedules for annual compliance report periods beginning in 2028, 2029, and 2030 are as follows:

(1) For the annual compliance report period beginning in 2028:

Amount of State Health Care Funds received in 2024	**State Health Data Assessment Fee: Amount Due**
$1,000,000 +	1.6% of State health care funds received in 2027
$750,001 – $1,000,000	$9,000
$500,001 – $750,000	$6,000
$250,001 – $500,000	$3,000
Less than $250,000	(No fee)

(2) For the annual compliance report period beginning in 2029:

Amount of State Health Care Funds received in 2025	**State Health Data Assessment Fee: Amount Due**
$1,000,000 +	1.6% of State health care funds received in 2028
$750,001 – $1,000,000	$12,000
$500,001 – $750,000	$8,000
$250,001 – $500,000	$4,000
Less than $250,000	(No fee)

(3) For the annual compliance report period beginning in 2030:

Amount of State Health Care Funds received in 2026	**State Health Data Assessment Fee: Amount Due**
$1,000,000 +	1.6% of State health care funds received in 2029
$750,001 – $1,000,000	$15,000
$500,001 – $750,000	$9,000
$250,001 – $500,000	$4,500
Less than $250,000	(No fee)

SECTION 9B.3.(d) This section becomes effective December 1, 2025.

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)."

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.

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

PART IX-D. CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K PROGRAMS/STANDARDS FOR FOUR- AND FIVE-STAR RATED FACILITIES

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

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

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

SECTION 9D.1.(b) 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.

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

(1) The number of children participating in the NC Pre-K program by county.

(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.

(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.

(4) The results of an annual evaluation of the NC Pre-K program.

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

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.

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. 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 at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a 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.

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

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

(1) Deem a county's initial allocation as the county's expenditure in the previous fiscal year or a prorated share of the county's previous fiscal year expenditures if sufficient funds are not available.

(2) Effective immediately following the next new decennial census data release, implement (i) one-third of the change in a county's allocation in the year following the data release, (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision, and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

SMART START INITIATIVES

SECTION 9D.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.

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) this act.

INCREASE CHILD CARE SUBSIDY REIMBURSEMENT RATES

SECTION 9D.7. Beginning July 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.

PART IX-E. HEALTH BENEFITS

CONTINUE MEDICAID ANNUAL REPORT

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

VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT

SECTION 9E.2. The Department of Health and Human Services, Division of Health Benefits, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase

plans, single source procurement, or other contracting processes in order to improve cost containment.

DURATION OF MEDICAID PROGRAM MODIFICATIONS

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

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

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.

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.

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.

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.

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.

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.

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."

GROSS PREMIUM TAX OFFSET CHANGES

SECTION 9E.11.(a) Article 8B of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-228.10A. Transfer to Health Advancement Receipts Special Fund.**

Each fiscal year, the Secretary of Revenue shall transfer at the beginning of each quarter from the State insurance tax net collections received by the Department of Revenue under this Article to the State Treasurer for the Health Advancement Receipts Special Fund, the gross premiums tax offset amount, as defined in G.S. 108A-147.12. The Office of State Budget and Management shall calculate the amount of the gross premiums tax offset as defined in G.S. 108A-147.12 and certify the amount for the Secretary of Revenue that is required to transfer each quarter using data in the North Carolina Financial System."

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).~~amount transferred during the current quarter by the Department of Revenue to the State Treasurer for the Health Advancement Receipts Special Fund under G.S. 105-228.10A.

(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.**

(a) Creation. – The Health Advancement Receipts Special Fund is established as a nonreverting special fund in the Department of Health and Human Services.

(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, 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.~~transferred by the Department of Revenue to the State Treasurer for the Health Advancement Receipts Special Fund under G.S. 105-228.10A.

(c) Use of Funds. – The Department of Health and Human Services shall use funds in the Health Advancement Receipts Special Fund only for the purposes described in G.S. 108A-147.13."

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

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.

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 2025-2026 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 the first day of the next assessment quarter after this act becomes law.

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) 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 2025-2026 fiscal year for the Medicaid program.

SECTION 9E.14.(c) Subsections (a) and (b) of this section are effective on the first day of the next assessment quarter after this act becomes law.

INCREASE STATE RETENTION ON HOSPITAL ASSESSMENTS

SECTION 9E.15.(a) G.S. 108A-145.3 reads as rewritten:

"**§ 108A-145.3. Definitions.**

The following definitions apply in this Article:

…

(23) State's annual Medicaid payment. – An annual amount equal to one hundred ten million dollars ($110,000,000) for the period July 1, 2021, through June 30, 2022, increased each year over the prior year's payment by the market basket ~~percentage.~~percentage, through June 30, 2026. Beginning July 1, 2026, the State's annual Medicaid payment is an annual amount equal to one hundred fifty-four million six hundred thirty-six thousand seven hundred eighty-three dollars ($154,636,783), increased by the market basket percentage, for the period July 1, 2026, through June 30, 2027, and increased each year thereafter over the prior year's payment by the market basket percentage.

…."

SECTION 9E.15.(b) Subsection (a) of this section is effective July 1, 2026, and applies to assessments imposed on or after that date.

SECTION 9E.15.(c) 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) Thirty million dollars ($30,000,000).

SECTION 9E.15.(d) 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 thirty million dollars ($30,000,000) of the receipts collected under Part 2 of Article 7B of Chapter 108A of the General Statutes, in addition to the receipts described in Section 9E.14(b) of this act, during the 2025-2026 fiscal year for the Medicaid program.

SECTION 9E.15.(e) Subsections (c) and (d) of this section are effective on the first day of the second assessment quarter after this act becomes law.

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:

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

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

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

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

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

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

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

…

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

(1) The public hospital IGT subcomponent is the total of the following amounts:

a. Sixteen and forty-three hundredths percent (16.43%) of the amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under 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. Sixty percent (60%) of 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 public acute care hospitals and that are not attributable to newly eligible individuals.

(2) The UNC Health Care System IGT subcomponent is the total of the following amounts:

a. Four and sixty-two hundredths percent (4.62%) of the ~~difference of~~ amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under 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 UNC Health Care System hospitals that are not attributable to newly eligible individuals.

(3) The East Carolina University IGT subcomponent is the total of the following amounts:

a. One and four hundredths percent (1.04%) of the ~~difference of~~ amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under 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 quarter and minus the health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A for the applicable quarter."

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

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

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

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

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

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

SECTION 9E.16.(r) 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 acute care hospital HASP component calculated under G.S. 108A-147.6 for the quarter that is two quarters prior to the current quarter.

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

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

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

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

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.

NUMBER OF MEDICAID STANDARD PLAN CONTRACTS

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) Four contracts between the Division of Health Benefits and PHPs to provide coverage to Medicaid recipients statewide.

(2) Up to two 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) in accordance with all of the following:

a. The contracts under this subdivision shall be in addition to the four statewide contracts required under subdivision (1) of this subsection.

b. Each regional contract under this subdivision shall provide coverage throughout the entire region for the Medicaid services required by G.S. 108D-35.

c. A regional contract may cover more than one region provided that the regions are contiguous.

d. If less than two PLEs submit 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 subdivision, then all PLEs that submitted a timely response meeting the requirements of the RFP shall be awarded a standard benefit plan contract based on the area proposed to be served in the RFP response.

e. If two or more PLEs submit 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 subdivision, then the Division of Health Benefits shall award two standard benefit plan contracts to PLEs based on the area proposed to be served in the RFP response."

SECTION 9E.18.(c) This section is effective when it becomes law.

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.

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.

PART IX-F. HEALTH SERVICE REGULATION

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.

REPEAL CERTIFICATE OF NEED LAWS

SECTION 9F.2.(a) G.S. 6-19.1(a) reads as rewritten:

"(a) In any civil action, other than an adjudication for the purpose of establishing or fixing a rate, or a disciplinary action by a licensing board, brought by the State or brought by a party who is contesting State action pursuant to G.S. 150B-43 or any other appropriate provisions of law, unless the prevailing party is the State, the court may, in its discretion, allow the prevailing party to recover reasonable attorney's fees, including attorney's fees applicable to the administrative review portion of the case, in contested cases arising under Article 3 of Chapter 150B, to be taxed as court costs against the appropriate agency if:

(1) The court finds that the agency acted without substantial justification in pressing its claim against the party; and

(2) The court finds that there are no special circumstances that would make the award of attorney's fees unjust. The party shall petition for the attorney's fees within 30 days following final disposition of the case. The petition shall be supported by an affidavit setting forth the basis for the request.

~~Nothing in this section shall be deemed to authorize the assessment of attorney's fees for the administrative review portion of the case in contested cases arising under Article 9 of Chapter 131E of the General Statutes.~~

Nothing in this section grants permission to bring an action against an agency otherwise immune from suit or gives a right to bring an action to a party who otherwise lacks standing to bring the action.

Any attorney's fees assessed against an agency under this section shall be charged against the operating expenses of the agency and shall not be reimbursed from any other source."

SECTION 9F.2.(b) Subsection (a) of this section applies to contested cases arising on or after January 1, 2026.

SECTION 9F.2.(c) G.S. 7A-29(a) reads as rewritten:

"(a) From any final order or decision of the North Carolina Utilities Commission not governed by subsection (b) of this section, ~~the Department of Health and Human Services under G.S. 131E-188(b),~~ the North Carolina Industrial Commission, the North Carolina State Bar under G.S. 84-28, the Property Tax Commission under G.S. 105-290 and G.S. 105-342, the Commissioner of Insurance under G.S. 58-2-80, the State Board of Elections under G.S. 163-127.6, the Office of Administrative Hearings under G.S. 126-34.02, or the Secretary of Environmental Quality under G.S. 104E-6.2 or G.S. 130A-293, appeal as of right lies directly to the Court of Appeals."

SECTION 9F.2.(d) Subsection (c) of this section applies to appeals arising on or after January 1, 2026.

SECTION 9F.2.(e) G.S. 58-50-61(a) reads as rewritten:

"(a) Definitions. – As used in this section, in G.S. 58-50-62, and in Part 4 of this Article, the term:

…

(7a) "Health care facility" means a hospital; long-term care hospital; psychiatric facility; rehabilitation facility; nursing home facility; adult care home; kidney disease treatment center, including freestanding hemodialysis units;

intermediate care facility for individuals with intellectual disabilities; home health agency office; chemical dependency treatment facility; diagnostic center; hospice office, hospice inpatient facility, or hospice residential care facility; or ambulatory surgical facility.

(8) "Health care provider" means any person who is licensed, registered, or certified under Chapter 90 of the General Statutes or the laws of another state to provide health care services in the ordinary care of business or practice or a profession or in an approved education or training program; a health care facility as defined in ~~G.S. 131E-176(9b)~~ this section or the laws of another state to operate as a health care facility; or a pharmacy.

…."

SECTION 9F.2.(f) G.S. 58-55-35(a) reads as rewritten:

"(a) Whenever long-term care insurance provides coverage for the facilities, services, or physical or mental conditions listed below, unless otherwise defined in the policy and certificate, and approved by the Commissioner, the facilities, services, or conditions have the following definitions:

…

(10) Hospice. – ~~As defined in G.S. 131E-176(13a).~~Any coordinated program of home care with provision for inpatient care for terminally ill patients and their families. This care is provided by a medically directed interdisciplinary team directly or through an agreement under the direction of an identifiable hospice administration. A hospice program of care provides palliative and supportive medical and other health services to meet the physical, psychological, social, spiritual, and special needs of patients and their families, which are experienced during the final stages of terminal illness and during dying and bereavement.

(11) Intermediate care facility for individuals with intellectual disabilities. – ~~As defined in G.S. 131E-176(14a).~~Facilities licensed pursuant to Article 2 of Chapter 122C of the General Statutes for the purpose of providing health and habilitative services based on the developmental model and principles of normalization for individuals with intellectual disabilities, autism, cerebral palsy, epilepsy, or related conditions.

…."

SECTION 9F.2.(g) G.S. 90-21.82A(a) reads as rewritten:

"(a) The following definitions apply in this section:

(1) Abortion clinic. – As defined in G.S. 131E-153.1.

(2) Ambulatory surgical facility. – ~~As defined in G.S. 131E-176.~~A facility licensed under Part 4 of Article 6 of Chapter 131E of the General Statutes.

(3) Hospital. – ~~As defined in G.S. 131E-176.~~A facility licensed under Article 5 of Chapter 131E of the General Statutes."

SECTION 9F.2.(h) G.S. 90-414.4(a1)(1) reads as rewritten:

"(1) The following providers of Medicaid services licensed to operate in the State that have an electronic health record system shall begin submitting, at a minimum, demographic and clinical data by June 1, 2018:

a. ~~Hospitals as defined in G.S. 131E-176(13).~~Hospitals, defined for the purposes of this section as public or private institutions which are primarily engaged in providing to inpatients, by or under supervision of physicians, diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or rehabilitation services for the rehabilitation of injured, disabled, or

sick persons. The term includes all facilities licensed pursuant to G.S. 131E-77, except long-term care hospitals.

b. Physicians licensed to practice under Article 1 of Chapter 90 of the General Statutes, except for licensed physicians whose primary area of practice is psychiatry.

c. Physician assistants as defined in ~~21 NCAC 32S.0201.~~21 NCAC 32S .0201.

d. Nurse practitioners as defined in ~~21 NCAC 36.0801.~~21 NCAC 36 .0801."

SECTION 9F.2.(i) G.S. 90-414.4(b)(1) reads as rewritten:

"(1) Each ~~hospital, as defined in G.S. 131E-176(13) that has an electronic health record system.~~hospital."

SECTION 9F.2.(j) G.S. 113A-12(3)e. reads as rewritten:

"e. A health care facility financed pursuant to Article 1 of Chapter 131A of the General ~~Statutes or receiving a certificate of need under Article 9 of Chapter 131E of the General~~ Statutes."

SECTION 9F.2.(k) G.S. 122C-23.1(e) reads as rewritten:

"(e) As used in this section, "residential treatment facility" means a "residential facility" as defined in and licensed under this ~~Chapter, but not subject to Certificate of Need requirements under Article 9 of Chapter 131E of the General Statutes.~~Chapter."

SECTION 9F.2.(*l*) G.S. 131D-2.4(a) reads as rewritten:

"(a) Licensure. – Except for those facilities exempt under G.S. 131D-2.3, the Department of Health and Human Services shall inspect and license all adult care homes. The Department shall issue a license for a facility not currently licensed as an adult care home for a period of six months. If the licensee demonstrates substantial compliance with Articles 1 and 3 of this Chapter and rules adopted thereunder, the Department shall issue a license for the balance of the calendar year. ~~A facility not currently licensed as an adult care home that was licensed as an adult care home within the preceding 12 months is considered an existing health service facility for the purposes of G.S. 131E-184(a)(8).~~"

SECTION 9F.2.(m) G.S. 131E-13(a)(1) reads as rewritten:

"(1) The corporation shall continue to provide the same or similar clinical hospital services to its patients in medical-surgery, obstetrics, pediatrics, outpatient and emergency treatment, including emergency services for the indigent, that the hospital facility provided prior to the lease, sale, or conveyance. These services may be terminated only as prescribed ~~by Certificate of Need Law prescribed in Article 9 of Chapter 131E of the General Statutes, or, if Certificate of Need Law is inapplicable,~~ by review procedure designed to guarantee public participation pursuant to rules adopted by the Secretary of the Department of Health and Human Services."

SECTION 9F.2.(n) G.S. 131E-84(a1) reads as rewritten:

"(a1) In the event of a declaration of a state of emergency by the Governor in accordance with Article 1A of Chapter 166A of the General Statutes, a declaration of a national emergency by the President of the United States, a declaration of a public health emergency by the Secretary of the United States Department of Health and Human Services; or to the extent necessary to allow for consistency with any temporary waiver or modification issued by the Secretary of the United States Department of Health and Human Services or the Centers for Medicare and Medicaid Services under section 1135 or 1812(f) of the Social Security Act; or when the Division of Health Service Regulation determines the existence of an emergency that poses a risk to the health or safety of patients, the Division of Health Service Regulation may ~~do either or both of the following:~~

~~(1)~~ ~~Temporarily~~ temporarily waive any rules of the Commission pertaining to hospitals.

~~(2)~~ ~~Notwithstanding G.S. 131E-183, allow a hospital to temporarily increase its bed capacity.~~"

SECTION 9F.2.(o) G.S. 131E-136(4) reads as rewritten:

"(4) "Home health agency" means a home care agency which is certified to receive Medicare and Medicaid reimbursement for providing nursing care, therapy, medical social services, and home health aide services on a part-time, intermittent ~~basis as set out in G.S. 131E-176(12), and is thereby also subject to Article 9 of Chapter 131E.~~basis."

SECTION 9F.2.(p) The following laws are repealed:

(1) Article 9 of Chapter 131E of the General Statutes.
(2) G.S. 130A-45.02(i).
(3) G.S. 131E-78.3(c).
(4) G.S. 131E-146(3), as enacted by Section 3.2(b) of S.L. 2023-7.
(5) G.S. 131E-147.5, as enacted by Section 3.2(c) of S.L. 2023-7.
(6) G.S. 143B-1292.
(7) G.S. 150B-2(8a)k.
(8) G.S. 150B-21.1(a)(6).

SECTION 9F.2.(q) This section becomes effective January 1, 2026.

PART IX-G. MENTAL HEALTH/DEVELOPMENTAL DISABILITIES/SUBSTANCE USE 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 thirty million dollars ($30,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium. DMH/DD/SUS shall allocate these recurring reductions for single-stream funding among the LME/MCOs proportional to each LME/MCO's unrestricted fund balance. This allocation will be determined at the beginning of each fiscal year and will be based on the most recent unrestricted fund balance reported as of the first day of the fiscal year. In the event that a county disengages from an LME/MCO and realigns with another LME/MCO during the 2025-2027 fiscal biennium, DMH/DD/SUS shall have the authority to reallocate the recurring reduction to each LME/MCO, taking into consideration the change in unrestricted fund balance.

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.

REPEAL THE MENTAL HEALTH AND SUBSTANCE USE TASK FORCE RESERVE FUND

SECTION 9G.2.(a) Notwithstanding Section 12F.3 of S.L. 2016-94, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, shall not expend any funds deposited into the Mental Health and Substance Use Task Force Reserve Fund, established pursuant to Section 12F.3(b) of S.L. 2016-94.

SECTION 9G.2.(b) Effective July 1, 2026, Section 12F.3(b) of S.L. 2016-94 is repealed.

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.

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

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

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

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

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

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

(2) An explanation of the process used by DHHS to ensure that, except as otherwise provided in subsection (a) of this section, local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.

(3) The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.
(4) The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.
(5) Other DHHS initiatives funded by State appropriations to reduce State psychiatric hospital use.

FUNDS TO PURCHASE OPIOID ANTAGONIST

SECTION 9G.4. 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, the sum of one million dollars ($1,000,000) in nonrecurring funds for the 2025-2026 fiscal year shall be used to purchase 8-milligram intranasal opioid antagonist, to reverse the effects of opioid overdose. For the purpose of this section, "opioid antagonist" has the same meaning as in G.S. 90-12.7.

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.

USE OF OPIOID SETTLEMENT FUNDS

SECTION 9G.6.(a) The following definitions apply in this section:
(1) 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.
(2) 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) Section 9F.2 of S.L. 2022-74 is repealed.

SECTION 9G.6.(c) 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) The State Controller shall transfer the sum of fourteen million dollars ($14,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium from

funds available in the Opioid Abatement Reserve to the Division of Mental Health, Developmental Disabilities, and Substance Use Services to increase appropriations for Single Stream Funding. The funds transferred pursuant to this section are appropriated for the fiscal year in which they are transferred.

PART IX-H. PUBLIC HEALTH

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

SECTION 9H.1.(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 to award competitive grants to local health departments for the improvement of maternal and child health shall be used to continue administering a competitive grant process for local health departments based on maternal and infant health indicators and the county's detailed proposal to invest in evidence-based programs to achieve the following goals:

(1) Improve North Carolina's birth outcomes.

(2) Improve the overall health status of children in this State from birth to age 5.

(3) Lower the State's infant mortality rate.

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

(1) A request for application (RFA) process to allow local health departments to apply for and receive State funds on a competitive basis. The Department shall require local health departments to include in the application a plan to evaluate the effectiveness, including measurable impact or outcomes, of the activities, services, and programs for which the funds are being requested.

(2) A requirement that the Secretary prioritize grant awards to those local health departments that are able to leverage non-State funds in addition to the grant award.

(3) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for maternal and child health initiatives.

(4) Allows grants to be awarded to local health departments for up to three years.

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

(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.

(2) The amount of funding awarded to each grantee.

(3) The number of persons served by each grantee, broken down by program or initiative.

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

(1) A description of the types of programs, services, and activities funded by State appropriations.

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

REPORT ON PREMIUM ASSISTANCE PROGRAM WITHIN AIDS DRUG ASSISTANCE PROGRAM

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

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)."

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.

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 continue to be allocated and used as specified in subdivisions (a)(1) through (a)(4) of Section 9H.11 of S.L. 2023-134.

SECTION 9H.5.(b) The CPCF shall establish an application process for the grants authorized by subdivisions (a)(1) through (a)(3) of Section 9H.11 of S.L. 2023-134, 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, 2025, 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.

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

PART IX-J. SOCIAL 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.

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.

CHILD CARING INSTITUTIONS

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

USE FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 9J.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may continue to provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program shall include provisions for extending guardianship services for individuals and youth who exited foster care through the Guardianship Assistance Program after 14 years of age or who have attained the age of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this section due to a medical condition or disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 9J.5.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 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.

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

SUCCESSFUL TRANSITION/FOSTER CARE YOUTH

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

continuing to implement these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

(1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent randomized controlled trial. Results indicate that the Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings, economic hardship, mental health, and intimate partner violence in comparison to the control population.

(2) Public-Private Partnership, which is a commitment by private-sector funding partners to match at least twenty-five percent (25%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2025-2027 fiscal biennium for the purposes of providing Transitional Living Services through the Youth Villages Transitional Living Model to youth aging out of foster care.

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

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

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.

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.

REQUIRE STATUS REPORT ON FOSTER CARE TRAUMA-INFORMED ASSESSMENT

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

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

PART IX-L. HHS MISCELLANEOUS

LOWER HEALTHCARE COSTS

GREATER TRANSPARENCY IN HOSPITAL AND AMBULATORY SURGICAL FACILITY HEALTHCARE COSTS

SECTION 9L.1.(a) Article 11B of Chapter 131E of the General Statutes reads as rewritten:

"Article 11B.

"Transparency in Health Care Costs.

"Part 1. Health Care Cost Reduction and Transparency Act of 2013.

"**§ 131E-214.11. Title.**

This ~~article~~ Part shall be known as the Health Care Cost Reduction and Transparency Act of 2013.

…

"**§ 131E-214.13. Disclosure of prices for most frequently reported DRGs, CPTs, and HCPCSs.**

(a) Definitions. – The following definitions apply in this ~~Article:~~Part:

(1) Ambulatory surgical facility. – A facility licensed under Part 4 of Article 6 of this Chapter.

(2) Commission. – The North Carolina Medical Care Commission.

(2a) CPT. – Current Procedural Terminology.

(2b) DRG. – Diagnostic Related Group.

(2c) HCPCS. – The Healthcare Common Procedure Coding System.

(3) Health insurer. – An entity that writes a health benefit plan and is one of the following:

a. An insurance company under Article 3 of Chapter 58 of the General Statutes.
b. A service corporation under Article 65 of Chapter 58 of the General Statutes.
c. A health maintenance organization under Article 67 of Chapter 58 of the General Statutes.
d. A third-party administrator of one or more group health plans, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1167(1)).

(4) Hospital. – A medical care facility licensed under Article 5 of this Chapter or under Article 2 of Chapter 122C of the General Statutes.

(5) Public or private third party. – Includes the State, the federal government, employers, health insurers, third-party administrators, and managed care organizations.

(6) Statewide data processor. – As defined in G.S. 131E-214.1.

(b) ~~Beginning with the reporting period ending September 30, 2015, and annually thereafter,~~ Quarterly Report on Most Frequently Reported DRGs for Inpatients. – On a quarterly basis, each hospital shall provide to the ~~Department of Health and Human Services~~ statewide data processor, utilizing electronic health records software, the following information about the 100 most frequently reported admissions by DRG for inpatients as established by the Department:

(1) The amount that will be charged to a patient for each DRG if all charges are paid in full without a public or private third party paying for any portion of the charges. In calculating this amount, each hospital shall include charges for each billable item and service associated with the DRG regardless of whether the health service is performed by a physician or nonphysician practitioner employed by the hospital.

(2) The average negotiated settlement on the amount that will be charged to a patient required to be provided in subdivision (1) of this subsection.

(3) The amount of Medicaid reimbursement for each DRG, including claims and pro rata supplemental payments.

(4) The amount of Medicare reimbursement for each DRG.

(5) For each of the five largest health insurers providing payment to the hospital on behalf of insureds and teachers and State employees, the range and the average of the amount of payment made for each DRG. Prior to providing this information to the ~~Department~~ statewide data processor, each hospital shall redact the names of the health insurers and any other information that would otherwise identify the health insurers.

A hospital shall not be required to report the information required by this subsection for any of the 100 most frequently reported admissions where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

~~(c) The Commission shall adopt rules on or before March 1, 2016, to ensure that subsection (b) of this section is properly implemented and that hospitals report this information to the Department in a uniform manner. The rules shall include all of the following:~~

~~(1) The method by which the Department shall determine the 100 most frequently reported DRGs for inpatients for which hospitals must provide the data set out in subsection (b) of this section.~~

~~(2) Specific categories by which hospitals shall be grouped for the purpose of disclosing this information to the public on the Department's Internet Web site.~~

(d) ~~Beginning with the reporting period ending September 30, 2015, and annually thereafter,~~ Quarterly Report on Total Costs for the Most Common Surgical and Imaging Procedures. – On a quarterly basis, each hospital and ambulatory surgical facility shall provide to the ~~Department,~~statewide data processor, utilizing electronic health records software, information on the total costs for the 20 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital outpatient settings or in ambulatory surgical facilities, along with the related CPT and HCPCS codes. In providing information on total costs, each hospital and ambulatory surgical facility shall include the costs for each billable item and service associated with the procedure regardless of whether the health service is performed by a physician or nonphysician practitioner employed by the hospital or ambulatory surgical facility. Hospitals and ambulatory surgical facilities shall report this information in the same manner as required by subdivisions (b)(1) through (5) of this section, provided that hospitals and ambulatory surgical facilities shall not be required to report the information required by this subsection where the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

~~(e) The Commission shall adopt rules on or before March 1, 2016, to ensure that subsection (d) of this section is properly implemented and that hospitals and ambulatory surgical facilities report this information to the Department in a uniform manner. The rules shall include the method by which the Department shall determine the 20 most common surgical procedures and the 20 most common imaging procedures for which the hospitals and ambulatory surgical facilities must provide the data set out in subsection (d) of this section.~~

~~(e1) The Commission shall adopt rules to establish and define no fewer than 10 quality measures for licensed hospitals and licensed ambulatory surgical facilities.~~

(f) Upon request of a patient for a particular DRG, imaging procedure, or surgery procedure reported in this section, a hospital or ambulatory surgical facility shall provide the information required by subsection (b) or subsection (d) of this section to the patient in writing, either electronically or by mail, within three business days after receiving the request.

(f1) Commission Rules. – The Commission shall adopt rules to accomplish all of the following:

(1) To ensure that subsection (b) of this section is properly implemented and that hospitals report this information to the statewide data processor in a uniform manner. The rules shall include the method by which the statewide data processor shall determine the 100 most frequently reported DRGs for inpatients for which hospitals must provide the data set out in subsection (b) of this section and the specific categories by which hospitals shall be grouped for the purpose of disclosing this information to the public on the Department's website.

(2) To ensure that subsection (d) of this section is properly implemented and that hospitals and ambulatory surgical facilities report this information to the statewide data processor in a uniform manner. The rules shall include the method by which the statewide data processor shall determine the 20 most common surgical procedures and the 20 most common imaging procedures for which the hospitals and ambulatory surgical facilities must provide the data set out in subsection (d) of this section.

(3) To establish and define no fewer than 10 quality measures for licensed hospitals and licensed ambulatory surgical facilities.

(4) To establish procedures for the statewide data processor to receive the data required by subsections (b) and (d) of this section and submit that data to the Department for publication on the Department's website.

(g) G.S. 150B-21.3 does not apply to rules adopted under ~~subsections (c) and (e)~~ subdivision (f1)(1) or subdivision (f1)(2) of this section. A rule adopted under ~~subsections (c) and (e)~~ subdivision (f1)(1) or subdivision (f1)(2) of this section becomes effective on the last day of the month following the month in which the rule is approved by the Rules Review Commission.

…

"**§ 131E-214.18. Penalty for noncompliance.**

The Department may impose a civil penalty on any hospital or ambulatory surgical facility that fails to comply with the requirements of this Part. For each day of violation, the amount of the civil penalty shall not be (i) less than one hundredth of one percent (.01%) of the annual salary of the chief executive officer of the noncompliant hospital or ambulatory surgical facility or (ii) greater than two thousand dollars ($2,000). This civil penalty shall be in addition to any fine or civil penalty that the Centers for Medicare and Medicaid Services or other federal agency may choose to impose on the facility. The Department shall remit the clear proceeds of civil penalties assessed pursuant to this section to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

SECTION 9L.1.(b) G.S. 131E-214.4(a) reads as rewritten:

"(a) A statewide data processor shall perform the following duties:

…

(8) Receive data required to be submitted by hospitals under G.S. 131E-214.13(b) and by hospitals and ambulatory surgical facilities under G.S. 131E-214.13(d) and submit that data to the Department of Health and Human Services (Department) for publication on the Department's website."

SECTION 9L.1.(c) Subsections (a) and (b) of this section become effective on the later of January 1, 2026, or the date the rules adopted by the North Carolina Medical Care Commission under subdivisions (1), (2), and (4) of subsection (f1) of G.S. 131E-214.13 take effect. G.S. 131E-214.18, as enacted by subsection (a) of this section, applies to acts occurring on or after that date. The Commission shall notify the Revisor of Statutes when the rules required under subdivisions (1), (2), and (4) of subsection (f1) of G.S. 131E-214.13 take effect.

GREATER TRANSPARENCY IN HEALTHCARE PROVIDER BILLING PRACTICES

SECTION 9L.1.(d) Article 11B of Chapter 131E of the General Statutes, as amended by Part I of this act, is amended by adding a new Part to read:

"Part 2. Transparency in Healthcare Provider Billing Practices.

"**§ 131E-214.25. Definitions.**

The following definitions apply in this Part:

(1) Health benefit plan. – As defined in G.S. 58-3-167, or under the laws of another state or the federal government.

(2) Healthcare provider. – As defined in G.S. 90-410.

(3) Insurer. – As defined in G.S. 58-3-167.

"**§ 131E-214.30. Fair notice requirements; health service facilities.**

(a) Services Provided at a Participating Health Service Facility. – At the time a health service facility participating in an insurer's healthcare provider network (i) treats an insured individual for anything other than screening and stabilization in accordance with G.S. 58-3-190, (ii) admits an insured individual to receive emergency services, (iii) schedules a procedure for nonemergency services for an insured individual, or (iv) seeks prior authorization from an insurer for the provision of nonemergency services to an insured individual, the health service facility

shall provide the insured individual with a written disclosure containing all of the following information:

(1) Services may be provided at the health service facility for which the insured individual may receive a separate bill.

(2) Certain healthcare providers may be called upon to render care to the insured individual during the course of treatment and those healthcare providers may not have contracts with the insured's insurer and are considered to be nonparticipating healthcare providers in the insurer's healthcare provider network. Any nonparticipating healthcare providers shall be identified in the written disclosure using the individual's healthcare provider's name and practice name as used on the applicable health service facility's or healthcare provider's credentials or name badge.

(3) Text, using a bold or other distinguishable font, that states that certain consumer protections available to the insured individual when services are rendered by a health service facility or healthcare provider participating in the insurer's healthcare provider network may not be applicable when services are rendered by a nonparticipating healthcare provider.

(b) Emergency Services Provided at Nonparticipating Health Service Facilities. – As soon as practicable after a health service facility begins the provision of emergency services to an insured individual, if the facility does not have a contract with the applicable insurer, then the health service facility shall provide the insured individual with a written disclosure containing all of the following:

(1) A statement that the health service facility does not have a provider network contract with the applicable insurer and is considered to be a nonparticipating provider.

(2) Text, using a bold or other distinguishable font, that states that certain consumer protections available to the insured individual when services are rendered by a health service facility or healthcare provider participating in the insurer's healthcare provider network may not be applicable when services are rendered by a nonparticipating health service facility.

"**§ 131E-214.31. Fair notice requirements; healthcare providers.**

At the time a healthcare provider not participating in an insurer's healthcare provider network (i) treats an insured individual for anything other than screening and stabilization in accordance with G.S. 58-3-190, (ii) schedules an appointment or procedure for nonemergency services for an insured individual, or (iii) seeks prior authorization from an insurer for the provision of nonemergency services to an insured individual, the healthcare provider shall provide the insured individual with a written disclosure containing all of the following information:

(1) A statement that the healthcare provider is not in the insurer's healthcare provider network applicable to the individual.

(2) Text, using a bold or other distinguishable font, that states that certain consumer protections available to the insured individual when services are rendered by a healthcare provider participating in the insurer's healthcare provider network may not be applicable when services are rendered by a nonparticipating healthcare provider.

"**§ 131E-214.35. Penalties.**

A healthcare provider's repeated failure to comply with this Article shall indicate a general business practice that is deemed an unfair and deceptive trade practice and is actionable under Chapter 75 of the General Statutes. Nothing in this Article forecloses other remedies available under law or equity."

SECTION 9L.1.(e) G.S. 58-3-200(a)(1) and G.S. 58-3-200(a)(2) are repealed.

SECTION 9L.1.(f) G.S. 58-3-200(a), as amended by subsection (e) of this section, reads as rewritten:

"(a) Definitions. – ~~As used~~ The following definitions apply in this section:

…

(3) Clinical laboratory. – An entity in which services are performed to provide information or materials for use in the diagnosis, prevention, or treatment of disease or assessment of a medical or physical condition.

(4) Healthcare provider. – As defined in G.S. 90-410."

SECTION 9L.1.(g) G.S. 58-3-200(d) reads as rewritten:

"(d) Services Outside Provider Networks. – No insurer shall penalize an insured or subject an insured to the out-of-network benefit levels offered under the insured's approved health benefit plan, including an insured receiving an extended or standing referral under G.S. 58-3-223, unless contracting ~~health care~~ healthcare providers able to meet health needs of the insured are reasonably available to the insured without unreasonable delay. Upon notice or request from the insured, the insurer shall determine whether a healthcare provider able to meet the needs of the insured is available to the insured without unreasonable delay by reference to the insured's location and the specific medical needs of the insured."

SECTION 9L.1.(h) Subsections (d) through (g) of this section become effective October 1, 2026, and apply to healthcare services provided on or after that date and to contracts issued, renewed, or amended on or after that date.

GREATER FAIRNESS IN BILLING AND COLLECTIONS PRACTICES FOR HOSPITALS AND AMBULATORY SURGICAL FACILITIES

SECTION 9L.1.(i) Chapter 131E of the General Statutes is amended by adding a new Article 11C to be entitled "Fair Billing and Collections Practices for Hospitals and Ambulatory Surgical Facilities."

SECTION 9L.1.(j) G.S. 131E-91 is recodified as G.S. 131E-214.50 under Article 11C of Chapter 131E of the General Statutes, as created by subsection (i) of this section.

SECTION 9L.1.(k) G.S. 131E-214.50(d) reads as rewritten:

"(d) Hospitals and ambulatory surgical facilities shall abide by the following reasonable collections practices:

…

(1a) A hospital or ambulatory surgical facility shall not refer a patient's unpaid bill to a collections agency, entity, or other assignee unless it has first presented an itemized list of charges to the patient detailing, in language comprehensible to an ordinary layperson, the specific nature of the charges or expenses incurred by the patient.

…."

SECTION 9L.1.(*l*) Article 11C of Chapter 131E of the General Statutes, as created by subsection (i) of this section, is amended by adding a new section to read:

"**§ 131E-214.52. Patient's right to a good-faith estimate.**

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

(1) CMS. – The federal Centers for Medicare and Medicaid Services.

(2) Facility. – A hospital or ambulatory surgical facility licensed under this Chapter.

(3) Items and services. – All items and services, including individual items and services and service packages, that could be provided by a facility to a patient in connection with an inpatient admission or an outpatient visit for which the facility has established a standard charge. Examples include, but are not limited to, all of the following:

a. Supplies and procedures.

b. Room and board.
c. Fees for use of the facility or other items.
d. Professional charges for services of physicians and nonphysician practitioners who are employed by the facility.
e. Professional charges for services of physicians and nonphysician practitioners who are not employed by the facility.
f. Any other items or services for which a facility has established a standard charge.

(4) Service package. – An aggregation of individual items and services into a single service with a single charge.

(5) Shoppable service. – A non-urgent service that can be scheduled by a patient in advance. The term includes all CMS-specified shoppable services plus as many additional facility-selected shoppable services as are necessary for a combined total of at least 300 shoppable services.

(b) Good-Faith Estimate. – Upon request of any patient for a good-faith estimate for a shoppable service, the facility shall provide to the patient, in writing, at least three business days prior to the date the patient schedules the shoppable service, an itemized list of expected charges, in language comprehensible to an ordinary layperson, that the patient will be obligated to pay for all items and services related to the shoppable service. The good-faith estimate shall include the Diagnostic Related Group (DRG), Current Procedural Terminology (CPT), or Healthcare Common Procedure Coding System (HCPCS) code for each expected charge.

(c) In any case in which a patient has requested a good-faith estimate from a facility for a shoppable service, the patient's final bill for that shoppable service shall not exceed more than five percent (5%) of the good-faith estimate provided to the patient pursuant to this section.

(d) The Department shall adopt rules to implement this section."

SECTION 9L.1.(m) Subsections (i) through (*l*) of this section become effective on the later of January 1, 2026, or the date the rules adopted by the Department under G.S. 131E-214.52 take effect and apply to acts occurring on or after that date. The Department shall notify the Revisor of Statutes when the rules required under G.S. 131E-214.52 take effect.

GREATER PROTECTION FOR HEALTHCARE CONSUMERS FROM FACILITY FEES

SECTION 9L.1.(n) Article 11C of Chapter 131E of the General Statutes, as created by subsection (i) of this section, is amended by adding a new section to read:

"**§ 131E-214.54. Facility fees.**

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

(1) Ambulatory surgical facility. – As defined in G.S. 131E-176.

(2) Campus. – Any of the following:

a. The main building of a hospital.
b. The physical area immediately adjacent to a hospital's main building.
c. Other structures not contiguous to the main building of a hospital that are within 250 yards of the main building.
d. Any other area that has been determined to be part of a hospital's campus by the Centers for Medicare and Medicaid Services.

(3) Facility fee. – Any fee charged or billed by a health care provider for outpatient services provided in a hospital-based facility that is (i) intended to compensate the health care provider for the operational expenses of the health care provider, (ii) separate and distinct from a professional fee, and (iii) charged regardless of the modality through which the health care services were provided.

(4) Health care provider. – As defined in G.S. 90-410.

(5) Health systems. – A parent corporation of one or more hospitals and any entity affiliated with that parent corporation through ownership, governance, membership, or other means, or a hospital and any entity affiliated with that hospital through ownership, governance, membership, or other means.

(6) Hospital. – Any hospital as defined in G.S. 90-176(13) and any facility licensed under Chapter 122C of the General Statutes.

(7) Hospital-based facility. – A facility that is owned or operated, in whole or in part, by a hospital and at which hospital or professional medical services are provided.

(8) Professional fee. – Any fee charged or billed by a provider for hospital or professional medical services provided in a hospital-based facility.

(9) Remote location of a hospital. – A hospital-based facility that is created, acquired, or purchased by a hospital or health system for the purpose of furnishing inpatient services under the name, ownership, and financial and administrative control of the hospital.

(b) Limits on Facility Fees. – The following limitations are applicable to facility fees:

(1) No health care provider shall charge, bill, or collect a facility fee unless the services are provided on a hospital's main campus, at a remote location of a hospital, at a facility that includes an emergency department, or at an ambulatory surgical facility.

(2) Regardless of where the services are provided, no health care provider shall charge, bill, or collect a facility fee for outpatient evaluation and management services, or any other outpatient, diagnostic, or imaging services identified by the Department.

(c) Identification of Services. – The Department shall annually identify services subject to the limitations on facility fees provided in subdivision (2) of subsection (b) of this section that may reliably be provided safely and effectively in non-hospital settings.

(d) Reporting Requirements. – Each hospital and health system shall submit a report to the Department annually on July 1. The report shall be published on the Department's website and shall contain the following:

(1) The name and full address of each facility owned or operated by the hospital or health system that provides services for which a facility fee is charged or billed.

(2) The number of patient visits at each such hospital-based facility for which a facility fee was charged or billed.

(3) The number, total amount, and range of allowable facility fees paid at each facility by Medicare, Medicaid, and private insurance.

(4) For each hospital-based facility and for the hospital or health system as a whole, the total amount billed, and the total revenue received from facility fees.

(5) The top 10 procedures or services, identified by Current Procedural Terminology (CPT) category I codes, provided by the hospital or health system that generated the greatest amount of facility fee gross revenue; the number of each of these 10 procedures or services provided; the gross and net revenue totals for each such procedure or service; and the total net amount of revenue received by the hospital or health system derived from facility fees for each procedure or service.

(6) Any other information the Department may require.

(e) Enforcement. – This section shall be enforced as follows:

(1) Any violation of this section constitutes an unfair or deceptive trade practice in violation of G.S. 75-1.1 and is subject to all of the enforcement and penalty

provisions of an unfair or deceptive trade practice under Article 1 of Chapter 75 of the General Statutes.

(2) In addition to the remedies described in subdivision (1) of this subsection, any health care provider who violates any provision of this section shall be subject to an administrative penalty of not more than one thousand dollars ($1,000) per occurrence."

SECTION 9L.1.(o) No later than January 1, 2026, the Department of Health and Human Services shall adopt rules necessary to implement G.S. 131E-214.54, as enacted by subsection (n) of this section.

SECTION 9L.1.(p) G.S. 131E-214.54, as enacted by subsection (n) of this section, becomes effective January 1, 2026, or on the date the rules adopted by the Department of Health and Human Services pursuant to subsection (o) of this section become effective, whichever is later, and applies to healthcare services provided on or after that date. The Department shall notify the Revisor of Statutes when the rules required under subsection (o) of this section become effective.

STATE AUDITOR REVIEW OF HEALTH SERVICE FACILITY PRICES

SECTION 9L.1.(q) G.S. 147-64.6(c) reads as rewritten:

"(c) Responsibilities. – The Auditor is responsible for the following acts and activities:

…

(24) The Auditor shall periodically examine (i) health service facilities, as defined in G.S. 131E-176, that are recipients of State funds and (ii) facilities licensed under Chapter 122C of the General Statutes that are recipients of State funds and report findings to the Joint Legislative Oversight Committee on Health and Human Services on April 1, 2026, and periodically thereafter. The report must include at least the following:

a. The prices that the health service facility charges patients whose insurance is out-of-network or who are uninsured.

b. To what extent the health service facility is transparent about the prices described in sub-subdivision a. of this subdivision."

ENHANCEMENTS TO EMPLOYEE SAFETY BY ALLOWING FOR THE REMOVAL OF CERTAIN EMPLOYEE DETAILS FROM HEALTH INSURANCE APPEALS AND GRIEVANCE REVIEWS

SECTION 9L.1.(r) G.S. 58-50-61(k) reads as rewritten:

"(k) Nonexpedited Appeals. – Within three business days after receiving a request for a standard, nonexpedited appeal, the insurer or its URO shall provide the covered person with ~~the name, address, and telephone number of the coordinator and~~ information on how and where to submit written ~~material.~~ material for the appeal, including contact information for the insurer. For standard, nonexpedited appeals, the insurer or its URO shall give written notification of the decision, in clear terms, to the covered person and the covered person's provider within 30 days after the insurer receives the request for an appeal. If the decision is not in favor of the covered person, the written decision shall ~~contain:~~contain all of the following information:

(1) The professional qualifications and licensure of the person or persons reviewing the appeal.

(2) A statement of the ~~reviewers' understanding of the reason for the covered person's~~ basis of the appeal.

(3) The ~~reviewers'~~ insurer's or URO's decision in clear terms and the medical rationale in sufficient detail for the covered person to respond further to the insurer's position.

…."

SECTION 9L.1.(s) G.S. 58-50-62(e) reads as rewritten:

"(e) First-Level Grievance Review. – A covered person or a covered person's provider acting on the covered person's behalf may submit a grievance. All of the following shall apply to a first-level grievance review:

(1) The insurer ~~does not have~~ is not required to allow a covered person to attend the first-level grievance review. A covered person may submit written material. Except as provided in subdivision (3) of this subsection, within three business days after receiving a grievance, the insurer shall provide the covered person with ~~the name, address, and telephone number of the coordinator and~~ information on where and how to submit written ~~material.~~material for the first-level grievance review, including contact information for the insurer.

(2) An insurer shall issue a written decision, in clear terms, to the covered person and, if applicable, to the covered person's provider, within 30 days after receiving a grievance. The person or persons reviewing the grievance shall not be the same person or persons who initially handled the matter that is the subject of the grievance and, if the issue is a clinical one, at least one of whom shall be a medical doctor with appropriate expertise to evaluate the matter. Except as provided in subdivision (3) of this subsection, if the decision is not in favor of the covered person, the written decision issued in a first-level grievance review shall ~~contain:~~contain all of the following information:

a. The professional qualifications and licensure of the person or persons reviewing the grievance.

b. A statement of the ~~reviewers' understanding~~ basis of the grievance.

c. The ~~reviewers'~~ insurer's decision in clear terms and the contractual basis or medical rationale in sufficient detail for the covered person to respond further to the insurer's position.

…."

SECTION 9L.1.(t) G.S. 58-50-62(f) reads as rewritten:

"(f) Second-Level Grievance Review. – An insurer shall establish a second-level grievance review process for covered persons who are dissatisfied with the first-level grievance review decision or a utilization review appeal decision. A covered person or the covered person's provider acting on the covered person's behalf may submit a second-level grievance. All of the following shall apply to a second-level grievance review:

(1) An insurer shall, within 10 business days after receiving a request for a second-level grievance review, ~~make known to~~ provide the covered ~~person:~~person all of the following information:

a. ~~The name, address, and telephone number of a person designated to coordinate the grievance review for the insurer.~~Information on how and where to submit written material for the second-level grievance review, including contact information for the insurer.

…."

SECTION 9L.1.(u) Subsections (r) through (t) of this section are effective when they become law.

UPDATED HEALTH INSURER PRIOR AUTHORIZATION REQUIREMENTS

SECTION 9L.1.(v) G.S. 58-50-61 reads as rewritten:

"**§ 58-50-61. Utilization review.**

(a) Definitions. – ~~As used~~ The following definitions apply in this section, in G.S. 58-50-62, and in Part 4 of this ~~Article, the term:~~Article:

…

(2a) Course of treatment. – A prescribed order or ordered treatment protocol for a specific covered person with a specific condition that is outlined and decided upon ahead of time with the covered person and healthcare provider and approved by the insurer or utilization review organization when prospective review is applicable.

…

(8) ~~"Health care provider" means any person who is licensed, registered, or certified under Chapter 90 of the General Statutes or the laws of another state to provide health care services in the ordinary care of business or practice or a profession or in an approved education or training program; a health care facility as defined in G.S. 131E-176(9b) or the laws of another state to operate as a health care facility; or a pharmacy.~~Healthcare provider. – As defined in G.S. 90-410.

…

(14a) Prior authorization. – The process by which insurers and UROs determine coverage on the basis of medical necessity and/or covered benefits prior to the rendering of those services.

…

(16a) Urgent health care service. – A health care service, including mental and behavioral health care services, with respect to which the application of the time periods for making an urgent care determination that, in the opinion of a healthcare provider with knowledge of the covered person's medical condition, meets either of the following criteria:

a. Could seriously jeopardize the life or health of the covered person or the ability of the covered person to regain maximum function.

b. Would subject the covered person to severe pain that cannot be adequately managed without the care or treatment that is the subject of the utilization review.

…

(f) Time Lines for Prospective and Concurrent Utilization Reviews Based Upon Type of Health Care Service. – As used in this subsection, the term "necessary information" includes the results of any patient examination, clinical evaluation, or second opinion that may be required. ~~Prospective and concurrent determinations shall be communicated to~~ The time line for completion of a prospective or concurrent utilization review is as follows:

(1) Non-urgent health care services. – If an insurer requires a prior authorization review of a healthcare service, then the insurer or its URO shall both render a prior authorization review determination or noncertification and notify the covered person and the covered person's provider within three business days after the insurer obtains all necessary information ~~about the admission, procedure, or health care service.~~ to make the prior authorization review determination or noncertification.

(2) Urgent health care services. – An insurer or its URO shall both render a utilization review determination or noncertification concerning urgent health care services and notify the covered person and the covered person's provider of that utilization review determination or noncertification not later than 24 hours after receiving all necessary information needed to complete the review of the requested health care services. If the covered person's provider or the insurer, or the entity conducting the review on behalf of the insurer, do not both have access to the electronic health records of the covered person, then this subdivision shall not apply and the utilization review will be subject to the time line under subdivision (1) of this subsection.

(f1) Prior Authorization Determination Notifications. – If an insurer or its URO certifies a health care service, ~~the insurer shall notify~~ notification shall be sent to the covered person's provider. ~~For~~ If an insurer or its URO issues a noncertification, ~~the insurer shall notify the covered person's provider and send~~ then written or electronic confirmation of the noncertification to the covered person's provider and covered ~~person. In~~ person that is in compliance with subsection (h) of this section.

(f2) Concurrent Review Liability. – For concurrent reviews, the insurer shall remain liable for ~~health care~~ healthcare services until the covered person has been notified of the noncertification.

…

(j1) Requirements Applicable to Appeals Reviews. – All of the following requirements apply to an appeals review:

(1) Except as otherwise provided, appeals shall be reviewed by a licensed physician who meets all of the following criteria:

a. Possesses a current and valid non-restricted license to practice medicine in any United States jurisdiction.

b. Has practiced for a period of at least three consecutive years in the same or similar specialty as a medical doctor who typically manages the medical condition or disease for which prior authorization review is required or whose training and experience meets all of the following criteria:

1. Includes treatment of the same condition as the condition of the covered person.

2. Includes treatment of complications that may result from the service or procedure that is the subject of the appeal.

3. Is sufficient for the medical doctor to determine if the service or procedure is medically necessary or clinically appropriate.

c. Had no direct involvement in making the prior adverse determination or noncertification that is the subject of the appeal.

d. Has no financial interest, or other conflict of interest, in the outcome of the appeal.

(2) Appeals initiated by a licensed mental health professional for a service provided by a licensed mental health professional may be reviewed by a licensed mental health professional rather than a medical doctor. The requirements of subdivision (1) of this subsection shall apply to the reviewing licensed mental health professional in the same manner that they apply to a medical doctor.

(3) The medical doctor or licensed mental health professional shall consider all known clinical aspects of the healthcare service under review, including all pertinent medical records and any medical literature that have been provided by the covered person's provider or by a health care facility.

…

(m) Disclosure of Utilization Review Requirements. – All of the following apply to an insurer's responsibility to disclose any utilization review procedures:

(1) Coverage and member handbook. – In the certificate of coverage and member handbook provided to covered persons, an insurer shall include a clear and comprehensive description of its utilization review procedures, including the procedures for appealing noncertifications and a statement of the rights and responsibilities of covered persons, including the voluntary nature of the appeal process, with respect to those procedures. An insurer shall also include in the certificate of coverage and the member handbook information about the

availability of assistance from the Department's Health Insurance Smart NC, including the telephone number and address of the ~~Program.~~ program.

(2) Prospective materials. – An insurer shall include a summary of its utilization review procedures in materials intended for prospective covered persons.

(3) Membership cards. – An insurer shall print on its membership cards a toll-free telephone number to call for utilization review purposes.

(4) Website. – An insurer shall make any current prior authorization requirements and restrictions readily accessible on its website.

(m1) Changes to Prior Authorization. – If an insurer intends either to implement a new prior authorization review requirement or restriction or to amend an existing requirement or restriction, then the new or amended requirement shall not be in effect unless and until the insurer's website has been updated to reflect the new or amended requirement or restriction. A claim shall not be denied for failure to obtain a prior authorization if the prior authorization requirement or amended requirement was not in effect on the date of service of the claim.

…

(n1) Prior Authorization Determination Validity. – All of the following apply to the length of time an approved prior authorization shall remain valid under certain circumstances:

(1) If a covered person enrolls in a new health benefit plan offered by the same insurer under which the prior authorization was approved, then the previously approved prior authorization remains valid for the initial 90 days of coverage under the new health benefit plan. This section does not require coverage of a service if it is not a covered service under the new health benefit plan.

(2) If a healthcare service, other than for in-patient care, requires prior authorization and is for the treatment of a covered person's chronic condition, then the prior authorization shall remain valid for no less than six months from the date the healthcare provider receives notification of the prior authorization approval.

…

(o) Violation. – ~~A~~ In accordance with this Chapter, a violation of this section subjects an insurer and an agent of the insurer to G.S. 58-2-70.

(p) Federal Rule Alignment. – No later than January 1, 2028, an insurer offering a health benefit plan or a utilization review agent acting on behalf of an insurer offering a health benefit plan, shall implement and maintain a prior authorization application programming interface meeting the requirements under 45 C.F.R. § 156.223(b) as it existed on January 1, 2025.

(q) Reserved for future codification purposes.

(r) Reserved for future codification purposes.

(s) Artificial Intelligence. – An artificial intelligence-based algorithm shall not be used as the sole basis to deny a utilization review determination."

SECTION 9L.1.(w) In accordance with G.S. 135-48.24(b) and G.S. 135-48.30(a)(7) which require the State Treasurer to implement procedures that are substantially similar to the provisions of G.S. 58-50-61 for the North Carolina State Health Plan for Teachers and State Employees (State Health Plan), the State Treasurer and the Executive Administrator of the State Health Plan shall review all practices of the State Health Plan and all contracts with, and practices of, any third party conducting any utilization review on behalf of the State Health Plan to ensure compliance with subsection (v) of this section no later than the start of the next plan year.

SECTION 9L.1.(x) Subsection (v) of this section becomes effective October 1, 2026, and applies to insurance contracts, including contracts with utilization review organizations, issued, renewed, or amended on or after that date.

EFFECTIVE DATE

SECTION 9L.1.(y) Except as otherwise provided, this section is effective when it becomes law.

THE NINJA'S LAW

SECTION 9L.2.(a) Article 2 of Chapter 90 of the General Statutes is amended by adding a new section to read:

"**§ 90-30.3. Reports of adverse events.**

(a) A dentist who holds a permit to administer general anesthesia or sedation shall submit an adverse event report to the Board within 72 hours after each adverse event if the patient dies or has permanent organic brain dysfunction within 24 hours after the administration of general anesthesia or sedation. Sedation permit holders shall cease administration of sedation until the Board has investigated the death or permanent organic brain dysfunction and approved resumption of permit privileges. General anesthesia permit holders shall cease administration of general anesthesia and sedation until the Board has reviewed the adverse event report and approved resumption of permit privileges.

(b) A dentist who holds a permit to administer general anesthesia or sedation shall submit an adverse event report to the Board within 30 days after each adverse event if the patient is admitted to a hospital on inpatient status for a medical emergency or physical injury within 24 hours after the administration of general anesthesia or sedation.

(c) A dentist who holds a permit to administer general anesthesia or sedation shall submit an adverse event report to the Board within 30 days after each adverse event.

(d) The adverse event report shall be in writing and shall include, at a minimum, all of the following:

(1) Dentist's name, license number, and permit number.

(2) Date and time of the occurrence.

(3) Facility where the occurrence took place.

(4) Name and address of the patient.

(5) Surgical procedure involved.

(6) Type and dosage of sedation or anesthesia utilized in the procedure.

(7) Circumstances involved in the occurrence.

(8) The entire patient treatment record, including anesthesia records.

(e) Upon receipt of an adverse event report under this section, the Board shall investigate and shall take disciplinary action if the evidence demonstrates that a licensee has violated this Article.

(f) For the purposes of this section, the term "adverse event" means any of the following clinical emergencies: anaphylaxis, aspiration, cardiac arrest, or unplanned advanced airway placement."

SECTION 9L.2.(b) The North Carolina Policy Collaboratory at the University of North Carolina at Chapel Hill shall conduct a study to evaluate whether a second health care provider who is qualified to provide anesthesia services is needed when utilizing drugs that can lead to deep sedation, such as propofol. The Collaboratory shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services by April 1, 2026, with any legislative recommendations addressing this issue.

SECTION 9L.2.(c) Subsection (a) of this section becomes effective October 1, 2025. The remainder of this section is effective when it becomes law.

CLARIFICATION OF PARTNERSHIPS REGARDING THE PRACTICE OF DENTISTRY

SECTION 9L.3. G.S. 90-29(c) reads as rewritten:

"(c) The following acts, practices, or operations, however, shall not constitute the unlawful practice of dentistry:

…

(15) The mechanism by which a "management company," as that term is defined in G.S. 90-40.2(a)(4), and a licensee establish the fee in a "management arrangement," as that term is defined in G.S. 90-40.2(a)(3). A management fee established under this exception is a private business contract and shall not be construed to be evidence of a partnership under Chapter 59 of the General Statutes."

PART IX-M. DHHS BLOCK GRANTS

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:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	FY 2025-2026	FY 2026-2027
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	13,219,619	13,219,619
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
09. Kinship Care Assistance	4,000,000	4,000,000
Division of Child Development and Early Education		
10. Subsidized Child Care Program	62,413,694	62,413,694
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		
13. Division of Social Services	2,478,284	2,478,284
14. Division of Child and Family Well-Being	3,976	3,976
15. Office of the Secretary	34,042	34,042
16. Eligibility Systems – Operations and Maintenance	431,733	431,733
17. NC FAST Implementation	428,239	428,239
18. Division of Social Services – Workforce Innovation & Opportunity Act (WIOA)	93,216	93,216
19. Division of Social Services TANF Modernization	1,667,571	1,667,571
Transfers to Other Block Grants		
Division of Child Development and Early Education		
20. Transfer to the Child Care and Development Fund	21,773,001	21,773,001
Division of Social Services		
21. Transfer to Social Services Block Grant for Child Protective Services – Training	285,612	285,612
22. Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
23. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	13,166,244	13,166,244
24. Transfer to Social Services Block Grant – Foster Care Services	3,422,219	3,422,219
25. Transfer to Social Services Block Grant – Child Advocacy Centers	1,582,000	1,582,000
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**$314,186,416**	**$314,186,416**
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		

Local Program Expenditures		
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
14A. Big Brothers Big Sisters of the Triangle, Inc.	350,000	350,000
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
15. Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Use Services – Adult	4,149,595	4,149,595
15A. Autism Society of North Carolina, Inc.	2,541,392	2,541,392
15B. The Arc of North Carolina, Inc.	271,074	271,074
15C. Easterseals UCP North Carolina & Virginia, Inc.	1,612,059	1,612,059
DHHS Program Expenditures		
Division of Services for the Blind		
16. Independent Living Program & Program Oversight	4,237,849	4,237,849
Division of Health Service Regulation		
17. Adult Care Licensure Program	891,520	891,520
18. Mental Health Licensure and Certification Program	266,158	266,158
Division of Aging		
19. Guardianship	3,825,443	3,825,443
DHHS Administration		
20. Division of Aging	188,787	188,787
21. Division of Social Services	1,724,551	1,724,551
22. Office of the Secretary/Controller's Office	673,990	673,990
23. Legislative Increases/Fringe Benefits	293,655	587,310
24. Division of Child Development and Early Education	13,878	13,878
25. Division of Mental Health, Developmental Disabilities, and Substance Use Services	29,966	29,966
26. Division of Health Service Regulation	592,882	592,882

TOTAL SOCIAL SERVICES BLOCK GRANT	**$78,907,610**	**$77,475,122**
LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		
Division of Social Services		
01. Low-Income Energy Assistance Program (LIEAP)	$56,369,281	$56,369,281
02. Crisis Intervention Program (CIP)	44,804,354	44,804,354
Local Administration		
Division of Social Services		
03. County DSS Administration	8,037,889	8,037,889
DHHS Administration		
Division of Social Services		
04. Administration	10,000	10,000
05. Energy Portal (FIS Transaction Fees)	25,000	25,000
Division of Central Management and Support		
06. Office of the Secretary/Division of Information Resource Management (DIRM) (Accountable Results for Community Action (AR4CA) Replacement System)	166,750	166,750
07. Office of the Secretary/DIRM	278,954	278,954
08. Office of the Secretary/Controller's Office	18,378	18,378
09. NC FAST Development	627,869	627,869
10. NC FAST Operations and Maintenance	1,330,323	1,330,323
Transfers to Other State Agencies		
Department of Environmental Quality		
11. Weatherization Program	10,356,943	10,356,943
12. Heating Air Repair and Replacement Program (HARRP)	5,898,508	5,898,508

13. Local Residential Energy Efficiency Service Providers – Weatherization	574,945	574,945
14. Local Residential Energy Efficiency Service Providers – HARRP	319,414	319,414
15. DEQ – Weatherization Administration	628,180	628,180
16. DEQ – HARRP Administration	393,944	393,944
Department of Administration		
17. N.C. Commission on Indian Affairs	87,736	87,736
TOTAL LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT	**$129,928,468**	**$129,928,468**
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development and Early Education		
01. Child Care Services	$332,089,929	$332,089,929
02. Smart Start Subsidy	7,392,654	7,392,654
03. Transfer from TANF Block Grant for Child Care Subsidies	21,773,001	21,773,001
04. Quality and Availability Initiatives (TEACH Program $3,800,000; Family Child Care Home Direct Support Pilot Program $3,000,000)	77,480,526	67,780,527
DHHS Administration		
Division of Child Development and Early Education		
05. DCDEE Administrative Expenses	9,710,886	9,710,886
06. Indirect Cost	7,346	7,346
Division of Social Services		
07. Direct Deposit for Child Care Payments	5,000	5,000
08. Local Subsidized Child Care Services Support	18,780,355	18,780,355
Division of Central Management and Support		

09. NC FAST Operations and Maintenance	1,450,316	1,450,316
10. DHHS Central Administration – DIRM Technical Services	1,029,762	1,029,762
11. DHHS Central Administration	118,000	118,000
Division of Child and Family Well-Being		
12. Child Care Health Consultation Contracts	62,205	62,205
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	**$469,899,980**	**$469,199,981**
COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Mental Health Services – Child	$2,477,666	$2,477,666
02. Mental Health Services – Adult/Child	19,443,833	19,443,833
03. Mental Health Services – First Psychotic Symptom Treatment	4,208,378	4,208,378
04. Child Behavioral Health (Division of Child and Family Well-Being)	5,246,350	5,246,350
DHHS Administration		
Division of Child and Family Well-Being		
05. Administration	140,000	140,000
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
06. Crisis Services	2,377,047	2,377,047
07. Administration	332,351	332,351
08. Adult/Child Mental Health Services	350,150	350,150
Division of Public Health		
09. NC Detect – Behavioral Health ER	35,000	35,000
TOTAL COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT	**$34,610,775**	**$34,610,775**

SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES BLOCK GRANT		
Local Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
01. Substance Abuse – IV Drug	$2,000,000	$2,000,000
02. Substance Abuse Prevention	13,351,864	13,351,864
03. Substance Use Services – Treatment for Children/Adults (Healing Transitions, Inc. $200,000; Triangle Residential Options for Substance Abusers, Inc., (TROSA) $3,225,000; First Step Farm of WNC, Inc. $100,000; Addiction Recovery Care Association, Inc., (ARCA) $2,000,000)	40,038,949	40,038,949
DHHS Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
04. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,545,205	1,545,205
05. Veterans Initiatives	250,000	250,000
DHHS Administration		
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
07. Administration	2,297,852	2,297,852
08. Controlled Substance Reporting System	675,000	675,000
TOTAL SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES BLOCK GRANT	**$60,158,870**	**$60,158,870**
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Child and Family Well-Being		
01. Children's Health Services (Prevent Blindness $575,000; Nurse-Family Partnership $1,102,308)	$11,646,618	$11,646,618
Division of Public Health		

02. Women's and Children's Health Services (March of Dimes $350,000; Sickle Cell Centers $100,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal & Neonatal Outreach Coordinator Contracts $440,000; Mountain Area Pregnancy Services $50,000)	5,453,930	5,453,930
03. Oral Health	58,413	58,413
04. Evidence-Based Programs in Counties With the Highest Infant Mortality Rates	1,727,307	1,727,307
DHHS Program Expenditures		
05. Children's Health Services	1,287,619	1,287,619
06. Women's Health – Maternal Health	489,568	489,568
07. Women's and Children's Health – Perinatal Strategic Plan Support Position	81,112	81,112
08. State Center for Health Statistics	158,583	158,583
09. Health Promotion – Injury and Violence Prevention	87,271	87,271
DHHS Administration		
10. Division of Public Health Administration	340,646	340,646
11. Division of Child and Family Well-Being Administration	211,925	211,925
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	**$21,542,992**	**$21,542,992**
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Physical Activity and Prevention	$3,081,442	$3,081,442
DHHS Program Expenditures		
Division of Public Health		
02. HIV/STD Prevention and Community Planning	135,063	135,063
03. Oral Health Preventive Services	150,000	150,000

04. Injury and Violence Prevention (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	457,553	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.

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

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

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

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

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

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

SECTION 9M.1.(e1) The Department of Health and Human Services shall have the authority to realign appropriated funds under subsection (a) of this section for Item 01 or 02 in the Maternal and Child Health Block Grant to maintain federal compliance and programmatic alignment, so long as the realignment does not result in a reduction of funds designated for subrecipients under subsection (a) of this section. The Department of Health and Human Services

is authorized to realign appropriated funds between the Maternal and Child Health Block Grant categories as provided in this subsection without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services or without exceeding the total amount appropriated for the items.

SECTION 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 thirteen million two hundred nineteen thousand six hundred nineteen dollars ($13,219,619) 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 ($500,000) in each year of the 2025-2027 fiscal biennium shall be used to provide services for youth in foster care or the juvenile justice system.

SOCIAL SERVICES BLOCK GRANT

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

SECTION 9M.1.(m) The sum of two hundred eighty-five thousand six hundred twelve dollars ($285,612) appropriated in this act in the Social Services Block Grant 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 to support various child welfare training projects as follows:

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

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

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

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

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

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

SECTION 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 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 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 establish 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.

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

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

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

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 dollars ($3,000,000) for each year of the 2025-2027 fiscal biennium shall be allocated in equal amounts to the councils of governments in Alamance, Harnett, and Johnston Counties 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.

PART X. AGRICULTURE AND CONSUMER SERVICES

ADDITIONAL 2024 AGRICULTURAL DISASTER CROP LOSS PROGRAM FUNDING

SECTION 10.1.(a) Of the funds appropriated from the Stabilization and Inflation Reserve in this act, the nonrecurring sum of two hundred fifty million dollars ($250,000,000) for the 2025-2026 fiscal year shall be allocated to the Department of Agriculture and Consumer Services (Department) for the Agricultural Disaster Crop Loss Program (Program), established

in Section 2D.2(a) of S.L. 2025-2, for verifiable losses from an agricultural disaster in 2024, excluding Hurricane Helene.

SECTION 10.1.(b) Funds allocated to the Program under this section shall be subject to all requirements of Section 2D.2 of S.L. 2025-2. The Department shall include these funds in the reporting requirements set forth in Section 2D.2(i) of S.L. 2025-2. Section 2D.2(h) of S.L. 2025-2 does not apply to these funds.

SECTION 10.1.(c) Funds allocated to the Program under this section that are not expended or encumbered on the date the Program expires shall revert to the General Fund.

CONTINUATION OF AGRICULTURE MANUFACTURING AND PROCESSING INITIATIVE

SECTION 10.2.(a) Findings and Purpose. – The General Assembly finds that the lack of capacity for value-added processing of agricultural commodities near the farms where those commodities are produced in the State creates competitive disadvantages to North Carolina farmers by imposing increased transportation costs to remote commodity processing facilities and presenting economic barriers to farmers who wish to participate in the market for higher profit margin processed food products. The General Assembly further finds that grants to increase agricultural processing opportunities in the State will create jobs and increase local property tax bases in this State, will benefit agricultural and farming operations in the State with decreased costs and increased profit options, and are consistent with promoting agricultural operations, a vital sector of the State's economy. The purpose of this section is to fund and promote the establishment of value-adding agricultural manufacturing and food processing facilities across the State to fill existing gaps in the processing of agricultural products and to create a diverse and economically competitive array of high value-added goods and products manufactured in this State from agricultural products grown or produced in this State.

SECTION 10.2.(b) Funding. – Funds appropriated in this act to the Department of Agriculture and Consumer Services (Department) for the North Carolina Agricultural Manufacturing and Processing Initiative (NCAMPI) shall be used to provide grants to agriculture manufacturing facilities for site development, infrastructure (including water, wastewater, or transportation improvements), building construction or rehabilitation costs, or equipment. As a part of the application, applicants must demonstrate in a manner determined by the Department that they have applied for or otherwise sought other sources of applicable funding for the proposed project. New facilities and expansions of existing facilities will be eligible for grants under this subdivision. Shared-use facilities and incubators are ineligible for grants under this subdivision. Before entering into a grant agreement, the Department must find that the total benefits of the project to the State outweigh its anticipated costs and render the grant appropriate for the project.

SECTION 10.2.(c) Administration of Initiative. – In consultation with the nonprofit corporation with which the Department of Commerce contracts pursuant to G.S. 143B-431.01(b), the Department shall develop guidelines related to the administration of NCAMPI. The guidelines shall require a finding that a grant under this section is necessary for the construction or expansion of a facility to be used by a business entity (as that term is defined in G.S. 55-1-40) that will engage in agricultural manufacturing or processing activities in this State. At least 20 days before the effective date of any guidelines or nontechnical amendments to the guidelines, the Department shall publish the proposed guidelines on its website and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department shall accept oral and written comments on the proposed guidelines and shall, in its discretion, consider those comments before finalizing the guidelines. Guidelines adopted under this section shall not be subject to the requirements of Article 2A of Chapter 150B of the General Statutes and shall include all of the following:

(1) Criteria for evaluating grant applicants, including job creation, concentration of production of the agricultural product the facility will process in proximity to the proposed location, and reductions in (i) transportation costs and (ii) estimated damage rates for agricultural products created as a result of greater geographical proximity to the proposed manufacturing or processing facility.

(2) Criteria for determining grant eligibility, the amounts of awards, not to exceed five million dollars ($5,000,000) per facility, and the required cost-share for grant recipients. The Department may consider the economic development tier of the county of a grant recipient under G.S. 143B-437.08 in setting cost-share amounts.

SECTION 10.2.(d) Report. – Until all funds allocated by this section have been expended, the Department shall annually report no later than October 1 on NCAMPI activities during the prior fiscal year to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division. The report shall include, at a minimum, all of the following:

(1) Total amount of grants awarded.

(2) A list of award recipients and the amount awarded to each recipient.

(3) Matching funds required and provided by grant recipients.

(4) Activities to ready sites and associated costs.

(5) Any major employers located at an improved or acquired site.

(6) Any unallocated amount for grants remaining in the NCAMPI Fund.

(7) Assessment of additional remaining needs for agricultural manufacturing and processing facilities in the State.

SECTION 10.2.(e) Availability of Funds and Administrative Expenses. – Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, these funds shall not revert at the end of the fiscal year in which they are appropriated but shall remain available for the purposes set forth in this section. The Department may use up to three percent (3%) of the funds allocated by this section for administrative costs.

PART XI. COMMERCE

COMMUNITY DEVELOPMENT BLOCK GRANTS

SECTION 11.1.(a) Allocations. – Of the funds appropriated in this act for federal block grant funds, the following allocations are made for the fiscal years ending June 30, 2026, and June 30, 2027, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

1.	State Administration	$1,559,093
2.	Neighborhood Revitalization	7,516,037
3.	Economic Development	13,472,376
4.	Infrastructure	18,980,379
5.	Rural Community Development	4,745,094
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2026 Program Year		**$46,272,979**
	2027 Program Year	**$46,272,979.**

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

SECTION 11.1.(c) Availability Increase. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 11.1.(d) Reallocation. – The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds either of the following conditions exists:

(1) If a reallocation is required because of an emergency that poses an imminent threat to public health or public safety, then the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) If the State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, then the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 11.1.(e) Report. – By October 1, 2025, and September 1, 2026, the Department of Commerce shall report to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; the chairs of the Joint Legislative Economic Development and Global Engagement Oversight Committee; and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding, including information on the statewide need in each category.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 11.1.(f) Neighborhood Revitalization. – Funds allocated to the Neighborhood Revitalization Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by the United States Department of Housing and Urban Development (HUD):

(1) Essential repairs to prevent abandonment and deterioration of housing in low- and moderate-income neighborhoods.

(2) Demolition and rehabilitation of buildings and improvements.

(3) Public improvements, including parks, streets, sidewalks, and water and sewer lines.

SECTION 11.1.(g) Economic Development. – Funds allocated to the Economic Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by HUD:

(1) Acquisition of real property.
(2) Demolition and rehabilitation of buildings and improvements.
(3) Removal of material and architectural barriers.
(4) Public improvements, including parks, streets, sidewalks, and water and sewer lines.
(5) Loans and grants to public or private nonprofit entities for construction and rehabilitation activities.
(6) Assistance to private, for-profit entities for economic development.
(7) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
(8) Assistance to for-profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(h) Infrastructure. – For purposes of this section, eligible activities under the Infrastructure Category in subsection (a) of this section shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure." Notwithstanding the provisions of subsection (d) of this section, funds allocated to the Infrastructure Category in subsection (a) of this section shall not be reallocated to any other category.

SECTION 11.1.(i) Rural Community Development. – Funds allocated for the Rural Community Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. These funds shall provide grants that support community development and comprehensive growth projects to be awarded by the Department of Commerce. The Rural Community Development Category will provide grants to units of local government in development tier one and development tier two areas, as defined in G.S. 143B-437.08, and in rural census tracts, as defined in G.S. 143B-472.127(a)(2), in any other area to support projects that promote broad-based community development activities, increased local investment and economic growth, and stronger and more viable rural neighborhoods. In awarding grants under this section, preference shall be given to projects in development tier one areas, as defined in G.S. 143B-437.08. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by HUD:

(1) Essential repairs to prevent abandonment and deterioration of housing in low- and moderate-income neighborhoods.
(2) Public improvements, including parks, streets, sidewalks, and water and sewer lines.
(3) Public facilities, including neighborhood and community facilities and facilities for individuals with special needs.
(4) Public services, including employment, crime prevention, and energy conservation.
(5) Assistance to private, for-profit entities for economic development.
(6) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
(7) Assistance to for-profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(j) Deobligated Funds. – Throughout each year, deobligated funds arise in the various funding categories and program years of the Community Development Block

Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being canceled, or (iii) projects being required to repay funds. Surplus federal administrative funds in the CDBG program may vary from year to year based upon the amount of State-appropriated funds allocated and the amount of eligible in-kind funds identified. To allow the Department of Commerce and the Department of Environmental Quality to quickly deploy deobligated and surplus federal administrative funds as they are identified throughout the program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds:

(1) All surplus federal administrative funds shall be divided proportionally between the Departments of Commerce and Environmental Quality and shall be used as provided in subdivisions (2) and (3) of this subsection.

(2) All deobligated funds allocated to the Department of Commerce and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG Economic Development or Neighborhood Revitalization Program Category.

b. For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.

c. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

(3) All deobligated funds allocated to the Department of Environmental Quality and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG Infrastructure Category.

b. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 11.2.(a) The entities listed in subsection (b) of this section shall do the following for each year that State funds are expended:

(1) By September 1 of each year, and more frequently as requested, report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. If State funds are used to provide matching funds for competitive grants from the federal government or a nongovernmental entity, the report should include a list and description of the grants that are awarded.

(2) Provide to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

SECTION 11.2.(b) The following entities shall comply with the requirements of subsection (a) of this section:

(1) North Carolina Biotechnology Center.
(2) High Point Market Authority.
(3) RTI International.

NC BIOTECHNOLOGY CENTER

SECTION 11.3.(a) Except for the funds appropriated in subsection (b) of this section, funds appropriated in this act to the Department of Commerce for the North Carolina Biotechnology Center (Center) for each fiscal year in the 2025-2027 biennium shall be allocated for the following purposes in the following proportions:

(1) Twenty-one percent (21%) for job creation, including funding for the AgBiotech Initiative, economic and industrial development, and related activities.
(2) Sixty-five percent (65%) for science and commercialization, including science and technology development, Centers of Innovation, business and technology development, education and training, and related activities.
(3) Fourteen percent (14%) for Center operations, including administration, professional and technical assistance and oversight, corporate communications, human resource management, financial and grant administration, legal, and accounting.

SECTION 11.3.(b) Of the funds appropriated in this act to the Department of Commerce for the Center, one million dollars ($1,000,000) of recurring funds in each fiscal year of the biennium shall be used to support funding for early stage loans to North Carolina agricultural technology companies.

SECTION 11.3.(c) The Center shall not use any of the recurring funds allocated in subsection (b) of this section for administrative costs and shall report on the expenditure of those funds each year pursuant to Section 11.2 of this act.

SECTION 11.3.(d) The Center shall prioritize funding and distribution of loans over funding and distribution of grants.

SECTION 11.3.(e) Up to ten percent (10%) of the sum of each of the allocations in subsection (a) of this section may be reallocated to subdivision (a)(1) or subdivision (a)(2) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

MICRO-BUDGET PRODUCTIONS ACCOUNT AND FILM GRANT CHANGES

SECTION 11.3A.(a) G.S. 143B-437.02A reads as rewritten:

"**§ 143B-437.02A. The Film and Entertainment Grant Fund.**

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide funds to encourage the production of motion pictures, television shows, movies for television, productions intended for on-line distribution, and commercials and to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines may provide for the Secretary to award the grant proceeds over a period of time, not to exceed three years. Those guidelines shall include the following provisions, which shall apply to each grant from the account:

(1) The funds are reserved for a production on which the production company has qualifying expenses of at least the following:

…

b. For a production consisting of a series of episodes intended for on-line distribution or a television series, five hundred thousand dollars ($500,000) per episode.

…

(2) The funds are not used to provide a grant in excess of any of the following:

a. An amount more than twenty-five percent (25%) of the qualifying expenses for the production.

b. An amount more than ~~seven million dollars ($7,000,000)~~ twenty million dollars ($20,000,000) for a feature-length ~~film,~~ film or a single season of a production consisting of a series of episodes intended for on-line distribution, more than ~~fifteen million dollars ($15,000,000)~~ twenty-five million dollars ($25,000,000) for a single season of a television series, or two hundred fifty thousand dollars ($250,000) for a commercial for theatrical or television viewing or on-line distribution. The amount of a grant for the first season of a series, when added to any grant awarded for the pilot episode of that series, may not exceed twenty-five million dollars ($25,000,000).

(3) The funds are not used to provide a grant to more than one production company for a single production.

(4) The funds are not used to provide a grant for a production that meets one or more of the following:

…

f. It is a ~~talk, game,~~ talk show, recorded concert or other live performance event for theatrical or other release, or awards show or other gala event. For purposes of this exception, an awards show is television programming involving the filming of a ceremony in which individuals, groups, or organizations are given an award.

…

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

…

(3) Highly compensated individual. – An individual who directly or indirectly receives compensation in excess of ~~one million dollars ($1,000,000)~~ four million dollars ($4,000,000) for personal services with respect to a single production. An individual receives compensation indirectly when a production company pays a personal service company or an employee leasing company that pays the individual.

…

(5) Production. – Any of the following:

a. A motion picture intended for commercial distribution to a motion picture theater or directly to the consumer viewing market that has a running time of at least 75 minutes.

b. A television series or a commercial for theatrical or television viewing, made-for-television movie, or production intended for on-line distribution. For ~~video and~~ a television series, a production is all ~~of~~ the episodes of the series produced for a single season. For a production intended for on-line distribution, the production is all the episodes produced for a single calendar year, provided there are at least six episodes with an average running time of at least 20 minutes.

(6) Production company. – ~~Defined in G.S. 105-164.3.~~A person engaged in the business of making original motion pictures or video content for theatrical, commercial, advertising, or educational purposes.

(7) Qualifying expenses. – The sum of the amounts listed in this subdivision, substantiated pursuant to subsection (d) of this section, and spent in this State by a production company in connection with a production, less the amount paid in excess of ~~one million dollars ($1,000,000)~~ four million dollars ($4,000,000) to a highly compensated individual:

a. Goods and services leased or purchased. For goods with a purchase price of twenty-five thousand dollars ($25,000) or more, the amount included in qualifying expenses is the purchase price less the fair market value of the good at the time the production is completed. Goods and services includes the costs of tangible and intangible property used for, and services performed primarily and customarily in, production, including preproduction and postproduction and other direct costs of producing the project in accordance with generally accepted entertainment industry practices. Goods and services exclude ~~costs~~ the following:

1. Costs for development, marketing, and ~~distribution; costs~~ distribution.
2. Costs of financing for the production, of bonding related to the production, of production-related insurance coverage obtained on the ~~production; and expenses~~ production.
3. Expenses for insurance coverage purchased from a related member.
4. For game shows and productions that document purportedly unscripted real life situations primarily using unfamiliar people in lieu of professional actors, (i) costs for and value of prizes awarded and (ii) the fair market value of any item in the show intentionally or negligently used or destroyed for entertainment purposes immediately prior to its destruction or use.

…

(h) Micro-Budget Productions Account. – There is created in the Film and Entertainment Grant Fund a special, nonreverting account to be known as the Micro-Budget Productions Account to provide funds to encourage smaller productions to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines shall apply to each grant from the account and shall adhere to the provisions in this section, with the following modifications:

(1) The funds are reserved for a production on which the production company has qualifying expenses of at least fifty thousand dollars ($50,000) in the State but not more than one million four hundred ninety-nine thousand dollars ($1,499,000) for the production.

(2) The funds are not used to provide a grant in excess of (i) a base amount equal to the lesser of twenty percent (20%) of the qualifying expenses for the production or one hundred thousand dollars ($100,000) plus (ii) any of the following:

a. A bonus amount equal to five percent (5%) of the base amount if the production company provides qualified accounting showing at least seventy-five percent (75%) of the compensation and wages paid for the production was paid to North Carolina residents. For purposes of this sub-subdivision, "qualified accounting" by the production company includes both (i) withholding payments remitted to the Department of Revenue under Article 4A of Chapter 105 of the

General Statutes and (ii) payments for compensation to independent contractors reported using a Form 1099. In calculating whether the required percentage has been met, the following shall be included in compensation and wages: employee fringe contributions, including health, pension, and welfare contributions; per diems, stipends, and living allowances paid for work being performed in this State; and payments made to a loan out company for services provided in the State.

b. A bonus amount equal to (i) three percent (3%) if at least seventy-five percent (75%) of the filming occurred in development tier two and one areas or (ii) five percent (5%) if at least seventy-five percent (75%) of the filming occurred in a development tier one area. For purposes of this sub-subdivision, a "development tier area" is as defined in G.S. 143B-437.08.

(3) The funds are reserved for a production for which at least seventy-five percent (75%) of the filming occurred in the State by or with a production company with company headquarters, as defined in G.S. 143B-437.01, in this State.

(4) The funds are not contingent on the existence, proof, or guarantee of a distribution agreement.

(5) A production is not limited to feature-length films, television series, or commercials but can consist of short films, documentaries, or other similar audiovisual works intended for distribution that meet the requirements of this subsection.

(6) No grant may be awarded that, when considered together with other grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed the amount available in the Account."

SECTION 11.3A.(b) Of the funds appropriated to the Department of Commerce in this act, the Department shall allocate the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for each fiscal year of the 2025-2027 fiscal biennium to the Micro-Budget Productions Account established in subsection (a) of this section for purposes consistent with that Account.

SECTION 11.3A.(c) This section becomes effective July 1, 2025, and applies to grants made on or after that date.

TRANSFORMATIVE PROJECT BASE PERIOD FLEXIBILITY

SECTION 11.4.(a) Notwithstanding G.S. 143B-437.56, G.S. 143B-437.59, or any other provision of law, a qualifying business may request the resetting of, and the Committee may agree to reset, the base period applicable to the transformative project. For purposes of this section, the definitions in G.S. 143B-437.51 apply, and a qualifying business is a business that (i) has entered into an agreement for a transformative project, (ii) is not more than 48 months into the base period, (iii) is not currently in default, and (iv) has not received any grant payments.

SECTION 11.4.(b) This section is effective when it becomes law and expires June 30, 2026.

INCREASE ONE NC COMMITMENT AUTHORITY

SECTION 11.5.(a) G.S. 143B-437.71(b1) reads as rewritten:

"(b1) Awards. – The amounts committed in Governor's Letters issued in a single fiscal year may not exceed ~~seventeen million dollars ($17,000,000).~~ twenty million dollars ($20,000,000). Of the amount authorized in this subsection, three million dollars ($3,000,000) is reserved for agreements with local governments located in development tier three areas, as defined in

G.S. 143B-437.08, with total employment of 115,000 or less, using the data specified in G.S. 143B-437.52(c)(3)."

SECTION 11.5.(b) This section becomes effective July 1, 2025.

INCREASE UI MAX BENEFIT

SECTION 11.6.(a) To maintain the rule of law with respect to State and federal relations pertaining to employment security laws in North Carolina, any executive order issued by the Governor that purports to expand unemployment insurance benefits, whether those benefits will be paid from federal or State funds, is void ab initio unless the executive order is issued upon authority that is conferred expressly by an act enacted by the General Assembly or granted specifically to the Governor by the Congress of the United States.

SECTION 11.6.(b) Sections 1, 2, 3, and 4 of Executive Order No. 322, issued by the Governor on October 16, 2024, and concurred to by the Council of State, are ratified and shall terminate on March 1, 2025.

SECTION 11.6.(c) G.S. 96-14.2(a) reads as rewritten:

"(a) Weekly Benefit Amount. – The weekly benefit amount for an individual who is totally unemployed is an amount equal to the wages paid to the individual in the last two completed quarters of the individual's base period divided by 52 and rounded to the next lower whole dollar. If this amount is less than fifteen dollars ($15.00), the individual is not eligible for benefits. The weekly benefit amount may not exceed ~~three hundred fifty dollars ($350.00).~~four hundred dollars ($400.00)."

SECTION 11.6.(d) Subsection (c) of this section becomes effective July 6, 2025, and applies to claims for benefits filed on or after July 6, 2025. The remainder of this section is effective when it becomes law.

ENERGY SECURITY AND AFFORDABILITY

SECTION 11.7.(a) G.S. 62-110.9 reads as rewritten:

"**§ 62-110.9. Requirements concerning reductions in emissions of carbon dioxide from electric public utilities.**

The Utilities Commission shall take all reasonable steps to achieve ~~a seventy percent (70%)~~ reduction in emissions of carbon dioxide (CO2) emitted in the State from electric generating facilities owned or operated by electric public utilities ~~from 2005 levels by the year 2030 and~~ that result in carbon neutrality by the year 2050. For purposes of this section, (i) "electric public utility" means any electric public utility as defined in G.S. 62-3(23) serving at least 150,000 North Carolina retail jurisdictional customers as of January 1, 2021, and (ii) "carbon neutrality" means for every ton of CO2 emitted in the State from electric generating facilities owned or operated by or on behalf of electric public utilities, an equivalent amount of CO2 is reduced, removed, prevented, or offset, provided that the offsets are verifiable and do not exceed five percent (5%) of the authorized reduction goal. In achieving the authorized carbon reduction ~~goals,~~ goal, the Utilities Commission shall:

(1) Develop a plan, no later than December 31, ~~2022,~~ 2026, with the electric public utilities, including stakeholder input, for the utilities to achieve the authorized reduction ~~goals,~~ goal of carbon neutrality by the year 2050, which may, at a minimum, consider power generation, transmission and distribution, grid modernization, storage, energy efficiency measures, demand-side management, and the latest technological breakthroughs to achieve the least cost path consistent with this section to achieve compliance with the authorized carbon reduction ~~goals~~ goal (the "Carbon Plan"). The Carbon Plan shall be reviewed every two years and may be adjusted as necessary in the determination of the Commission and the electric public utilities.

(2) Comply with current law and practice with respect to the least cost planning for generation, pursuant to G.S. 62-2(a)(3a), in achieving the authorized carbon reduction ~~goals~~ goal and determining generation and resource mix for the future. Any new generation facilities or other resources selected by the Commission in order to achieve the authorized reduction ~~goals~~ goal for electric public utilities shall be owned and recovered on a cost of service basis by the applicable electric public utility except that:

a. Existing law shall apply with respect to energy efficiency measures and demand-side management.

b. To the extent that new solar generation is selected by the Commission, in adherence with least cost requirements, the solar generation selected shall be subject to the following: (i) forty-five percent (45%) of the total megawatts alternating current (MW AC) of any solar energy facilities established pursuant to this section shall be supplied through the execution of power purchase agreements with third parties pursuant to which the electric public utility purchases solar energy, capacity, and environmental and renewable attributes from solar energy facilities owned and operated by third parties that are 80 MW AC or less that commit to allow the procuring electric public utility rights to dispatch, operate, and control the solicited solar energy facilities in the same manner as the utility's own generating resources and (ii) fifty-five percent (55%) of the total MW AC of any solar energy facilities established pursuant to this section shall be supplied from solar energy facilities that are utility-built or purchased by the utility from third parties and owned and operated and recovered on a cost of service basis by the soliciting electric public utility. These ownership requirements shall be applicable to solar energy facilities (i) paired with energy storage and (ii) procured in connection with any voluntary customer program.

(3) Ensure any generation and resource changes maintain or improve upon the adequacy and reliability of the existing grid.

(4) Retain discretion to determine optimal timing and generation and resource-mix to achieve the least cost path to compliance with the authorized carbon reduction ~~goals,~~ goal, including discretion in achieving the authorized carbon reduction ~~goals~~ goal by the ~~dates~~ date specified in order to allow for implementation of solutions that would have a more significant and material impact on carbon reduction; provided, however, the Commission shall not exceed the ~~dates~~ date specified to achieve the authorized carbon reduction ~~goals~~ goal by more than two years, except in the event the Commission authorizes construction of a nuclear facility or wind energy facility that would require additional time for completion due to technical, legal, logistical, or other factors beyond the control of the electric public utility, or in the event necessary to maintain the adequacy and reliability of the existing grid. In making such determinations, the Utilities Commission shall receive and consider stakeholder input."

SECTION 11.7.(b) G.S. 62-110.1 reads as rewritten:

"**§ 62-110.1. Certificate for construction of generating facility; analysis of long-range needs for expansion of facilities; ongoing review of construction costs; inclusion of approved construction costs in rates.**

…

(e) As a condition for receiving a certificate, the applicant shall file an estimate of construction costs in such detail as the Commission may require. The Commission shall hold a public hearing on each application and no certificate shall be granted unless the Commission has approved the estimated construction costs and made a finding that construction will be consistent with the Commission's plan for expansion of electric generating capacity. A certificate for the construction of generating facility by an electric public utility, as that term is defined by G.S. 62-110.9, shall be granted only if the applicant demonstrates and the Commission finds that the facility is part of the least cost path to achieve compliance with the authorized carbon reduction ~~goals~~ goal in G.S. 62-110.9, will maintain or improve upon the adequacy and reliability of the existing grid, and that the construction and operation of the facility is in the public interest. In making its determination, the Commission shall consider resource and fuel diversity and reasonably anticipated future operating costs. Once the Commission grants a certificate, no public utility shall cancel construction of a generating unit or facility without approval from the Commission based upon a finding that the construction is no longer in the public interest.

…."

SECTION 11.7.(c) G.S. 62-133 reads as rewritten:

"**§ 62-133. How rates fixed.**

(a) In fixing the rates for any public utility subject to the provisions of this Chapter, other than bus companies, motor carriers and certain water and sewer utilities, the Commission shall fix such rates as shall be fair both to the public utilities and to the consumer.

(b) In fixing such rates, the Commission shall:

(1) Ascertain the reasonable original cost or the fair value under G.S. 62-133.1A of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within the State, less that portion of the cost that has been consumed by previous use recovered by depreciation expense. In addition, construction work in progress may be included in the cost of the public utility's property under any of the following circumstances:

a. To the extent the Commission considers inclusion in the public interest and necessary to the financial stability of the utility in question, reasonable and prudent expenditures for construction work in progress may be included, subject to the provisions of subdivision (4a) of this subsection.

b. For baseload electric generating facilities, reasonable and prudent expenditures shall be included pursuant to subdivisions (2) or (3) of G.S. 62-110.1(f1), whichever applies, subject to the provisions of subdivision (4a) of this subsection.

c. For baseload electric generating facilities, if the Commission determines there is an overall cost-savings for customers over the life of the generating facility and a baseload electric generating facility has been subject to an annual ongoing review process pursuant to G.S. 62-110.1(f), the Commission shall, upon determining through the ongoing review process that the expenditures were reasonably and prudently incurred, allow an increase in base rates outside of the rate-making processes established under this section or G.S. 62-133.16 to reflect solely the inclusion of such construction work in progress in the rate base, with the increase being effective 30 days after the Commission's order finding that the expenditures were reasonable and prudent.

…

(4a) Require each public utility to discontinue capitalization of the composite carrying cost of capital funds used to finance construction (allowance for funds) on the construction work in progress included in its rate based upon the effective date of the first and each subsequent general rate order issued with respect to it after the effective date of this subsection; allowance for funds may be capitalized with respect to expenditures for construction work in progress not included in the utility's property upon which the rates were fixed. In determining net operating income for return, the Commission shall not include any capitalized allowance for funds used during construction on the construction work in progress included in the utility's rate base.

…

(c) The original cost of the public utility's property, including its construction work in progress, shall be determined as of the end of the test period used in the hearing and the probable future revenues and expenses shall be based on the plant and equipment in operation at that time. If the public utility elects to establish rate base using fair value, the fair value determination of the public utility's property shall be made as provided in G.S. 62-133.1A, and the probable future revenues and expenses shall be based on the plant and equipment in operation at the end of the test period. The test period shall consist of 12 months' historical operating experience prior to the date the rates are proposed to become effective, but the Commission shall consider such relevant, material and competent evidence as may be offered by any party to the proceeding tending to show actual changes in costs, revenues or the cost of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within this State, including its construction work in progress, which is based upon circumstances and events occurring up to the time the hearing is closed.

…."

SECTION 11.7.(d) G.S. 62-110.1 reads as rewritten:

"**§ 62-110.1. Certificate for construction of generating facility; analysis of long-range needs for expansion of facilities; ongoing review of construction costs; inclusion of approved construction costs in rates.**

…

(f1) ~~The~~ Except as provided in G.S. 62-133(b)(1)c., the public utility shall recover through rates in a general rate case conducted pursuant to G.S. 62-133 the actual costs it has incurred in constructing a generating facility in reliance on a certificate issued under this section as provided in this subsection, unless new evidence is discovered (i) that could not have been discovered by due diligence at an earlier time and (ii) that reasonably tends to show that a previous determination by the Commission that a material item of cost was just and reasonable and prudently incurred was erroneous. If the Commission determines that evidence has been submitted that meets the requirements of this subsection, the public utility shall have the burden of proof to demonstrate that the material item of cost was in fact just and reasonable and prudently incurred.

(1) When a facility has been completed, and the construction of the facility has been subject to ongoing review under subsection (f) of this section, the reasonable and prudent costs of construction approved by the Commission during the ongoing review shall be included in the public utility's rate base without further review by the Commission.

(2) If a facility has not been completed, and the construction of the facility has been subject to ongoing review under subsection (f) of this section, the reasonable and prudent costs of construction approved by the Commission during the ongoing review shall be included in the public utility's rate base without further review by the Commission.

(3) If a facility is under construction or has been completed and the construction of the facility has not been subject to ongoing review under subsection (f) of this section, the costs of construction shall be included in the public utility's rate base if the Commission finds that the incurrence of these costs is reasonable and prudent.

(f2) If the construction of a facility is cancelled, including cancellation as a result of modification or revocation of the certificate under subsection (e1) of this section, and the construction of the facility has been subject to ongoing review under subsection (f), absent newly discovered evidence (i) that could not have been discovered by due diligence at an earlier time and (ii) that reasonably tends to show that a previous determination by the Commission that a material item of cost was just and reasonable and prudently incurred was erroneous, the public utility shall recover through rates in a general rate case conducted pursuant to G.S. 62-133 or as provided in G.S. 62-133(b)(1)c., the costs of construction approved by the Commission during the ongoing review that were actually incurred prior to cancellation, amortized over a reasonable time as determined by the Commission. In the general rate ~~case,~~ case, or a proceeding under G.S. 62-133(b)(1)c., the Commission shall make any adjustment that may be required because costs of construction previously added to the utility's rate base pursuant to subsection (f1) of this section are removed from the rate base and recovered in accordance with this subsection. Any costs of construction actually incurred, but not previously approved by the Commission, shall be recovered only if they are found by the Commission to be reasonable and prudent. If the Commission determines that evidence has been submitted that meets the requirements of this subsection, the public utility shall have the burden of proof to demonstrate that the material item of cost was just and reasonable and prudently incurred.

…."

SECTION 11.7.(e) G.S. 62-110.6 reads as rewritten:

"**§ 62-110.6. Rate recovery for construction costs of out-of-state electric generating facilities.**

(a) The Commission shall, upon petition of a public utility, determine the need for and, if need is established, approve an estimate of the construction costs and construction schedule for an electric generating facility in another state that is intended to serve retail customers in this State.

(b) The petition may be filed at any time after an application for a certificate or license for the construction of the facility has been filed in the state in which the facility will be sited. The petition shall contain a showing of need for the facility, an estimate of the construction costs, and the proposed construction schedule for the facility.

(c) The Commission shall conduct a public hearing to consider and determine the need for the facility and the reasonableness of the construction cost estimate and proposed construction schedule. If the Commission finds that the construction will be needed to assure the provision of adequate public utility service within North Carolina, the Commission shall approve a construction cost estimate and a construction schedule for the facility. In making its determinations under this section, the Commission may consider whether the state in which the facility will be sited has issued a certificate or license for construction of the facility and approved a construction cost estimate and construction schedule for the facility. The Commission shall issue its order not later than 180 days after the public utility files its petition.

(d) G.S. 62-110.1(f) shall apply to the construction cost estimate determined by the Commission to be appropriate, and the actual costs the public utility incurs in constructing the facility shall be recoverable through rates in a general rate case pursuant to G.S. 62-133 as provided in ~~G.S. 62-110.1(f1).~~G.S. 62-110.1(f1), or as provided in G.S. 62-133(b)(1)c.

(e) If the construction of a facility is cancelled, the public utility shall recover through rates in a general rate case conducted pursuant to ~~G.S. 62-133~~ G.S. 62-133, or as provided in G.S. 62-133(b)(1)c., the costs of construction that were actually incurred prior to the cancellation

and are found by the Commission to be reasonable and prudent, as provided in subsections (f2) and (f3) of G.S. 62-110.1."

SECTION 11.7.(f) This section is effective when it becomes law and applies to petitions for an increase to rates based on construction work in progress filed on or after that date.

PART XII. ENVIRONMENTAL QUALITY

DEQ BASE BUDGET CORRECTIONS

SECTION 12.1.(a) To ensure the Department of Environmental Quality's budget conforms with Chapter 143C of the General Statutes, the Department and the Office of State Budget and Management, in consultation with the Fiscal Research Division, shall take all of the following actions prior to the certification of the 2025-2027 budget under G.S. 143C-6-1(c):

(1) Remove all negative appropriations from the base budget.
(2) Remove all negative full-time equivalent positions from the base budget.
(3) Budget all one-time grants on a nonrecurring basis.
(4) Remove all intergovernmental transfers from "Other Admin Expenses."
(5) Budget all intergovernmental transfers as such with the correct amount receipted to the corresponding expenditure.
(6) Correctly budget the base budget corrections enacted in the "Current Operations Appropriations Act of 2023" (S.L. 2023-134).
(7) Accurately budget all special funds to not budget the expenditure of cash balances that do not exist.

SECTION 12.1.(b) No budgetary action by the Department in accordance with subsection (a) of this section shall increase the Department's net General Fund appropriation.

SECTION 12.1.(c) The Department shall report to the Fiscal Research Division on all actions taken under this section within 30 days of the effective date of this act. This report may be in the form of a revised "Worksheet I."

WATER AND WASTEWATER FUNDING DIRECTIVES

2021 AND 2022 WATER AND WASTEWATER PROJECTS FROM STATE FISCAL RECOVERY FUNDS PRIORITIZATION

SECTION 12.2.(a) Directive. – Recipients of funding from the State Fiscal Recovery Fund for water, wastewater, and stormwater projects under Sections 12.13 and 12.14 of S.L. 2021-180, as amended, or Section 12.9 of S.L. 2022-74, as amended, shall prioritize spending those funds prior to spending funds from other State or federal sources for other water, wastewater, and stormwater projects. The Department of Environmental Quality and the Office of State Budget and Management shall not approve payments or transfer funds for new water, wastewater, and stormwater project funding through State or federal sources unless the recipient for funding is meeting all milestones necessary to spend their funding from the State Fiscal Recovery Fund prior to December 31, 2026.

2023 WATER AND WASTEWATER GENERAL FUND DEADLINES

SECTION 12.2.(b) Deadlines for Project Completions. – Recipients of funding for projects under Section 12.2(e) of S.L. 2023-134 shall comply with the following schedule:

(1) No later than December 31, 2027, provide to the Department of Environmental Quality (Department) a completed request for funding form with a project budget that describes a project that is eligible for funding under applicable State or federal law and consistent with the purposes for the funding as set forth in Section 12.2(e) of S.L. 2023-134.

(2) No later than December 31, 2029, enter into a construction contract for the project.

(3) No later than June 30, 2032, expend all funding allocated under Section 12.2(e) of S.L. 2023-134.

SECTION 12.2.(c) Extension of Deadline. – The Department may extend the applicable deadline set forth in subsection (b) of this section and set a new deadline with a date certain, if the Department finds good cause for the recipient of funding failing to meet the applicable deadline.

SECTION 12.2.(d) Reversion of Unspent Funds. – If a recipient for funding under Section 12.2(e) of S.L. 2023-134 (i) fails to meet any of the deadlines set forth in subsection (b) or (c) of this section or (ii) complies with the applicable deadline but there remains unexpended or unbudgeted funds in excess of the needs of the eligible project, then unencumbered funds shall revert in accordance with Section 12.2(c) of S.L. 2023-134 on the next business day after the applicable deadline has passed.

SECTION 12.2.(e) Reallocation of Reverted Funds. – In reallocating funds reverted under subsection (d) of this section, the Department shall prioritize other projects that are allocated funds under Section 12.2(e) of S.L. 2023-134 that the State Water Infrastructure Authority finds can no longer be completed due to unavoidable cost overruns. For purposes of this subsection, an unavoidable cost overrun is an increase in the cost of a project since September 1, 2023, due to increases in labor, material, or engineering costs for the project as described in the first request for funding submitted to the Department after that date. A change in project size or scope is not an unavoidable cost overrun.

SECTION 12.2.(f) Reporting Requirement. – Beginning October 30, 2025, and no later than 30 days after the end of each subsequent quarter thereafter, the Department shall report to (i) the chairs of the House Appropriations Committee on Agriculture and Natural and Economic Resources, (ii) the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, (iii) each member who represents a district with an active project under Section 12.2(e) of S.L. 2023-134, and (iv) the Fiscal Research Division detailing, at a minimum, each project's progress and funding status. This reporting requirement expires when all funds are expended and those projects are completed.

EXPAND ELIGIBILITY FOR TARGETED INTEREST RATE LOANS FROM WASTEWATER AND DRINKING WATER RESERVES

SECTION 12.2.(g) G.S. 159G-20 reads as rewritten:

"**§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

…

(21) Targeted interest rate project. – ~~Either~~ Any of the following types of projects:

a. A project that is awarded a loan from the Drinking Water Reserve or the Wastewater Reserve based on affordability.

b. A project that is awarded a loan from the CWSRF or the DWSRF and is in a category for which federal law encourages a special focus.

c. A project the Authority finds will (i) encourage owners of single or multifamily residential property to replace failing decentralized wastewater treatment systems with connection to a publicly owned treatment works, (ii) be located in a county subject to a state of emergency, as defined in G.S. 166A-19.3, with respect to projects intended to repair, ameliorate, or mitigate impacts of the disaster resulting in the state of emergency declaration, or (iii) meet requirements for federal programs that will result in the drawdown of additional federal funds.

…."

RAISE LIMITS FOR CERTAIN GRANTS FROM WASTEWATER AND DRINKING WATER RESERVES

SECTION 12.2.(h) G.S. 159G-36(c) reads as rewritten:

"(c) Certain Reserve Recipient Limit. – The following limits apply to the loan or grant types made from the Wastewater Reserve or the Drinking Water Reserve to the same local government unit or nonprofit water corporation:

(1) The amount of loans awarded for a fiscal year may not exceed three million dollars ($3,000,000).

(2) The amount of loans awarded for three consecutive fiscal years for targeted interest rate projects may not exceed three million dollars ($3,000,000).

(3) The amount of project grants awarded for three consecutive fiscal years may not exceed three million dollars ($3,000,000).

(4) The amount of merger/regionalization feasibility grants awarded for three consecutive fiscal years may not exceed ~~fifty thousand dollars ($50,000).~~seventy-five thousand dollars ($75,000).

(5) The amount of asset inventory and assessment grants awarded for three consecutive fiscal years may not exceed ~~one hundred fifty thousand dollars ($150,000).~~two hundred twenty-five thousand dollars ($225,000)."

ELIGIBILITY FOR FEDERAL DECENTRALIZED WASTEWATER FUNDING

SECTION 12.2.(i) The following entities are eligible to apply for a loan or grant from funds appropriated in this act to the Clean Water State Revolving Fund for decentralized wastewater treatment systems:

(1) A local government unit or a nonprofit water corporation, as defined in G.S. 159G-20.

(2) A Community Development Finance Institution or a nonprofit organization that provides financing assistance to homeowners to repair or replace decentralized wastewater systems in North Carolina.

2025 WATER SAFETY ACT

PFAS MITIGATION GRANTS

SECTION 12.3.(a) Mitigation Grants. – Article 9 of Chapter 130A of the General Statutes is amended by adding a new Part to read:

"Part 9. PFAS Mitigation.

"**§ 130A-310.80. Definitions.**

In addition to the definitions in G.S. 130A-2 and G.S. 130A-290, the following definitions apply in this Part:

(1) Distressed unit. – As defined in G.S. 159G-20.

(2) Fund. – The PFAS Mitigation Fund established in G.S. 130A-310.84.

(3) PFAS. – Per- and polyfluoroalkyl substances, including perfluorooctanoic acid (PFOA), perfluorooctanesulfonate (PFOS), hexafluoropropylene oxide dimer acid (HFPO-DA, also known as GenX), perfluorohexanesulfonic acid (PFHxS), perfluorononanoic acid (PFNA), and perfluorobutanesulfonic acid (PFBS).

(4) PFAS precursors. – PFAS, PAP (polyfluoroalkyl phosphate esters), FTA (fire training area), FTS (6:2-fluorotelomersulfonic acid), and FBSA (perfluorobutane sulfonamide).

(5) SWIA. – The State Water Infrastructure Authority established in Article 5 of Chapter 159G of the General Statutes.

"**§ 130A-310.82. Purpose.**

The purpose of this Part is to provide funding to support the mitigation of the impacts of PFAS on local public water and wastewater systems.

"**§ 130A-310.84. PFAS Mitigation Fund.**

(a) Fund Established. – The PFAS Mitigation Fund is established within the Department. The purpose of the Fund is to support statewide efforts to detect, reduce, mitigate, and prevent exposure to PFAS and PFAS precursors and to support scientific research and technology development related to PFAS removal, treatment, monitoring, and precursor identification. The fund consists of any funds appropriated to it by the General Assembly, and grants from federal agencies or other non-State entities.

(b) Uses of Fund. – The Fund may only be used by SWIA to provide grants to units of local government operating public water or wastewater treatment systems for any of the following:

(1) PFAS sampling and monitoring in drinking water, wastewater, surface water, and groundwater.

(2) Installation or upgrade of water treatment technologies for PFAS removal.

(c) Funding Criteria and Oversight. – SWIA shall establish criteria and application procedures for local PFAS response grants and shall prioritize grants to public water systems and public wastewater systems (i) for which contamination from PFAS has caused the greatest impacts on public health and the environment and (ii) that are, or meet the criteria to be categorized as, a distressed unit.

(d) Report. – SWIA shall report annually as a part of the report required by G.S. 159G-72 regarding projects funded under this section. The report shall include the project type (sampling and monitoring, treatment technologies, or emergency response), the project recipient, a brief description of the project, and the amount of funding provided."

SECTION 12.3.(b) Conforming Change. – G.S. 159G-71 reads as rewritten:

"**§ 159G-71. State Water Infrastructure Authority; powers and duties.**

The Authority has the following additional duties:

…

(13) To award grants to mitigate the impacts of PFAS on local public water and wastewater systems."

SECTION 12.3.(c) Funding. – Funds appropriated in this act from the Stabilization and Inflation Reserve (SIR) established in Section 2.2(q) of S.L. 2022-74 to the Department of Environmental Quality are allocated to the PFAS Mitigation Fund established in Part 9 of Article 9 of Chapter 130A of the General Statutes, as enacted by subsection (a) of this section.

COLLABORATORY RESEARCH GRANTS

SECTION 12.3.(d) PFAS Research Funding. – Funds appropriated in this act from the SIR to the North Carolina Collaboratory at the University of North Carolina (Collaboratory) shall be used to support scientific research on PFAS and PFAS precursors, as defined in G.S. 130A-310.80, conducted by or in collaboration with public or nonprofit academic institutions, including any of the following:

(1) Detection methods for known and emerging PFAS and PFAS precursors.

(2) Fate and transport of PFAS and PFAS precursors in environmental media.

(3) Innovative PFAS remediation, filtration, removal, and destruction technologies.

(4) Public health and toxicological impact assessments of PFAS and PFAS precursors.

(5) Evaluation of the health impacts of PFAS mixtures found in the State's drinking water to more closely model real-world public health scenarios.

(6) Replacement compounds for PFAS and PFAS precursors.

SECTION 12.3.(e) Directive. – The Collaboratory shall consult with affected stakeholders, scientific experts, and State and local officials to ensure funding is targeted to research in areas of highest environmental and public health impact.

SECTION 12.3.(f) Report. – The Collaboratory shall include in the report required by G.S. 116-256 documentation of its use of the funds allocated by this section and updates regarding the research funded by this section.

ALGAL BLOOM PROTECTION

SECTION 12.5.(a) Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part to read:

"Part 8E. Algal Control Grant Program.

"**§ 143-215.73N. Algal Control Grant Program.**

(a) Program; Purpose. – The Department of Environmental Quality shall establish the Algal Control Grant Program (Program) to assist units of local government with the control, prevention, and abatement of harmful algal blooms caused by cyanobacteria at public watercraft launching or docking areas. The Department shall adopt rules for the disbursement of the grants pursuant to this section.

(b) Grants. – To the extent funds are made available for the Program, the Department shall award units of local government grants on a first-come, first-served basis, in accordance with this section. The Department shall prioritize awarding grants to units of local government that did not receive an award pursuant to the Program in the previous fiscal year. No entity shall receive more than one grant per fiscal year. The Department shall establish criteria for initial and continuing eligibility for participating entities.

(c) Local Match Requirement. – Units of local government shall match grant funds received under this section in accordance with this subsection. A local match may include cash, fee waivers, in-kind services, the donation of assets, the provision of infrastructure, or a combination of these. Units of local government shall provide matching contributions as follows:

(1) For a local government in a development tier one area, as defined in G.S. 143B-437.08, the State shall provide no more than three dollars ($3.00) for every one dollar ($1.00) provided by the local government.

(2) For a local government in a development tier two area, as defined in G.S. 143B-437.08, the State shall provide no more than two dollars ($2.00) for every one dollar ($1.00) provided by the local government.

(3) For a local government in a development tier three area, as defined in G.S. 143B-437.08, the State shall provide no more than one dollar ($1.00) for every one dollar ($1.00) provided by the local government.

(d) Reporting. – No later than October 1, 2026, and every year thereafter that funds are made available for the Program, the Department shall report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources on the entities receiving grants under the Program; the specific control, prevention, and abatement methods conducted with the funds; and the impact of the Program on protecting the waters of the State from harmful algal blooms in the previous fiscal year.

(e) Administrative Expenses. – The Department may use up to one hundred thousand dollars ($100,000) in each fiscal year for administrative expenses."

SECTION 12.5.(b) G.S. 143-215.73F(b) is amended by adding a new subdivision to read:

"(2a) To provide funding for grants issued pursuant to the Algal Control Grant Program under Part 8E of Article 21 of this Chapter. Funding for algal control

projects is limited to one million two hundred thousand dollars ($1,200,000) in each fiscal year."

BEACH AND INLET MANAGEMENT PLAN AND REPORT

SECTION 12.6.(a) Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part 8E, to be entitled "Beach and Inlet Management Planning." Section 4.9 of S.L. 2017-10 is repealed. Section 13.9 of S.L. 2000-67 is codified within Part 8E, as follows:

(1) Section 13.9(a) is codified as G.S. 143-215.73N, to be entitled "Findings."
(2) Sections 13.9(b), 13.9(c), and 13.9(d) are codified as subsections (a), (b), and (c) of G.S. 143-215.73O, to be entitled "Beach and inlet management plan."
(3) Section 13.9(e) is repealed.
(4) Section 13.9(f) is codified as G.S. 143-215.73P, to be entitled "Federal funds; matching."

SECTION 12.6.(b) Part 8E of Article 21 of Chapter 143 of the General Statutes, as enacted by subsection (a) of this section, reads as rewritten:

"Part 8E. Beach and Inlet Management Planning.

"**§ 143-215.73N. Findings.**

The General Assembly makes the following findings:

(1) North Carolina has 320 miles of ocean beach, including some of the most pristine and attractive beaches in the country.
(2) The balance between economic development and quality of life in North Carolina has made our coast one of the most desirable along the Atlantic Seaboard.
(3) North Carolina's beaches are vital to the State's tourism industry.
(4) North Carolina's beaches belong to all the State's citizens and provide recreational and economic benefits to our residents statewide.
(5) Beach erosion can threaten the economic viability of coastal communities and can significantly affect State tax revenues.
(6) The Atlantic Seaboard is vulnerable to hurricanes and other coastal storms, and it is prudent to take precautions such as beach nourishment that protect and conserve the State's beaches and reduce property damage and flooding.
(7) Beach renourishment as an erosion control method provides hurricane flood protection, enhances the attractiveness of beaches to tourists, restores habitat for turtles, shorebirds, and plants, and provides additional public access to beaches.
(8) Federal policy previously favored and assisted voluntary movement of structures threatened by erosion, but this assistance is no longer available.
(9) Relocation of structures threatened by erosion is sometimes the best available remedy for the property owner and is in the public interest.
(10) Public parking and public access areas are needed for use by the general public to enable their enjoyment of North Carolina's beaches.
(11) Acquisition of high erosion hazard property by local or State agencies can reduce risk to citizens and property, reduce costs to insurance policyholders, improve public access to beaches and waterways, and protect the environment.
(12) Beach nourishment projects such as those at Wrightsville Beach and Carolina Beach have been very successful and greatly reduced property damage during ~~Hurricane Fran.~~hurricanes and other coastal storms that have impacted the State's coast.
(13) Because local beach communities derive the primary benefits from the presence of adequate beaches, a program of beach management and

restoration should not be accomplished without a commitment of local funds to combat the problem of beach erosion.

(14) ~~The~~ With limited exceptions, the State of North Carolina prohibits seawalls and hardening the shoreline to prevent destroying the public's beaches.

(15) Beach nourishment is encouraged by both the Coastal Resources Commission and the U.S. Army Corps of Engineers as a method to control beach erosion.

(16) The Department of ~~Environment and Natural Resources~~ Environmental Quality has statutory authority to assist local governments in financing beach nourishment projects and is the sponsor of several federal navigation projects that result in dredging beach-quality sand.

(17) It is declared to be a necessary governmental responsibility to properly manage and protect North Carolina's beaches from erosion and that good planning is needed to assure a cost-effective and equitable approach to beach management and restoration, and that as part of a comprehensive response to beach erosion, sound policies are needed to facilitate the ability of landowners to move threatened structures and to allow public acquisition of appropriate parcels of land for public beach access.

"**§ 143-215.73O. Beach and inlet management plan.**

(a) The Department of ~~Environment and Natural Resources~~ Environmental Quality shall compile and evaluate information on the current conditions and erosion rates of beaches, on coastal geology, and on storm and erosion hazards for use in developing a State plan and strategy for beach management and restoration. The Department of ~~Environment and Natural Resources~~ Environmental Quality shall make this information available to local governments for use in land-use planning.

(b) The Department of Environment and Natural Resources shall develop a multiyear beach management and restoration strategy and plan that does all of the following:

(1) Utilizes the data and expertise available in the Divisions of Water Resources, Coastal Management, and Energy, Mineral, and Land Resources.

(2) Identifies the erosion rate at each beach community and estimates the degree of vulnerability to storm and hurricane damage.

(3) Uses the best available geological and geographical information to determine the need for and probable effectiveness of beach nourishment.

(4) Provides for coordination with the U.S. Army Corps of Engineers, the North Carolina Department of Transportation, the North Carolina Division of Emergency Management, and other State and federal agencies concerned with beach management issues.

(5) Provides a status report on all U.S. Army Corps of Engineers' beach protection projects in the planning, construction, or operational stages.

(6) Makes maximum feasible use of suitable sand dredged from navigation channels for beach nourishment to avoid the loss of this resource and to reduce equipment mobilization costs.

(7) Promotes inlet sand bypassing where needed to replicate the natural flow of sand interrupted by inlets.

(8) Provides for geological and environmental assessments to locate suitable materials for beach nourishment.

(9) Considers the regional context of beach communities to determine the most cost-effective approach to beach nourishment.

(10) Provides for and requires adequate public beach access, including handicapped access.

(11) Recommends priorities for State funding for beach nourishment projects, based on the amount of erosion occurring, the potential damage to property

and to the economy, the benefits for recreation and tourism, the adequacy of public access, the availability of local government matching funds, the status of project planning, the adequacy of project engineering, the cost-effectiveness of the project, and the environmental impacts.

(11a) Includes a four-year cycle of planned maintenance and resiliency projects for the State's beaches and inlets.

(12) Includes recommendations on obtaining the maximum available federal financial assistance for beach nourishment.

(13) Is subject to a public hearing to receive citizen input.

(c) Each plan shall be as complete as resources and available information allow. The Department of ~~Environment and Natural Resources~~ Environmental Quality shall revise the plan every two years and shall submit the revised plan to the General Assembly no later than March 1 of each odd-numbered year. The Department may issue a supplement to the plan in even-numbered years if significant new information becomes available.

"**§ 143-215.73P. Federal funds; matching.**

In the event that federal funds become available for planning and developing shore protection projects, the State shall match those funds in accordance with the funding guidelines set out in G.S. 143-215.71."

SECTION 12.6.(c) The Department of Environmental Quality shall provide an interim report no later than March 1, 2026, on its progress toward updating the beach and inlet management plan and meeting the March 1, 2027, deadline set forth in G.S. 143-215.73O(c), as enacted by subsection (b) of this section. The report shall be provided to the Environmental Review Commission, the Joint Legislative Oversight Commission on Agriculture and Natural and Economic Resources, and the Fiscal Research Division.

DOWNSTREAM INUNDATION MAPS

SECTION 12.7.(a) G.S. 143-215.31 reads as rewritten:

"**§ 143-215.31. Supervision over maintenance and operation of dams.**

…

(a1) The owner of a dam classified by the Department as a high-hazard dam or an intermediate-hazard dam shall develop an Emergency Action Plan for the dam as provided in this subsection:

…

(6) Information included in an Emergency Action Plan that constitutes sensitive public security information, as provided in G.S. 132-1.7, shall be maintained as confidential information and shall not be subject to disclosure under the Public Records Act. For purposes of this section, "sensitive public security information" ~~shall include~~ includes Critical Energy Infrastructure Information protected from disclosure under rules adopted by the Federal Energy Regulatory Commission in ~~18 C.F.R. § 388.112.~~18 C.F.R. § 388.112, but does not include Emergency Action Plans or downstream inundation maps associated with impoundments or dams not regulated by the Federal Emergency Regulatory Commission.

…."

SECTION 12.7.(b) G.S. 143-215.32A reads as rewritten:

"**§ 143-215.32A. Dam Safety Emergency Fund.**

(a) Establishment; Purpose. – There is established the Dam Safety Emergency Fund within the Department, as set forth in this section. The Fund shall be used to defray expenses incurred by the Department in developing and implementing an emergency dam safety remedial plan and assessing overtopping risk for high hazard and intermediate hazard dams.

(b) Eligible Expenses. – The Fund may be used for the following expenses:

(1) Developing and implementing an emergency dam safety remedial plan that has been approved by the Department, including expenses incurred to contract with any third party for services related to plan development or implementation.

(2) Performing overtopping studies for dams categorized by the Department as high hazard or intermediate hazard for which the Department currently has no or inadequate overtopping risk information.

(3) Provision of technical assistance to dam owners or operators with downstream inundation mapping requirements for dams categorized by the Department as high hazard or intermediate hazard.

…."

SECTION 12.7.(c) G.S. 66-58 reads as rewritten:

"**§ 66-58. Sale of merchandise or services by governmental units.**

(a) Except as provided in this section, it is unlawful for any unit, department, or agency of the State government, or any division or subdivision of the unit, department, or agency, or any individual employee or employees of the unit, department, or agency in his, her, or their capacity as employee or employees thereof to engage directly or indirectly in the sale of goods, wares, or merchandise in competition with citizens of the State, or to engage in the operation of restaurants, cafeterias or other eating places in any building owned by or leased in the name of the State, or to maintain service establishments for the rendering of services to the public ordinarily and customarily rendered by private enterprises, or to provide transportation services, or to contract with any person, firm, or corporation for the operation or rendering of the businesses or services on behalf of the unit, department, or agency, or to purchase for or sell to any person, firm, or corporation any article of merchandise in competition with private enterprise. The leasing or subleasing of space in any building owned, leased, or operated by any unit, department, agency, division, or subdivision of the State for the purpose of operating or rendering of any of the businesses or services referred to in this section is prohibited.

…

(c) The provisions of subsection (a) of this section shall not prohibit:

…

(23) Assistance with the creation of downstream inundation maps required for the preparation of Emergency Action Plans, as required by G.S. 143-215.31(a1), provided by the Department of Environmental Quality to owners or operators of high-hazard dams."

AUTHORIZE THE ENVIRONMENTAL MANAGEMENT COMMISSION TO EMPLOY INDEPENDENT STAFF

SECTION 12.8. G.S. 143B-283 reads as rewritten:

"**§ 143B-283. Environmental Management Commission – members; selection; removal; compensation; quorum; services.**

…

(b4) ~~Administrative Support. All clerical and other services required by the Commission shall be supplied by the Secretary of Environmental Quality.~~Commission Staff, Structure, and Function. –

(1) The Commission is authorized and empowered to employ professional, administrative, technical, and clerical personnel as the Commission may determine to be necessary in the proper discharge of the Commission's duty and responsibility as provided by law. The chair shall organize and direct the work of the Commission staff.

(2) The salaries and compensation of all such personnel shall be fixed in the manner provided by law for fixing and regulating salaries and compensation by other State agencies.

(3) The chair, within allowed budgetary limits and as allowed by law, shall authorize and approve travel, subsistence, and related expenses of such personnel incurred while traveling on official business.

…."

NO SECOND BITE FOR STORMWATER PERMITTING REVIEW

SECTION 12.9. G.S. 143-214.7(b6) reads as rewritten:

"(b6) Permitting under the authority granted to the Commission by this section shall comply with the procedures and time lines set forth in this subsection. For any development necessitating stormwater measures subject to this section, applications for new permits, permit modifications, permit transfers, permit renewals, and decisions to deny an application for a new permit, permit modification, transfer, or renewal shall be in writing. Where the Commission has provided a digital submission option, such submission shall constitute a written submission. The Commission shall act on a permit application as quickly as possible. The Commission may conduct any inquiry or investigation it considers necessary before acting on an application and may require an applicant to submit plans, specifications, and other information the Commission considers necessary to evaluate the application. If the Commission fails to act on an application for a permit or for a renewal of a permit as specified in this subsection after the applicant submits all information required by the Commission, the application shall be deemed approved without modification. ~~[The following provisions apply:]~~The following provisions apply:

(1) The Commission shall perform an administrative review of a new application and of a resubmittal of an application determined to be incomplete under subdivision (3) of this subsection within 10 working days of receipt to determine if the information is administratively complete. If complete, the Commission shall issue a receipt letter or electronic response stating that the application is complete and that a 70-calendar day technical review period has started as of the original date the application was received. If required items or information is not included, the application shall be deemed incomplete, and the Commission shall issue an application receipt letter or electronic response identifying the information required to complete the application package before the technical review begins. When the required information is received, the Commission shall then issue a receipt letter or electronic response specifying that it is complete and that the 70-calendar day review period has started as of the date of receipt of all required information. The Commission shall develop an application package checklist identifying the items and information required for an application to be considered administratively complete. After issuing a letter or electronic response requesting additional information under this subdivision, the Commission shall not subsequently request additional information that was not previously identified as missing or required in that additional information letter or electronic response.

…."

UST EXPRESS CERTIFICATION

SECTION 12.10.(a) G.S. 143-215.94U reads as rewritten:

"**§ 143-215.94U. Registration of petroleum commercial underground storage tanks; operation of petroleum underground storage tanks; operating permit required.**

(a) The owner or operator of each petroleum commercial underground storage tank shall annually obtain an operating permit from the Department for the facility at which the tank is located. The Department shall issue an operating permit only if the owner or operator has done all of the following:

(1) Notified the Department of the existence of all tanks as required by 40 Code of Federal Regulations § 280.22 (1 July 1994 Edition) or 42 U.S.C. § 6991a, if applicable, at the facility.

…

(7) Received certification from the Department for all commercial petroleum underground storage tanks installed or replaced at the facility.

(8) If applicable, paid all fees related to express certification of newly installed or replaced tanks.

…."

SECTION 12.10.(b) G.S. 143B-279.13 reads as rewritten:

"**§ 143B-279.13. Express permit and certification reviews.**

(a) The Department of Environmental Quality shall develop an express review program to provide express permit and certification reviews in all of its regional offices. Participation in the express review program is voluntary, and the program shall be supported by the fees determined pursuant to subsection (b) of this section. The Department of Environmental Quality shall determine the project applications to review under the express review program from those who request to participate in the program. The express review program may be applied to any one or all of the permits, approvals, or certifications in the following programs: the erosion and sedimentation control program, the coastal management program, and the water quality programs, including water quality certifications and stormwater management. The express review program shall focus on the following permits or certifications:

…

(6) Underground storage tanks installation and replacement certifications under Part 2B of Article 21A of Chapter 143 of the General Statutes."

…

(b) The Department of Environmental Quality shall set the fees for express application review under the express review program at a level sufficient to cover all program expenses. Notwithstanding G.S. 143-215.3D, the maximum permit application fee to be charged under subsection (a) of this section for the express review of a project application requiring all of the permits under subdivisions (1) through (5) of subsection (a) of this section shall not exceed five thousand five hundred dollars ($5,500). Notwithstanding G.S. 143-215.3D, the maximum permit application fee to be charged for the express review of a project application requiring all of the permits under subdivisions (1) through (4) of subsection (a) of this section shall not exceed four thousand five hundred dollars ($4,500). Notwithstanding G.S. 143-215.3D, the maximum permit application fee charged for the express review of a project application for any other combination of permits under subdivisions (1) through (5) of subsection (a) of this section shall not exceed four thousand dollars ($4,000). The maximum permit application fee to be charged for the express review of a project application under subdivision (6) of subsection (a) of this section shall not exceed four thousand dollars ($4,000).

(b1) As set forth in subsection (a1) of this section, express review of a project application involving additional permits or certifications issued by the Department of Environmental Quality other than those under subdivisions (1) through (5) of subsection (a) of this section may be allowed by the Department, and, notwithstanding G.S. 143-215.3D or any other statute or rule that sets a permit fee, the maximum permit application fee charged for the express review of a project application that includes a permit, approval, or certification designated for express review under subsection (a1) of this section shall not exceed four thousand dollars ($4,000), plus one

hundred fifty percent (150%) of the fee that would otherwise apply by statute or rule for that particular permit, approval, or certification.

(b2) Additional fees, not to exceed fifty percent (50%) of the original permit application fee under this section, may be charged for subsequent reviews due to the insufficiency of the permit applications.

(b3) The Department of Environmental Quality may establish the procedure by which the amount of the fees under this subsection is determined, and the fees and procedures are not rules under G.S. 150B-2(8a) for the express review program under this section.

…."

ESTABLISH NON-TITLE V FEES IN STATUTE

SECTION 12.11. G.S. 143-215.3(a)(1b) reads as rewritten:

"(1b) ~~The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing an application for a permit under G.S. 143-215.108 and G.S. 143-215.109 of Article 21B of this Chapter may not exceed five hundred dollars ($500.00).~~ The Department shall charge permit fees pursuant to G.S. 143-215.3(a)(1a) to non-Title V facilities subject to permitting under G.S. 143-215.108 and G.S. 143-215.109 of Article 21B of this Chapter according to the following schedule:

a. For facilities seeking federally enforceable limits to avoid Title V permitting, application fees of eight hundred dollars ($800.00) and annual fees of three thousand seventy dollars ($3,070).

b. For facilities with a potential to emit below Title V thresholds, except for general permits, application fees of one hundred dollars ($100.00) and annual fees of four hundred dollars ($400.00).

c. The fee for an ownership change shall be fifty dollars ($50.00).

d. The Department may provide a discount of up to twenty-five percent (25%) on annual fees authorized by sub-subdivisions a. and b. of this subdivision.

The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing a registration under Part 2A of this Article or Article 38 of this Chapter may not exceed fifty dollars ($50.00) for any single registration. An additional fee of twenty percent (20%) of the registration processing fee may be assessed for a late registration under Article 38 of this Chapter. The fee for administering and compliance monitoring under Article 21, other than Parts 1 and 1A, ~~and G.S. 143-215.108 and G.S. 143-215.109 of Article 21B~~ shall be charged on an annual basis for each year of the permit term and may not exceed one thousand five hundred dollars ($1,500) per year. Fees for processing all permits under Article 21A ~~and all other sections of Article 21B~~ shall not exceed one hundred dollars ($100.00) for any single permit. The total payment for fees that are set by the Commission under this subsection for all permits for any single facility shall not exceed seven thousand five hundred dollars ($7,500) per year, which amount shall include all application fees and fees for administration and compliance monitoring. A single facility is defined to be any contiguous area under one ownership and in which permitted activities occur. For all permits issued under these Articles where a fee schedule is not specified in the statutes, the Commission, or other commission specified by statute shall adopt a fee schedule in a rule following the procedures established by the Administrative Procedure Act. Fee schedules shall be established to reflect the size of the emission or discharge, the potential impact on the environment, the staff costs involved, relative costs of the issuance of new

permits and the reissuance of existing permits, and shall include adequate safeguards to prevent unusual fee assessments which would result in serious economic burden on an individual applicant. A system shall be considered to allow consolidated annual payments for persons with multiple permits. In its rulemaking to establish fee schedules, the Commission is also directed to consider a method of rewarding facilities which achieve full compliance with administrative and self-monitoring reporting requirements, and to consider, in those cases where the cost of renewal or amendment of a permit is less than for the original permit, a lower fee for the renewal or amendment."

CLARIFY BIENNIAL FEE ADJUSTMENT REQUIREMENTS

SECTION 12.12.(a) G.S. 143B-279.19 reads as rewritten:

"**§ 143B-279.19. ~~Quadriennial~~ Biennial adjustment of certain fees and rates.**

(a) Adjustment for Legislatively Mandated Salaries and Benefits. – Beginning July 1, 2025, and every ~~four~~ two years thereafter, the Department shall adjust the fees and rates imposed pursuant to the statutes listed in this subsection in accordance with the Consumer Price Index computed by the Bureau of Labor Statistics (CPI) during the prior ~~two bienniums.~~ biennium; provided, however, that any increase in a fee or rate under this subsection shall not exceed the cost of the service being provided. If a fee or rate was increased during the prior biennium by the enactment of a general law, the adjustment under this subsection shall reflect only the change in the CPI since that enactment. The adjustment for per transaction rates shall be rounded to the nearest dollar ($1.00):

(1) G.S. 74-54.1.
(2) G.S. 90A-42.
(3) G.S. 90A-47.4.
(4) G.S. 113A-54.2.
(5) G.S. 113A-119.1.
(6) G.S. 130A-291.1.
(7) G.S. 130A-294.1.
(8) G.S. 130A-295.8.
(9) G.S. 130A-310.9.
(10) G.S. 130A-310.39.
(11) G.S. 130A-310.76.
(12) G.S. 130A-328(b).
(13) G.S. 130A-328(c).
(13a) G.S. 143-215.3(1b).
(14) G.S. 143-215.3D.
(15) G.S. 143-215.10G.
(16) G.S. 143-215.28A
(17) G.S. 143-215.94C.
(18) G.S. 143-215.119.
(19) G.S. 143-215.125A.
(20) G.S. 143B-279.13.

…."

SECTION 12.12.(b) This section is effective June 30, 2025.

DEQ PERMITTING TRANSPARENCY

SECTION 12.13. The Department of Environmental Quality shall track and report on the work hours, duties, and output of its employees whose job description includes permitting duties (permitting employees). On a quarterly basis, the Department of Environmental Quality shall prepare and submit a performance report of its permitting employees to the Joint Legislative

Commission on Governmental Operations and the Office of the State Auditor. The report shall include all of the following information for each permitting employee:

(1) Position title and number.
(2) If the employee has been in the position for less than six months, an indication of this fact on the report.
(3) Total hours worked during the quarter.
(4) Total hours worked on permitting-related activities.
(5) If permitting-related activities account for less than ninety percent (90%) of the employee's quarterly work hours, a brief list of other duties performed.
(6) All permit applications approved or denied, including all of the following information for each application:
    a. Applicant name.
    b. Type of permit.
    c. Date application was received.
    d. Duration of information request period.
    e. Date permit was issued or denied.

PART XIII. LABOR [RESERVED]

PART XIV. NATURAL AND CULTURAL RESOURCES

NC SYMPHONY CHALLENGE GRANT

SECTION 14.1.(a) Of the funds appropriated in this act to the Department of Natural and Cultural Resources, the sum of two million dollars ($2,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium shall be allocated to the North Carolina Symphony as provided in this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least seven million dollars ($7,000,000) in non-State funds for the 2025-2026 fiscal year and seven million dollars ($7,000,000) in non-State funds for the 2026-2027 fiscal year. The North Carolina Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fundraising targets set out in subsections (b) and (c) of this section.

SECTION 14.1.(b) For the 2025-2026 fiscal year, the North Carolina Symphony shall receive allocations from the Department of Natural and Cultural Resources as follows:

(1) Upon raising the initial sum of two million dollars ($2,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).
(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of four million dollars ($4,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).
(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of seven million dollars ($7,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2025-2026 fiscal year.

SECTION 14.1.(c) For the 2026-2027 fiscal year, the North Carolina Symphony shall receive allocations from the Department of Natural and Cultural Resources as follows:

(1) Upon raising the initial sum of two million dollars ($2,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).
(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of four million dollars ($4,000,000) in

non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).

(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of seven million dollars ($7,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2026-2027 fiscal year.

SUNDAY OPENING STATE HISTORIC SITE PILOT PROGRAM

SECTION 14.2.(a) Program Established. – Funds appropriated in this act to the Department of Natural and Cultural Resources (Department) for the Sunday Opening State Historic Site Pilot Program (Program) shall be used by the Department to open and operate the following State Historic Sites on Sundays during each site's peak season:

(1) Bentonville Battlefield.
(2) Brunswick Town/Fort Anderson.
(3) CSS Neuse.
(4) Charlotte Hawkins Brown Museum.
(5) Fort Fisher.
(6) Governor Charles B. Aycock Birthplace.
(7) Historic Bath.
(8) Historic Edenton.
(9) Historic Halifax.
(10) North Carolina State Capitol.
(11) Reed Gold Mine.
(12) Roanoke Island Festival Park.
(13) Somerset Place.
(14) Thomas Day State Historic Site.

SECTION 14.2.(b) Notice. – The Department shall publish, update, or provide notice of the new operating hours pursuant to the Program established in subsection (a) of this section.

SECTION 14.2.(c) Reports. – The Department shall submit the following reports to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources:

(1) By October 1, 2026, an interim report with (i) actual costs by site during the 2025-2026 fiscal year, (ii) Sunday visitation numbers by site during the 2025-2026 fiscal year, and (iii) preliminary recommendations.
(2) By April 1, 2027, an interim report with any funding recommendations the Department has for the upcoming biennium.
(3) By October 1, 2027, a final report on the implementation of the Program.

AQUARIUM AND ZOO REPAIR AND RENOVATION PROJECT AUTHORIZATION

SECTION 14.3.(a) G.S. 143B-135.188 reads as rewritten:

"**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

…

(d) Approval. – The Secretary may approve the use of the North Carolina Aquariums Fund for repair and renovation projects at the aquariums-related facilities that comply with the following:

(1) The total project cost is less than ~~five hundred thousand dollars ($500,000).~~seven hundred fifty thousand dollars ($750,000).
(2) The project meets the requirements of G.S. 143C-8-13(a).
(3) The project is paid for from funds appropriated to the Fund.
(4) The project does not obligate the State to provide increased recurring funding for operations.

…."

SECTION 14.3.(b) G.S. 143B-135.209 reads as rewritten:

"**§ 143B-135.209. North Carolina Zoo Fund.**

…

(c) Approval. – The Secretary may approve the use of the North Carolina Zoo Fund for repair and renovation projects at the North Carolina Zoological Park that comply with the following:

(1) The total project cost is less than ~~five hundred thousand dollars ($500,000).~~seven hundred fifty thousand dollars ($750,000).

(2) The project meets the criteria to be classified as a repair or renovation under G.S. 143C-8-13(a).

(3) The project is paid for from funds appropriated to the Fund.

(4) The project does not obligate the State to provide increased recurring funding for operations.

…."

EXTENDED LEASE TERMS FOR STATE RECREATION AREAS

SECTION 14.4. Pursuant to G.S. 146-29(b), the General Assembly authorizes the Department of Natural and Cultural Resources to enter into leases for a period greater than 30 years, but no more than 50 years, of lands owned by the federal government and managed by the Department as the Falls Lake, Jordan Lake, and Kerr Lake State Recreation Areas.

UNDERWATER ARCHEOLOGY HOBBY LICENSE

SECTION 14.5.(a) Article 3 of Chapter 121 of the General Statutes is amended by adding a new section to read:

"**§ 121-25.2. Underwater archaeology hobby license.**

(a) Hobby License Established. – The underwater archaeology hobby license authorizes licensees to conduct noncommercial exploration of abandoned shipwrecks and the bottoms of the navigable waters of the State and to recover by hand underwater archaeological artifacts to which the State has title under G.S. 121-22. This license shall be issued to individual State residents and nonresidents for terms of either one year or three years, at the option of the applicant.

(b) Restrictions. – Holders of a hobby license shall not do any of the following:

(1) Recover or remove more than 10 underwater archaeological artifacts per day.

(2) Recover or remove archaeological artifacts buried deeper than 3 inches below the upper substrate of the bottoms of navigable waters.

(3) Recover or remove underwater archaeological artifacts that are too fragile or structurally unstable to be conserved intact.

(4) Recover or remove underwater archaeological artifacts using mechanical dredging or lifting devices.

(5) Use magnetic devices to explore abandoned shipwreck sites.

(6) Destroy, rearrange, alter, or interfere with the structural integrity of an abandoned shipwreck, including moving or removing timbers, fittings, fastenings, or machinery.

(7) Explore, access, or recover artifacts from any of the following:

a. Sites that the Department has authorized persons to conduct exploration, recovery, or salvage operations pursuant to a permit issued under G.S. 121-25.

b. Sites listed on the National Register of Historic Places or the North Carolina Register of Historic Places.

c. Any site managed by and under the jurisdiction of a federal agency, unless the licensee has obtained prior permission from that federal agency.

d. Any site that the Department has closed to the public for the purpose of conducting or supervising the surveillance, protection, preservation, survey, or systematic underwater archaeological recovery of underwater materials defined in G.S. 121-22.

(c) Reporting Requirements. –

(1) Post-retrieval report. – Holders of a hobby license shall submit to the Department a post-retrieval report no later than 10 days following the end of the calendar quarter in which the licensee recovered underwater archaeological artifacts. The post-retrieval report shall include a list of each artifact recovered, including a description of the artifact and the location where the artifact was removed, and any additional information required by the Department.

(2) Annual report. – Holders of a hobby license shall submit an annual report to the Department by December 31 of each year that includes a description of the exploration and recovery activities carried out by the licensee during the calendar year, and any additional information required by the Department. Licensees shall submit an annual report even if the licensee did not engage in any exploration activities during the calendar year.

(d) Relinquishment of Title. – Notwithstanding G.S. 121-4(12) or any other law pertaining to the disposition of State property, the Department shall review each post-retrieval report submitted by a licensee and, no later than 60 days after receiving a post-retrieval report, shall relinquish title held by the State to all underwater archaeological artifacts recovered pursuant to this section and properly documented in a post-retrieval report submitted by the licensee; provided, however, that the Department may decline to relinquish title upon determining that the licensee violated any provision of this section or any rules adopted by the Department pursuant to this section.

(e) Grounds for Suspension, Revocation, or Denial of a Hobby License. – The Department may deny, suspend, or revoke a hobby license for any of the following reasons:

(1) The employment of fraud, deceit, or misrepresentation in obtaining or attempting to obtain a license or the renewal of a license.

(2) A history of conviction of a State or federal crime that bears upon an individual's fitness to conduct activities related to the exploration, surveillance, protection, preservation, and archeological recovery of property subject to the exclusive dominion and control of the State under G.S. 121-22, as determined by the Department pursuant to G.S. 121-25.1.

(3) A history of noncompliance with this Article or any rules adopted by the Department, any conditions of a hobby license or permit issued by the Department under G.S. 121-25, or any other State or federal law pertaining to the exploration, recovery, or salvage of archeological or historic sites.

(4) Selling any underwater archaeological artifacts recovered pursuant to this section.

(f) Fees. – The Department may establish fees for issuing and renewing hobby licenses, but those fees shall not exceed the following amounts:

(1) One-year hobby license:

a. State Residents $20.00.

b. Nonresidents $30.00.

(2) Three-year hobby license:

a. State Residents $50.00.

b. Nonresidents $75.00."

SECTION 14.5.(b) G.S. 121-25 reads as rewritten:

"**§ 121-25. License to conduct exploration, recovery or salvage operations.**

(a) ~~Any~~ Except as provided in G.S. 121-25.2, any qualified person, firm or corporation desiring to conduct any type of exploration, recovery or salvage operations, in the course of which any part of a derelict vessel or its contents or other archaeological site may be removed, displaced or destroyed, shall first make application to the Department of Natural and Cultural Resources and obtain a permit or license to conduct such operations. If the Department of Natural and Cultural Resources shall find that the granting of such permit or license is in the best interest of the State, it may grant such applicant a permit or license for such a period of time and under such conditions as the Department may deem to be in the best interest of the State. Such permit or license may include but need not be limited to any of the following:

(1) Payment of monetary fee to be set by the Department.
(2) That a portion or all of the historic material or artifacts be delivered to custody and possession of the Department.
(3) That a portion of all of such relics or artifacts may be sold or retained by the licensee.
(4) That a portion or all of such relics or artifacts may be sold or traded by the Department.

Permits or licenses may be renewed upon or prior to expiration upon such terms as the applicant and the Department may mutually agree. Holders of permits or licenses shall be responsible for obtaining permission of any federal agencies having jurisdiction, including the United States Coast Guard, the United States Department of the Navy and the United States Army Corps of Engineers prior to conducting any salvaging operations.

…."

SECTION 14.5.(c) G.S. 121-25.1 reads as rewritten:

"**§ 121-25.1. Criminal record checks of applicants for permit or license.**

(a) The following definitions apply to this section:

(1) Applicant. – A person or entity applying for a permit or license under G.S. 121-25 or G.S. 121-25.2 to conduct any type of exploration, recovery, or salvage operations of any part of a derelict vessel or its contents or other archaeological site.

…."

SECTION 14.5.(d) G.S. 121-26 reads as rewritten:

"**§ 121-26. Funds received by Department under ~~§ 121-25.~~Article 3.**

Any funds which may be paid to or received by the Department of Natural and Cultural Resources under the terms of G.S. 121-25 ~~hereof~~ or G.S. 121-25.2 may be allocated for use by the Department of Natural and Cultural Resources for continuing its duties under this Article, subject to the approval of the Department of Administration."

SECTION 14.5.(e) The Department of Natural and Cultural Resources shall adopt rules to implement this section.

TOPSAIL ISLAND PRESERVATION FUNDS

SECTION 14.6. Funds appropriated in this act to the Department of Natural and Cultural Resources (DNCR) for a directed grant to the North Carolina Coastal Land Trust (Trust) for the acquisition of land on Topsail Island are intended to supplement and not supplant funds from other sources. If the Trust obtains alternative funds from any source for the purpose described in this section, the Trust shall remit the funds to the DNCR in the same amount as the alternative funds received. The Trust is not required to remit any amount in excess of the State funds provided to it under this section. DNCR shall transfer these funds to the General Fund.

AMERICAN BATTLEFIELD TRUST – EXPANSION

SECTION 14.7. Notwithstanding the Committee Report described in Section 43.2 of S.L. 2023-134 (Committee Report), the five million dollars ($5,000,000) in interest transferred from the State Fiscal Recovery Reserve to the American Battlefield Trust (Trust) on page D98 of the Committee Report may also be used for the preservation of historic battlefield land at any site in the State identified by the National Park Service as a preservation priority in reports to Congress in 1993, 2007, and 2010.

PART XV. WILDLIFE RESOURCES COMMISSION

YOUTH OUTDOOR ENGAGEMENT COMMISSION

SECTION 15.1.(a) G.S. 105-113.128 reads as rewritten:

"**§ 105-113.128. Use of tax proceeds.**

The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue and reimbursement to the Lottery Commission for administrative expenses, in accordance with this section. The Secretary may retain the cost of administering this Article, not to exceed five hundred thousand dollars ($500,000) a year, as reimbursement to the Department. The Lottery Commission shall, no later than 20 days after the end of the month, notify the Department of its unreimbursed expenses from administering the provisions of Article 9 of Chapter 18C of the General Statutes from the previous month. The Department shall reimburse the Lottery Commission from the tax revenues collected under this Article no later than the end of the month in which the Department was notified. The remainder of the net proceeds of the tax collected under this Article are to be credited in the following priority:

…

(4) One million dollars ($1,000,000) annually to the North Carolina Youth Outdoor Engagement Commission for grants, in the discretion of the Commission, as ~~follows:~~provided in sub-subdivisions a. and b. of this subdivision. The Commission may use up to three percent (3%) of the funds credited to it under this subdivision for administrative expenses and for purposes otherwise consistent with the North Carolina Youth Outdoor Engagement Commission executive director's responsibilities under G.S. 143B-344.62. The funds credited to the Commission under this subdivision shall be allocated and used for the following:

a. Grants not to exceed five thousand dollars ($5,000) per sporting team or group per county per year requesting grant assistance to travel to in-State or out-of-state sporting events.

b. Incentive grants not to exceed twenty-five thousand dollars ($25,000) to attract State, regional, area, and national sporting events, tournaments, and programs for nonprofessional sporting participants in programs administered by city, county, and local school administrative units, or appropriate nonprofit organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Code as determined by the North Carolina Youth Outdoor Engagement Commission.

…."

SECTION 15.1.(b) Part 36 of Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-344.63. Commission may accept gifts.**

The North Carolina Youth Outdoor Engagement Commission is hereby authorized to accept gifts, donations, or contributions from any source, which funds shall be held in a separate account within the North Carolina Youth Outdoor Engagement Fund and shall be administered by, and

used solely for purposes consistent with the mission of, the North Carolina Youth Outdoor Engagement Commission."

SECTION 15.1.(c) This section becomes effective July 1, 2025, and applies to tax proceeds collected under Article 2E of Chapter 105 of the General Statutes on or after that date.

PART XVI. ADMINISTRATIVE OFFICE OF THE COURTS

COLLECTION OF WORTHLESS CHECKS

SECTION 16.1. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2025, for the purchase or repair of office or information technology equipment during the 2025-2026 fiscal year and may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2026, for the purchase or repair of office or information technology equipment during the 2026-2027 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

SPLIT OF DISTRICT COURT DISTRICT 43

SECTION 16.2.(a) G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
…		
~~43~~43A	~~7~~3	Cherokee
		Clay
		Graham
		~~Haywood~~
		~~Jackson~~
		Macon
		~~Swain.~~Swain
43B	4	Haywood
		Jackson."

SECTION 16.2.(b) This section becomes effective January 1, 2026, and elections conducted in 2026 shall be held accordingly.

SPLIT PROSECUTORIAL DISTRICT 43 INTO DISTRICTS 43A AND 43B

SECTION 16.2A.(a) G.S. 7A-60, as amended by Section 16.4 of this act, reads as rewritten:

"**§ 7A-60. District attorneys and prosecutorial districts.**

…

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
…		
~~43~~43A	Cherokee, Clay, Graham, ~~Haywood, Jackson,~~ Macon, Swain	~~16~~7

		~~Swain.~~	
	43B	Haywood, Jackson.	9

…."

SECTION 16.2A.(b) This section becomes effective January 1, 2027, and elections in 2026 shall be held accordingly.

SPLIT SUPERIOR COURT DISTRICT 5 INTO 5A AND 5B

SECTION 16.2B.(a) G.S. 7A-41 reads as rewritten:

"**§ 7A-41. Superior court divisions and districts; judges.**

(a) The counties of the State are organized into judicial divisions and superior court districts, and each superior court district has the counties, and the number of regular resident superior court judges set forth in the following table, and for districts of less than a whole county, as set out in subsection (b) of this section:

Judicial Division	Superior Court District	Counties	No. of Resident Judges
…			
Second	~~5~~5A	Duplin, Jones, ~~Onslow,~~ Sampson	~~2~~1
Second	5B	Onslow	1
…			

~~(b1) The qualified voters of District 5 shall elect all judges established for District 5 in subsection (a) of this section, but only persons who reside in Onslow County may be candidates for one of the judgeships and only persons who reside in Duplin, Jones, or Sampson County may be candidates for the remaining judgeship.~~

…."

SECTION 16.2B.(b) This section becomes effective January 1, 2026, and subsequent elections for judgeships in Superior Court Districts 5A and 5B shall be held accordingly.

INCREASE MAGISTRATES IN VARIOUS COUNTIES

SECTION 16.3. G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min.	Additional Seats of Court
…		
Burke	~~5.6~~6	
…		
Davidson	~~9~~10	Thomasville
…		
Durham	~~18~~17	
…		
Forsyth	~~20~~21	Kernersville
…		
Iredell	~~9~~10	Mooresville
…		
New Hanover	~~14~~15	
…		
Wilson	~~7~~8	

…."

ADDITIONAL ASSISTANT DISTRICT ATTORNEYS IN VARIOUS COUNTIES

SECTION 16.4.(a) G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
…		
8	Edgecombe, Nash, Wilson	~~22~~25
9	Greene, Lenoir, Wayne	~~16~~17
10	Wake	~~44~~49
11	Franklin, Granville, Person Vance, Warren	~~18~~19
12	Harnett, Lee	~~12~~14
…		
14	Cumberland	~~25~~31
15	Bladen, Brunswick, Columbus	~~16~~17
…		
17	Alamance	~~12~~14
…		
20	Robeson	~~13~~19
21	Anson, Richmond, Scotland	~~11~~12
22	Caswell, Rockingham	~~9~~10
…		
24	Guilford	~~40~~41
…		
26	Mecklenburg	~~61~~71
…		
28	Montgomery, Stanly	~~6~~8
…		
36	Burke, Caldwell, Catawba	~~21~~24
…		
39	Cleveland, Lincoln	~~13~~15
40	Buncombe	~~14~~17
41	McDowell, Rutherford	~~8~~9
…		
43	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain."	~~15~~16

SECTION 16.4.(b) Notwithstanding any provision of this act or the Committee Report described in Section 45.2 of this act to the contrary, the funds appropriated in this act to the Administrative Office of the Courts under Budget Code 100072 funding new assistant district attorney positions shall be increased by the sum of nine hundred seventy-four thousand one hundred six dollars ($974,106) in recurring funds beginning in the 2025-2026 fiscal year and twenty-two thousand five hundred twelve dollars ($22,512) in nonrecurring funds for the 2025-2026 fiscal year.

SECTION 16.4.(c) Notwithstanding any provision of this act or the Committee Report described in Section 45.2 of this act to the contrary, the funds appropriated in this act to the Future Building Reserve under Budget Code 19050 shall be decreased by the sum of nine hundred seventy-four thousand one hundred six dollars ($974,106) in recurring funds beginning in the 2025-2026 fiscal year and twenty-two thousand five hundred twelve dollars ($22,512) in nonrecurring funds for the 2025-2026 fiscal year.

DELINEATE LOCATION OF NEW DEPUTY CLERK POSITIONS

SECTION 16.5. Of the funds appropriated in this act to the Administrative Office of the Courts to be used to hire deputy clerk positions, 28 of the positions shall be allocated in accordance with the following chart:

COUNTY	NUMBER OF DEPUTY CLERKS
Bladen	1
Brunswick	1
Burke	1
Chatham	1
Columbus	1
Craven	1
Cumberland	1
Currituck	1
Franklin	1
Johnston	1
McDowell	1
Mecklenburg	1
Onslow	4
Pender	1
Robeson	1
Rockingham	1
Rutherford	1
Scotland	1
Union	1
Wake	1
Wilson	5.

MODIFY GENERAL COURT OF JUSTICE COSTS

SECTION 16.6.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section. No court may waive or remit all or part of any court fines or costs without providing notice and opportunity to be heard by all government entities directly affected. The court shall provide notice to the government entities directly affected of (i) the date and time of the hearing and (ii) the right to be heard and make an objection to the remission or waiver of all or part of the order of court costs at least 15 days prior to hearing. Notice shall be made to the government entities affected by first-class mail to the address provided for receipt of court costs paid pursuant to the order. The costs referenced in this subsection are listed below:

…

(4) For support of the General Court of Justice, the sum of one hundred ~~forty-seven~~ seventy-seven dollars and fifty cents ~~($147.50)~~ ($177.50) in the district court, including cases before a magistrate, and the sum of one hundred ~~fifty-four~~ eighty-four dollars and fifty cents ~~($154.50)~~ ($184.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

…."

SECTION 16.6.(b) G.S. 7A-305 reads as rewritten:

"**§ 7A-305. Costs in civil actions.**

(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

…

(2) For support of the General Court of Justice, the sum of ~~one~~ two hundred ~~eighty~~ ten dollars ~~($180.00)~~ ($210.00) in the superior court and the sum of one hundred ~~thirty~~ sixty dollars ~~($130.00)~~ ($160.00) in the district court except that if the case is assigned to a magistrate the sum shall be ~~eighty~~ one hundred ten dollars ~~($80.00).~~ ($110.00). If a case is designated as a mandatory complex business case under G.S. 7A-45.4, upon assignment to a Business Court Judge, the party filing the designation shall pay an additional one thousand one hundred thirty dollars ~~($1,100)~~ ($1,130) for support of the General Court of Justice. If a case is designated as a complex business case under Rule 2.1 and Rule 2.2 of the General Rules of Practice for the Superior and District Courts, upon assignment to a Business Court Judge, the plaintiff shall pay an additional one thousand one hundred thirty dollars ~~($1,100)~~ ($1,130) for support of the General Court of Justice. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

…

(a5) In every civil action in the superior or district court wherein a party files a pleading containing one or more counterclaims, third-party complaints, or cross-claims, except for counterclaim and cross-claim actions brought under Chapter 50B of the General Statutes for which costs are assessed pursuant to subsection (a1) of this section, the following shall be assessed:

…

(3) For support of the General Court of Justice, the sum of ~~one~~ two hundred ~~eighty~~ ten dollars ~~($180.00)~~ ($210.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, filing fees shall be collected and disbursed in accordance with subsection (a) of this section, and the sum of one hundred ~~thirty~~ sixty dollars ~~($130.00)~~ ($160.00) in the district court, except that if the case is assigned to a magistrate, the sum shall be ~~eighty~~ one hundred ten dollars ~~($80.00).~~ ($110.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ninety-five cents ($.95)

of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

…."

SECTION 16.6.(c) This section becomes effective December 1, 2025, and applies to costs assessed on or after that date.

MODIFY CIVIL REVOCATION FEE

SECTION 16.7.(a) G.S. 20-16.5(j) reads as rewritten:

"(j) Costs. – Unless the magistrate or judge orders the revocation rescinded, a person whose license is revoked under this section must pay a fee of ~~one~~ two hundred dollars ~~($100.00)~~ ($200.00) as costs for the action before the person's license may be returned under subsection (h) of this section. Fifty percent (50%) of the costs collected under this section shall be credited to the General Fund. Twenty-five percent (25%) of the costs collected under this section shall be used to fund a statewide chemical alcohol testing program administered by the Injury Control Section of the Department of Health and Human Services. The remaining twenty-five percent (25%) of the costs collected under this section shall be remitted to the county for the sole purpose of reimbursing the county for jail expenses incurred due to enforcement of the impaired driving laws."

SECTION 16.7.(b) This section is effective December 1, 2025, and applies to fees assessed on or after that date.

REDUCE ONE SPECIAL SUPERIOR COURT JUDGE POSITION

SECTION 16.8.(a) G.S. 7A-45.1 is amended by adding a new subsection to read:

"(a14) Notwithstanding any other provision of this section, the special superior court judgeship filled by appointment of the Governor and previously held by State position number: 60006166, as of December 31, 2024, is abolished."

SECTION 16.8.(b) Subsection (a) of this section is effective when it becomes law and applies to all cases and matters assigned to this judgeship on or after that date. The remainder of this section is effective when it becomes law.

MODIFY REVERSION AND REPORTING DATES FOR CERTAIN HUMAN TRAFFICKING COMMISSION GRANTS

SECTION 16.9. G.S. 7A-354.1 reads as rewritten:

"**§ 7A-354.1. Human Trafficking Commission Competitive Grant Program.**

…

(c) Grant ~~Maximum.~~ Maximum, Amount, and Term. – The Commission shall set the maximum amount of each grant based upon the availability of funds, provided that no grantee shall receive more than fifty thousand dollars ($50,000) in grant funds in each State fiscal year. The term of each grant shall be for two fiscal years comprising a State budget biennium. Grant funds and any interest earned on those funds in the possession or control of a grantee that are not expended, made subject to an encumbrance, or disbursed to a subgrantee by August 31 of the fiscal year following the grant term shall revert to the State.

(d) Grantee Reporting. – No later than ~~February 1~~ August 31 of each year following a year in which a grantee received funds pursuant to the Grant Program created under this section, each grantee shall submit a report to the Commission that includes all of the following:

…

(e) Commission Reporting. – No later than ~~April 1~~ October 31 of each year, the Commission shall submit a report on the grants awarded in the previous year to the Senate Appropriations Committee on Justice and Public Safety, the House of Representatives Appropriations Committee on Justice and Public Safety, the Joint Legislative Oversight

Committee on Justice and Public Safety, and the Fiscal Research Division. The report shall contain all of the following:

…."

SALE OF MAINFRAME AND RELATED TECHNOLOGY COMPONENTS

SECTION 16.10.(a) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4), or any other law pertaining to surplus State property, the Administrative Office of the Courts may sell its mainframe computing system and any related components on terms that the Administrative Office of the Courts deems to be in its best interest without involvement by the State Surplus Property Agency designated in G.S. 143-64.01 and without being required to pay any service charge or surcharge to the State Surplus Property Agency. The net proceeds of this sale shall be deposited in the State Treasury for transfer into the Court Information Technology Fund established by G.S. 7A-343.2.

SECTION 16.10.(b) This section is effective when it becomes law.

TEMPORARILY REVISE LAW GOVERNING ELECTRONIC SIGNATURES OF COURT DOCUMENTS

SECTION 16.11.(a) Notwithstanding any provision of law or rule to the contrary, the chief district court judge and the senior resident superior court judge of their respective districts may provide by rule for the court's manual signature of any orders, judgments, decrees, or other documents to be filed by the court.

SECTION 16.11.(b) This section is effective when it becomes law and expires July 1, 2027.

PRESCRIBE RULES GOVERNING TRAINING AND EDUCATIONAL MATERIAL PROVIDED TO JURORS

SECTION 16.12.(a) Chapter 9 of the General Statutes is amended by adding a new Article to read:

"Article 6.

"Education and Training of Jurors.

"**§ 9-33. Training and educational material provided to jurors.**

The Administrative Office of the Courts shall prescribe rules governing any training or educational material provided at any time to any jurors, including jurors under this Chapter and grand jurors under Chapter 15A of the General Statutes, to try any cause. The court shall not provide jurors with any training or educational material that is not otherwise allowed under rules prescribed by the Administrative Office of the Courts."

SECTION 16.12.(b) The Administrative Office of the Courts shall adopt rules consistent with the provisions of this section. The Administrative Office of the Courts may use the procedure set forth in G.S. 150B-21.1 to adopt any rules as required under this section.

SECTION 16.12.(c) This section becomes effective December 1, 2025, and applies to training or educational material provided on or after that date.

NEW PUBLIC DEFENDER DISTRICT 22 TO SERVE ROCKINGHAM AND CASWELL COUNTIES

SECTION 16.13. G.S. 7A-498.7(a) reads as rewritten:

"(a) The following counties of the State are organized into the defender districts listed below, and in each of those defender districts an office of public defender is established:

Defender District	**Counties**
…	

22	Caswell, Rockingham

…."

PART XVII. ADULT CORRECTION

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 17.1.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Adult Correction to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 17.1.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 17.2. The Department of Adult Correction may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2025-2027 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Adult Correction.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM FUNDING TRANSFER

SECTION 17.3. Of the funds appropriated in this act for the Statewide Misdemeanant Confinement Program:

(1) The sum of one million dollars ($1,000,000) shall be transferred each fiscal year to the North Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the Program and for administrative and operating expenses of the Association and its staff.

(2) The sum of two hundred twenty-five thousand dollars ($225,000) shall be allocated each fiscal year to the Department of Adult Correction for its administrative and operating expenses for the Program.

(3) Up to the sum of five hundred thousand dollars ($500,000) may be used in each fiscal year of the 2025-2027 fiscal biennium to reimburse sheriffs utilizing inmate labor pursuant to the provisions of Section 19C.10 of S.L. 2021-180.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL EXPENSES

SECTION 17.4. Notwithstanding G.S. 143C-6-9, the Department of Adult Correction may use funds available to the Department for the 2025-2027 fiscal biennium to reimburse counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The reimbursement may not exceed forty-five dollars ($45.00) per day per prisoner awaiting transfer. Beginning October 1, 2025, the Department shall report quarterly to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate

Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

NURSE STAFFING AT STATE PRISONS REPORT

SECTION 17.5.(a) The Department of Adult Correction shall report the following information to the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2026, and by February 1, 2027:

(1) The total number of permanent nursing positions allocated to the Department, the number of filled positions, the number of positions that have been vacant for more than six months, and information regarding the location of both filled and vacant positions.

(2) The extent to which temporary contract services are being used to staff vacant nursing positions, the method for funding the contract services, and any cost differences between the use of permanent employees versus contract employees.

(3) A progress report on the implementation of its plan to (i) reduce the use of contract services to provide nursing in State prisons and (ii) attract and retain qualified nurses for employment in permanent positions in State prisons.

SECTION 17.5.(b) Notwithstanding any other provision of law, the Department of Adult Correction may, in its discretion and subject to the approval of the Office of State Budget and Management, convert funds appropriated for contractual nursing services to permanent nursing positions when it is determined to promote security, generate cost-savings, and improve health care quality. The Department shall report on any such conversions to the Fiscal Research Division.

DOT CONTRACT OF INMATE LITTER CREW

SECTION 17.6.(a) After the issuance of a request for information (RFI) and receipt of bids by the Department of Transportation for litter pickup on State highways and roads, the Department of Transportation shall first offer the contract to the Department of Adult Correction upon the same terms and conditions as the most favorable bid received by the Department of Transportation from a suitable contractor. The Department of Adult Correction shall have 30 days to accept or decline the offered contract.

SECTION 17.6.(b) It is the policy of the General Assembly that the Department of Transportation shall utilize inmate litter crews for litter pickup on State highways and roads as often as is necessary and practicable.

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES

SECTION 17.7.(a) Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2025-2027 fiscal biennium may be used by the Department of Adult Correction during the 2025-2027 fiscal biennium to provide training programs and equipment purchases for the Division of Community Supervision and Reentry, but only to the extent sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

SECTION 17.7.(b) No later than October 1 of each fiscal year, the Department of Adult Correction shall report to the Joint Legislative Oversight Committee on Justice and Public Safety on the amount of funds used pursuant to this section and for what purposes the funds were used.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 17.8.(a) Seized and forfeited assets transferred to the Department of Adult Correction during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the Department of Adult Correction and shall result in an increase of law enforcement resources for the Department of Adult Correction. The Department of Adult Correction shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to the use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 17.8.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Adult Correction is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 17.8.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

TEMPORARILY INCREASE THE STATEWIDE MISDEMEANANT CONFINEMENT FUND DAILY REIMBURSEMENT AMOUNT

SECTION 17.9.(a) Notwithstanding any provision of law to the contrary, reimbursements to counties for the costs of housing misdemeanants under the Statewide Misdemeanant Confinement Program, as authorized by G.S. 148-10.4(d), shall be paid at a daily rate of at least forty-five dollars ($45.00) for each misdemeanant housed under the Program.

SECTION 17.9.(b) This section becomes effective July 1, 2025, and applies to misdemeanants housed on or after that date and shall expire June 30, 2027.

PART XVIII. JUSTICE

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 18.1.(a) Seized and forfeited assets transferred to the Department of Justice during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the Department of Justice and shall result in an increase of law enforcement resources for the Department of Justice. The Department of Justice shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 18.1.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods.

Therefore, the Department of Justice is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 18.1.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

PART XIX. PUBLIC SAFETY

REVISE LAW PROHIBITING FINANCIAL TRANSACTION CARD FRAUD

SECTION 19.1.(a) G.S. 14-113.13(d) reads as rewritten:

"(d) A cardholder is guilty of financial transaction card fraud when ~~he~~ the cardholder willfully, knowingly, and with an intent to defraud the issuer, a person or organization providing money, goods, services, or anything else of value, or any other person, submits, verbally or in writing, to the issuer or any other person, any false notice or report of the theft, loss, disappearance, or nonreceipt of ~~his~~ the financial transaction ~~card.~~card or the money, goods, services, or other thing of value furnished after presentation of the financial transaction card or financial transaction card account number.

~~Conviction~~ Unless the conduct is covered under some other provision of law providing greater punishment, conviction of financial transaction card fraud as provided in this subsection is punishable as provided in G.S. 14-113.17(a)."

SECTION 19.1.(b) This section becomes effective December 1, 2025, and applies to offenses committed on or after that date.

STUDY INCREASING ENERGY EFFICIENCIES

SECTION 19.2.(a) Study. – The Department of Public Safety, in collaboration with the Department of Justice, the Department of Adult Correction, the State Highway Patrol, and the State Bureau of Investigation, shall study what energy-saving initiatives may be implemented by each department, including any agency or division controlled by or located for administrative purposes in the department, to reduce energy costs incurred by each department. For purposes of this subsection, the term "energy-saving initiatives" includes repairs, renovations, or other improvements to any building or facility owned, controlled, or otherwise occupied by a department and any agency or division controlled by or located for administrative purposes in the department.

SECTION 19.2.(b) Report. – The Department of Public Safety shall submit a report on the findings of the study required under subsection (a) of this section, including any legislative recommendations, to the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2026.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 19.3.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Public Safety to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 19.3.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

ADD OFFENSES FOR WHICH ORDERS FOR ELECTRONIC SURVEILLANCE MAY BE GRANTED

SECTION 19.4.(a) G.S. 15A-290 reads as rewritten:

"**§ 15A-290. Offenses for which orders for electronic surveillance may be granted.**

(a) Orders authorizing or approving the interception of wire, oral, or electronic communications may be granted, subject to the provisions of this Article and Chapter 119 of Title 18 of the United States Code, when the interception does any of the following:

(1) May provide or has provided evidence of the commission of, or any conspiracy to commit, any of the following:

a. Any of the drug-trafficking violations listed in G.S. 90-95(h).

b. A continuing criminal enterprise in violation of G.S. 90-95.1.

c. The offense of money laundering in violation of G.S. 14-118.8.

(2) May expedite the apprehension of persons indicted for the commission of, or any conspiracy to commit, an offense listed in subdivision (1) of this subsection.

…

(c) Orders authorizing or approving the interception of wire, oral, or electronic communications may be granted, subject to the provisions of this Article and Chapter 119 of Title 18 of the United States Code, when the interception may provide, or has provided, evidence of any of the following offenses, or any conspiracy to commit these offenses, or when the interception may expedite the apprehension of persons indicted for the commission of these offenses:

(1) Any felony offense against a minor, including any violation of G.S. 14-27.31 (Sexual activity by a substitute parent or custodian), G.S. 14-27.32 (Sexual activity with a student), G.S. 14-41 (Abduction of children), G.S. 14-43.11 (Human trafficking), G.S. 14-43.12 (Involuntary servitude), G.S. 14-43.13 (Sexual servitude), G.S. 14-190.16 (First degree sexual exploitation of a minor), G.S. 14-190.17 (Second degree sexual exploitation of a minor), G.S. 14-202.1 (Taking indecent liberties with children), G.S. 14-205.2(c) or (d) (Patronizing a prostitute who is a minor or has a mental disability), or G.S. 14-205.3(b) (Promoting prostitution of a minor or a person who has a mental disability).

(2) Any felony obstruction of a criminal investigation, including any violation of G.S. 14-221.1 (Altering, destroying, or stealing evidence of criminal conduct).

(3) Any felony offense involving interference with, or harassment or intimidation of, jurors or witnesses, including any violation of G.S. 14-225.2 or G.S. 14-226.

(4) Any felony offense involving assault or threats against any executive or legislative officer in violation of Article 5A of Chapter 14 of the General Statutes or assault with a firearm or other deadly weapon upon governmental officers or employees in violation of G.S. 14-34.2.

(5) Any offense involving the manufacture, assembly, possession, storage, transportation, sale, purchase, delivery, or acquisition of weapons of mass death or destruction in violation of G.S. 14-288.8 or the adulteration or misbranding of food, drugs, cosmetics, etc., with the intent to cause serious injury in violation of G.S. 14-34.4.

(6) Any felony offense involving human trafficking of an adult, including any violation of G.S. 14-43.11 (Human trafficking), G.S. 14-43.12 (Involuntary servitude), or G.S. 14-43.13 (Sexual servitude).

…."

SECTION 19.4.(b) This section becomes effective December 1, 2025, and applies to offenses committed on or after that date.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 19.5.(a) Seized and forfeited assets transferred to the Alcohol Law Enforcement Division of the Department of Public Safety (ALE) during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the ALE and shall result in an increase of law enforcement resources for the ALE. The ALE shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 19.5.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the ALE is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 19.5.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

SECTION 19.5.(d) The Joint Legislative Oversight Committee on Justice and Public Safety shall study the impact on State and local law enforcement efforts of the receipt of seized and forfeited assets. The Committee shall report its findings and recommendations prior to the convening of the 2026 Regular Session of the 2025 General Assembly.

EXPAND SCOPE OF RESPONDER ASSISTANCE INITIATIVE

SECTION 19.6. In addition to the persons already allowed to utilize the service, the Division of Emergency Management of the Department of Public Safety shall allow emergency management workers responding to disaster relief and recovery efforts in an affected area, as defined in Section 1.4 of S.L. 2024-53, to utilize the services provided under the Responder Assistance Initiative. For purposes of this section, the term "emergency management worker" means any full- or part-time paid, volunteer, or auxiliary employee of the State or any political subdivision thereof who qualifies as an "emergency management worker" under G.S. 166A-19.60.

SENATE CONFIRMATION OF ADJUTANT GENERAL

SECTION 19.7.(a) G.S. 127A-19 reads as rewritten:

"**§ 127A-19. Adjutant General.**

(a) The military head of the militia shall be the Adjutant General who shall hold the rank of major general with federal recognition at time of appointment or attain the rank of major general pursuant to this section. The Adjutant General shall be appointed by the Governor in the Governor's capacity as commander in chief of the militia, in consultation with the Secretary of Public ~~Safety, and~~ Safety. The appointment is subject to the process in accordance with G.S. 143B-9 as if the Adjutant General was a head of a principal State department. The Adjutant General shall serve at the pleasure of the Governor. The Adjutant General, while holding this office, shall be a member of the active North Carolina National Guard. If an appointed Adjutant General does not attain the rank of major general with federal recognition within a reasonable period of time from the date of appointment, the Governor shall replace the Adjutant General with an appointee who meets the criteria ~~in~~ in, and appointed in accordance with, this section. A

"reasonable period of time" shall take into account time in grade requirements for promotion or promotions and administrative periods necessary to complete the promotion process.

(b) In order to be eligible for appointment as Adjutant General, a person shall be a resident of the State of North Carolina and meet all of the following requirements:

(1) The person shall have a total of at least 10 years of commissioned service in any component or components of the Armed Forces of the United States.

(2) The person shall have a minimum of three years commissioned service in the Army or Air National Guard within the six-year period previous to the appointment date.

(3) The person, at the time of appointment, shall be one of the following:

a. A major general with federal recognition or who is eligible for federal recognition.

b. A brigadier general with federal recognition or who is eligible for federal recognition and who is eligible for promotion to major general with federal recognition.

c. A colonel with federal recognition or who is eligible for federal recognition; who is eligible for promotion and federal recognition as a brigadier general; and who is eligible for promotion to major general with federal recognition.

(4) The person shall have completed all service school or other criteria for promotion to general officer with federal recognition.

(5) The person shall have a minimum of 12 months in command of either (i) an Army or Air National Guard unit or (ii) a unit in any component of the Armed Forces of the United States.

(c) Subject to the approval of the Governor and in consultation with the Secretary of Public Safety, the Adjutant General may appoint:

(1) A deputy adjutant general, who may hold the same rank as the Adjutant General.

(2) Two assistant adjutants general for the Army National Guard and an assistant adjutant general for the Air National Guard, each of whom may hold the rank of brigadier general.

The appointees authorized by this subsection shall serve at the pleasure of the Governor. The Adjutant General may also employ staff members and other personnel as authorized by the Secretary and funded."

SECTION 19.7.(b) This section is effective when it becomes law.

MILITARY JUDGES OF THE NORTH CAROLINA NATIONAL GUARD APPOINTMENT MODIFICATIONS

SECTION 19.8.(a) G.S. 127A-50 reads as rewritten:

"**§ 127A-50. Summary courts-martial.**

(a) In the North Carolina National Guard, not in the service of the United States, summary courts-martial may be appointed by any of the following:

(1) Any person who may convene a general or special court-martial.

(2) The commander of a battalion, comparable or higher command of the North Carolina Army National Guard, provided that the commander is an officer of the grade of major or above.

(3) The commander of a detached squadron, comparable or higher command of the North Carolina Air National Guard, provided that the commander is an officer of the grade of major or above.

(b) The court acting under this section shall consist of one ~~officer who shall have the power to administer oaths and try enlisted personnel of each respective command for breaches~~

~~of discipline and violations of laws governing those organizations. These courts shall also have the power to impose punishments in like manner and to the extent prescribed by the Uniform Code of Military Justice and Manual for Courts-Martial, United States, as shall be in use by the Armed Forces of the United States at the time of the offense, except that no~~ officer, the State military judge, and a judge advocate detailed to the court as a hearing officer. A summary court-martial shall have the authority to impose fines of not more than five hundred dollars ($500.00), to impose forfeitures of two-thirds pay for one month, to restrict to limits, to impose extra duty, and to reduce the rank of enlisted persons E7 and above by up to two ranks and enlisted persons E6 and below to the rank of E1.

(c) No court acting under this section shall have the authority to impose confinement as part of a sentence.

(d) There shall be no right during summary courts-martial to demand trial by court-martial."

SECTION 19.8.(b) G.S. 127A-50.1 reads as rewritten:

"**§ 127A-50.1. Military judges.**

The Adjutant General shall appoint military judges to preside over courts-martial of the North Carolina National Guard not in federal service. Minimum requirements for appointment as a military judge ~~are:~~are the following:

~~(1) Certification as a military judge by the Judge Advocate General of the United States Army, Air Force, Navy, Marines, or Coast Guard.~~

(2) Designation as a judge advocate by the Judge Advocate General of the United States Army, Navy, Air Force, Marines, or Coast Guard.

(3) Membership in the North Carolina National Guard, the National Guard of another state, or the active or reserve components of the Armed Forces of the United States.

(4) A member in good standing for at least 10 years of either of the following:

a. The bar of the highest court of this State or any other state.

b. The bar of a federal court.

(5) Hold the rank of lieutenant colonel or above."

SECTION 19.8.(c) Subsection (a) of this section is effective when it becomes law and applies to summary courts-martial initiated on or after that date. Subsection (b) of this section is effective when it becomes law and applies to military judges serving on or after that date, except the requirements of G.S. 127A-50.1, as amended by subsection (b) of this section, shall only apply to appointments made on or after that date. The remainder of this section is effective when it becomes law.

ENLARGE NATIONAL GUARD EMERGENCY RESPONSE ROLE

SECTION 19.9.(a) G.S. 166A-19.3 reads as rewritten:

"**§ 166A-19.3. Definitions.**

The following definitions apply in this Article:

(1a) Adjutant General. – The Adjutant General of the North Carolina National Guard.

…

(3a) Disaster recovery period. – The period following a disaster response period in which the State Emergency Response Team provides for the rapid and orderly rehabilitation of persons and restoration of property by focusing on restoration of critical infrastructure, rebuilding of communities, and revitalization of economic activity.

(3b) Disaster response period. – The initial 30-day period after a state of emergency is declared in which the State Emergency Response Team is activated and provides for the prompt and efficient rescue, care, and treatment of threatened

or affected persons in order to save lives, prevent further injury, and provide basic life necessities to impacted persons. The disaster response period may be extended for an additional 30 days by the Governor with the concurrence of the Council of State. The State Emergency Response Team may also engage in disaster recovery efforts during the disaster response period as needed.

…

(18) State Emergency Response Team. – The representative group of State agency personnel designated to carry out the emergency management support functions identified in the North Carolina Emergency Operations Plan. The State Emergency Response Team leader during the disaster response period shall be the ~~Director of the Division,~~ Adjutant General of the North Carolina National Guard, who shall have authority to manage the ~~Team pursuant to G.S. 166A-19.12(1), as delegated by the Governor.~~ Team pursuant to G.S. 166A-19.12A. The Team shall consist of the North Carolina National Guard and the following State agencies:

…."

SECTION 19.9.(b) G.S. 166A-19.11 reads as rewritten:

"**§ 166A-19.11. Powers of the Secretary of Public Safety.**

The Secretary shall be responsible to the Governor for State emergency management activities. The Secretary shall have the following powers and duties as delegated by the Governor:

~~(1) To activate the State and local plans applicable to the areas in question and to authorize and direct the deployment and use of any personnel and forces to which the plan or plans apply, and the use or distribution of any supplies, equipment, materials, and facilities available pursuant to this Article or any other provision of law.~~

(2) To adopt the rules to implement those provisions of this Article that deal with matters other than those that are exclusively ~~local.~~local, in consultation with the Adjutant General.

…."

SECTION 19.9.(c) G.S. 166A-19.12 reads as rewritten:

"**§ 166A-19.12. Powers of the Division of Emergency Management.**

The Division of Emergency Management shall have the following powers and duties as delegated by the Governor and Secretary of Public ~~Safety:~~Safety and in coordination with the Adjutant General:

(1) Coordination of the activities of all State agencies for emergency management within the ~~State,~~ State during the disaster recovery period, including planning, organizing, staffing, equipping, training, testing, and activating and managing the State Emergency Response Team and emergency management programs.

(2) Preparation and maintenance of State plans for ~~emergencies.~~ emergencies, including contingency plans for emergencies. The State plans or any parts thereof may be incorporated into department regulations and into executive orders of the Governor.

…

(8) Coordination of the use of any private facilities, services, and ~~property.~~property during a disaster recovery period.

…."

SECTION 19.9.(d) Part 2 of Article 1A of Chapter 166A of the General Statutes is amended by adding a new section to read:

"**§ 166A-19.12A. Powers of the Adjutant General.**

(a) The Adjutant General shall be responsible to the Governor for execution of the North Carolina Emergency Operations Plan during a disaster response period. The Adjutant General shall have the following powers and duties as delegated by the Governor:

(1) Coordination of the activities of all State agencies for emergency management within the State during the disaster response period, including planning, organizing, staffing, equipping, training, testing, and activating and managing the State Emergency Response Team, staffing and operation of the Emergency Operations Center, emergency management programs, and the North Carolina State and Local Aviation Plan. As part of the State and Local Aviation Plan, the Adjutant General shall be designated the State Emergency Response Team Air Operations Coordinator during a disaster response period.

(2) Activation of the State and local plans applicable to the areas in question and authorization and direction of the deployment and use of any personnel and forces to which the plan or plans apply during the disaster response period.

(3) Coordination of the use or distribution of any supplies, equipment, materials, and facilities available pursuant to this Article or any other provision of law during the disaster response period.

(4) Coordination of the activities of all State agencies in activating and managing the State Emergency Response Team and emergency management programs during the disaster response period.

(5) Coordination of the use of any private facilities, services, and property, in the State Emergency Response Team's execution of State and local plans during the disaster response period.

(b) The Adjutant General may appoint a designee within the North Carolina National Guard to exercise the powers and duties under subsection (a) of this section if the Adjutant General is unable to perform those powers and duties due to (i) federalization under Title 10 or 32 of the United States Code by the President of the United States or (ii) any other incapacity preventing the Adjutant General from carrying out of those duties."

SECTION 19.9.(e) G.S. 166A-69 reads as rewritten:

"**§ 166A-69. North Carolina Search and Rescue Team Advisory Committee.**

(a) The North Carolina Search and Rescue Team Advisory Committee is created. The Secretary shall appoint the members of the Committee and shall designate the ~~Director of the North Carolina Division of Emergency Management or the Director's designee~~ Adjutant General as the chair. In making appointments, the Secretary shall take into consideration the expertise of the appointees in the management of search and rescue or specialty response team missions. The Secretary shall appoint one representative from each of the following:

(1) The Division of North Carolina Emergency Management, who shall be the Director of the North Carolina Division of Emergency Management or the Director's ~~designee and who shall serve as the chair.~~designee.

…

(5) The Adjutant General of the North Carolina National ~~Guard.~~Guard, who shall serve as chair.

…."

SECTION 19.9.(f) G.S. 127A-20 reads as rewritten:

"**§ 127A-20. Administrative and operational relationships of the Adjutant General.**

~~In~~ Except as provided in Chapter 166A of the General Statutes, in all administrative and operational matters affecting the militia while under State control, the Adjutant General shall be responsible to and subject to the direction and supervision of the Secretary of Public Safety."

SECTION 19.9.(g) Within 60 days of the effective date of this section, the Governor shall update the North Carolina Emergency Operations Plan (Plan) to reflect that the Adjutant General of the North Carolina National Guard (Adjutant General) is the leader of the State

Emergency Response Team (SERT) during the disaster response period, as defined in G.S. 166A-19.3, as amended by this section. Within one year of the effective date of this section, the Governor, in coordination with the Adjutant General, the Secretary of Public Safety, and the Director of the Division of Emergency Management, shall update the Plan to implement the provisions of this section. In updating the Plan, the Adjutant General shall account for chain of command for the SERT if the North Carolina National Guard is federalized under Title 10 or Title 32 of the United States Code by the President of the United States during the activation of the SERT.

SECTION 19.9.(h) This section is effective when it becomes law.

LIMIT USE OF COMMUNITY PROGRAM FUNDS

SECTION 19.10.(a) Funds appropriated in this act to the Department of Public Safety for the 2025-2027 fiscal biennium for community program contracts, that are not required for or used for community program contracts, may be used only for the following:

(1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.

(4) The Juvenile Crime Prevention Council funds to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 19.10.(b) Funds appropriated by this act to the Department of Public Safety for the 2025-2027 fiscal biennium for community programs may not be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

SECTION 19.10.(c) The Department of Public Safety shall submit an electronic report by October 1 of each year of the 2025-2027 fiscal biennium on all expenditures made in the preceding fiscal year from the miscellaneous contract line in Fund Code 1230 to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and the Fiscal Research Division. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

MODIFY APPOINTMENT REQUIREMENTS FOR JUVENILE FORENSIC EVALUATORS

SECTION 19.11.(a) Article 24 of Chapter 7B of the General Statutes reads as rewritten:

"Article 24.

"Hearing Procedures.

…

"**§ 7B-2401.1. Definitions.**

The following definitions apply in this Article:

…

(5a) Local Management Entity/Managed Care Organization or LME/MCO. – As defined in G.S. 122C-3.

…

"**§ 7B-2401.2. Procedures to determine capacity; hearing procedures; evidence.**

…

(b) When the capacity of the juvenile to proceed is questioned, the court may appoint one or more local certified forensic evaluators employed by, or under contract with, a Local Management Entity/Managed Care Organization (LME/MCO), and paid by the LME/MCO with public funds, who are qualified by the Department of Health and Human Services to conduct forensic evaluations for juveniles to examine the juvenile and return a forensic evaluation report. Reports so prepared are admissible at the hearing. The court may call any expert so appointed to testify at the hearing with or without the request of either party. This subsection shall not be construed to limit the juvenile's right to retain his or her own expert or the State's right to obtain its own expert.

…

"**§ 7B-2401.3. Juvenile forensic evaluation credentialing; conducting forensic evaluations; written reports; compensation of experts.**

…

~~(h) Any forensic evaluator appointed by the court to conduct a forensic evaluation, ordered pursuant to G.S. 7B-2401.2, shall receive a reasonable fee for such service. The fee shall be determined for each forensic evaluation by the appointing court, in accordance with reimbursement guidelines maintained by the North Carolina Administrative Office of the Courts. If any such forensic evaluator is required to appear as a witness in any hearing held pursuant to this section, the forensic evaluator shall receive reimbursement for expenses according to guidelines maintained by the North Carolina Administrative Office of the Courts.~~

…."

SECTION 19.11.(b) This section becomes effective December 1, 2025, and applies to forensic evaluators appointed on or after that date.

PART XX. STATE BUREAU OF INVESTIGATION

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 20.1.(a) Seized and forfeited assets transferred to the State Bureau of Investigation (SBI) during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the SBI and shall result in an increase of law enforcement resources for the SBI. The SBI shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 20.1.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the SBI is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 20.1.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 20.2.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the State Bureau of Investigation to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 20.2.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

TECHNICAL CORRECTIONS RELATED TO MAKING THE STATE BUREAU OF INVESTIGATION AN INDEPENDENT DEPARTMENT

SECTION 20.3.(a) G.S. 18B-902(b) reads as rewritten:

"(b) Investigation. – Before issuing a new permit, the Commission, with the assistance of the ALE Division, shall investigate the applicant and the premises for which the permit is requested. The Commission may request the assistance of local ABC officers in investigating applications. An applicant shall cooperate fully with the investigation.

The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the ALE Division for a person who has applied for a permit through the Commission. The ALE Division shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The ALE Division and the Commission shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(b) G.S. 74C-8.1(a) reads as rewritten:

"(a) Authorization. – Upon receipt of an application for a license, registration, certification, or permit, the Board shall conduct a background investigation to determine whether the applicant meets the requirements for a license, registration, certification, or permit set out in G.S. 74C-8(d). The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new or renewal license, registration, certification, or permit through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of a new applicant, and the ~~Department of Public Safety~~ Bureau shall provide a criminal record check based upon the applicant's fingerprints. The Board may request a criminal record check from the ~~Department of Public Safety~~ Bureau for a renewal applicant based upon the applicant's fingerprints in accordance with policy adopted by the Board. The Board shall provide any additional information required by the ~~Department of Public Safety~~ Bureau and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The ~~Department of~~

~~Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection.

The Board may require a new or renewal applicant to obtain a criminal record report from one or more reporting services designated by the Board to provide criminal record reports. Applicants are required to pay the designated reporting service for the cost of these reports."

SECTION 20.3.(c) G.S. 74D-2.1(a) reads as rewritten:

"(a) Authorization. – Upon receipt of an application for a license or registration, the Board shall conduct a background investigation to determine whether the applicant meets the requirements for a license or registration as set out in G.S. 74D-2(d). The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new or renewal license or registration through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of a new applicant, and the ~~Department of Public Safety~~ Bureau shall provide a criminal record check based upon the applicant's fingerprints. The Board may request a criminal record check from the ~~Department of Public Safety~~ Bureau for a renewal applicant based upon the applicant's fingerprints in accordance with policy adopted by the Board. The Board shall provide any additional information required by the ~~Department of Public Safety~~ Bureau and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection.

The Board may require a new or renewal applicant to obtain a criminal record report from one or more reporting services designated by the Board to provide criminal record reports. Applicants are required to pay the designated reporting service for the cost of these reports."

SECTION 20.3.(d) G.S. 84-24 reads as rewritten:

"**§ 84-24. Admission to practice.**

For the purpose of examining applicants and providing rules and regulations for admission to the Bar including the issuance of license therefor, there is hereby created the Board of Law Examiners, which shall consist of 11 members of the Bar, elected by the Council, who need not be members of the Council. No teacher in any law school, however, shall be eligible. The members of the Board of Law Examiners elected from the Bar shall each hold office for a term of three years.

The Board of Law Examiners shall elect a member of the Board as chair thereof, and the Board may employ an executive secretary and provide such assistance as may be required to enable the Board to perform its duties promptly and properly. The chair and any employees shall serve for a period of time determined by the Board.

The examination shall be held in the manner and at the times as the Board of Law Examiners may determine.

The Board of Law Examiners shall have full power and authority to make or cause to be made such examinations and investigations as may be deemed by it necessary to satisfy it that the applicants for admission to the Bar possess the qualifications of character and general fitness requisite for an attorney and counselor-at-law and to this end the Board of Law Examiners shall have the power of subpoena and to summons and examine witnesses under oath and to compel their attendance and the production of books, papers and other documents and writings deemed by it to be necessary or material to the inquiry and shall also have authority to employ and provide assistance as may be required to enable it to perform its duties promptly and properly. Records, papers, and other documents containing information collected and compiled by the Board or its members or employees as a result of investigations, inquiries, or interviews conducted in

connection with examinations or licensing matters, are not public records within the meaning of Chapter 132 of the General Statutes.

All applicants for admission to the Bar shall be fingerprinted to determine whether the applicant has a record of criminal conviction in this State or in any other state or jurisdiction. The information obtained as a result of the fingerprinting of an applicant shall be limited to the official use of the Board of Law Examiners in determining the character and general fitness of the applicant.

The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board of Law Examiners for a person who has applied for a license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this section.

The Board of Law Examiners, subject to the approval of the Council, shall by majority vote, from time to time, make, alter, and amend such rules and regulations for admission to the Bar as in their judgment shall promote the welfare of the State and the profession: Provided, that no change in the educational requirements for admission to the Bar that establishes an additional or greater requirement shall become effective until two years after the date of the adoption of the change.

All rules and regulations, and modifications, alterations and amendments thereof, shall be recorded and promulgated as provided in G.S. 84-21 in relation to the certificate of organization and the rules and regulations of the Council.

Whenever the Council shall order the restoration of license to any person as authorized by G.S. 84-32, it shall be the duty of the Board of Law Examiners to issue a written license to the person, noting thereon that the license is issued in compliance with an order of the Council, whether the license to practice law was issued by the Board of Law Examiners or the Supreme Court in the first instance.

Appeals from the Board shall be had in accordance with rules or procedures as may be approved by the Supreme Court as may be submitted under G.S. 84-21 or as may be promulgated by the Supreme Court."

SECTION 20.3.(e) G.S. 90D-7(c) reads as rewritten:

"(c) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new, provisional, or renewal license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subdivision privileged, in accordance with applicable State law

and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(f) G.S. 90-11(b) reads as rewritten:

"(b) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection. The Board has the authority to collect this fee from each applicant and remit it to the ~~Department of Public Safety.~~Bureau."

SECTION 20.3.(g) G.S. 90-30(b) reads as rewritten:

"(b) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the North Carolina State Board of Dental Examiners for a person who has applied for a license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(h) G.S. 90-102.1(d) reads as rewritten:

"(d) Criminal Record Check. – The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Department of Health and Human Services for a person who has applied for a new or renewal registration. The Department of Health and Human Services shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Department of Health and Human Services shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes. The ~~Department of Public~~

~~Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(i) G.S. 90-210.25(a)(5)h. reads as rewritten:

"h. The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new or renewal license, or certification through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subdivision privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subdivision."

SECTION 20.3.(j) G.S. 90-224(c) reads as rewritten:

"(c) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new or renewal license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(k) G.S. 93A-4(b1) reads as rewritten:

"(b1) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Commission for a person who has applied for a license through the Commission. The Commission shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Commission shall keep all information

pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(*l*) G.S. 95-47.2(d)(2a) reads as rewritten:

"(2a) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Commissioner for a person or agency who has applied for a license through the Commissioner. The Commissioner shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of all applicants, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicants consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicants' fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Commissioner shall keep all information pursuant to this subdivision privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subdivision."

SECTION 20.3.(m) G.S. 110-90.2(c) reads as rewritten:

"(c) The ~~Department of Public Safety~~ State Bureau of Investigation shall provide to the Division of Child Development, Department of Health and Human Services, the criminal history from the State and National Repositories of Criminal Histories of any child care provider as requested by the Division.

The Division shall provide to the ~~Department of Public Safety,~~ State Bureau of Investigation, along with the request, the fingerprints of the provider to be checked, any additional information required by the ~~Department of Public Safety,~~ State Bureau of Investigation, and a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories signed by the child care provider to be checked. The fingerprints of the provider shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of their criminal history record file and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a federal criminal history record check.

At the time of application the child care provider whose criminal history is to be checked shall be furnished with a statement substantially similar to the following:

"NOTICE

CHILD CARE PROVIDER MANDATORY CRIMINAL HISTORY CHECK

NORTH CAROLINA LAW REQUIRES THAT A CRIMINAL HISTORY RECORD CHECK BE CONDUCTED ON ALL PERSONS WHO PROVIDE CHILD CARE IN A LICENSED CHILD CARE FACILITY, AND ALL PERSONS PROVIDING CHILD CARE IN NONLICENSED CHILD CARE HOMES THAT RECEIVE STATE OR FEDERAL FUNDS.

"Criminal history" means a county, state, or federal criminal history of conviction, pending indictment of a crime, or criminal charge, whether a misdemeanor or a felony, that bears on an individual's fitness to have responsibility for the safety and well-being of children. Such crimes include, but are not limited to, the following North Carolina crimes contained in any of the following Articles of Chapter 14 of the General Statutes: Article 6, Homicide; Article 7B, Rape and Other Sex Offenses; Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material; Article 14, Burglary; Article 16, Larceny; Article 17, Robbery; Article 19, False Pretenses and Cheats; Article 19A, Obtaining Property or Services by False or Fraudulent Use of Credit Device or Other Means; Article 19C, Identity Theft; Article 26, Offenses Against Public Morality and Decency; Article 27, Prostitution; Article 29, Bribery; Article 35, Offenses Against the Public Peace; Article 36A, Riots and Civil Disorders; Article 39, Protection of Minors; Article 40, Protection of the Family; and Article 59, Public Intoxication. Such crimes also include cruelty to animals in violation of Article 3 of Chapter 19A of the General Statutes, violation of the North Carolina Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North Carolina crimes listed in this notice, such crimes also include similar crimes under federal law or under the laws of other states. Your fingerprints will be used to check the criminal history records of the State Bureau of Investigation (SBI) and the Federal Bureau of Investigation (FBI).

If it is determined, based on your criminal history, that you are unfit to have responsibility for the safety and well-being of children, you shall have the opportunity to complete, or challenge the accuracy of, the information contained in the SBI or FBI identification records.

If you disagree with the determination of the North Carolina Department of Health and Human Services on your fitness to provide child care, you may file a civil lawsuit within 60 days after receiving written notification of disqualification in the district court in the county where you live.

Any child care provider who intentionally falsifies any information required to be furnished to conduct the criminal history record check shall be guilty of a Class 2 misdemeanor."

Refusal to consent to a criminal history record check or intentional falsification of any information required to be furnished to conduct a criminal history record check is grounds for the Department to prohibit the child care provider from providing child care. Any child care provider who intentionally falsifies any information required to be furnished to conduct the criminal history shall be guilty of a Class 2 misdemeanor."

SECTION 20.3.(n) G.S. 160A-304(a) reads as rewritten:

"(a) A city may by ordinance license and regulate all vehicles operated for hire in the city. The ordinance may require that the drivers and operators of taxicabs engaged in the business of transporting passengers for hire over the public streets shall obtain a license or permit from the city; provided, however, that the license or permit fee for taxicab drivers shall not exceed fifteen dollars ($15.00). As a condition of licensure, the city may require an applicant for licensure to pass a controlled substance examination. The ordinances may also specify the types of taxicab services that are legal in the municipality; provided, that in all cases shared-ride services as well as exclusive-ride services shall be legal. Shared-ride service is defined as a taxi service in which two or more persons with either different origins or with different destinations, or both, occupy a taxicab at one time. Exclusive-ride service is defined as a taxi service in which the first passenger or party requests exclusive use of the taxicab. In the event the applicant is to be subjected to a national criminal history background check, the ordinance shall specifically authorize the use of FBI records. The ordinance shall require any applicant who is subjected to a national criminal history background check to be fingerprinted.

The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the city for a person who has applied for a license or permit through the

city. The city shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The city shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection.

~~The~~ Any of the following factors shall be deemed sufficient grounds for refusing to issue a permit or for revoking a permit already issued:

(1) Conviction of a felony against this State, or conviction of any offense against another state which would have been a felony if committed in this ~~State;~~State.
(2) Violation of any federal or State law relating to the use, possession, or sale of alcoholic beverages or narcotic or barbiturate ~~drugs;~~drugs.
(3) Addiction to or habitual use of alcoholic beverages or narcotic or barbiturate ~~drugs;~~drugs.
(4) Violation of any federal or State law relating to ~~prostitution;~~prostitution.
(5) Noncitizenship in the United ~~States;~~States.
(6) Habitual violation of traffic laws or ordinances.

The ordinance may also require operators and drivers of taxicabs to display prominently in each taxicab, so as to be visible to the passengers, the city taxi permit, the schedule of fares, a photograph of the driver, and any other identifying matter that the council may deem proper and advisable. The ordinance may also establish rates that may be charged by taxicab operators, may limit the number of taxis that may operate in the city, and may grant franchises to taxicab operators on any terms that the council may deem advisable."

SECTION 20.3.(o) Article 27A of Chapter 14 of the General Statutes reads as rewritten:

"Article 27A.

"Sex Offender and Public Protection Registration Programs.

"Part 1. Registration Programs, Purpose and Definitions Generally.

…

"**§ 14-208.6. Definitions.**

The following definitions apply in this Article:

(1a) Aggravated offense. – Any criminal offense that includes either of the following: (i) engaging in a sexual act involving vaginal, anal, or oral penetration with a victim of any age through the use of force or the threat of serious violence; or (ii) engaging in a sexual act involving vaginal, anal, or oral penetration with a victim who is less than 12 years old.
(1b) Bureau. – The State Bureau of Investigation.
~~(1b)~~(1c) County registry. – The information compiled by the sheriff of a county in compliance with this Article.
~~(1c) Department. – The Department of Public Safety.~~
…
(8) Statewide registry. – The central registry compiled by the ~~Department~~ Bureau in accordance with G.S. 14-208.14.

(9) Student. – A person who is enrolled on a full-time or part-time basis, in any postsecondary public or private educational institution, including any trade or professional institution, or other institution of higher education.

…

"**§ 14-208.7. Registration.**

…

(b) The ~~Department of Public Safety~~ Bureau shall provide each sheriff with forms for registering persons as required by this Article. The registration form shall require all of the following:

(1) The person's full name, each alias, date of birth, sex, race, height, weight, eye color, hair color, drivers license number, and home address.

(1a) A statement indicating what the person's name was at the time of the conviction for the offense that requires registration; what alias, if any, the person was using at the time of the conviction of that offense; and the name of the person as it appears on the judgment imposing the sentence on the person for the conviction of the offense.

(2) The type of offense for which the person was convicted, the date of conviction, and the sentence imposed.

(3) A current photograph taken by the sheriff, without charge, at the time of registration.

(4) The person's fingerprints taken by the sheriff, without charge, at the time of registration.

(5) A statement indicating whether the person is a student or expects to enroll as a student within a year of registering. If the person is a student or expects to enroll as a student within a year of registration, then the registration form shall also require the name and address of the educational institution at which the person is a student or expects to enroll as a student.

(6) A statement indicating whether the person is employed or expects to be employed at an institution of higher education within a year of registering. If the person is employed or expects to be employed at an institution of higher education within a year of registration, then the registration form shall also require the name and address of the educational institution at which the person is or expects to be employed.

(7) Any online identifier that the person uses or intends to use.

(c) When a person registers, the sheriff with whom the person registered shall immediately send the registration information to the ~~Department of Public Safety~~ Bureau in a manner determined by the ~~Department of Public Safety.~~ Bureau. The sheriff shall retain the original registration form and other information collected and shall compile the information that is a public record under this Part into a county registry.

…

"**§ 14-208.8. Prerelease notification.**

(a) At least 10 days, but not earlier than 30 days, before a person who will be subject to registration under this Article is due to be released from a penal institution, an official of the penal institution shall do all of the following:

(1) Inform the person of the person's duty to register under this Article and require the person to sign a written statement that the person was so informed or, if the person refuses to sign the statement, certify that the person was so informed.

(2) Obtain the registration information required under G.S. 14-208.7(b)(1), (2), (5), (6), and (7), as well as the address where the person expects to reside upon the person's release.

(3) Send the ~~Department of Public Safety~~ Bureau and the sheriff of the county in which the person expects to reside the information collected in accordance with subdivision (2) of this subsection.

…

"**§ 14-208.8A. Notification requirement for out-of-county employment if temporary residence established.**

…

(c) Notice to ~~Department of Public Safety.~~ the Bureau. – Upon receiving the notice required under subsection (a) of this section, the sheriff shall immediately forward the information to the ~~Department of Public Safety.~~ Bureau. The ~~Department of Public Safety~~ Bureau shall notify the sheriff of the county where the person is working and maintaining a temporary residence of the person's place of employment and temporary address in that county.

"**§ 14-208.9. Change of address; change of academic status or educational employment status; change of online identifier; change of name.**

(a) If a person required to register changes address, the person shall report in person and provide written notice of the new address not later than the third business day after the change to the sheriff of the county with whom the person had last registered. If the person moves to another county, the person shall also report in person to the sheriff of the new county and provide written notice of the person's address not later than the tenth day after the change of address. Upon receipt of the notice, the sheriff shall immediately forward this information to the ~~Department of Public Safety.~~ Bureau. When the ~~Department of Public Safety~~ Bureau receives notice from a sheriff that a person required to register is moving to another county in the State, the ~~Department of Public Safety~~ Bureau shall inform the sheriff of the new county of the person's new residence.

(b) If a person required to register intends to move to another state, the person shall report in person to the sheriff of the county of current residence at least three business days before the date the person intends to leave this State to establish residence in another state or jurisdiction. The person shall provide to the sheriff a written notification that includes all of the following information: the address, municipality, county, and state of intended residence.

(1) If it appears to the sheriff that the record photograph of the sex offender no longer provides a true and accurate likeness of the sex offender, then the sheriff shall take a photograph of the offender to update the registration.

(2) The sheriff shall inform the person that the person must comply with the registration requirements in the new state of residence. The sheriff shall also immediately forward the information included in the notification to the ~~Department of Public Safety,~~ Bureau, and the ~~Department of Public Safety~~ Bureau shall inform the appropriate state official in the state to which the registrant moves of the person's notification and new address.

(b1) A person who indicates his or her intent to reside in another state or jurisdiction and later decides to remain in this State shall, within three business days after the date upon which the person indicated he or she would leave this State, report in person to the sheriff's office to which the person reported the intended change of residence, of his or her intent to remain in this State. If the sheriff is notified by the sexual offender that he or she intends to remain in this State, the sheriff shall promptly report this information to the ~~Department of Public Safety.~~Bureau.

(c) If a person required to register changes his or her academic status either by enrolling as a student or by terminating enrollment as a student, then the person shall, within three business days, report in person to the sheriff of the county with whom the person registered and provide written notice of the person's new status. The written notice shall include the name and address of the institution of higher education at which the student is or was enrolled. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

(d) If a person required to register changes his or her employment status either by obtaining employment at an institution of higher education or by terminating employment at an

institution of higher education, then the person shall, within three business days, report in person to the sheriff of the county with whom the person registered and provide written notice of the person's new status not later than the tenth day after the change to the sheriff of the county with whom the person registered. The written notice shall include the name and address of the institution of higher education at which the person is or was employed. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

(e) If a person required to register changes an online identifier, or obtains a new online identifier, then the person shall, within 10 days, report in person to the sheriff of the county with whom the person registered to provide the new or changed online identifier information to the sheriff. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

(f) If a person required to register changes his or her name pursuant to Chapter 101 of the General Statutes or by any other method, then the person shall, within three business days, report in person to the sheriff of the county with whom the person registered to provide the name change to the sheriff. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

"**§ 14-208.9A. Verification of registration information.**

(a) The information in the county registry shall be verified semiannually for each registrant as follows:

(1) Every year on the anniversary of a person's initial registration date, and again six months after that date, the ~~Department of Public Safety~~ Bureau shall mail a nonforwardable verification form to the last reported address of the person.

…

"**§ 14-208.12A. Request for termination of registration requirement.**

…

(a3) If the court denies the petition, the person may again petition the court for relief in accordance with this section one year from the date of the denial of the original petition to terminate the registration requirement. If the court grants the petition to terminate the registration requirement, the clerk of court shall forward a certified copy of the order to the ~~Department of Public Safety~~ Bureau to have the person's name removed from the registry.

…

"**§ 14-208.12B. Registration requirement review.**

…

(i) No sheriff, or employee of a sheriffs' office, district attorney's office, or the ~~North Carolina State~~ Bureau ~~of Investigation~~ shall incur any civil or criminal liability under North Carolina law as the result of the performance of official duties under this Article.

"**§ 14-208.13. File with Criminal Information Network.**

(a) The ~~Department of Public Safety~~ Bureau shall include the registration information in the ~~Criminal Information Network~~ Division of Criminal Information as set forth in ~~G.S. 143B-905.~~G.S. 143B-1208.19.

(b) The ~~Department of Public Safety~~ Bureau shall maintain the registration information permanently even after the registrant's reporting requirement expires.

"**§ 14-208.14. Statewide registry; ~~Department of Public Safety~~ State Bureau of Investigation designated custodian of statewide registry.**

(a) The ~~Department of Public Safety~~ Bureau shall compile and keep current a central statewide sex offender registry. The ~~Department~~ Bureau is the State agency designated as the custodian of the statewide registry. As custodian the ~~Department~~ Bureau has the following responsibilities:

(1) To receive from the sheriff or any other law enforcement agency or penal institution all sex offender registrations, changes of address, changes of academic or educational employment status, and prerelease notifications

required under this Article or under federal law. The ~~Department~~ Bureau shall also receive notices of any violation of this Article, including a failure to register or a failure to report a change of address.

(2) To provide all need-to-know law enforcement agencies (local, State, campus, federal, and those located in other states) immediately upon receipt by the ~~Department~~ Bureau of any of the following: registration information, a prerelease notification, a change of address, a change of academic or educational employment status, or notice of a violation of this Article.

(2a) To notify the appropriate law enforcement unit at an institution of higher education as soon as possible upon receipt by the ~~Department~~ Bureau of relevant information based on registration information or notice of a change of academic or educational employment status. If an institution of higher education does not have a law enforcement unit, then the ~~Department~~ Bureau shall provide the information to the local law enforcement agency that has jurisdiction for the campus.

…

"**§ 14-208.15. Certain statewide registry information is public record: access to statewide registry.**

(a) The information in the statewide registry that is public record is the same as in G.S. 14-208.10. The ~~Department of Public Safety~~ Bureau shall release any other relevant information that is necessary to protect the public concerning a specific person, but shall not release the identity of the victim of the offense that required registration under this Article.

(b) The ~~Department of Public Safety~~ Bureau shall provide free public access to automated data from the statewide registry, including photographs provided by the registering sheriffs, via the Internet. The public will be able to access the statewide registry to view an individual registration record, a part of the statewide registry, or all of the statewide registry. The ~~Department of Public Safety~~ Bureau may also provide copies of registry information to the public upon written request and may charge a reasonable fee for duplicating costs and mailings costs.

(c) Upon request of an institution of higher education, the Sheriff of the county in which the educational institution is located shall provide a report containing the registry information for any registrant who has stated that the registrant is a student or employee, or expects to become a student or employee, of that institution of higher education. The ~~Department of Public Safety~~ Bureau shall provide each sheriff with the ability to generate the report from the statewide registry. The report shall be provided electronically without charge. The institution of higher education may receive a written report upon payment of reasonable duplicating costs and mailing costs.

"**§ 14-208.15A. Release of online identifiers to entity; fee.**

(a) The ~~Department of Public Safety~~ Bureau may release registry information regarding a registered offender's online identifier to an entity for the purpose of allowing the entity to prescreen users or to compare the online identifier information with information held by the entity as provided by this section.

(b) An entity desiring to prescreen its users or compare its database of registered users to the list of online identifiers of persons in the statewide registry may apply to the ~~Department of Public Safety~~ Bureau to access the information. An entity that complies with the criteria developed by the ~~Department of Public Safety~~ Bureau regarding the release and use of the online identifier information and pays the fee may screen new users or compare its database of registered users to the list of online identifiers of persons in the statewide registry as frequently as the ~~Department of Public Safety~~ Bureau may allow for the purpose of identifying a registered user associated with an online identifier contained in the statewide registry.

(c) The ~~Department of Public Safety~~ Bureau may charge an entity that submits a request for the online identifiers of persons in the statewide registry an annual fee of one hundred dollars

($100.00). Fees collected under this section shall be credited to the ~~Department of Public Safety~~ Bureau and applied to the cost of providing this service.

(d) The ~~Department of Public Safety~~ Bureau shall develop standards regarding the release and use of online identifier information. The standards shall include a requirement that the information obtained from the statewide registry shall not be disclosed for any purpose other than for prescreening its users or comparing the database of registered users of the entity against the list of online identifiers of persons in the statewide registry.

…

"**§ 14-208.22. Additional registration information required.**

…

(b) The ~~Department of Public Safety~~ Bureau shall provide each sheriff with forms for registering persons as required by this Article.

…

"**§ 14-208.27. Change of address.**

If a juvenile who is adjudicated delinquent and required to register changes address, the juvenile court counselor for the juvenile shall provide written notice of the new address not later than the third business day after the change to the sheriff of the county with whom the juvenile had last registered. Upon receipt of the notice, the sheriff shall immediately forward this information to the ~~Department of Public Safety.~~ Bureau. If the juvenile moves to another county in this State, the ~~Department of Public Safety~~ Bureau shall inform the sheriff of the new county of the juvenile's new residence.

…

"**§ 14-208.31. File with Criminal Information Network.**

(a) The ~~Department of Public Safety~~ Bureau shall include the registration information in the ~~Criminal Information Network~~ Division of Criminal Information as set forth in ~~G.S. 143B-905.~~G.S. 143B-1208.19.

(b) The ~~Department of Public Safety~~ Bureau shall maintain the registration information permanently even after the registrant's reporting requirement expires; however, the records shall remain confidential in accordance with Article 32 of Chapter 7B of the General Statutes.

…."

SECTION 20.3.(p) The following sections of the General Statutes are recodified as follows:

Former Citation	Recodified Citation
143B-901	143B-1208.15
143B-902	143B-1208.16
143B-903	143B-1208.17
143B-904	143B-1208.18
143B-905	143B-1208.19

SECTION 20.3.(q) G.S. 143B-1208.15, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.15. Reporting system and database on certain domestic-violence-related homicides; reports by law enforcement agencies required; annual report to the General Assembly.**

The ~~Department of Public Safety,~~ State Bureau of Investigation (Bureau), in consultation with the North Carolina Council for Women/Domestic Violence Commission, the North Carolina Sheriffs' Association, and the North Carolina Association of Chiefs of Police, shall develop a reporting system and database that reflects the number of homicides in the State where the offender and the victim had a personal relationship, as defined by G.S. 50B-1(b). The information in the database shall also include the type of personal relationship that existed between the offender and the victim, whether the victim had obtained an order pursuant to G.S. 50B-3, and whether there was a pending charge for which the offender was on pretrial release pursuant to

G.S. 15A-534.1. All State and local law enforcement agencies shall report information to the ~~Department of Public Safety~~ Bureau upon making a determination that a homicide meets the reporting system's criteria. The report shall be made in the format adopted by the ~~Department of Public Safety.~~ Bureau. The ~~Department of Public Safety~~ Bureau shall report to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, no later than April 1 of each year, with the data collected for the previous calendar year."

SECTION 20.3.(r) G.S. 143B-1208.16, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.16. Powers and duties of the ~~Department of Public Safety~~ State Bureau of Investigation with respect to criminal information.**

In addition to its other duties, it shall be the duty of the ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) to do all of the following:

…

(2) To collect, correlate, and maintain access to information that will assist in the performance of duties required in the administration of criminal justice throughout the State. This information may include, but is not limited to, motor vehicle registration, drivers' licenses, wanted and missing persons, stolen property, warrants, stolen vehicles, firearms registration, sexual offender registration as provided under Article 27A of Chapter 14 of the General Statutes, drugs, drug users and parole and probation histories. In performing this function, the ~~Division~~ Bureau may arrange to use information available in other agencies and units of State, local and federal government, but shall provide security measures to insure that such information shall be made available only to those whose duties, relating to the administration of justice, require such information.

…

(4) To perform all the duties heretofore imposed by law upon the ~~Attorney General~~ Bureau with respect to criminal statistics.

…

(6) To promulgate rules and regulations for the administration of ~~this Article.~~the duties set forth in this section."

SECTION 20.3.(s) G.S. 143B-1208.17, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.17. Collection of traffic law enforcement statistics.**

(a) In addition to its other duties, the ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) shall collect, correlate, and maintain the following information regarding traffic law enforcement by law enforcement officers:

…

(d) Each law enforcement officer making a stop covered by subdivision (1) of subsection (a) of this section shall be assigned an anonymous identification number by the officer's employing agency. The anonymous identifying number shall be public record and shall be reported to the ~~Department~~ Bureau to be correlated along with the data collected under subsection (a) of this section. The correlation between the identification numbers and the names of the officers shall not be a public record, and shall not be disclosed by the agency except when required by order of a court of competent jurisdiction to resolve a claim or defense properly before the court.

(e) Any agency subject to the requirements of this section shall submit information collected under subsection (a) of this section to the ~~Department~~ Bureau within 60 days of the close of each month. Any agency that does not submit the information as required by this subsection shall be ineligible to receive any law enforcement grants available by or through the State until the information which is reasonably available is submitted.

(f) The ~~Department~~ Bureau shall publish and distribute by December 1 of each year a list indicating the law enforcement officers that will be subject to the provisions of this section during the calendar year commencing on the following January 1."

SECTION 20.3.(t) G.S. 143B-1208.18, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.18. Collection of statistics on the use of deadly force by law enforcement officers.**

(a) In addition to its other duties, the ~~Department of Public Safety~~ State Bureau of Investigation shall collect, maintain, and annually publish the number of deaths, by law enforcement agency, resulting from the use of deadly force by law enforcement officers in the course and scope of their official duties.

…."

SECTION 20.3.(u) G.S. 143B-1208.19, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.19. ~~Criminal Information Network.~~Division of Criminal Information.**

(a) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) is authorized to establish, devise, maintain and operate a system for receiving and disseminating to participating agencies information collected, maintained and correlated under authority of ~~G.S. 143B-902.~~ G.S. 143B-1208.16. The system shall be known as the ~~Criminal Information Network.~~Division of Criminal Information (DCI).

(b) The ~~Department of Public Safety~~ Bureau is authorized to cooperate with the Division of Motor Vehicles, Department of Administration, and other State, local and federal agencies and organizations in carrying out the purpose and intent of this section, and to utilize, in cooperation with other State agencies and to the extent as may be practical, computers and related equipment as may be operated by other State agencies.

(c) The ~~Department of Public Safety,~~ Bureau, after consultation with participating agencies, shall adopt rules and regulations governing the organization and administration of the ~~Criminal Information Network,~~ DCI, including rules and regulations governing the types of information relating to the administration of criminal justice to be entered into the system, and who shall have access to such information. The rules and regulations governing access to the ~~Criminal Information Network~~ DCI shall not prohibit an attorney who has entered a criminal proceeding in accordance with G.S. 15A-141 from obtaining information relevant to that criminal proceeding. The rules and regulations governing access to the ~~Criminal Information Network~~ DCI shall not prohibit an attorney who represents a person in adjudicatory or dispositional proceedings for an infraction from obtaining the person's driving record or criminal history.

(d) The ~~Department~~ Bureau may impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the ~~Criminal Information Network.~~DCI. The fee amount varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the fee is twelve dollars ($12.00) per device.

~~(1) The Department may impose a monthly circuit fee on agencies that access the Criminal Information Network through a circuit maintained and operated by the Department of Public Safety. The amount of the monthly fee is three hundred dollars ($300.00) plus an additional fee amount for each device linked to the Network. The additional fee amount varies depending upon the type of device. For a desktop device after the first seven desktop devices, the additional monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the additional monthly fee is twelve dollars ($12.00) per device.~~

~~(2) The Department may impose a monthly device fee on agencies that access the Criminal Information Network through some other approved means. The~~

~~amount of the monthly device fee varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the fee is twelve dollars ($12.00) per device.~~"

SECTION 20.3.(v) G.S. 143B-393(a)(9) reads as rewritten:

"(9) Consult with the Department of Public Safety on a reporting system and database on certain domestic violence-related homicides, as provided in ~~G.S. 143B-903.~~G.S. 143B-1208.17."

SECTION 20.3.(w) G.S. 14-415.27 reads as rewritten:

"**§ 14-415.27. Expanded permit scope for certain persons.**

Notwithstanding G.S. 14-415.11(c), any of the following persons who has a concealed handgun permit issued pursuant to this Article or that is considered valid under G.S. 14-415.24 is not subject to the area prohibitions set out in G.S. 14-415.11(c) and may carry a concealed handgun in the areas listed in G.S. 14-415.11(c) unless otherwise prohibited by federal law:

…

(8) A person employed by the Department of Public Safety who has been designated in writing by the Secretary of the Department and who has in the person's possession written proof of the designation.

(8a) A person employed by the State Bureau of Investigation who has been designated in writing by the Director of the Bureau and who has in the person's possession written proof of the designation.

…."

SECTION 20.3.(x) Section 38.4(a) of S.L. 2023-134, as amended by Section 7.1 of S.L. 2024-1 and Section 3E.1 of S.L. 2024-57, reads as rewritten:

"**SECTION 38.4.(a)** In accordance with G.S. 143B-1325(c)(13), and notwithstanding any other provision of Article 15 of Chapter 143B of the General Statutes to the contrary, the State Highway ~~Patrol, the State Bureau of Investigation,~~ Patrol and the Division of Emergency Management within the Department of Public Safety shall continue to be entirely exempt from any and all information technology oversight by the Department of Public Safety and the Department of Information Technology. The State Highway ~~Patrol, the State Bureau of Investigation,~~ Patrol and the Division of Emergency Management shall initiate a pilot project where those agencies shall be deemed as separate, stand-alone entities in all matters related to information technology, and each shall autonomously manage their own respective information technology infrastructure and all associated services without oversight from the Department of Information Technology or the Department of Public Safety. Exemption from information technology oversight includes, but is not limited to, the following:

…."

SECTION 20.3.(y) G.S. 20-49 reads as rewritten:

"**§ 20-49. Police authority of Division.**

All members of the Highway Patrol and law enforcement officers of the Department of Public Safety and the State Bureau of Investigation shall have the power:

…."

SECTION 20.3.(z) G.S. 148-37.3(c) reads as rewritten:

"(c) Any private corporation described in subsection (a) of this section shall reimburse the State and any county or other law enforcement agency for the full cost of any additional expenses incurred by the State or the county or other law enforcement agency in connection with the pursuit and apprehension of an escaped inmate from the facility.

In the event of an escape from the facility, any private corporation described in subsection (a) of this section shall immediately notify the sheriff in the county in which the facility is located, who shall cause an immediate entry into the ~~Department of Public Safety's Criminal Information Network.~~ Division of Criminal Information established under G.S. 143B-1208.19. The sheriff of

the county in which the facility is located shall be the lead law enforcement officer in connection with the pursuit and apprehension of an escaped inmate from the facility."

SECTION 20.3.(aa) This section is effective when it becomes law and applies to reports submitted, applications and requests received, and fees collected on or after that date.

SBI/WORKERS' COMPENSATION FOR RESERVE LAW ENFORCEMENT OFFICERS

SECTION 20.4. G.S. 143B-1208.13 reads as rewritten:

"**§ 143B-1208.13. Personnel of the State Bureau of Investigation.**

The Director of the State Bureau of Investigation may appoint a sufficient number of assistants who shall be competent and qualified to do the work of the Bureau. The Director shall be responsible for making all hiring and personnel decisions of the Bureau. Persons serving as reserve law enforcement officers of the Bureau are considered employees of the Bureau for workers' compensation purposes while performing duties assigned or approved by the Director of the Bureau or the Director's designee."

EXTEND REVERSION DATE OF SCHOOL SAFETY FUNDS

SECTION 20.5.(a) Section 7.36 of S.L. 2023-134, as amended by Sections 3J.12 and 3J.17(h) of S.L. 2024-57, reads as rewritten:

"…

"**SECTION 7.36.(*l*)** Nonrevert. – Notwithstanding any provision of law to the contrary, the nonrecurring funds appropriated to the Department of Public Instruction in the 2022-2023 fiscal year for the 2021-2023 School Safety Grants Program under Section 7.19 of S.L. 2021-180 and the nonrecurring funds appropriated by this act for the 2023-2025 School Safety Grants Program shall not revert to the General Fund but shall remain available for the purposes for which they were appropriated until June 30, ~~2025.~~2027.

…."

SECTION 20.5.(b) This section becomes effective June 30, 2025.

ADJUST USER FEE FOR DIVISION OF CRIMINAL INFORMATION

SECTION 20.6.(a) G.S. 143B-1208.19(d), as recodified and amended under Section 20.3 of this act, reads as rewritten:

"(d) The Bureau may impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the DCI. The fee amount varies depending upon the type of device. For a desktop device, the monthly fee is ~~twenty-five~~ thirty-three dollars ~~($25.00)~~ ($33.00) per device. For a mobile device, the fee is ~~twelve~~ twenty dollars ~~($12.00)~~ ($20.00) per device."

SECTION 20.6.(b) This section becomes effective July 1, 2025, and applies to fees levied on or after that date.

SCHOOL SAFETY GRANTS

SECTION 20.7.(a) Definitions. – For the purposes of this section, the following definitions shall apply:

(1) Community partner. – A public or private entity, including, but not limited to, a nonprofit corporation or a local management entity/managed care organization (LME/MCO), that partners with a public school unit to provide services or pay for the provision of services for the unit.

(2) School health support personnel. – School psychologists, school counselors, school nurses, and school social workers.

SECTION 20.7.(b) Program; Purpose. – The Executive Director of the Center for Safer Schools shall establish the School Safety Grants Program (Program) for the 2025-2027

fiscal biennium. The purpose of the Program shall be to improve safety in public school units by providing grants in each fiscal year of the 2025-2027 fiscal biennium for (i) services for students in crisis, (ii) school safety training, (iii) safety equipment in schools, and (iv) subsidizing the School Resource Officer Grants Program.

SECTION 20.7.(c) Grant Applications. – A public school unit may submit an application to the Executive Director of the Center for Safer Schools for one or more grants pursuant to this section in each year of the 2025-2027 fiscal biennium. The application shall include an assessment, to be performed in conjunction with a local law enforcement agency, of the need for improving school safety within the public school unit that would receive the funding or services. The application shall identify current and ongoing needs and estimated costs associated with those needs.

SECTION 20.7.(d) Criteria and Guidelines. – The Executive Director of the Center for Safer Schools shall develop criteria and guidelines for the administration and use of the grants pursuant to this section, including any documentation required to be submitted by applicants. In assessing grant applications, the Executive Director shall consider at least all of the following factors:

(1) The level of resources available to the public school unit that would receive the funding.
(2) Whether the public school unit has received other grants for school safety.
(3) The overall impact on student safety in the public school unit if the identified needs are funded.

SECTION 20.7.(e) Grants for Students in Crisis. – Of the funds appropriated by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools, in consultation with the Department of Health and Human Services, shall award grants to public school units to contract with community partners to provide or pay for the provision of any of the following crisis services:

(1) Crisis respite services for parents or guardians of an individual student to prevent more intensive or costly levels of care.
(2) Training and expanded services for therapeutic foster care families and licensed child placement agencies that provide services to students who (i) need support to manage their health, welfare, and safety and (ii) have any of the following:
    a. Cognitive or behavioral problems.
    b. Developmental delays.
    c. Aggressive behavior.
(3) Evidence-based therapy services aligned with targeted training for students and their parents or guardians, including any of the following:
    a. Parent-child interaction therapy.
    b. Trauma-focused cognitive behavioral therapy.
    c. Dialectical behavior therapy.
    d. Child-parent psychotherapy.
(4) Any other crisis service, including peer-to-peer mentoring, that is likely to increase school safety. Of the funds appropriated by this act for the grants provided in this section, the Executive Director shall use no more than three hundred fifty thousand dollars ($350,000) in each fiscal year of the 2025-2027 fiscal biennium for the services identified in this subdivision.

SECTION 20.7.(f) Grants for Training to Increase School Safety. – Of the funds appropriated by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools, in consultation with the Department of Health and Human Services, shall award grants to public school units to contract with community partners to address school

safety by providing training to help students develop healthy responses to trauma and stress. The training shall be targeted and evidence-based and shall include any of the following services:

(1) Counseling on Access to Lethal Means (CALM) training for school health support personnel, local first responders, and teachers on the topics of suicide prevention and reducing access by students to lethal means.

(2) Training for school health support personnel on comprehensive and evidence-based clinical treatments for students and their parents or guardians, including any of the following:

a. Parent-child interaction therapy.

b. Trauma-focused cognitive behavioral therapy.

c. Behavioral therapy.

d. Dialectical behavior therapy.

e. Child-parent psychotherapy.

(3) Training for students and school employees on community resilience models to improve understanding and responses to trauma and significant stress.

(4) Training for school health support personnel on Modular Approach to Therapy for Children with Anxiety, Depression, Trauma, or Conduct problems (MATCH-ADTC), including any of the following components:

a. Trauma-focused cognitive behavioral therapy.

b. Parent and student coping skills.

c. Problem solving.

d. Safety planning.

(5) Any other training, including the training on the facilitation of peer-to-peer mentoring, that is likely to increase school safety. Of the funds appropriated by this act for the grants provided in this section, the Executive Director shall use no more than three hundred fifty thousand dollars ($350,000) in each fiscal year of the 2025-2027 fiscal biennium for the services identified in this subdivision.

SECTION 20.7.(g) Grants for Safety Equipment. – Of the funds appropriated by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools shall award grants to public school units for (i) the purchase of safety equipment for school buildings and (ii) training associated with the use of safety equipment purchased pursuant to this subsection. Notwithstanding G.S. 115C-218.105(b), charter schools may receive grants for school safety equipment pursuant to this subsection.

SECTION 20.7.(h) Subsidizing School Resource Officer Grants Program. – If the Executive Director of the Center for Safer Schools receives applications for grants for school resource officers under G.S. 143B-1208.20 in excess of the amount of funding appropriated for school resource officer grants in the 2025-2027 fiscal biennium, the Executive Director may use the funds appropriated for the grants provided for in this section to cover the unmet need for school resource officer grants.

SECTION 20.7.(i) Supplement Not Supplant. – Grants provided to public school units pursuant to the Program shall be used to supplement and not to supplant State or non-State funds already provided for these services.

SECTION 20.7.(j) Administrative Costs. – Of the funds appropriated to the Center for Safer Schools by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools may retain a total of up to one hundred thousand dollars ($100,000) in each fiscal year of the 2025-2027 fiscal biennium for administrative costs associated with the Program.

SECTION 20.7.(k) Disbursement. – The Executive Director of the Center for Safer Schools may enter into a memorandum of understanding with the Department of Public Instruction to disburse grants awarded under this section.

SECTION 20.7.(*l*) Program Report. – No later than April 1 of each fiscal year in which funds are awarded pursuant to this section, the Executive Director of the Center for Safer Schools shall report on the Program to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Justice and Public Safety, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, and the Fiscal Research Division. The report shall include at least the following information:

(1) The identity of each public school unit and community partner that received grant funds through the Program.

(2) The amount of funding received by each entity identified pursuant to subdivision (1) of this subsection.

(3) The services, training, and equipment purchased with grant funds by each entity that received a grant.

(4) Recommendations for the implementation of additional effective school safety measures.

PART XXI. STATE HIGHWAY PATROL

STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS

SECTION 21.1.(a) Creation of Receipt-Supported Positions Authorized. – The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 21.1.(b) Annual Report Required. – No later than September 1 of each fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on Justice and Public Safety the following information for the fiscal year in which the report is due:

(1) A list of all positions in the State Capitol Police. For each position listed, the report shall include at least the following information:

a. The position type.

b. The agency to which the position is assigned.

c. The source of funding for the position.

(2) For each receipt-supported position listed, the contract and any other terms of the contract.

SECTION 21.1.(c) Additional Reporting Required Upon Creation of Receipt-Supported Positions. – In addition to the report required by subsection (b) of this section, the State Capitol Police shall report the creation of any position pursuant to subsection (a) of this section to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Fiscal Research Division within 30 days of the position's creation. A report submitted pursuant to this section shall include at least all of the following information:

(1) The position type.

(2) The agency to which the position is being assigned.

(3) The position salary.

(4) The total amount of the contract.

(5) The terms of the contract.

SECTION 21.1.(d) Format of Reports. – Reports submitted pursuant to this section shall be submitted electronically and in accordance with any applicable General Assembly standards.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 21.2.(a) Seized and forfeited assets transferred to the State Highway Patrol during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the State Highway Patrol and shall result in an increase of law enforcement resources for the State Highway Patrol. The State Highway Patrol shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 21.2.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the State Highway Patrol is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 21.2.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 21.3.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the State Highway Patrol to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 21.3.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

TRANSFER NORTH CAROLINA CENTER FOR MISSING PERSONS TO THE STATE HIGHWAY PATROL

SECTION 21.4.(a) All functions, powers, duties, and obligations vested in the North Carolina Center for Missing Persons in the Department of Public Safety are transferred to, vested in, and consolidated within the State Highway Patrol by a Type I transfer, as defined in G.S. 143A-6.

SECTION 21.4.(b) Article 17 of Chapter 143B of the General Statutes, as enacted by S.L. 2024-57, is amended by adding a new Part 4 to be entitled "North Carolina Center for Missing Persons."

SECTION 21.4.(c) Subpart B of Part 5 of Article 13 of Chapter 143B of the General Statutes is recodified as Part 4 of Article 17 of Chapter 143B of the General Statutes, as enacted by S.L. 2024-57, as follows:

Former Citation	Recodified Citation
143B-1010	143B-1760
143B-1011	143B-1761
143B-1012	143B-1762
143B-1013	143B-1763
143B-1014	143B-1764
143B-1015	143B-1765

143B-1016	143B-1766
143B-1017	143B-1767
143B-1018	143B-1768
143B-1019	143B-1769
143B-1020	143B-1770
143B-1021	143B-1771
143B-1022	143B-1772
143B-1023	143B-1773

SECTION 21.4.(d) Part 4 of Article 17 of Chapter 143B of the General Statutes, as recodified by subsection (c) of this section, reads as rewritten:

"Part 4. North Carolina Center for Missing Persons.

"**§ 143B-1760. North Carolina Center for Missing Persons established.**

There is established within the ~~Department of Public Safety~~ State Highway Patrol the North Carolina Center for Missing Persons, which shall be organized and staffed in accordance with applicable laws. The purpose of the Center is to serve as a central repository for information regarding missing persons and missing children, with special emphasis on missing children. The Center may utilize the Federal Bureau of Investigation/National Crime Information Center's missing person computerized file (hereinafter referred to as FBI/NCIC) through the use of the Police Information Network in the North Carolina Department of Justice.

…

"**§ 143B-1762. Control of the Center.**

The Center is under the direction of the ~~Secretary of the Department of Public Safety~~ Commander of the State Highway Patrol and may be organized and structured in a manner as the Secretary deems appropriate to ensure that the objectives of the Center are achieved. The ~~Secretary~~ Commander may employ those Center personnel as the General Assembly may authorize and provide funding for.

"**§ 143B-1763. ~~Secretary~~ Commander to adopt rules.**

The ~~Secretary~~ Commander of the State Highway Patrol shall adopt rules prescribing all of the following:

(1) Procedures for accepting and disseminating information maintained at the Center.
(2) The confidentiality of the data and information, including the missing person report, maintained by the Center.
(3) The proper disposition of all obsolete data, including the missing person report; provided, data for an individual who has reached the age of 18 and remains missing must be preserved.
(4) Procedures allowing a communication link with the Police Information Network and the FBI/NCIC's missing person file to ensure compliance with FBI/NCIC policies.
(5) Forms, including but not limited to a missing person report, considered necessary for the efficient and proper operation of the Center.

…

"**§ 143B-1765. Dissemination of missing persons data by law-enforcement agencies.**

…

If the report involves a missing child and the report meets the criteria established in ~~G.S. 143B-1021(b),~~ G.S. 143B-1771(b), as soon as practicable after receipt of the report, the law enforcement agency shall notify the Center and the National Center for Missing and Exploited Children of the relevant data about the missing child.

…

"**§ 143B-1766. Responsibilities of Center.**

The Center shall do all of the following:

…

(9) Maintain a directory of existing public and private agencies, groups, and individuals that provide effective assistance to families in the areas of prevention of child abduction, location of missing children and missing persons, and follow-up services to the child or person and family, as determined by the ~~Secretary of Public Safety.~~Commander of the State Highway Patrol.

…

(13) Perform such other activities that the ~~Secretary of Public Safety~~ Commander of the State Highway Patrol considers necessary to carry out the intent of its mandate.

…

"**§ 143B-1768. Release of information by Center.**

The following may make inquiries of, and receive data or information from, the Center:

…

(4) Any person engaged in bona fide research when approved by the ~~Secretary;~~ Commander of the State Highway Patrol; provided, no names or addresses may be supplied to this person.

(5) Any other person authorized by the Secretary of the ~~Department of Public Safety~~ Commander of the State Highway Patrol pursuant to ~~G.S. 143B-1013.~~G.S. 143B-1763.

"**§ 143B-1769. Provision of toll-free service; instructions to callers; communication with law-enforcement agencies.**

The Center shall provide a toll-free telephone line for anyone to report the disappearance of any individual or the sighting of any missing child or missing person. The Center personnel shall instruct the caller, in the case of a report concerning the disappearance of an individual, of the requirements contained in ~~G.S. 143B-1014~~ G.S. 143B-1764 of first having to submit a missing person report on the individual to the law-enforcement agency having jurisdiction of the area in which the individual became or is believed to have become missing. Any law-enforcement agency may retrieve information imparted to the Center by means of this phone line. The Center shall directly communicate any report of a sighting of a missing person or a missing child to the law-enforcement agency having jurisdiction in the area of disappearance or sighting.

"**§ 143B-1770. Improper release of information; penalty.**

Any person working under the supervision of the Director of Victims and Justice Services who knowingly and willfully releases, or authorizes the release of, any data, information, or records maintained or possessed by the Center to any agency, entity, or person other than as specifically permitted by ~~Subpart B~~ this Part or in violation of any rule adopted by the ~~Secretary~~ Commander of the State Highway Patrol is guilty of a Class 2 misdemeanor.

"**§ 143B-1771. North Carolina AMBER Alert System established.**

(a) There is established within the North Carolina Center for Missing Persons the AMBER Alert System. The purpose of AMBER Alert is to provide a statewide system for the rapid dissemination of information regarding abducted children.

(b) The AMBER Alert System shall make every effort to disseminate information on missing children as quickly as possible when all of the following criteria are met:

(1) The child is 17 years of age or ~~younger;~~younger.

(2) ~~The~~ If abduction is ~~not known or~~ suspected to be by a parent of the child, ~~unless~~ the child's life ~~is~~ must be suspected to be in imminent danger of serious injury or ~~death;~~death.

(3) The child is ~~believed:~~believed (i) to have been abducted and (ii) to be in danger of injury or death.

~~a. To have been abducted, or~~

~~b. To be in danger of injury or death;~~

(4) The child is not a runaway or voluntarily ~~missing; and~~missing.

(5) The abduction has been reported to and investigated by a law enforcement agency.

If the abduction of the child is known or suspected to be by a parent of the child, the Center, in its discretion, may disseminate information through the AMBER Alert System if the child is believed to be in danger of injury or death.

…

(f) The ~~Department of Public Safety,~~ State Highway Patrol, on behalf of the Center, may accept grants, contributions, devises, and gifts, which shall be kept in a separate fund, which shall be nonreverting, and shall be used to fund the operations of the Center and the AMBER Alert System.

"**§ 143B-1772. North Carolina ~~Missing Endangered System~~ Silver Alert established.**

(a) There is established within the North Carolina Center for Missing Persons the ~~Missing Endangered System.~~ Silver Alert. The purpose of the ~~Missing Endangered System~~ Silver Alert is to provide a statewide system for the rapid dissemination of information regarding a missing person ~~or missing child~~ aged 65 or older who is believed to be suffering from dementia, Alzheimer's disease, or a cognitive impairment ~~that, in light of the person's or child's missing status, requires the person or child to be protected from potential abuse or other physical harm, neglect, or exploitation.~~that causes an irreversible deterioration of intellectual faculties that makes them unable to meet their own needs or to seek help without assistance.

(b) If the Center or a law enforcement agency receives a request that involves a missing person ~~or missing child~~ as described in subsection (a) of this section, and at the time of receipt no more than 72 hours have passed since the person ~~or child~~ went missing, the Center ~~or law enforcement agency~~ shall issue an alert providing for rapid dissemination of information statewide regarding the missing ~~person or missing child.~~ person. The Center ~~or law enforcement agency~~ shall make every effort to disseminate the information as quickly as possible when the person's ~~or child's~~ status as missing has been reported to a law enforcement ~~agency.~~agency, including procedures for the use of the Wireless Emergency Alert.

(c) The Center ~~and all law enforcement agencies~~ shall adopt guidelines and develop procedures for issuing ~~an~~ a 90-day alert for missing persons ~~and missing children~~ as described in subsection (a) of this section and shall provide education and training to encourage radio and television broadcasters to participate in the alert. The guidelines and procedures shall ensure that specific health information about the missing person ~~or missing child~~ is not made public through the alert or otherwise.

(d) The Center ~~and all law enforcement agencies~~ shall consult with the Department of Transportation and develop a procedure for the use of overhead permanent changeable message signs to provide information on the missing person ~~or missing child~~ meeting the criteria of this section when information is available that would enable motorists to assist in the recovery of the missing ~~person or missing child.~~ person. The Center and the Department of Transportation shall develop guidelines for the content, length, and frequency of any message to be placed on an overhead permanent changeable message sign.

"**§ 143B-1773. North Carolina Blue Alert System established.**

…

(c) The Center shall adopt guidelines and develop procedures for the statewide implementation of the Blue Alert System and shall provide education and training to encourage radio and television broadcasters to participate in the ~~alert.~~alert, including procedures for the use of the Emergency Alert System and the Wireless Emergency Alert.

…

"**§ 143B-1774. North Carolina Missing Endangered Alert established.**

(a) There is established within the North Carolina Center for Missing Persons the Missing Endangered Alert. The purpose of the Missing Endangered Alert is to provide a statewide system for the rapid dissemination of information regarding a missing person, aged 64 or younger, or missing child who is believed to be suffering from dementia, Alzheimer's disease, or a cognitive impairment that causes an irreversible deterioration of intellectual faculties that makes them unable to meet their own needs or to seek help without assistance and that is not a risk to the general public.

(b) If the Center receives a request that involves a missing person or missing child as described in subsection (a) of this section, and at the time of receipt no more than 72 hours have passed since the person or child went missing, the Center shall issue an alert providing for rapid dissemination of information statewide regarding the missing person or missing child. The Center shall make every effort to disseminate the information as quickly as possible when the person's or child's status as missing has been reported to a law enforcement agency, including procedures for the use of the Wireless Emergency Alert.

(c) The Center shall adopt guidelines and develop procedures for issuing a 90-day alert for missing persons and missing children as described in subsection (a) of this section and shall provide education and training to encourage radio and television broadcasters to participate in the alert. The guidelines and procedures shall ensure that specific health information about the missing person or missing child is not made public through the alert or otherwise.

(d) The Center shall consult with the Department of Transportation and develop a procedure for the use of overhead permanent changeable message signs to provide information on the missing person or missing child meeting the criteria of this section when information is available that would enable motorists to assist in the recovery of the missing person or missing child. The Center and the Department of Transportation shall develop guidelines for the content, length, and frequency of any message to be placed on an overhead permanent changeable message sign.

"**§ 143B-1775. North Carolina Ashanti Alert established.**

(a) There is established within the North Carolina Center for Missing Persons the Ashanti Alert. The purpose of the Ashanti Alert is to provide a statewide system for the rapid dissemination of information regarding a missing person over 18 years of age that is suspected to have been abducted and there is both abductor and vehicle information available.

(b) If the Center receives a request that involves a missing person as described in subsection (a) of this section, and at the time of receipt no more than 72 hours have passed since the person went missing, the Center shall issue an alert providing for rapid dissemination of information statewide regarding the missing person. The Center shall make every effort to disseminate the information as quickly as possible when the person's status as missing has been reported to a law enforcement agency, including procedures for the use of the Emergency Alert System and the Wireless Emergency Alert.

(c) The Center shall adopt guidelines and develop procedures for issuing a 24-hour alert for missing persons as described in subsection (a) of this section and shall provide education and training to encourage radio and television broadcasters to participate in the alert.

(d) The Center shall consult with the Department of Transportation and develop a procedure for the use of overhead permanent changeable message signs to provide information on the missing person or missing child meeting the criteria of this section when information is available that would enable motorists to assist in the recovery of the missing person or missing child. The Center and the Department of Transportation shall develop guidelines for the content, length, and frequency of any message to be placed on an overhead permanent changeable message sign.

"**§ 143B-1776. North Carolina Missing – Weather Alert established.**

(a) There is established within the North Carolina Center for Missing Persons the Missing – Weather Alert. The purpose of the Missing – Weather Alert is to provide a statewide system

for the rapid dissemination of information regarding a missing person or child that is missing during times of extreme heat or cold and is not in a vehicle, or immediately following a significant weather event.

(b) If the Center receives a request that involves a missing person as described in subsection (a) of this section, and at the time of receipt no more than 72 hours have passed since the person went missing, the Center shall issue an alert providing for rapid dissemination of information statewide regarding the missing person. The Center shall make every effort to disseminate the information as quickly as possible, including procedures for the use of the Wireless Emergency Alert.

(c) The Center shall adopt guidelines and develop procedures for issuing a 30-day alert for missing persons as described in subsection (a) of this section and shall provide education and training to encourage radio and television broadcasters to participate in the alert."

SECTION 21.4.(e) The State Highway Patrol shall adopt rules, or amendments to rules, consistent with the provisions of this section. The State Highway Patrol may use the procedure set forth in G.S. 150B-21.1 to adopt or amend any rules as required under this section.

CREATE VIPER USER FEE AFTER FIRST ONE HUNDRED USERS

SECTION 21.5.(a) G.S. 143B-1726, as amended by Section 3E.1 of S.L. 2024-57, reads as rewritten:

"**§ 143B-1726. Statewide radio system authorized; use of telephone lines in emergencies.**

(a) The Commander of the State Highway Patrol is ~~hereby~~ authorized and directed to set up and maintain a statewide radio system, with adequate broadcasting stations so situate as to make the service available to all parts of the State for the purpose of maintaining radio contact with the members of the State Highway Patrol and other officers of the State, to the end that the traffic laws upon the highways may be more adequately enforced and that the criminal use of the highways may be prevented. The Commander of the State Highway ~~Patrol,~~ Patrol is ~~hereby~~ authorized to establish a plan of operation in accordance with Federal Communication Commission rules so that all certified law-enforcement officers within the State may use the law enforcement emergency frequency of 155.475MHz.

(b) The Commander of the State Highway Patrol is ~~likewise~~ authorized and empowered to arrange with the various telephone companies of the State for the use of their lines for emergency calls by the members of the State Highway Patrol, if it shall be found practicable to arrange apparatus for temporary contact with ~~said~~ the telephone circuits along the highways of the State.

(c) In order to make this service more generally useful, the various boards of county commissioners and the governing boards of the various cities and towns are ~~hereby~~ authorized and empowered to provide radio receiving sets in the offices and vehicles of their various officers, and ~~such~~ these expenditures are declared to be a legal expenditure of any funds that may be available for police protection.

(d) Each user of the statewide radio system created pursuant to this section shall be charged an annual user fee of twenty-five dollars ($25.00), except that the statewide radio manager of each county may exempt up to 100 users each year from paying this fee. The fee shall be paid to the State Highway Patrol and used by the State Highway Patrol for costs associated with maintaining and operating the statewide radio system created pursuant to this section."

SECTION 21.5.(b) This section becomes effective January 1, 2026, and applies to users of the statewide radio system on or after that date.

PART XXII. ADMINISTRATION

DOA/ADDITIONAL SUPPORT FOR DOMESTIC VIOLENCE CENTER GRANTS

SECTION 22.1.(a) G.S. 7A-305(a2) reads as rewritten:

"(a2) In every action for absolute divorce filed in the district court, a cost of ~~seventy-five dollars ($75.00)~~ eighty-five dollars ($85.00) shall be assessed against the person filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall deposit ~~seventy-five dollars ($75.00)~~ eighty-five dollars ($85.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be in addition to any other costs assessed under this section."

SECTION 22.1.(b) G.S. 161-10 reads as rewritten:

"**§ 161-10. Uniform fees of registers of deeds.**

(a) Except as otherwise provided in this Article, all fees collected under this section shall be deposited into the county general fund. While performing the duties of the office, the register of deeds shall collect the following fees which shall be uniform throughout the State:

…

(2) Marriage Licenses. – For issuing a license ~~sixty dollars ($60.00);~~ one hundred fifteen dollars ($115.00); for issuing a delayed certificate with one certified copy twenty dollars ($20.00); and for a proceeding for correction of an application, license or certificate, with one certified copy ten dollars ($10.00).

…."

SECTION 22.1.(c) G.S. 161-11.2 reads as rewritten:

"**§ 161-11.2. Fees for domestic violence centers.**

~~Thirty dollars ($30.00)~~ Eighty-five dollars ($85.00) of each fee collected by a register of deeds for issuance of a marriage license pursuant to G.S. 161-10(a)(2) shall be forwarded by the register of deeds to the county finance officer, who shall forward the funds to the Department of Administration to be credited to the Domestic Violence Center Fund established under G.S. 50B-9. The register of deeds shall forward the fees to the county finance officer as soon as practical. The county finance officer shall forward the fees to the Department of Administration within 60 days after receiving the fees. The Register of Deeds shall inform the applicants that ~~thirty dollars ($30.00)~~ eighty-five dollars ($85.00) of the fee for a marriage license shall be used for Domestic Violence programs."

MORATORIUM ON PURCHASE OF MOTOR VEHICLES/RATE INFORMATION

SECTION 22.2.(a) Notwithstanding any other provision of law, the Department of Administration, Division of Motor Fleet Management, shall not purchase any motor vehicles of any type in the 2025-2026 fiscal year.

SECTION 22.2.(b) G.S. 143-341 reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

…

(8) General Services:

…

i. To establish and operate a central motor fleet and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

…

2. To acquire passenger motor vehicles by transfer from other State agencies and by purchase. All motor vehicles transferred to or purchased by the Department shall become part of a central motor fleet. When purchasing motor vehicles, the Department shall not pay more than thirty thousand dollars ($30,000) per car and not more than fifty-five thousand dollars ($55,000) per pickup truck, sport utility vehicle, or van, unless authorized to do so by the General Assembly; provided, however, these amounts may be increased every two years by

an amount equal to the percentage increase in the automotive component of the Consumer Price Index for All Urban Consumers for the type of vehicle purchased.

…

6. To allocate and charge against each State agency to which transportation is furnished its proportionate part of the cost of maintenance and operation of the motor fleet.

The amount allocated and charged by the Department of Administration to State agencies to which transportation is furnished shall take into account all of the following: (i) vehicle replacement cost, (ii) maintenance cost, (iii) insurance, (iv) use of telematics devices, and (v) the Department's administration cost. The base monthly lease rate and the monthly per mile rate charged to each State agency for a motor fleet vehicle shall be increased every two years by an amount equal to the percentage increase in the automotive component of the Consumer Price Index for All Urban Consumers for that type of vehicle, such as "new," "used," or "leased."

…

11. To report ~~annually~~ not later than February 1 of each year to the Joint Legislative Oversight Committee on General ~~Government~~ Government, the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division on any rules adopted, amended or repealed under sub-sub-subdivisions 3., 7., or 7a. of this sub-subdivision. The report shall also include all of the following:

I. An inventory of all motor vehicles in the motor vehicle fleet by vehicle class, such as sedan, light duty pickup truck, or SUV-compact, and vehicle model.

II. The current base monthly lease rate by vehicle class and vehicle model, and when the next vehicle class rate increase will become effective.

III. The monthly per mile rate for every mile over 1,050 miles per month, and when the next monthly per mile rate will become effective.

IV. A telematics summary by vehicle class and vehicle model.

…."

OFFICE FOR HISTORICALLY UNDERUTILIZED BUSINESSES

SECTION 22.3.(a) The Office for Historically Underutilized Businesses in the Department of Administration is hereby abolished. Any advisory committees established by the Secretary of the Department of Administration to develop recommendations to improve the recruitment and utilization of minority businesses are hereby abolished.

SECTION 22.3.(b) Chapter 63A of the General Statutes is amended by adding a new section to read:

"**§ 63A-19.1. Compliance with federal nondiscrimination laws.**

Nothing in this Chapter or any other provision of the General Statutes shall be construed as interfering with the Authority's ability to comply with 14 C.F.R. Part 152, Subpart E, Nondiscrimination in Airport Aid Program."

SECTION 22.3.(c) G.S. 115D-9 reads as rewritten:

"**§ 115D-9. Powers of State Board regarding certain fee negotiations, contracts, and capital improvements.**

…

(g) For projects two million dollars ($2,000,000) or more, funded with public money, the Community Colleges System Office shall report no later than October 1 of each year to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~

…."

SECTION 22.3.(d) G.S. 116-31.11 reads as rewritten:

"**§ 116-31.11. Powers of Board regarding certain fee negotiations, contracts, and capital improvements.**

…

(f) The Board of Governors shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~"

SECTION 22.3.(e) G.S. 143-128 reads as rewritten:

"**§ 143-128. Requirements for certain building contracts.**

…

(b) Separate-prime contracts. – When the State, county, municipality, or other public body uses the separate-prime contract system, it shall accept bids for each subdivision of work for which specifications are required to be prepared under subsection (a) of this section and shall award the respective work specified separately to responsible and reliable persons, firms or corporations regularly engaged in their respective lines of work. When the estimated cost of work to be performed in any single subdivision or branch for which separate bids are required by this subsection is less than twenty-five thousand dollars ($25,000), the same may be included in the contract for one of the other subdivisions or branches of the work, irrespective of total project cost. The contracts shall be awarded to the lowest responsible, responsive bidders, taking into consideration quality, performance, and the time specified in the bids for performance of the ~~contract, and compliance with G.S. 143-128.2.~~ contract. Bids may also be accepted from and awards made to separate contractors for other categories of work.

…

(d) Single-prime contracts. – All bidders in a single-prime project shall identify on their bid the contractors they have selected for the subdivisions or branches of work for:

(1) Heating, ventilating, and air conditioning;

(2) Plumbing;

(3) Electrical; and

(4) General.

The contract shall be awarded to the lowest responsible, responsive bidder, taking into consideration quality, performance, and the time specified in the bids for performance of the ~~contract, and compliance with G.S. 143-128.2.~~ contract. A contractor whose bid is accepted shall not substitute any person as subcontractor in the place of the subcontractor listed in the original bid, except (i) if the listed subcontractor's bid is later determined by the contractor to be nonresponsible or nonresponsive or the listed subcontractor refuses to enter into a contract for the complete performance of the bid work, or (ii) with the approval of the awarding authority for good cause shown by the contractor. The terms, conditions, and requirements of each contract between the contractor and a subcontractor performing work under a subdivision or branch of work listed in this subsection shall incorporate by reference the terms, conditions, and requirements of the contract between the contractor and the State, county, municipality, or other public body.

When contracts are awarded pursuant to this section, the public body shall make available to subcontractors the dispute resolution process as provided for in subsection (f1) of this section.

(d1) Dual bidding. – The State, a county, municipality, or other public entity may accept bids to erect, construct, alter, or repair a building under both the single-prime and separate-prime contracting systems and shall award the contract to the lowest responsible, responsive bidder under the single-prime system or to the lowest responsible, responsive bidder under the separate-prime system, taking into consideration quality, performance, ~~compliance with G.S. 143-128.2,~~ and time specified in the bids to perform the contract. In determining the system under which the contract will be awarded to the lowest responsible, responsive bidder, the public entity may consider cost of construction oversight, time for completion, and other factors it considers appropriate. The bids received as separate-prime bids shall be received, but not opened, one hour prior to the deadline for the submission of single-prime bids. The amount of a bid submitted by a subcontractor to the general contractor under the single-prime system shall not exceed the amount bid, if any, for the same work by that subcontractor to the public entity under the separate-prime system. The provisions of subsection (b) of this section shall apply to separate-prime contracts awarded pursuant to this section and the provisions of subsection (d) of this section shall apply to single-prime contracts awarded pursuant to this section.

…."

SECTION 22.3.(f) G.S. 143-135.5 reads as rewritten:

"**§ 143-135.5. State policy; ~~cooperation in promoting the use of small, minority, physically handicapped and women contractors; purpose.~~construction contracts.**

~~(a) It is the policy of this State to encourage and promote the use of small, minority, physically handicapped and women contractors in State construction projects. All State agencies, institutions and political subdivisions shall cooperate with the Department of Administration and all other State agencies, institutions and political subdivisions in efforts to encourage and promote the use of small, minority, physically handicapped and women contractors in achieving the purpose of this Article, which is the effective and economical construction of public buildings.~~

~~(b)~~ It is the policy of this State not to accept bids or proposals from, nor to engage in business with, any business that, within the last two years, has been finally found by a court or an administrative agency of competent jurisdiction to have unlawfully discriminated on the basis of race, gender, religion, national origin, age, physical disability, or any other unlawful basis in its solicitation, selection, hiring, or treatment of another business."

SECTION 22.3.(g) G.S. 143-254.6 reads as rewritten:

"**§ 143-254.6. Powers of the Commission regarding certain fee negotiations, contracts, and capital improvements.**

…

(e) The Commission shall annually report the following to the State Building Commission:

(1) A list of projects governed by this section.
(2) The estimated cost of each project along with the actual cost.
(3) The name of each person or business awarded a contract under this section.
~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~"

SECTION 22.3.(h) G.S. 143B-135.214 reads as rewritten:

"**§ 143B-135.214. Powers of Department regarding certain fee negotiations, contracts, and capital improvements.**

…

(f) The Department shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.
(2) The estimated cost of each project along with the actual cost.
(3) The name of each person awarded a contract under this section.
~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~

…."

SECTION 22.3.(i) G.S. 143B-434.01 reads as rewritten:

"**§ 143B-434.01. Comprehensive Strategic Economic Development Plan.**

…

(e) Environmental Scan. – The first step in developing the Plan shall be to develop an environmental scan based on the input from economic development parties and the public and on information about the economic environment in North Carolina. To prepare the scan, the Secretary shall gather the information required in this subsection and ensure that the information is updated periodically. The updated information may be provided in whatever format and through whatever means is most efficient. The information required to prepare the scan includes all of the following:

…

(2) Compilation of the latest data on the strength of the business environment by State, Region, and county with emphasis on the following dynamics of job creation: start-ups, expansions, locations, contractions, and failures. Special assessments are to be made of ~~rural, small, and minority~~ rural and small business components of overall activity.

…."

SECTION 22.3.(j) G.S. 143B-437.57 reads as rewritten:

"**§ 143B-437.57. Community economic development agreement.**

(a) Terms. – Each community economic development agreement shall include at least the following:

…

(16) A provision requiring that the business engage in fair employment practices as required by State and federal ~~law and a provision encouraging the business to use small contractors, minority contractors, physically handicapped contractors, and women contractors whenever practicable in the conduct of its business.~~law.

…."

SECTION 22.3.(k) G.S. 143B-1361 reads as rewritten:

"**§ 143B-1361. Information technology procurement ~~policy; reporting requirements.~~disclosure.**

~~(a) Policy. In order to further the policy of the State to encourage and promote the use of small, minority, physically handicapped, and women contractors in State purchasing of goods and services, all State agencies shall cooperate with the Department in efforts to encourage the use of small, minority, physically handicapped, and women contractors in achieving the purposes of this Article, which is to provide for the effective and economical acquisition, management, and disposition of information technology.~~

~~(b) Bids.~~ A vendor submitting a bid shall disclose in a statement, provided contemporaneously with the bid, where services will be performed under the contract sought, including any subcontracts and whether any services under that contract, including any subcontracts, are anticipated to be performed outside the United States. Nothing in this section is intended to contravene any existing treaty, law, agreement, or regulation of the United States. The State CIO shall retain the statements required by this subsection regardless of the State entity that awards the contract and shall report annually to the Secretary of Administration on the number of contracts which are anticipated to be performed outside the United States.

~~(c) Reporting. Every State agency that makes a direct purchase of information technology using the services of the Department shall report directly to the Department of Administration all information required by G.S. 143-48(b).~~

~~(d) Data from Department of Administration. The Department of Administration shall collect and compile the data described in this section and report it annually to the Department of Information Technology, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.~~"

SECTION 22.3.(*l*) G.S. 160A-17.1 reads as rewritten:

"**§ 160A-17.1. Grants from other governments.**

(a) Federal and State. – The governing body of any city or county is hereby authorized to make contracts for and to accept grants-in-aid and loans from the federal and State governments and their agencies for constructing, expanding, maintaining, and operating any project or facility, or performing any function, which such city or county may be authorized by general law or local act to provide or perform.

In order to exercise the authority granted by this section, the governing body of any city or county may:

…

(3a) Agree to and comply with minimum minority business enterprise participation requirements established by the federal government and its agencies in projects financed by federal grants-in-aid or loans, by including such minimum requirements in the specifications for contracts to perform all or part of such projects and awarding ~~bids pursuant to G.S. 143-129 and 143-131, if applicable, to the lowest responsible bidder or bidders meeting these and any other specifications.~~bids.

…."

SECTION 22.3.(m) Any local act authorizing a local government unit to establish, agree to, or comply with minority or women's business enterprise participation requirements is hereby repealed unless compliance with such requirements is required by the federal government and its agencies in projects financed by federal grants-in-aid or loans as provided in G.S. 160A-17(a)(3a).

SECTION 22.3.(n) G.S. 63A-19, 116D-4, 143-48, 143-48.2, 143-48.4, 143-49(7), 143-128.2, 143-128.3, 143-128.4, 143-129.5, and 143-131(b) are repealed.

PART XXIII. ADMINISTRATIVE HEARINGS

OAH/REDUCE DUTIES OF THE NORTH CAROLINA HUMAN RELATIONS COMMISSION

SECTION 23.1. G.S. 7A-761 reads as rewritten:

"**§ 7A-761. North Carolina Human Relations Commission.**

(a) There is hereby created the North Carolina Human Relations Commission of the Civil Rights Division of the Office of Administrative Hearings. The North Carolina Human Relations Commission shall have the following functions and duties:

~~(1) To study problems concerning human relations;~~

~~(2) To promote equality of opportunity for all citizens;~~

~~(3) To promote understanding, respect, and goodwill among all citizens;~~

~~(4) To provide channels of communication among the races;~~

~~(5) To encourage the employment of qualified people without regard to race;~~

~~(6) To encourage youths to become better trained and qualified for employment;~~

~~(7) To receive on behalf of the Civil Rights Division of the Office of Administrative Hearings and to recommend expenditure of gifts and grants from public and private donors;~~

~~(8) To enlist the cooperation and assistance of all State and local government officials in the attainment of the objectives of the Commission;~~

~~(9) To assist local good neighborhood councils and biracial human relations committees in promoting activities related to the functions of the Commission enumerated above;~~

(10) To advise the Chief Administrative Law Judge upon any matter the Chief Administrative Law Judge may refer to it;

(11) To administer the provisions of the State Fair Housing Act as outlined in Chapter 41A of the General Statutes;

(12) To administer the provisions of the Civil Rights Act as outlined in Chapter 99D of the General Statutes.

…."

OAH/EMPLOYMENT DISCRIMINATION DIVISION & EEOC COMPLAINTS

SECTION 23.2.(a) G.S. 7A-759 is repealed.

SECTION 23.2.(b) G.S. 143-422.3 is repealed.

SECTION 23.2.(c) Any State or local government employee covered under Chapter 126 of the General Statutes may file a complaint alleging employment discrimination with the United States Equal Employment Opportunity Commission in the manner provided by federal law, and nothing in this section shall be construed as limiting or impeding that right.

SECTION 23.2.(d) This section shall not apply to any actions or complaints filed pursuant to G.S. 7A-759 or G.S. 143-422.3 that are pending on the date this act becomes law.

PART XXIV. OFFICE OF STATE AUDITOR

FLOODPLAIN BUYOUT PUBLIC/PRIVATE PARTNERSHIP PILOT PROGRAM

SECTION 24.1.(a) Pilot Program. – Of the funds appropriated to the Office of the State Auditor, the nonrecurring sum of fifteen million dollars ($15,000,000) in the 2025-2026 fiscal year and twenty million dollars ($20,000,000) in the 2026-2027 fiscal year shall be used for the Floodplain Buyout Public/Private Partnership Pilot Program (Program) in accordance with this section. The purpose of the Program is to utilize innovative valuation methods and streamlined administrative processes to modernize the State's floodplain buyout strategies, reduce future flood damage, and enhance floodplain functionality. The Office of the State Auditor shall allocate one million dollars ($1,000,000) of those funds from the 2025-2026 fiscal year to the Board of Governors of The University of North Carolina for the North Carolina Collaboratory (Collaboratory) for the purposes set forth in subsection (d) of this section. The

Office of the State Auditor and the Program Director shall seek to commence the operations of the Program within six months of this section becoming law.

SECTION 24.1.(b) Program Director. – The State Auditor shall designate a State employee within the Office of the State Auditor to serve as the Program Director and oversee the Program. The Program Director shall do all of the following:

(1) Negotiate and execute a performance-based contract with a private partner in accordance with this section.

(2) Ensure the release of funds for the Program align with established and defined milestones set forth in the contract with the private partner.

(3) Coordinate with other State agencies, as necessary, to access data, planning resources, and other support, including the Department of Public Safety.

(4) Ensure consistency with the Flood Resiliency Blueprint being developed by the Department of Environmental Quality in planning and conducting the Program, except where the General Assembly has directed otherwise.

(5) Monitor and evaluate the Program's effectiveness and compliance with this section.

SECTION 24.1.(c) Private Partner. – The private partner contracted with by the Office of the State Auditor for the participation in the Program shall do all of the following:

(1) Conduct buyout operations, including negotiations and contracting with property owners for buyouts, real estate closings that transfer title to local land trusts, demolition of existing structures as appropriate, and ecological restoration.

(2) Meet and satisfy any predefined contractual milestones set forth in the contract.

(3) Consider local zoning ordinances and development plans where buyouts are proposed.

SECTION 24.1.(d) Collaboratory/Research and Valuation Development. – The Collaboratory shall do all of the following:

(1) Establish buyout zone values based on projections of future damages and enhanced floodplain functionality.

(2) Utilize appropriate investment assessment methods to define the total value of the contract entered into under this section.

(3) Determine the efficacy of other State efforts to reduce future flood damage with an emphasis on cost-benefit outcomes.

SECTION 24.1.(e) Evaluation. – The Program Director and the Office of the State Auditor shall evaluate the effectiveness of the Program based on benchmarks and outcomes based on the Collaboratory's valuation research as set forth in subsection (d) of this section and compared to existing and historic State-run buyout programs.

SECTION 24.1.(f) The Office of the State Auditor shall submit a report to the Joint Legislative Oversight Committee on General Government, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on the Program implementation and the Program's progress on or before October 1, 2025. Within one year of the Program's completion, the Office of the State Auditor and the Program Director shall submit a report to the same committees and the Fiscal Research Division on findings, recommendations, and any proposed legislative recommendations or adjustments based on the Program's results, including all projects completed, average cost of buyout for properties, types of properties, locations, and any other metrics and outcomes the Program Director deems appropriate.

THE DAVE ACT

SECTION 24.2.(a) This section shall be known as "The Division of Accountability, Value, and Efficiency (DAVE) Act."

SECTION 24.2.(b) The State Auditor shall establish a Division of Accountability, Value, and Efficiency (Division) within the Department of the State Auditor. The powers and duties of the Division shall be to effectuate the assessment and recommendations required by this section, and the State Auditor shall organize and administer the Division in such a manner as the State Auditor may deem necessary to conduct the Division's work accordingly.

SECTION 24.2.(c) No later than October 1, 2025, every State agency shall report to the Division both of the following:

(1) An explanation of how the agency, including each division or office within that agency, utilizes public monies to execute its powers and duties under law.

(2) A description of all positions within that agency that have remained vacant for six months or more as of the effective date of this section. The description shall include the original position vacancy dates, the dates of any postings or repostings of the positions, and an explanation for the length of the vacancies.

SECTION 24.2.(d) The Division shall assess the continued need for each State agency and the vacant positions within each agency. The assessment shall be based on a review of the reports submitted pursuant to this section and any other information the Division deems relevant. In gathering and assessing relevant information, the Division may consult with the Joint Legislative Commission on Governmental Operations. The Division may also employ individuals to utilize artificial intelligence and other appropriate tools for the purpose of examining any of the following with respect to State agencies and their budgets:

(1) Amounts spent, including the entities receiving funds and the intended purpose of the amounts spent.

(2) The effectiveness of any amount spent in achieving the intended purpose of that spending.

(3) Duplicative spending.

(4) Any other factor demonstrating the fiscal soundness or effectiveness of the State agency or lack thereof.

SECTION 24.2.(e) No later than December 31, 2025, the Division shall report the results of the assessment conducted pursuant to this section to the General Assembly. The Division's report shall include, at minimum, recommendations on both of the following:

(1) Any State agencies, or any divisions or offices within a State agency, that should be dissolved based on the Division's assessment.

(2) Any State agency positions that should be eliminated based on the Division's assessment.

SECTION 24.2.(f) The Division, in its discretion, may annually require any or all State agencies to submit a report with the information required by this section, and may reassess such information on an annual basis in accordance with this section, and report the results of the assessment to the General Assembly.

SECTION 24.2.(g) This section is effective when it becomes law and expires December 31, 2028, at which time the Division shall terminate.

GDAC AVAILABILITY FOR AUDITOR

SECTION 24.3.(a) Of the funds appropriated to the Office of the State Auditor in this act, the sum of up to seven hundred fifty thousand dollars ($750,000) in nonrecurring funds for the 2025-2026 fiscal year shall be used to collaborate with the Government Data Analytics Center (GDAC) to implement analytical capabilities to ensure efficiency in State government agencies and assist the State Auditor in meeting its statutory responsibilities under G.S. 147-64.6. These funds shall be used to fund detection analytics, software, information reporting, managed services, and technical infrastructure. The Office of the State Auditor shall coordinate with the GDAC and utilize the subject matter expertise and technical infrastructure available through existing GDAC public-private partnerships for fraud detection and analytics infrastructure.

SECTION 24.3.(b) GDAC shall, at the direction of the State Auditor, expedite data sharing agreements with State agencies in accordance with G.S. 143B-1385(c) to assist the Division of Accountability, Value, and Efficiency, established in this act, in completing its assessments and reports of State agencies as required by law.

STATE AUDITOR/ASSESSMENT OF IT SECURITY STANDARDS & RECOMMENDATIONS

SECTION 24.4.(a) Article 5A of Chapter 147 of the General Statutes is amended by adding a new section to read:

"**§ 147-64.6E. Security practices of State information technology systems.**

(a) After assessing the security practices of a State agency's information technology system, the Office of the State Auditor may include in its report to the agency a time frame, not to exceed 90 days, in which the agency shall implement the Auditor's recommendations, if any are made. Within 14 days after the expiration of the time frame specified in the report, the agency shall, in writing, report to the State Auditor the actions it has taken to implement the recommendations. The Auditor may, in his or her discretion, extend the time frame designated in the report.

(b) If the State Auditor determines that a State agency has not, to his or her satisfaction, implemented the recommendations included in the report, the State Auditor shall, in writing, notify the State Chief Information Officer (hereinafter "State CIO") and the agency of the same. Upon receiving the notification, the State CIO and the Department of Information Technology (hereinafter "DIT") shall withhold all approvals required by Article 15 of Chapter 143B of the General Statutes for any projects, contracts, budgets, or procurements for the agency until the State Auditor determines all recommendations have been satisfactorily implemented, unless approval from the State CIO or the DIT is required to implement the State Auditor's recommendations.

(c) In a case where an agency's approvals are withheld as provided in subsection (b) of this section, the agency shall, in writing, notify the State Auditor when it has taken the necessary actions to implement the State Auditor's recommendations. Upon finding that the agency has satisfactorily implemented the recommendations, the State Auditor shall, in writing, notify the State CIO, and the State CIO and the DIT shall cease withholding approvals.

(d) Any action by the State CIO or the DIT to withhold approvals pursuant to subsection (b) of this section shall not be subject to the provisions of G.S. 143B-1342."

SECTION 24.4.(b) G.S. 143B-1377 reads as rewritten:

"**§ 143B-1377. State CIO approval of security standards and risk assessments.**

…

(e) Nothing in this section shall be construed to preclude the Office of the State Auditor from assessing the security practices of State information technology systems as part of its statutory duties and ~~responsibilities.~~responsibilities, including the provisions of G.S. 147-64.6E."

PART XXV. BUDGET AND MANAGEMENT

OSBM/STATE FISCAL RECOVERY FUND FLEXIBILITY

SECTION 25.1.(a) Notwithstanding any provision of law to the contrary, and subject to the conditions set out in this section, the North Carolina Pandemic Recovery Office (NCPRO), in consultation with the Director of the Budget, is authorized to reallocate State Fiscal Recovery Funds (SFRF) appropriated by this act or any act of the General Assembly, including, but not limited to:

(1) S.L. 2021-180.
(2) S.L. 2021-189.
(3) S.L. 2022-6.

(4) S.L. 2022-74.
(5) S.L. 2023-134.
(6) S.L. 2024-1.
(7) S.L. 2024-40.
(8) S.L. 2024-53.
(9) S.L. 2024-55.

SECTION 25.1.(b) The funds set out in subsection (a) of this section may be reallocated only when all of the following conditions are met:

(1) The appropriated funds have not been expended by December 31, 2025.
(2) There is a reasonable expectation that the funds will not be expended before the deadline established by applicable federal law or guidance.
(3) The reallocation is made to support one or more SFRF related activities authorized and receiving appropriations under this act or one of the acts listed above in subsection (a) of this section. Reallocated funds shall not be used for any new activity, purpose, or program.
(4) The funds were not appropriated for a broadband project or activity.

SECTION 25.1.(c) To the extent the Office of State Budget and Management is aware of any unappropriated SFRF funds, including interest earned, that remain unexpended and may be reallocated to another eligible project, the OSBM shall report that information to the Fiscal Research Division not later than January 15, 2026.

SECTION 25.1.(d) At least 30 days prior to executing the reallocation of funds as proposed by NCPRO under subsection (a) of this section, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the proposed plan to reallocate the funds, including the amounts to be reallocated and the projects to which the funds will be reallocated. The OSBM shall submit a monthly report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on all reallocated SFRF expenditures.

SECTION 25.1.(e) Any funds remaining after the reallocation of funds authorized in subsection (a) and subsection (b) of this section shall be allocated to the State Treasurer up to an amount equal to the remaining unreimbursed COVID-19 related expenses incurred by the North Carolina State Health Plan for Teachers and State Employees between March 3, 2021, and December 31, 2024.

SECTION 25.1.(f) If the deadline for the expenditure of SFRF funds is extended to June 30, 2027, or later, by the federal government, the provisions of this section shall be void and have no effect.

PART XXVI. BUDGET AND MANAGEMENT - SPECIAL APPROPRIATIONS

PURPLE HEART HOMES

SECTION 26.1. Of the funds appropriated in this act to the Office of State Budget and Management – Special Appropriations, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for each fiscal year of the 2025-2027 fiscal biennium shall be allocated as a directed grant to Purple Heart Homes, Inc., a nonprofit corporation, to provide personalized housing solutions for service-connected disabled and aging veterans and their families across the State. Purple Heart Homes, Inc., may use not more than one hundred forty thousand dollars ($140,000) of the grant funds in each fiscal year for administrative costs. By September 1, 2026, Purple Heart Homes, Inc., shall provide a report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division on the use of these funds, including

the number of individuals or families served, the types of services provided to those individuals or families, and the outcomes.

PART XXVII. OFFICE OF STATE CONTROLLER

OSC/CODIFY USE OF RECOVERED AUDIT FUNDS

SECTION 27.1. G.S. 147-86.22(c) reads as rewritten:

"(c) Collection Techniques. – The State Controller, in conjunction with the Office of the Attorney General, shall establish policies and procedures to govern techniques for collection of accounts receivable. These techniques may include use of credit reporting bureaus, judicial remedies authorized by law, and administrative setoff by a reduction of a tax refund pursuant to the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another payment, other than payroll, due from the State to a person to reduce or eliminate an account receivable that the person owes the State.

The State Controller shall negotiate a contract with a third party to perform an audit and collection process of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors. The third party shall be compensated only from funds recovered as a result of the audit. Savings realized in excess of costs shall be transferred from the agency to the Office of State Budget and Management and placed in a special reserve account for future direction by the General Assembly. Any disputed savings shall be settled by the State Controller. Subject to availability and appropriation by the General Assembly, the State Controller may use recovered audit funds for computer systems maintenance and improvements, financial reporting, governmental accounting training, debt collection, and e-commerce costs. This paragraph does not apply to the purchase of medical services by State agencies or payments used to reimburse or otherwise pay for health care services."

STATE AGENCIES/ELECTRONIC PAYMENTS

SECTION 27.2.(a) G.S. 66-58.12 reads as rewritten:

"**§ 66-58.12. Agencies may provide access to services through electronic and digital transactions; fees authorized.**

(a) Public agencies are encouraged to maximize citizen and business access to their services through the use of electronic and digital transactions. A public agency may determine, through program and transaction analysis, which of its services may be made available to the public through electronic means, including the Internet. The agency shall identify any inhibitors to electronic transactions between the agency and the public, including legal, policy, financial, or privacy concerns and specific inhibitors unique to the agency or type of transaction. An agency shall not provide a transaction through the Internet that is impractical, unreasonable, or not permitted by laws pertaining to privacy or security.

(b) An agency may charge a fee to cover its costs of permitting a person to complete a transaction through the ~~World Wide Web~~ internet or other means of electronic access. The transaction fee may be applied on a per transaction basis and may be calculated either as a flat fee or a percentage ~~fee, as determined under an agreement between a person and a public agency. The fee may be collected by the agency or by its third party agent.~~fee. Neither the flat fee nor the percentage fee shall exceed two percent (2%) of the total amount of each transaction. An agency shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the following definitions apply:

(1) Surcharge. – A fee added to a payment by charge card, credit card, debit card, or by electronic funds transfer for the convenience of making the electronic payment or for any other purpose not authorized by law.

(2) Transaction fee. – A fee charged by a payment processor to a State agency for processing a charge card, credit card, or debit card payment.

(c) The ~~fee~~ flat fee or percentage fee imposed under subsection (b) of this section must be approved by the State Chief Information Officer. The revenue derived from the fee must be credited to a nonreverting agency reserve account. The funds in the account may be expended only for e-commerce initiatives and projects approved by the State Chief Information Officer. For purposes of this subsection, the term "public agencies" does not include a county, unit, special district, or other political subdivision of government. The State Chief Information Officer shall report any fees imposed under subsection (b) of this section and expenditures for e-commerce initiatives and projects to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on Information Technology.

(d) This section does not apply to the Judicial Department."

SECTION 27.2.(b) Article 6A of Chapter 147 of the General Statutes reads as rewritten:

"Article 6A.

"Cash Management.

"**§ 147-86.10. Statement of policy.**

It is the policy of the State of North Carolina that all agencies, institutions, departments, bureaus, boards, commissions, and officers of the State, whether or not subject to the State Budget Act, Chapter 143C of the General Statutes, shall devise techniques and procedures for the receipt, deposit, and disbursement of moneys coming into their control and custody which are designed to maximize interest-bearing investment of cash, and to minimize idle and nonproductive cash balances. This policy shall apply to the General Court of Justice as defined in Article IV of the North Carolina Constitution, the public school units as defined in G.S. 147-86.12, and the community colleges with respect to the receipt, deposit, and disbursement of moneys required by law to be deposited with the State Treasurer and with respect to moneys made available to them for expenditure by warrants drawn on the State Treasurer. This policy shall include the acceptance of electronic payments in accordance with ~~G.S. 147-86.22 to the maximum extent possible consistent with sound business practices.~~the provisions of G.S. 66-58.12 and the policies established by the State Controller under G.S. 147-86.22.

"**§ 147-86.11. Cash management for the State.**

…

(e) Elements of Plan. – For moneys received or to be received, the statewide cash management plan shall provide at a minimum that:

…

(6) State agencies shall accept payment by electronic payment in accordance with ~~G.S. 147-86.22 to the maximum extent possible consistent with sound business practices.~~the provisions of G.S. 66-58.12 and the policies established by the State Controller under G.S. 147-86.22.

…

"**§ 147-86.22. Statewide accounts receivable program.**

(a) Program. – The State Controller shall implement a statewide accounts receivable program. As part of this program, the State Controller shall do all of the following:

(1) Monitor the State's accounts receivable collection efforts.

(2) Coordinate information, systems, and procedures between State agencies to maximize the collection of past-due accounts receivable.

(3) Adopt policies and procedures for the management and collection of accounts receivable by State agencies.

(3a) In consultation and coordination with the Department of Administration and the State Chief Information Officer, enter into a statewide term contract for electronic payment processing services.

(4) Establish procedures for writing off accounts receivable.

(b) Electronic Payment. – Notwithstanding the provisions of G.S. 147-86.20 and G.S. 147-86.21, this subsection applies to debts owed a community college, a local school administrative unit, an area mental health, developmental disabilities, and substance abuse authority, and the Administrative Office of the Courts, and to debts payable to or through the office of a clerk of superior court or a magistrate, as well as to debts owed to other State agencies as defined in G.S. 147-86.20.

(b1) Policies Established. – The State Controller shall establish policies that allow accounts receivable to be payable under certain conditions by electronic payment. The policies shall provide that transaction fees for electronic payments may be imposed as provided in G.S. 66-58.12, unless otherwise provided for by law. These policies shall be established with the concurrence of the State Treasurer. In addition, any policies that apply to debts payable to or through the office of a clerk of superior court or a magistrate shall be established with the concurrence of the Administrative Officer of the Courts. The Administrative Officer of the Courts may also establish policies otherwise authorized by law that apply to these debts as long as those policies are not inconsistent with the Controller's policies. State agencies shall use the vendor or vendors under the statewide term contract for electronic payments allowed under the policies established under this subsection, unless explicitly exempted by the State Controller, in concurrence with the State Treasurer or the Administrative Officer of the Courts, as applicable.

~~A condition of payment by electronic payment is receipt by the appropriate State agency of the full amount of the account receivable owed to the State agency. A debtor who pays by electronic payment may be required to pay any fee or charge associated with the use of electronic payment.~~

(b2) Payment Processor Fees. – The policies established by the State Controller under subsection (b1) of this section and the terms of the statewide term contract executed pursuant to subdivision (3a) of subsection (a) of this section may authorize a vendor providing payment processing services to retain their transaction fee at the time each transaction is made instead of submitting the full amount of the account receivable owed to the State agency; provided, however, the transaction fee shall not exceed two percent (2%) of the total amount of each transaction. The State Controller may also establish policies and authorize contracts that provide a State agency may require a vendor to pay the full amount of the account receivable owed to the State agency, on a schedule agreed to by the agency and vendor, and thereafter the vendor shall be reimbursed for the transaction fees owed to it by the State. In the case of reimbursement, the transaction fee owed to the vendor shall not exceed two percent (2%) of the full amount of the account receivable owed to the State agency. Fees associated with processing electronic payments may be paid out of the General Fund and Highway Fund if the payment of the fee by the State is economically beneficial to the State and the payment of the fee by the State has been approved by the State Controller and State Treasurer.

(b3) Consult General Assembly. – The State Controller and State Treasurer shall consult with the Joint Legislative Commission on Governmental Operations before establishing policies that allow accounts receivable to be payable by electronic payment and before authorizing fees associated with electronic payment to be paid out of the General Fund and Highway Fund.

(b4) Payments Not Honored. – A payment of an account receivable that is made by electronic payment and is not honored by the issuer of the card or the financial institution offering electronic funds transfer does not relieve the debtor of the obligation to pay the account receivable.

(c) Collection Techniques. – The State Controller, in conjunction with the Office of the Attorney General, shall establish policies and procedures to govern techniques for collection of accounts receivable. These techniques may include use of credit reporting bureaus, judicial remedies authorized by law, and administrative setoff by a reduction of a tax refund pursuant to the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another

payment, other than payroll, due from the State to a person to reduce or eliminate an account receivable that the person owes the State.

The State Controller shall negotiate a contract with a third party to perform an audit and collection process of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors. The third party shall be compensated only from funds recovered as a result of the audit. Savings realized in excess of costs shall be transferred from the agency to the Office of State Budget and Management and placed in a special reserve account for future direction by the General Assembly. Any disputed savings shall be settled by the State Controller. This paragraph does not apply to the purchase of medical services by State agencies or payments used to reimburse or otherwise pay for health care services.

(d) Annual Report. – The State Controller shall report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue."

SECTION 27.2.(c) The State Controller, in concurrence with the State Treasurer and the Administrative Officer of the Courts, and any State agency subject to a contract with a vendor to provide electronic payment processing services shall make every effort allowed by law to amend the terms of those contracts to include a provision that the transaction fee paid to the vendor shall not exceed two percent (2%) of the total amount of each transaction or two percent (2%) of the full amount of the account receivable owed to the State. Upon the expiration, amendment, or renewal of the contract for electronic payment processing services, the State Controller, in concurrence with the State Treasurer and the Administrative Officer of the Courts, and any State agency shall include, as part of the new, amended, or renewed contract, a provision which explicitly states that the amount of the transaction fee to be paid by the State or the State agency shall not exceed two percent (2%) of the total amount of each transaction or two percent (2%) of the full amount of the account receivable owed to the State.

SECTION 27.2.(d) G.S. 18B-404 reads as rewritten:

"**§ 18B-404. Additional provisions for purchase and transportation by mixed beverage permittees.**

…

(e) Electronic Payment. – A local board shall accept electronic payments for any spirituous liquor purchased by a mixed beverages permittee. A local board may not charge a transaction fee for accepting electronic payments under this ~~subsection.~~ subsection and shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the ~~term "electronic payment" means payment~~ following definitions apply:

(1) Electronic payment. – Payment by debit card or by electronic funds transfer as defined in ~~G.S. 105-228.90, but does~~ G.S. 105-228.90. The term does not ~~include~~ mean payment by charge card or credit card.

(2) Surcharge. – As defined in G.S. 66-58.12(b).

(3) Transaction fee. – As defined in G.S. 66-58.12(b).

(f) Delivery Service. – A local board shall offer delivery service to mixed beverage permittees. In providing delivery of purchased products to mixed beverage permittees, the local board may use its employees or contract with one or more independent contractors and may charge a fee to the permittee. A local board in a Tier 1 or Tier 2 county, as defined in G.S. 143B-472.35(a2)(18), may request an exemption to this requirement from the ABC Commission. The Commission shall grant the request if the local board can show evidence of unreasonable hardship or difficulty incurred by implementing delivery service."

SECTION 27.2.(e) G.S. 18B-907 reads as rewritten:

"**§ 18B-907. Allow electronic submission of payments and forms.**

(a) Forms. – The Commission shall make all forms required by the Commission to apply for and receive a permit available on the Commission's Web site, and the Commission shall, to

the extent practicable, allow for the electronic submission of these forms. Any form required by the Commission to apply for and receive a permit that requires a signature may be submitted with an electronic signature in accordance with Article 40 of Chapter 66 of the General Statutes.

(b) Payments. – The Commission shall accept electronic payments for any fee required under this Chapter to receive a permit. Any person who makes an electronic payment may be charged a transaction fee to cover the costs incurred in accepting the payment electronically. The transaction fee may be either a flat fee or a percentage fee. Neither the flat fee nor the percentage fee shall exceed two percent (2%) of the total amount of each transaction. The Commission shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the term "electronic payment" means payment by charge card, credit card, debit card, or by electronic funds transfer as defined in ~~G.S. 105-228.90.~~G.S. 105-228.90, and the terms "surcharge" and "transaction fee" mean the same as in G.S. 66-58.12(b).

~~(c) Fee. – The Commission may charge a fee to be used to cover costs incurred by the Commission in processing forms electronically and accepting payments electronically. The fee authorized under this subsection may not exceed five dollars ($5.00).~~"

SECTION 27.2.(f) G.S. 20-4.05 reads as rewritten:

"**§ 20-4.05. Authority of Division to charge transaction fee on electronic payments.**

(a) When the Division accepts electronic payment, as that term is defined in G.S. 147-86.20, for any cost, fee, fine, or penalty imposed pursuant to this Chapter, the Division may add a transaction fee to each electronic payment transaction to ~~offset the service charge the Division pays for electronic payment service.~~ cover the costs incurred in accepting the payment electronically. The ~~Division's~~ transaction fee may be either a flat fee or a percentage fee. Neither the flat fee nor the percentage fee shall ~~not~~ exceed two percent (2%) of the ~~electronic payment.~~total amount of each transaction. The Division shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the terms "surcharge" and "transaction fee" have the same meanings as in G.S. 66-58.12(b).

(a1) When the Division accepts electronic payment for any taxes or fees on behalf of a county or city, the Division may add a transaction fee to each electronic payment transaction as provided in subsection (a) of this section. The Division shall not charge a person, county, or city a surcharge for accepting electronic payments.

(b) Notwithstanding G.S. 66-58.12, this section applies to transactions completed in person, through the World Wide Web, or through any other means of electronic access."

STATE CONTROLLER OPERATING BUDGET & STAFF SAVINGS

SECTION 27.3. Notwithstanding any provision of law or the Committee Report referenced in Section 45.2 of this act to the contrary, BEST Shared Services in the Office of the State Controller shall not be reduced by the sum of five hundred thirty thousand dollars ($530,000) in recurring funds for the 2025-2026 and 2026-2027 fiscal year, but instead the State Controller shall reduce funds in any division or program funded in the Office's General Fund budget code to equal the sum of five hundred thirty thousand dollars ($530,000) in recurring funds for the 2025-2026 and 2026-2027 fiscal year.

PART XXVIII. ELECTIONS

SBE/RFP FOR SEIMS MODERNIZATION PROJECT PLAN

SECTION 28.1. The State Board of Elections may develop and issue a request for proposal for the Statewide Elections Information Management System Modernization Project Plan.

PART XXIX. GENERAL ASSEMBLY

AMERICA'S SEMIQUINCENTENNIAL COMMITTEE

SECTION 29.1.(a) Section 14.10 of S.L. 2023-134 reads as rewritten:

"**SECTION 14.10.(a)** There is created the America's Semiquincentennial Committee (the Committee).

"**SECTION 14.10.(b)** Membership. – The Committee shall be composed of ~~seven~~ nine members, as follows:

(1) ~~Three~~ Four members appointed by the President Pro Tempore of the Senate, ~~one~~ two of whom shall be ~~a member~~ members of the Senate and the remainder of whom shall be members of the public.

(2) ~~Three~~ Four members appointed by the Speaker of the House of Representatives, ~~one~~ two of whom shall be ~~a member~~ members of the House of Representatives and the remainder of whom shall be members of the public.

(3) One member jointly appointed by the President Pro Tempore of the Senate and the Speaker of the House of Representatives who shall be a noted historian with expertise regarding the American Revolution.

"**SECTION 14.10.(c)** Terms; Chairs; Vacancies; Quorum. – Members appointed shall serve until the Committee terminates. The Committee shall have two cochairs which shall be the legislative member designated by the President Pro Tempore of the Senate and the legislative member designated by the Speaker of the House of Representatives. The Committee shall meet upon the call of the cochairs. Vacancies shall be filled by the appointing authority. A quorum of the Committee shall be a majority of the members.

"**SECTION 14.10.(d)** Duties. – ~~The~~ Using funds available, the Committee shall ~~(i) study~~ have the following duties:

(1) Study means for the State to celebrate the two hundred fiftieth anniversary of the founding of our ~~nation and (ii) report~~ nation.

(2) Report the means and anticipated costs of the celebratory events to the General Assembly.

(3) Plan, execute, and coordinate events and activities that celebrate the semiquincentennial in any of the following ways:

a. Maintaining a website, social media, web-based or phone-based application, or commercial advertising that provides information on the semiquincentennial and events celebrating the semiquincentennial throughout the State.

b. Creating and presenting educational materials and hosting educational contests for elementary, secondary, and postsecondary schools.

c. Creating visual, auditory, or written content about the semiquincentennial.

d. Partnering with any of the following on events, activities, or publicity for the semiquincentennial:

1. State entities such as the North Carolina Symphony, the University of North Carolina Center for Public Media, and the Department of Natural and Cultural Resources.

2. America 250 NC federal, State, and county committees.

3. Nonprofits, historical, cultural, and business entities.

4. Any other entities the Committee deems appropriate.

"**SECTION 14.10.(e)** Compensation; Administration. – Members of the Committee shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. Using funds available, the Committee may contract to execute duties specified under subdivision (3) of subsection (d) of this section. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the

Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

"**SECTION 14.10.(f)** Reports; Termination. – The Committee shall make ~~an~~ the following reports to the General Assembly:

(1) An interim ~~report~~ report to the 2025 Regular Session of the 2025 General ~~Assembly and a final report to~~ Assembly by July 1, 2025, on planned events and expected costs for the semiquincentennial celebrations.

(2) An interim report to the 2026 Regular Session of the 2025 General Assembly by March 31, 2026, on the outcome of any executed events or plans, as well as further plans and expected costs for the semiquincentennial celebrations.

(3) An interim report to the 2027 Regular Session of the 2027 General Assembly on the outcome of any executed events or plans, as well as further plans and expected costs for the semiquincentennial celebrations.

(4) A final report to the 2028 Regular Session of the 2027 General Assembly no later than ~~January 14, 2026.~~January 15, 2028, on the outcome of any executed events or plans.

The Committee shall terminate on ~~January 15, 2026.~~January 15, 2028.

"**SECTION 14.10.(g)** This section is effective when it becomes law."

SECTION 29.1.(b) This section is effective when it becomes law.

PART XXX. GOVERNOR [RESERVED]

PART XXXI. HOUSING FINANCE AGENCY [RESERVED]

PART XXXI-A. OFFICE OF STATE HUMAN RESOURCES

MAKE APPLYING FOR STATE JOBS EASIER

SECTION 31A.1.(a) Article 5 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"**§ 126-14.3A. Increasing efficiency of State job application process.**

(a) The Office of State Human Resources (OSHR) shall streamline the job application process for State positions by enabling applicants to upload resumes or website profiles. An electronic tool shall be utilized to import information from these documents into the State job application format, making the process more efficient while still collecting information necessary for merit-based hiring under G.S. 126-14.2 and G.S. 126-14.3. Applicants remain responsible for ensuring all information required for initial screening appears correctly in their completed State job application after importing their resume or profile.

(b) For job applications requiring references, supplemental questions, or other information not typically found on resumes and not needed for initial screening, State agencies may collect this information later in the selection process, such as during job interviews.

(c) Beginning in 2026 and then annually thereafter, the OSHR shall present the State application form and demonstrate the import process to the State Human Resources Commission to receive the Commission's informal feedback."

SECTION 31A.1.(b) G.S. 126-5(c7) reads as rewritten:

"(c7) Except as to the policies, rules, and plans established by the Commission pursuant to G.S. 126-4(1), 126-4(2), 126-4(3), 126-4(4), 126-4(5), 126-4(6), 126-14.3, 126-14.3A, and except as to G.S. 126-14.2, G.S. 126-34.02(b)(1) and (2), and Articles 6 and 7 of this Chapter, this Chapter does not apply to exempt managerial positions."

SECTION 31A.1.(c) G.S. 126-5(c17) reads as rewritten:

"(c17) Except as to the policies, rules, and plans established by the Commission pursuant to G.S. 126-4(1), 126-4(2), 126-4(3), 126-4(4), 126-4(5), 126-4(6), 126-7, 126-14.3, 126-14.3A, and except as to the provisions of G.S. 126-14.2, G.S. 126-34.1(a)(2), and Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to a warden of an adult corrections facility."

SECTION 31A.1.(d) G.S. 126-5(c18) reads as rewritten:

"(c18) Except as to the policies, rules, and plans established by the Commission pursuant to G.S. 126-4(1), 126-4(2), 126-4(3), 126-4(4), 126-4(5), 126-4(6), 126-4(7), and 126-14.3, and except as to the provisions of G.S. 126-14.2, 126-14.3A, 126-34.02(b)(1) and (2), and Articles 6 and 7 of this Chapter, this Chapter does not apply to the warden of a State adult correctional facility. Employees in these positions shall be public servants under G.S. 138A-3(70) and shall file Statements of Economic Interest under G.S. 138A-22. Employees in these positions shall receive the protections of former G.S. 126-5(e) if the employees were hired before the date of its repeal and have the minimum cumulative service to qualify under that subsection."

SECTION 31A.1.(e) The Office of State Human Resources shall modify the State job application process in accordance with this section by no later than November 1, 2025.

SECTION 31A.1.(f) This section is effective when it becomes law.

PERMANENT HIRING OF CERTAIN EMPLOYEES/SPECIFIC CONDITIONS

SECTION 31A.2.(a) Article 1 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"**§ 126-6.4. Temp-to-perm hiring.**

(a) The Council of State, the executive branch agencies, the Community College System Office, and The University of North Carolina may directly hire temporary employees into vacant positions if all of the following conditions are met:

(1) The permanent position to be filled must be vacant.

(2) The temporary employee must have worked for a minimum of six months in a substantially equivalent role with satisfactory performance. This six-month period excludes any mandatory breaks required under G.S. 126-6.3.

(3) The temporary employee must meet the minimum education and experience requirements established for the position classification and their salary must be set within the approved classification range.

(4) The temporary employee must have been originally hired through the North Carolina Office of State Human Resources Temporary Solutions Program.

The Director of the Office of State Human Resources may waive the requirements specified in subdivision (3) of this subsection, including both the minimum education and experience requirements and the requirement that salary be set within the classification range.

(b) Unless otherwise provided, a hiring under this section is exempt from the provisions of this Chapter, including any procedural or substantive requirements, including publicly posting the position, requiring an application, holding an interview or new reference checks, selecting the applicants from the pool of the most qualified persons, or following the priorities for certain types of applicants under State law. This exemption for the hiring process does not affect whether the position is subject to Chapter 126 of the General Statutes once the employee is hired.

(c) A hiring under this section is not exempt from G.S. 126-14, 126-14.1, or 126-14.5 or from Article 6 or 7 of Chapter 126 of the General Statutes."

SECTION 31A.2.(b) This section is effective when it becomes law.

GRANT EMPLOYING AGENCY FLEXIBILITY/HIRING/PAY/CLASSIFICATION

SECTION 31A.3. Effective July 1, 2025, Article 1 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"**§ 126-3.1. Employing agency flexibility.**

(a) For the purposes of this section, an "employing agency" means the Council of State, State agencies in the executive branch of government, the Community College System Office, and The University of North Carolina.

(b) An employing agency is granted flexibility, notwithstanding other provisions of this Chapter, to do the following:

(1) Offer qualified applicants for employment the option to have their applications considered for future positions at the same agency and at other agencies within the same or comparable classification.

(2) Permit agencies to recruit and hire applicants from job postings that apply to all vacancies in a particular classification across all State agencies.

(3) Classify or reclassify positions according to the State Human Resources Commission (SHRC) classification system, provided employees meet the minimum requirements for the classification.

(4) Establish employee salaries within SHRC-determined salary ranges for respective position classifications.

(c) Nothing in this section diminishes the powers of the State Human Resources Commission or the Director of the Office of State Human Resources under any other provision of this Chapter or relating to corrective actions taken when an employing agency fails to comply with this section."

MODERNIZE AND SIMPLIFY THE STATE HUMAN RESOURCES ACT

SECTION 31A.4. By March 15, 2026, the Office of State Human Resources (OSHR) shall submit a report to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division with recommended changes to Chapter 126 of the General Statutes to modernize the North Carolina Human Resources Act, simplify its provisions, and align it with contemporary human resources best practices. At a minimum, the report shall address legislative changes needed to:

(1) Streamline hiring processes.

(2) Enhance recruitment strategies and increase the attractiveness of State government employment.

(3) Develop and maintain a high-quality, well-trained State workforce.

(4) Improve State employee retention rates.

The OSHR shall collaborate with State agencies, local governments, and other relevant stakeholders to develop these legislative proposals.

PART XXXII. INSURANCE

DIRECT OSBM TO GIVE OSFM SEPARATE BUDGET CODE

SECTION 32.1.(a) The Office of State Budget and Management shall establish a new budget code for the Office of the State Fire Marshal (OSFM) and create new budget funds for each division of the OSFM.

SECTION 32.1.(b) This section becomes effective July 1, 2025.

WORKERS' COMPENSATION FUND FOR CERTAIN SAFETY WORKERS

SECTION 32.2.(a) Notwithstanding the provisions of G.S. 58-87-10, for the 2025-2026 fiscal year, the Office of the State Fire Marshal shall not set an amount to be paid by every eligible unit and eligible entity, as those terms are defined in G.S. 58-87-10(a), that elects to participate in the Workers' Compensation Fund created pursuant to G.S. 58-87-10(b). For the 2025-2026 fiscal year, no eligible unit or eligible entity shall be required to submit to the Office of the State Fire Marshal any payment to participate in the Fund.

SECTION 32.2.(b) G.S. 58-87-10 reads as rewritten:

"**§ 58-87-10. Workers' Compensation Fund for the benefit of certain safety workers.**

…

(f) Funding Study. – The Office of the State Fire Marshal shall annually conduct an actuarial study that shall do all of the following:

…

(3) Calculate how much revenue from the State and from member premiums would be required to meet the needs of the Fund for each of the following scenarios:

…

d. Member premiums, by job classification, set at the lowest amount necessary to maintain the cash balance in the Fund at the optimal amount identified by the actuary.

…."

MANDATE ALL OTHER PERIL COVERAGE FOR PARTICIPANTS IN THE STATE PROPERTY FIRE INSURANCE FUND

SECTION 32.3.(a) G.S. 58-31-10 reads as rewritten:

"**§ 58-31-10. Payment of losses on basis of actual cost of restoration or replacement; rules; insurance and reinsurance; sprinkler leakage ~~insurance.~~insurance; all other peril insurance.**

…

(d) Every State department, institution, or agency that insures State property against the direct loss or damage by insurable hazards in the State Property Fire Insurance Fund shall obtain and make payment for all other perils coverage as provided by the Fund."

SECTION 32.3.(b) This section becomes effective July 1, 2026.

PART XXXIII. INSURANCE - INDUSTRIAL COMMISSION [RESERVED]

PART XXXIV. LIEUTENANT GOVERNOR [RESERVED]

PART XXXV. MILITARY AND VETERANS AFFAIRS

CODIFY NORTH CAROLINA VETERANS CEMETERY TRUST FUND/VETERANS' CEMETERIES UPGRADE & MAINTENANCE

SECTION 35.1.(a) Article 8A of Chapter 65 of the General Statutes is amended by adding the following new sections to read:

"**§ 65-45. North Carolina Veterans Cemetery Trust Fund.**

There is hereby established the North Carolina Veterans Cemetery Trust Fund (hereinafter "Fund"), a special fund within the Department of Military and Veterans Affairs. The Fund shall be maintained as a special fund and shall be administered by the Department to carry out the operations and maintenance of the State's veterans' cemeteries. Interest accruing from the monies in the Fund shall be credited to the Fund. The Fund shall consist of the following sources of funding:

(1) All interest and investment earnings received on monies in the Fund.

(2) Any other funds, as directed by the General Assembly.

"**§ 65-45.1. Veterans' cemeteries; reporting requirements.**

Not later than September 15 of each year, the Department of Military and Veterans Affairs shall submit a report to the Joint Legislative Oversight Committee on General Government, the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division on all of the following:

(1) The overall condition of each of the State's veterans' cemeteries, including any known issues that require maintenance and/or repair in the upcoming State fiscal year.
(2) The total funds spent at each of the State's veterans' cemeteries for maintenance and/or repair and any other expenses in the prior State fiscal year and the source of the funds.
(3) The number of full- and part-time employees assigned to work at each of the State's veterans' cemeteries in the prior State fiscal year.
(4) The number of veterans and the legal spouses and eligible dependents of veterans who were interred at each of the State's veterans' cemeteries in the prior State fiscal year, and the type of interment for each veteran, legal spouse, and eligible dependent."

SECTION 35.1.(b) Section 17.4 of S.L. 2020-78 is repealed.

SECTION 35.1.(c) The Department of Military and Veterans Affairs may use up to four hundred thousand dollars ($400,000) of the interest earned on the North Carolina Veterans Cemetery Trust Fund to create up to four positions to maintain and operate the existing State veterans' cemeteries.

SECTION 35.1.(d) G.S. 147-69.2 reads as rewritten:

"**§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

…

(25) North Carolina Veterans Cemetery Trust Fund.

…."

DMVA/STATUTORY CHANGES

SECTION 35.2. Article 14 of Chapter 143B of the General Statutes reads as rewritten:

"Article 14.
"Department of Military and Veterans Affairs
"Part 1. General Provisions.

…

"**§ 143B-1211. Powers and duties of the Department of Military and Veterans Affairs.**

It shall be the duty of the Department of Military and Veterans Affairs to do all of the following:

…

(10) Manage and maintain the State's veterans nursing homes and cemeteries and their associated assets to the standard befitting those who have worn the uniform of the Armed Forces according to federal guidelines. Plan for expansion and grow the capacity of these facilities and any new ~~facilities as required pending the availability of designated funds.~~facilities. Funds to perform the duties required by this subdivision shall be spent pursuant to appropriation by the General Assembly; provided, however, the expenditure of funds for the State's veterans nursing homes shall be in accordance with G.S. 143B-1294(c). The Department may enter into contracts to perform the duties required by this subdivision.

…

"**§ 143B-1218. Veterans Life Center; challenge grant to provide rehabilitation and reintegration services to veterans.**

(a) There is hereby established in the ~~Department of Military and Veterans Affairs~~ Office of State Budget and Management (hereinafter "OSBM") a challenge grant program for the

Veterans Life Center (hereinafter "Center"), a nonprofit corporation, which shall be administered by the ~~Department~~ OSBM as provided in this section. Funds appropriated by the General Assembly for the challenge grant program shall be used to allocate funds to the Center for the purpose of providing rehabilitation and reintegration services and support to veterans across the State, and those funds shall not be used for any other purpose without the express authorization of the General Assembly.

(b) The maximum amount of State funds that may be disbursed to the Center under this section is seven hundred fifty thousand dollars ($750,000) in each fiscal year. The ~~Department~~ OSBM shall disburse State funds on a dollar-for-dollar basis each quarter so that the Center will receive a State dollar for each non-State dollar raised by the Center each quarter, but in no case shall the ~~Department~~ OSBM disburse State funds to the Center if the Center has not raised non-State funds in that quarter of the fiscal year. The Center shall demonstrate, to the satisfaction of the ~~Department,~~ OSBM, that it has raised the non-State funds required by this subsection prior to the disbursement of State funds. The Center shall not supplant, shift, or reallocate Center funds for the purpose of achieving the non-State dollars required by this subsection.

(b1) Notwithstanding the provisions of subsection (b) of this section, if the OSBM does not disburse grant funds to the Veterans Life Center in a fiscal year because the Center did not satisfy the requirements of the grant contract between the OSBM and the Center on or before June 30 of that fiscal year, the grant funds shall not revert on June 30 but shall remain available to the OSBM to disburse to the Center in the following fiscal year as long as the Center satisfies the grant contract requirements. In such a case, the OSBM is authorized to disburse grant funds to the Veterans Life Center in an amount greater than seven hundred fifty thousand dollars ($750,000) in a fiscal year because the amount disbursed is for both the prior fiscal year and the current fiscal year.

(c) Not later than July 1 of each year, the ~~Department~~ OSBM shall submit a written report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on all of the following information, and the Center shall provide the information to the ~~Department~~ OSBM in the manner and time period requested by the ~~Department~~ OSBM for purposes of preparing the report:

…

"Part 9. Priority in Employment Assistance for Veterans of the Armed Forces of the United States.

…

"**§ 143B-1285. Implementation and performance measures.**

The ~~North Carolina Commission on Workforce Preparedness~~ NC Works Commission shall:

…

"Part 10. State Veterans Home.

…

"**§ 143B-1291. ~~Establishment.~~Establishment of State veterans homes; closing homes.**

(a) Establishment. – The State of North Carolina shall construct, maintain, and operate veterans homes for the aged and infirm veterans resident in this State under the administrative authority and control of the Department of Military and Veterans Affairs. There is vested in the Department ~~any and all~~ the powers and authority ~~that may be~~ necessary to enable it to establish and operate the ~~homes and to~~ homes; provided, however, funds to construct, maintain, and operate the homes shall be pursuant to appropriation by the General Assembly except as provided in G.S. 143B-1294(c). The Department shall issue rules necessary to operate the homes in compliance with applicable State and federal statutes and regulations. The Department may enter into contracts to construct and maintain veterans homes in accordance with the provisions of Articles 3, 3C, 3D, and 8 of Chapter 143 of the General Statutes and procedures established by the Division of Purchase and Contract and the Office of State Construction. The Department may enter into contracts to operate veterans homes as provided in G.S. 143B-1295.

(b) Report Condition Assessment Results. – If the Department determines, based upon an assessment conducted by the Office of State Construction, the Department, or an entity with whom the Department has contracted to conduct the assessment, that a State veterans home requires repair in order to maintain the home in a safe and habitable condition, the Department shall, not later than 24 hours after receiving the assessment report, submit a report of the assessment findings to the Joint Legislative Oversight Committee on General Government, the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division. The report shall, at a minimum, include the name of the State agency or other entity that conducted the assessment, the reason for the assessment, the dangerous conditions found, the Department's recommendations for remedying the dangerous conditions, and the estimated costs of remedying the dangerous conditions.

…

"**§ 143B-1293. North Carolina Veterans Home Trust Fund.**

…

(c) Use of Fund. – The trust fund created in subsection (a) of this section shall be used by the Department of Military and Veterans Affairs to do the following:

(1) To pay for the care of veterans in said State veterans homes;

(2) To pay the general operating expenses of the State veterans homes, including the payment of salaries and wages of officials and employees of said homes; and

(3) To pay the costs to remodel, repair, construct, modernize, or add improvements to buildings and facilities at the homes.

…

"**§ 143B-1294. Funding.**

…

(c) All funds received by the Department shall be deposited in the North Carolina Veterans Home Trust Fund, except for any funds deposited into special agency accounts established pursuant to G.S. 143B-1293(d)(3). The Veterans' Affairs Commission shall authorize the expenditure of all funds from the North Carolina Veterans Home Trust Fund. The Veterans' Affairs Commission may delegate authority to the Assistant Secretary of Veterans Affairs for the expenditure of funds from the North Carolina Veterans Home Trust Fund for operations of the State Veterans Nursing Homes. The delegation of authority shall apply only to the person holding the office of Secretary of the Department at the time the vote is undertaken, and a new vote to delegate authority must be undertaken by the Commission each time a person is appointed to serve as Secretary or designated to serve as chair of the Commission under G.S. 143B-1221.

"**§ 143B-1295. Contracted operation of homes.**

The Department of Military and Veterans Affairs, in consultation with the Veterans' Affairs ~~Commission~~ Commission, may contract with persons or other nongovernmental entities to operate each State veterans home. Contracts for the procurement of services to manage, administer, and operate any State veterans home shall be awarded on a competitive basis through the solicitation of proposals and through the procedures established by statute and the Division of Purchase and Contract. A contract may be awarded to the vendor whose proposal is most advantageous to the State, taking into consideration cost, program suitability, management plan, excellence of program design, key personnel, corporate or company resources, financial condition of the vendor, experience and past performance, and any other qualities deemed necessary by the ~~Veterans' Affairs Commission~~ Department and set out in the solicitation for proposals. Any contract awarded under this section shall not exceed five years in length. The ~~Veterans' Affairs Commission~~ Department is not required to select or recommend the vendor offering the lowest cost proposal but shall select or recommend the vendor who, in the opinion

of the ~~Commission,~~ Department, offers the proposal most advantageous to the veterans and the State of North Carolina.

"**§ 143B-1296. Program staff.**

The Department shall appoint and fix the salary of ~~an Administrative Officer~~ a Program Director for the State veterans home program. The ~~Administrative Officer shall be an honorably discharged veteran who has served in active military service in the Armed Forces of the United States for other than training purposes.~~ Program Director does not have to be a veteran, but preference shall be given to veteran applicants in accordance with G.S. 128-15. The ~~Administrative Officer~~ Program Director shall direct the establishment of the State veterans home program, coordinate the master planning, land acquisition, and construction of all State veterans homes under the procedures ~~of~~ established by the Office of State Construction, and oversee the ongoing operation of ~~said~~ the veterans homes. The ~~Division~~ Department may hire any required additional administrative staff to ~~help~~ assist with administrative and operational responsibilities at each established State veterans home.

…

"**§ 143B-1300. Report and budget.**

(a) The ~~Assistant Secretary for Veterans Affairs shall report annually to the Secretary of the~~ Department of Military and Veterans Affairs ~~and~~ shall report annually to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on the activities of the State Veterans Homes Program. This report shall contain an accounting of all monies received and expended, statistics on residents in the homes during the year, recommendations to the ~~Secretary, the Governor,~~ Governor and the General Assembly ~~as to the program,~~ on ways to improve the services provided by the homes, and such other matters as may be deemed pertinent.

…

"**§ 143B-1301. Detailed annual report.**

By March 1 of odd-numbered years and September 1 of even-numbered years, the Department of Military and Veterans Affairs shall report to the Joint Legislative Oversight Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, and the Fiscal Research Division on the status of the State Veterans Homes program by providing a general overview of the State Veterans Homes and a specific description of each facility which shall include, at a minimum, all of the following:

…

(1a) Facility condition assessment, including any structural, mechanical, plumbing, electrical, or other issue that affects the integrity of the facility that should be repaired or replaced within the 12 months immediately following submission of the report required by this section.

…

"Part 11. North Carolina Military Affairs Commission.

…

"**§ 143B-1311. Membership.**

…

(b) The voting members of the Commission shall be appointed as follows:

(1) Thirteen members appointed by the Governor, consisting of:

…

h. One person who is a resident of North Carolina with a long-term connection to the State and who is a current or retired member of a reserve component of the United States Air Force, Army, Navy, Space Force, or ~~Marines~~ Marine Corps and who is involved in a military affairs organization or involved in military issues through civic, commercial, or governmental relationships.

…

(h) The initial meeting of the Commission shall be within 30 days of the effective date of this act at a time and place to be determined by the Secretary of Commerce. The first order of business at the initial meeting of the Commission shall be the adoption of bylaws and establishment of committees, after which the Commission shall meet upon the call of the ~~Chairman or the Secretary of the Department of Military and Veterans Affairs.~~ chair. The members shall receive no compensation for attendance at meetings, except a per diem expense reimbursement. Members of the Commission who are not officers or employees of the State shall receive reimbursement for subsistence and travel expenses at rates set out in G.S. 138-5 from funds made available to the Commission. Members of the Commission who are officers or employees of the State shall be reimbursed for travel and subsistence at the rates set out in G.S. 138-6 from funds made available to the Commission. The Department of Military and Veterans Affairs shall use funds within its budget for the per diem, subsistence, and travel expenses authorized by this subsection.

…."

ARMED FORCES TO INCLUDE UNITED STATES SPACE FORCE

SECTION 35.3.(a) G.S. 17C-10.1 reads as rewritten:

"**§ 17C-10.1. Certification of military service members and veterans with law enforcement training and experience.**

…

(g) As used in this section, the following terms mean:

(1) Branches of military service. – The United States Armed Forces: Air Force; Army; ~~Marine;~~ Marine Corps; Navy; Space Force; active, reserve, Air/Army National Guard components; and the Coast Guard.

…."

SECTION 35.3.(b) G.S. 58-58-335 reads as rewritten:

"**§ 58-58-335. Definitions.**

As used in this Part:

…

(1a) "Armed Forces" means all components of the United States Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard.

…."

SECTION 35.3.(c) G.S. 116-143.3 reads as rewritten:

"**§ 116-143.3. Tuition of qualifying federal services members and their spouses and dependents.**

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

…

(2) Armed Forces. – The United States Air Force, Army, Coast Guard, Marine Corps, Space Force, and Navy; the North Carolina National Guard; and any reserve component of the foregoing.

…."

SECTION 35.3.(d) G.S. 116-235 reads as rewritten:

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

…

(b) Students. –

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

~~G.S. 116-143.3(2),~~ G.S. 116-143.3(a)(2), who is abiding in this State incident to active military duty at the time the application is submitted, provided the student shares the abode of that parent; eligibility to remain enrolled in the School shall terminate at the end of any school year during which a student becomes a nonresident of the State. The Board of Trustees shall ensure, insofar as possible without jeopardizing admission standards, that an equal number of qualified applicants is admitted to the program and to the residential summer institutes in science and mathematics from each of North Carolina's congressional districts. In no event shall the differences in the number of qualified applicants offered admission to the program from each of North Carolina's congressional districts be more than two and one-half percentage points from the average number per district who are offered admission.

…."

SECTION 35.3.(e) G.S. 143B-1224 reads as rewritten:

"**§ 143B-1224. Definitions.**

As used in this Part the terms defined in this section shall have the following meaning:

…

(2) "Armed Forces" means the United States Army, Navy, Marine Corps, Air Force, Space Force, and Coast Guard, including their reserve components.

…."

SECTION 35.3.(f) G.S. 1-82 reads as rewritten:

"**§ 1-82. Venue in all other cases.**

In all other cases the action must be tried in the county in which the plaintiffs or the defendants, or any of them, reside at its commencement, or if none of the defendants reside in the State, then in the county in which the plaintiffs, or any of them, reside; and if none of the parties reside in the State, then the action may be tried in any county which the plaintiff designates in the plaintiff's summons and complaint, subject to the power of the court to change the place of trial, in the cases provided by statute; provided that any person who has resided on or been stationed in a United States Army, Navy, Marine Corps, Coast Guard, Space Force, or Air Force installation or reservation within this State for a period of one (1) year or more next preceding the institution of an action shall be deemed a resident of the county within which such installation or reservation, or part thereof, is situated and of any county adjacent to such county where such person stationed at such installation or reservation lives in such adjacent county, for the purposes of this section. The term person shall include military personnel and the spouses and dependents of such personnel."

SECTION 35.3.(g) G.S. 14-395 is repealed.

SECTION 35.3.(h) G.S. 45-21.12A reads as rewritten:

"**§ 45-21.12A. Power of sale barred during periods of military service.**

…

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

(1) Military service. –

a. In the case of a member of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard:

…."

SECTION 35.3.(i) G.S. 47-81.2 reads as rewritten:

"**§ 47-81.2. Before United States Army, etc., officers, and other service members.**

In all cases where instruments and writings have been proved or acknowledged before any commissioned officer of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard or any officer of the United States Merchant Marine having the rank of lieutenant,

senior grade, or higher, such proofs or acknowledgments, where valid in other respects, are hereby ratified, confirmed and declared valid. All proofs or acknowledgments made by any military personnel authorized by the Congress of the United States are hereby ratified, confirmed, and declared valid and shall not require the affixation of a seal where valid in other respects."

SECTION 35.3.(j) G.S. 50-18 reads as rewritten:

"**§ 50-18. Residence of military personnel; payment of defendant's travel expenses by plaintiff.**

In any action instituted and prosecuted under this Chapter, allegation and proof that the plaintiff or the defendant has resided or been stationed at a United States Army, Navy, Marine Corps, Coast Guard, Space Force, or Air Force installation or reservation or any other location pursuant to military duty within this State for a period of six months next preceding the institution of the action shall constitute compliance with the residence requirements set forth in this Chapter; provided that personal service is had upon the defendant or service is accepted by the defendant, within or without the State as by law provided.

…."

SECTION 35.3.(k) G.S. 50A-351 reads as rewritten:

"**§ 50A-351. Definitions.**

The following definitions apply in this Article:

…

(18) Uniformed service. – Service which includes (i) the active and reserve components of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast ~~Guard of the United States;~~ Guard; (ii) the Merchant Marine, the commissioned corps of the Public Health Service, or the commissioned corps of the National Oceanic and Atmospheric Administration of the United States; or (iii) the National Guard."

SECTION 35.3.(*l*) G.S. 88B-25 reads as rewritten:

"**§ 88B-25. Exemptions.**

The following persons are exempt from the provisions of this Chapter while engaged in the proper discharge of their professional duties:

…

(4) Commissioned medical or surgical officers of the United States Army, Air Force, Navy, ~~Marine,~~ Marine Corps, Space Force, or Coast Guard.

…."

SECTION 35.3.(m) G.S. 115C-12 reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish all needed rules and regulations for the system of free public schools, subject to laws enacted by the General Assembly. In accordance with Sections 7 and 8 of Article III of the North Carolina Constitution, the Superintendent of Public Instruction, as an elected officer and Council of State member, shall administer all needed rules and regulations adopted by the State Board of Education through the Department of Public Instruction. The powers and duties of the State Board of Education are defined as follows:

…

(18) Duty to Develop and Implement a Uniform Education Reporting System, Which Shall Include Standards and Procedures for Collecting Fiscal and Personnel Information. –

…

f. The State Board of Education shall develop a process for local school administrative units to annually identify enrolled military-connected students using the Uniform Education Reporting System. The

identification of military-connected students shall not be used for the purposes of determining school achievement, growth, and performance scores as required by G.S. 115C-12(9)c1. The identification of military-connected students is not a public record within the meaning of G.S. 132-1 and shall not be made public by any person, except as permitted under the provisions of the Family Educational and Privacy Rights Act of 1974, 20 U.S.C. § 1232g. For purposes of this section, a "military-connected student" means a student enrolled in a local school administrative unit who has a parent, step-parent, sibling, or any other person who resides in the same household serving in the active or reserve components of the United States Army, Navy, Air Force, Marine Corps, Coast Guard, Space Force, or National Guard. Beginning in the 2016-2017 school year, and annually thereafter, the identification of military-connected students for all local school administrative units shall be completed by January 31 of each school year.

…."

SECTION 35.3.(n) G.S. 143B-1311 reads as rewritten:

"**§ 143B-1311. Membership.**

…

(b) The voting members of the Commission shall be appointed as follows:

(1) Thirteen members appointed by the Governor, consisting of:

…

h. One person who is a resident of North Carolina with a long-term connection to the State and who is a current or retired member of a reserve component of the United States Air Force, Army, Navy, Space Force, or ~~Marines~~ Marine Corps and who is involved in a military affairs organization or involved in military issues through civic, commercial, or governmental relationships.

…."

SECTION 35.3.(o) G.S. 163-258.2 reads as rewritten:

"**§ 163-258.2. Definitions.**

As used in this Article:

…

(6) "Uniformed service" means any of the following:

a. Active and reserve components of the United States Army, Navy, Air Force, Marine Corps, Space Force, and Coast ~~Guard of the United States.~~Guard.

…

(7) "Uniformed-service voter" means an individual who is qualified to vote and is one of the following:

a. A member of the active or reserve components of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard ~~of the United States~~ who is on active duty.

…."

RENOVATE FAYETTEVILLE STATE VETERANS HOME

SECTION 35.4.(a) Notwithstanding any provision of this act or the Committee Report described in Section 45.2 of this act to the contrary, there is appropriated from the cash balance of the North Carolina Veterans Home Trust Fund, Budget Code 63050, to the Department

of Military and Veterans Affairs, the sum of forty-two million dollars ($42,000,000) in nonrecurring funds to renovate and repair the Fayetteville State Veterans Home.

SECTION 35.4.(b) Section 40.5(c) of S.L. 2021-180 is repealed.

DMVA/ECONOMIC DEVELOPMENT PARTNERSHIP OF NC TRANSFER

SECTION 35.5. G.S. 143B-1217 reads as rewritten:

"**§ 143B-1217. Military Presence Stabilization Fund.**

…

(b) Notwithstanding the provisions of G.S. 143B-1214 and subsection (a) of this section, funds appropriated to the Military Presence Stabilization Fund may be used for the following purposes:

…

~~(8) Fully fund a position at the North Carolina Economic Development Center.~~

…."

PART XXXVI. REVENUE

WHITE GOODS DISPOSAL TAX WITHHOLDING INCREASE

SECTION 36.1. G.S. 105-187.24 reads as rewritten:

"**§ 105-187.24. Use of tax proceeds.**

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, not to exceed ~~four hundred twenty-five thousand dollars ($425,000)~~ five hundred thousand dollars ($500,000) a year, as reimbursement to the Department.

…."

SCRAP TIRE DISPOSAL TAX WITHHOLDING INCREASE

SECTION 36.2. G.S. 105-187.19 reads as rewritten:

"**§ 105-187.19. Use of tax proceeds.**

(a) The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, not to exceed ~~four hundred twenty-five thousand dollars ($425,000)~~ five hundred thousand dollars ($500,000) a year, as reimbursement to the Department.

…."

DOR/DIT MICROSOFT LICENSING

SECTION 36.3.(a) Notwithstanding G.S. 143B-1325(d), not later than July 1, 2026, the Department of Revenue (hereinafter "DOR") shall enter into a memorandum of understanding with the Department of Information Technology (hereinafter "DIT") establishing the terms for the provision and management of Microsoft software licenses under statewide agreements negotiated by DIT.

SECTION 36.3.(b) Not later than March 1, 2027, DOR, in conjunction with the State Chief Information Officer, shall report to the Joint Legislative Oversight Committee on General Government, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division on other services provided by DIT that could be used by DOR.

REGULATION OF VAPOR PRODUCTS

SECTION 36.4.(a) G.S. 143B-245.11 reads as rewritten:

"**§ 143B-245.11. Certification process.**

…

(f) Notification of Compliance with Changes to Federal Law. – If federal requirements for vapor products or consumable products are changed, each manufacturer of a vapor product or consumable product sold for retail sale in North Carolina shall submit documentation to the Secretary substantiating compliance with those federal requirements within 30 days of the date mandated for compliance under the federal requirements. Failure to substantiate compliance with changed federal requirements shall be grounds for removal of the manufacturer and its vapor product or consumable product from the directory established pursuant to G.S. 143B-245.12. For the purposes of this subsection, federal requirements for vapor products or consumable products are any modifications to 21 U.S.C. § 387j or other federal statutes regulating vapor products or consumable products or any modification of regulations or other official federal guidance that change requirements or standards for federal compliance of a vapor product or consumable product."

SECTION 36.4.(b) G.S. 143B-245.12 reads as rewritten:

"**§ 143B-245.12. Public directory.**

…

(b) Exclusion from the Directory. – No manufacturer or the manufacturer's consumable products or vapor products shall be included or retained in the directory if the Secretary determines that any of the following apply:

…

(6) The manufacturer failed to submit documentation to the Secretary substantiating compliance with changed federal requirements as required by G.S. 143B-245.11(f).

…."

TAX FRAUD ANALYTICS

SECTION 36.5. Of the funds appropriated in this act to the Department of Revenue, the sum of four million four hundred thousand dollars ($4,400,000) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium shall be used to continue and expand the Department's tax fraud analysis contract through the Government Data Analytics Center (GDAC). These funds shall be used in each fiscal year to fund detection analytics, software, information reporting, collections case management, collections optimization, managed services, and technical infrastructure. The Department of Revenue shall continue to coordinate with the GDAC and utilize the subject matter expertise and technical infrastructure available through existing GDAC public-private partnerships for fraud detection and analytics infrastructure.

PART XXXVII. SECRETARY OF STATE

SOS/PUBLICATIONS DIVISION DUTIES & MODERNIZE SOS STATUTES

SECTION 37.1.(a) G.S. 65-111 reads as rewritten:

"**§ 65-111. County commissioners to provide list of public and abandoned cemeteries.**

Each board of county commissioners shall have the following duties and responsibilities:

…

~~(3) To furnish to the Department and the Publications Division in the Department of the Secretary of State copies of the lists of such public and abandoned cemeteries, to the end that it may furnish to the boards of county commissioners, for the use of the persons in control of such cemeteries, suitable literature, suggesting methods of taking care of such places.~~"

SECTION 37.1.(b) G.S. 147-36 reads as rewritten:

"**§ 147-36. Duties of Secretary of State.**

It is the duty of the Secretary of State:

(1) To perform such duties as may then be devolved upon the Secretary by resolution of the two houses of the General ~~Assembly or either of them.~~Assembly.
(2) To attend the Governor, whenever required by the Governor, for the purpose of receiving documents that have passed the great seal.
(3) To receive and keep all conveyances and mortgages belonging to the State.
(4) To distribute annually the statutes and the legislative journals.
(5) To distribute the acts of Congress received at the Secretary's office in the manner prescribed for the statutes of the State.
~~(6) To keep a receipt book, in which the Secretary shall take from every person to whom a grant shall be delivered, a receipt for the same; but may enclose grants by mail in a registered letter at the expense of the grantee, unless otherwise directed, first entering the same upon the receipt book.~~
…
(9) To maintain a Division of ~~Publications to compile data on the State's several governmental agencies and for legislative reference.~~Publications.
…."

SECTION 37.1.(c) G.S. 147-50 reads as rewritten:

"**§ 147-50. Publications of State officials and department heads furnished to certain institutions, agencies, etc.**

(a) Every State official and every head of a State department, ~~institution~~ institution, or agency issuing any printed report, bulletin, map, or other publication shall, ~~on~~ upon request, furnish printed copies of such reports, bulletins, maps or other publications to the following institutions in the number set out below:

University of North Carolina at Chapel Hill	25 copies;
University of North Carolina at Charlotte	2 copies;
University of North Carolina at Greensboro	2 copies;
North Carolina State University at Raleigh	2 copies;
East Carolina University at Greenville	2 copies;
Duke University	25 copies;
Wake Forest College	2 copies;
Davidson College	2 copies;
North Carolina Supreme Court Library	2 copies;
North Carolina Central University	5 copies;
Western Carolina University	2 copies;
Appalachian State University	2 copies;
University of North Carolina at Wilmington	2 copies;
North Carolina Agricultural and Technical State University	2 copies;
Legislative Library	2 ~~copies;~~copies.

(b) ~~and~~ An institution listed in subsection (a) of this section may request an electronic copy in lieu of any printed report, bulletin, map, or other publication.

(c) State official and heads of State departments, institutions, and agencies shall furnish printed copies of reports, bulletins, maps, and other publications to governmental officials, ~~agencies and departments~~ agencies, departments, and ~~to~~ other educational institutions, in the discretion of the issuing official and subject to the supply available, such number as may be ~~requested: and Provided that five sets of all such reports, bulletins and publications heretofore issued, insofar as the same are available and without necessitating reprinting, shall be furnished to the North Carolina Central University.~~ requested. Governmental officials, agencies, departments, and other educational institutions may request an electronic copy in lieu of printed copies.

(d) The provisions ~~in~~ of this section shall not be interpreted to include any of the appellate division reports or advance sheets distributed by the Administrative Office of the Courts. Except for reports, bulletins, and other publications issued for free distribution, this section shall not apply to the North Carolina State Museum of Natural Sciences."

SECTION 37.1.(d) G.S. 147-34, 147-41, 147-43, and 147-54 are repealed.

SECTION 37.1.(e) The Office of the Secretary of State shall retain at least one printed copy or an electronic copy of all records collected pursuant to G.S. 65-111(3), 147-36(6), 147-41, 147-43, and 147-54 that are in the possession of the Office prior to the date this act becomes law.

SOS/PAPER FILING FEE

SECTION 37.2.(a) Article 2 of Chapter 55D of the General Statutes is amended by adding a new section to read:

"**§ 55D-19. Paper filing fee.**

The Office of the Secretary of State may collect a fee of up to ten dollars ($10.00) each time a document is submitted for filing in typewritten or printed form when that same document could be accepted for filing in electronic form. Funds collected under this section shall be deposited in a new budget fund as created by the Office of State Budget and Management within Budget Code 23200 and shall only be used for the following purposes: (i) to support activities that will reduce the processing or response time for services provided by the Office, (ii) to improve or streamline the online filing system maintained by the Office, or (iii) to cover costs directly associated with the handling of mail by the Office."

SECTION 37.2.(b) This section becomes effective January 1, 2026.

NORTH CAROLINA SMALL BUSINESS ENTERPRISE PROGRAM

SECTION 37.3.(a) G.S. 147-36 reads as rewritten:

"**§ 147-36. Duties of Secretary of State.**

It is the duty of the Secretary of State:

…

(8a) To certify businesses eligible to participate in the North Carolina Small Business Enterprise Program and to maintain a record of those businesses certified.

…."

SECTION 37.3.(b) Article 4 of Chapter 147 of the General Statutes is amended by adding a new section to read:

"**§ 147-54.7B. North Carolina Small Business Enterprise Program; certification.**

(a) The Department of the Secretary of State shall establish a certification program for small businesses, which shall be known as the North Carolina Small Business Enterprise Program. The purpose of the Program is to provide small businesses with access to State contracts and educational opportunities and resources. To be certified as a small business, the business shall:

(1) Be headquartered in this State.

(2) Have an annual net income that is less than one million five hundred thousand dollars ($1,500,000), after the cost of goods sold is deducted.

(3) Have 100 or fewer employees.

(4) Be organized for profit.

(b) A small business certification shall be renewed every two years. The Department shall not charge a fee for certification under this section.

(c) The Department shall publish a list of the small businesses certified under this section on its website for use by State departments, agencies, and institutions; political subdivisions of the State; and other interested persons. Only businesses certified in accordance with this section

shall be considered by State departments, agencies, and institutions and political subdivisions of the State as small businesses for purposes of participation in State and public contracts under Article 3 and Article 8 of Chapter 143 of the General Statutes; provided, however, nothing in this section shall be construed to require the use of a small business in a State or public contract if the small business is not the lowest responsible, responsive bidder or otherwise fails to meet the requirements of the contract proposal.

(d) The Department may adopt rules to implement the provisions of this section in accordance with Chapter 150B of the General Statutes."

SECTION 37.3.(c) The Department of Administration and the Office of the Secretary of State shall enter into a memorandum of understanding which provides that the Office shall provide to the Department the names of and other relevant information about small businesses certified under G.S. 147-54.7B, as enacted in subsection (b) of this section, for inclusion in the State's e-procurement service.

SECTION 37.3.(d) Not later than 15 days after the date this act becomes law, the Department of Administration shall provide to the Office of the Secretary of State the names of and other relevant information about small businesses that were certified by the North Carolina Small Business Enterprise Program prior to the date this act becomes law for inclusion on the Office's website, as provided in G.S. 147-54.7B, as enacted in subsection (b) of this section.

PART XXXVIII. TREASURER

TREASURER INVESTMENT MODERNIZATION PART I: TECHNICAL REORGANIZATION OF ARTICLE 6 OF CHAPTER 147 OF THE GENERAL STATUTES

SECTION 38.1.(a) Article 6 of Chapter 147 of the General Statutes is amended to add the following new Parts:

(1) Part 1, to be entitled "General" and consisting of G.S. 147-65 through G.S. 147-69.

(2) Part 2, to be entitled "Investments and Funds" and consisting of G.S. 147-69.1 through G.S. 147-69.7.

(3) Part 3, to be entitled "Reports and Audits" and consisting of G.S. 147-69.8 through G.S. 147-69.70.

(4) Part 4, to be entitled "North Carolina Investment Authority" and consisting of G.S. 147-70.1 through G.S. 147-73.2.

(5) Part 5, to be entitled "Department Bookkeeping and Deposits" and consisting of G.S. 147-74 through G.S. 147-86.2.

SECTION 38.1.(b) G.S. 147-65 is recodified as G.S. 147-65.2.

SECTION 38.1.(c) G.S. 147-66 is repealed.

SECTION 38.1.(d) G.S. 147-69.3A is recodified as G.S. 147-67.1.

SECTION 38.1.(e) G.S. 147-69.11 is recodified as G.S. 147-73.2.

SECTION 38.1.(f) G.S. 147-69.7 is recodified as G.S. 147-70.6.

SECTION 38.1.(g) G.S. 147-70 is recodified as G.S. 147-68.3.

SECTION 38.1.(h) G.S. 147-71 is recodified as G.S. 147-68.4.

SECTION 38.1.(i) G.S. 147-72 is repealed.

SECTION 38.1.(j) G.S. 147-73 is repealed.

SECTION 38.1.(k) G.S. 147-75 is recodified as G.S. 147-66.2.

SECTION 38.1.(*l*) G.S. 147-75.1 is recodified as G.S. 147-68.5.

SECTION 38.1.(m) G.S. 147-86.2 is recodified as G.S. 147-68.6.

SECTION 38.1.(n) Subsection (i2) of G.S. 147-69.3 is recodified as subsection (b) of G.S. 147-65.2, as created by subsection (b) of this section.

SECTION 38.1.(o) This section is effective when it becomes law.

TREASURER INVESTMENT MODERNIZATION PART II: CREATION OF THE NORTH CAROLINA INVESTMENT AUTHORITY

SECTION 38.2.(a) Part 1 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, is amended by adding a new section to read:

"**§ 147-65.1. Definitions.**

The following definitions apply in this Article:

(1) Board of Directors. – The Board of Directors of the North Carolina Investment Authority.

(2) Chief Investment Officer or CIO. – The Chief Investment Officer of the Investment Authority.

(3) Department. – The Department of State Treasurer.

(4) Escheats Fund. – The Escheats Fund established under Article 1A of Chapter 116B of the General Statutes.

(5) Investment Authority. – The North Carolina Investment Authority, established under Part 4 of this Article.

(6) Reserved for future codification purposes.

(7) Retirement Systems. – This term includes all of the following retirement systems:

a. The Teachers' and State Employees' Retirement System, established under Article 1 of Chapter 135 of the General Statutes.

b. The Consolidated Judicial Retirement System, established under Article 4 of Chapter 135 of the General Statutes.

c. The North Carolina Firefighters' and Rescue Workers' Pension Fund, established under Article 86 of Chapter 58 of the General Statutes.

d. The Local Governmental Employees' Retirement System, established under Article 3 of Chapter 128 of the General Statutes.

e. The Legislative Retirement System of North Carolina, established under Article 1A of Chapter 120 of the General Statutes.

f. The North Carolina National Guard Pension Fund, established under Article 3 of Chapter 127A of the General Statutes.

g. The Registers of Deeds' Supplemental Pension Fund, established under Article 3 of Chapter 161 of the General Statutes.

h. The Retiree Health Benefit Fund, established under G.S. 135-7(f).

i. The North Carolina Teachers' and State Employees' Benefit Trust, established under G.S. 135-7(g).

(8) Treasurer. – The State Treasurer."

SECTION 38.2.(b) Part 4 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, reads as rewritten:

"Part 4. North Carolina Investment Authority.

"**§ 147-70.1. Creation of Investment Authority.**

(a) Creation. – The North Carolina Investment Authority is created as a body corporate and politic having the powers and jurisdiction as provided under this Article or any other law. The Investment Authority is a State agency for the performance of essential governmental and public functions. The Investment Authority is located within, but independent from the control of, the Department of State Treasurer. The Investment Authority shall have perpetual succession.

(b) Independence. – The Investment Authority, in carrying out its statutory responsibilities, shall be independent of any fiscal control exercised by the Director of the Budget, the Department of Administration, and the Department of State Treasurer, including for organizational, staffing, procurement, and budgetary purposes. Except as provided under subsection (c) of this section and unless otherwise explicitly provided by law, the Investment

Authority is exempt from the State Budget Act, and the provisions of Chapter 143C of the General Statutes do not apply to the Investment Authority.

(c) Fiduciary Funds. – In order for the Investment Authority to effectively operate the investment programs under its management, all funds while under management of the Investment Authority are Fiduciary Funds described under subdivisions (8) through (10) of G.S. 143C-1-3(a) and shall be accounted for as specified in G.S. 147-69.3(f).

"**§ 147-70.2. Powers and duties of the Investment Authority.**

(a) In addition to the authority granted to the Investment Authority under this Article or any other law, the Investment Authority shall have all of the powers necessary to execute the provisions of this Part, including, at a minimum, the following powers:

(1) The right to sue and be sued.

(2) To take, demand, receive, and possess all kinds of real and personal property necessary and proper for its purposes.

(3) To bargain, sell, grant, alienate, or dispose of all real and personal property as it may lawfully acquire.

(b) The Investment Authority shall have the right to acquire fidelity bonds, fiduciary insurance, directors' and officers' insurance, or errors and omissions coverage, as determined by the Investment Authority board. This right is independent of any purchase of insurance by the State Treasurer under G.S. 147-67.1.

(c) Pursuant to G.S. 143B-1320(b), the Investment Authority shall be exempt from the provisions of Article 15 of Chapter 143B of the General Statutes.

"**§ 147-70.3. Taxation of Investment Authority.**

(a) Property owned or acquired by the Authority is exempt from all taxes imposed by the State or any political subdivision of the State.

(b) The Investment Authority shall not be subject to State income taxes.

(c) This section shall not be construed to apply in any way to individual members of the Board of Directors or any employee of the Investment Authority.

"**§ 147-70.4. Confidentiality of Investment Authority records.**

Any record or other information received or generated by the Investment Authority in order to negotiate at arm's length investment transactions that constitute a trade secret, as defined in G.S. 66-152, is not public record and is exempt from the requirements of Chapter 132 of the General Statutes until the applicable negotiation is completed and unless the record or information substantiates a conflict with the duties of the Investment Authority under G.S. 147-70.6(a).

"**§ 147-70.5. Criminal record checks.**

(a) The Investment Authority may obtain from the State and National Repositories of Criminal Histories or from any other lawful source the criminal history of any of the following individuals:

(1) A current or prospective permanent or temporary employee of the Investment Authority.

(2) A contractor with the Investment Authority.

(3) An employee or agent of a contractor with the Investment Authority who is performing or will perform work for the Investment Authority.

(4) A volunteer of the Investment Authority.

(5) Any other individual otherwise engaged by the Investment Authority who will have access to health or financial information or data maintained by the Investment Authority that is confidential or otherwise nonpublic.

(b) The Investment Authority may deny employment to or dismiss any individual identified under subdivisions (1), (2), (4), and (5) of subsection (a) of this section who refuses to consent to a criminal history record check or to the use of fingerprints or other identifying

information required by the State or National Repositories of Criminal Histories. Any refusal shall constitute just cause for the employment denial or the dismissal from employment.

(c) The Investment Authority may extend a conditional offer of employment pending the results of a criminal history record check authorized by this section.

…

"**§ 147-71.1. Board of Directors.**

(a) Membership. – The Investment Authority shall be governed by a Board of Directors. The Board of Directors shall consist of the following voting members:

(1) The State Treasurer, who shall serve as an ex officio member.

(2) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121.

(3) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121.

(4) One member appointed by the Governor, subject to confirmation by the General Assembly by joint resolution.

(5) One member appointed by the State Treasurer, subject to confirmation by the General Assembly by joint resolution.

(b) Terms. – The four appointive directors of the Board of Directors shall be appointed for staggered six-year terms, except for the initial term. The initial term of the director appointed by the President Pro Tempore of the Senate is one year. The initial term of the director appointed by the Speaker of the House of Representatives is two years. The initial term of the director appointed by the State Treasurer is three years. The initial term of the director appointed by the Governor is four years. An appointive director whose term has expired but whose qualified successor has not been appointed shall continue to serve on the Board of Directors until a qualified successor is duly appointed, including by the State Treasurer after a holdover period of six months or more as provided for under subsection (e) of this section.

(c) Qualifications to Serve. – No appointed director of the Board of Directors shall hold any other public office in North Carolina, except that an appointed director may also have membership on either or both of the Boards of Trustees under G.S. 128-28 and G.S. 135-6. All appointed members of the Board of Directors shall have expert knowledge of investments and a minimum of a 10-year track record of successful management in pension, endowment, or other relevant investment management fields.

(d) Disqualifications to Serve. – An individual is not eligible to serve on the Board of Directors if any of the following apply to that individual:

(1) The individual has been indicted or charged with, been convicted of, pleaded guilty or nolo contendere to, or forfeited bail concerning a felony, or a misdemeanor involving fraud, theft, or dishonesty under the laws of any jurisdiction in the United States.

(2) The individual has had a judgment entered against him or her by a court of competent jurisdiction in a civil matter involving a breach of fiduciary duties.

(3) The individual has been the subject of an adverse action by the Securities and Exchange Commission which resulted in any sanction, payment of a fine, injunction, or other negative finding, whether individually or as a partner, principal member, managing director, or other position of leadership of any entity subject to the penalty or finding.

(4) The individual, or the individual's spouse or immediate family member, is or becomes employed by the Department of State Treasurer or by a service provider engaged to invest or assist in the oversight of assets overseen by the Investment Authority.

(5) The individual, or the individual's spouse or immediate family member, is an endorser, obligor, or provider of surety for, or is a borrower of, any money loaned to or borrowed from the assets overseen by the Board of Directors.

(d1) Removal of Appointive Members. – A duly appointed member of the Board of Directors may be removed by the applicable appointing authority for misfeasance, malfeasance, or nonfeasance.

(e) Vacancies. – Any vacancy in a position held by an appointive member shall be filled by a new appointment made by the applicable appointing authority for the vacant seat. If a seat on the Board of Directors is vacant or held over for six months or more without an appointment by the applicable appointing authority of an individual meeting the qualifications in this section, then the State Treasurer may nominate a member for approval by the Board of Directors. Any individual appointed to fill a vacancy shall serve only for the unexpired term. A vacancy automatically occurs upon the death or resignation of a member of the Board of Directors or upon the failure of a member of the Board of Directors to do any of the following:

(1) Attend meetings for three consecutive meetings unless excused by majority vote of the other Board of Directors members.

(2) Cure a conflict of interest within 30 days of identification of the conflict.

(3) Agree to abide by the ethics policy adopted by the Board of Directors.

(f) Reappointment. – Any member of the Board of Directors is eligible for reappointment, except that no appointive member of the Board of Directors may serve for more than two consecutive, full, six-year terms without at least a one-year break in membership on the Board of Directors.

(g) Oath. – Each appointive member of the Board of Directors shall take an oath of office to administer the duties of office faithfully and impartially, and a record of the oath shall be filed in the office of the Secretary of State.

(h) Officers. – The following shall apply to officers of the Board of Directors:

(1) The State Treasurer shall serve as chair of the Board of Directors.

(2) The State Treasurer shall designate a vice-chair from among the remaining members of the Board of Directors. The term of the vice-chair extends to the earlier of either three years or the date of expiration of the vice-chair's then current term as a member of the Board of Directors. In the absence of the State Treasurer or the Treasurer's designee, the vice-chair shall preside over the proceedings of the Board of Directors.

(3) The Board of Directors shall appoint and prescribe the duties of a secretary, who need not be a member of the Board of Directors. The secretary is the custodian of all books, documents, and papers filed with the Board of Directors and the minute book or journal of the Board of Directors. The secretary shall keep a record of the proceedings of the Board of Directors. The secretary has the authority to make copies of all minutes and other records and documents of the Board of Directors.

(i) Designees. – The State Treasurer is authorized to appoint a designee. No other member of the Board of Directors is authorized to appoint a designee.

(j) Compensation and Reimbursement. – Members of the Board of Directors shall receive no compensation for their services. For attendance at meetings of the Board of Directors or any committee of the Board of Directors, and for other services for the Investment Authority, members of the Board of Directors shall receive per diem, subsistence, and travel allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.

(k) Meetings and Voting. – The Board of Directors shall meet at least quarterly. A meeting may be called by the State Treasurer or by a majority of the Board of Directors. The State Treasurer or the Treasurer's designee shall establish the agenda for each meeting. A minimum of three members of the Board of Directors is required for quorum. The affirmative

vote of a majority of the members of the Board of Directors present at a meeting of the Board of Directors that has been duly called and held is required for any action taken by the Investment Authority, except that the State Treasurer's vote shall prevail in the event of a tied vote.

"**§ 147-71.2. Duties of the Board of Directors.**

(a) Investment-Related Powers and Duties. – The Board of Directors has all of the following investment-related powers and duties:

(1) The Board of Directors has the authority to approve all of the following:
- a. Investment policy statements to include investment objectives, strategic asset allocation, and policy benchmarks.
- b. Risk budgets, including related limits for key risk indicators.
- c. The appointment of a master global custodian bank.
- d. Annual operating budgets for investment programs.
- e. Market-oriented compensation plans.

(2) The Board of Directors shall periodically review all of the following:
- a. Investment performance and investment manager appointment and termination activities.
- b. Investment strategies, policies, and tactical considerations.
- c. Asset liability studies.
- d. Performance benchmarks and key risk indicators.
- e. Audited investment financial statements and audit reports pursuant to G.S. 147-69.9.
- f. Independent evaluation of governance, operations, and investment practices.
- g. Periodic cost-effectiveness studies of the investment programs.

(3) The Board of Directors shall appoint a Chief Investment Officer of the Investment Authority.

(4) With respect to Retirement Systems' assets, at least biennially, the Board of Directors shall approve an absolute risk operating range. The absolute risk operating range shall be expressed in equity and debt allocation equivalency terms and shall meet all of the following criteria:
- a. The range is deemed appropriate in seeking to maximize long-term returns.
- b. The risk is not considered undue relative to other similarly situated U.S. public pension funds. An assessment of compliance with this requirement related to undue risk shall be construed in a manner consistent with subsections (c) and (d) of G.S. 147-70.6.
- c. In setting the range, the Board of Directors has taken into consideration all of the factors affecting the funding of the Retirement Systems and each of the Retirement Systems' ability to meet its financial obligations.

(5) The Board of Directors shall utilize the approved absolute risk operating range under subdivision (4) of this subsection to recommend investment return assumptions to (i) the Board of Trustees of the Local Governmental Retirement System, (ii) the Board of Trustees of the Teachers' and State Employees' Retirement System, and (iii) the actuaries engaged to prepare annual actuarial valuations.

(b) Annual Internal Budget. – The Board of Directors shall not approve an annual internal budget for the Investment Authority that exceeds three basis points of a rolling three-year average of total assets invested by the Investment Authority, unless the Investment Authority reasonably determines that, because of special circumstances, including applicable investment restrictions, it is clearly not prudent to do so. The annual internal budget includes expenditures directly

associated with services retained by the Investment Authority in accordance with subsection (c) of this section and employee compensation and benefits. The Investment Authority's approved annual internal budget as well as the Investment Authority's actual spending for the prior fiscal year shall be annually reported to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division.

(c) Authority to Contract for Services. – Notwithstanding Article 3 of Chapter 143 of the General Statutes, G.S. 114-2.3, and G.S. 147-17, the Investment Authority is authorized to independently retain the services of appraisers, auditors, actuaries, attorneys, investment consultants, statisticians, custodians, information technology professionals, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.

(d) Setting of Compensation Plans. – In order to promote achievement of long-term investment objectives and to retain key public employees with investment functions, the Investment Authority is authorized to establish, consistent with the Investment Authority's fiduciary duties, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment programs. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the investment program. The Investment Authority shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually.

"**§ 147-71.3. Liability of Board of Directors.**

An individual serving on the Board of Directors shall be immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, except where any of the following apply:

(1) The individual was not acting within the scope of that individual's official duties.

(2) The individual was not acting in good faith.

(3) The individual committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.

(4) The individual derived an improper personal financial benefit, either directly or indirectly, from the transaction.

(5) The individual incurred the liability from the operation of a motor vehicle.

…

"**§ 147-72.1. Chief Investment Officer.**

(a) Principal Executive Officer. – The Chief Investment Officer is the Investment Authority's principal executive officer and is responsible to the Board of Directors.

(b) Appointment and Term. – The CIO shall be appointed by a majority vote of the Board of Directors, and any vacancy may be so filled by the Board of Directors. An individual appointed as the CIO shall have expert knowledge of investments and a minimum of a 15-year track record of successful management in pension, endowment, or other relevant investment management arenas. The term of employment and compensation of the CIO is set by the Board of Directors, except that each term of employment shall be limited to five years or less. The CIO is eligible for multiple terms of employment without interruption. The CIO may be removed from office by the Board of Directors.

(c) Employment of Staff. – The Chief Investment Officer shall employ staff necessary to assist the CIO and the Board of Directors in carrying out duties and responsibilities under this Article or as prescribed in any other law. Unless otherwise provided by law, Investment Authority employees shall serve at the pleasure of the CIO and any vacancies in these positions may be

filled by the CIO. The CIO may designate managerial, professional, and policy-making positions as exempt from the North Carolina Human Resources Act, in accordance with G.S. 126-5(c1). Compensation of employees is set by the CIO within the limits set by the compensation plan approved by the Board of Directors under G.S. 147-71.2.

(d) Contract Negotiation. – The CIO may negotiate, renegotiate, and execute contracts with third parties in the performance of the CIO's duties and responsibilities under this Article. Any delegation of authority by the Board of Directors shall require Board of Directors approval and shall reserve certain strategic decisions and extraordinary investment decisions to the Board of Directors. Contract execution with master global custodian banks and external auditors shall be done only after approved by the Board of Directors.

…

"**§ 147-73.2. Ethics policies.**

To ensure that the ~~State Treasurer's~~ Investment Authority investment programs operate under a strong governance framework with rigorous internal controls and a high degree of operational transparency and are managed with the highest ethical and professional standards and in the most efficient and effective manner possible, the ~~State Treasurer, after consultation with the Investment Advisory Committee, is authorized and required to~~ Board of Directors shall adopt policies and procedures on the following topics:

(1) Requiring that the ~~Department of State Treasurer's Investment Management Division~~ Investment Authority adopt a code of ethics.

(2) Requiring all employees of the ~~Department~~ Investment Authority who have responsibility for matters related to investments to be provided with training with respect to the discharge of their duties and responsibilities to the funds.

(3) Governing gifts to employees of the ~~Department~~ Investment Authority who have responsibility for matters related to investments.

(4) Imposing limitations on external investment managers' use of placement agents and other persons that appear before the ~~Department~~ Investment Authority to ensure that these persons play only a proper role in investment opportunities.

(5) As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest."

SECTION 38.2.(c) Rules, codes of ethics, policies, and procedures adopted by the State Treasurer in effect on June 30, 2025, that are impacted by the change in authority from the State Treasurer or Department of State Treasurer to the Investment Authority under this section shall remain in effect until amended by law, amended by the Investment Authority, or repealed.

SECTION 38.2.(d) Before January 1, 2026, when the Investment Authority shall begin to manage investments as provided under Section 38.3 of this act, funds appropriated to the Department of State Treasurer and funds available to the Department of State Treasurer under G.S. 147-69.3 may be used to pay any expenses of the Investment Authority.

SECTION 38.2.(e) G.S. 147-65.2, as created by Section 38.1(b) and Section 38.1(n) of this act, reads as rewritten:

"**§ 147-65.2. Salary of State ~~Treasurer.~~Treasurer and certain Department employees.**

(a) State Treasurer. – The salary of the State Treasurer shall be as established in the Current Operations Appropriations Act. In addition to the salary set by the General Assembly in the Current Operations Appropriations Act, longevity pay shall be paid on the same basis as is provided to employees of the State who are subject to the North Carolina Human Resources Act.

(b) ~~In order to promote achievement of long term investment objectives and to retain key public employees with investment functions, the~~ Certain Departmental Employees. – The State Treasurer is authorized to establish, consistent with the duties of the State ~~Treasurer's fiduciary duties,~~ Treasurer as prescribed by law, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment ~~programs, who shall be~~ programs. In accordance with G.S. 126-5(c12), these employees are exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned ~~directly from the investment program.~~ and paid equitably among the funds and programs utilizing the services of these employees in a manner prescribed by the State Treasurer. The Treasurer shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually."

SECTION 38.2.(f) G.S. 126-5 reads as rewritten:

"**§ 126-5. Employees subject to Chapter; exemptions.**

…

(c1) Except as to Articles 6 and 7 of this Chapter, this Chapter does not apply to any of the following:

…

(23) The Executive Administrator of the State Health Plan for Teachers and State Employees.

(24) Employees of the State Health Plan for Teachers and State Employees as designated by law or by the Executive Administrator of the Plan.

…

(40) The Chief Investment Officer of the North Carolina Investment Authority established under Part 5 of Article 6 of Chapter 147 of the General Statutes.

(41) Employees of the North Carolina Investment Authority established under Part 5 of Article 6 of Chapter 147 of the General Statutes who possess specialized skills or knowledge necessary for the proper administration of investment programs and who are employed in a position designated by the Chief Investment Officer as exempt in accordance with G.S. 147-72.1.

…

(c12) Except as to G.S. 126-13, 126-14, 126-14.1, and Articles 6, 7, 14, 15, and 16 of this Chapter, this Chapter does not apply to employees of the Department of State Treasurer possessing specialized skills or knowledge necessary for the proper administration of investment programs and compensated pursuant to ~~G.S. 147-69.3(i2).~~G.S. 147-65.2(b).

…."

SECTION 38.2.(g) G.S. 143C-1-3 is amended by adding a new subsection to read:

"(e) Notwithstanding subsections (a) and (b) of this section, funds under the management of the North Carolina Investment Authority are exempt from this Chapter and shall be accounted for as provided in Article 6 of Chapter 147 of the General Statutes."

SECTION 38.2.(h) This section is effective July 1, 2025, and subsections (e) and (f) of this section apply to employees hired on or after that date.

TREASURER INVESTMENT MODERNIZATION PART III: NORTH CAROLINA INVESTMENT AUTHORITY TO MANAGE INVESTMENTS AND BEGIN CARRYING OUT STATUTORY DUTIES JANUARY 1, 2026

SECTION 38.3.(a) Part 2 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, reads as rewritten:

"Part 2. Investments and Funds

"**§ 147-69.1. Investments authorized for General Fund and Highway Funds assets.**

(a) The Governor and Council of State, with the advice and assistance of the State ~~Treasurer, shall~~ Treasurer and the Investment Authority, may adopt ~~such~~ rules ~~and regulations as shall be~~ necessary and appropriate ~~to implement the provisions~~ for the implementation of this section.

(b) This section applies to funds ~~held by~~ deposited with the State Treasurer to the credit ~~of:~~of all of the following:

(1) The General ~~Fund;~~Fund.

(2) The Highway Fund and Highway Trust Fund.

(c) It ~~shall be~~ is the duty of the ~~State Treasurer~~ Investment Authority to invest the cash of the funds enumerated in subsection (b) of this section in excess of the amount required to meet the current needs and demands on ~~such~~ those funds, selecting from among the following:

(1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.

(2) Obligations of the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the International Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.

(3) Repurchase Agreements with respect to one or more of the following:

a. Securities issued or guaranteed by the United States government or its agencies.

b. Securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York.

c. Securities eligible for investment by this section executed by a registered broker-dealer that is subject to the rules and regulations of the U.S. Securities and Exchange Commission and is a member in good standing of the Financial Industry Regulatory Authority.

(4) Obligations of the State of North Carolina.

(5) Certificates of deposit and other deposit accounts of financial institutions under any of the following conditions:

a. With financial institutions with a physical presence in the State for the purpose of receiving commercial or retail deposits; provided that any principal amount of such deposit in excess of the amount insured by the federal government or any agency thereof, be fully secured by surety bonds, or be fully collateralized; provided further that the rate of return or investment yield may not be less than that available in the market on United States government or agency obligations of comparable maturity.

b. With financial institutions with a physical presence inside or outside the State, in accordance with all of the following conditions:

1. The funds are initially deposited through a bank or savings and loan association in the State that is an official depository and that is selected by the State Treasurer, provided that the rate of return or investment yield shall not be less than that available in the market on United States government or agency obligations of comparable maturity.

2. The selected bank or savings and loan association arranges for the redeposit of the funds in deposit accounts of the State in one or more federally insured banks or savings and loan associations wherever located, provided that no State funds shall be deposited in a bank or savings and loan association that at the time holds other deposits from the State.
3. The full amount of principal and any accrued interest of each deposit account are covered by federal deposit insurance.
4. The selected bank or savings and loan association acts as custodian for the State with respect to the deposit in the State's account.
5. On the same date that the State funds are redeposited, the selected bank or savings and loan association receives an amount of federally insured deposits from customers of other financial institutions wherever located equal to or greater than the amount of the funds invested by the State through the selected bank or savings and loan association pursuant to this sub-subdivision.

…

(7) Prime quality commercial paper that, when acquired, bears the highest rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and does not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.

(8) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that when bills or drafts are acquired, the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations that bear the highest rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligations.

(9) Asset-backed securities (whether considered debt or equity) provided, when acquired, the securities bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest rating by any nationally recognized rating service which rates the particular securities.

(10) Corporate bonds and notes provided they, when acquired, bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.

(d) Unless otherwise provided by law, the interest or income received and accruing from all deposits or investments of such cash balances shall be paid into the State's General Fund, except that all interest or income received and accruing on the monthly balance of the Highway Fund and Highway Trust Fund shall be paid into the State Highway Fund and Highway Trust Fund. The cash balances of the several funds may be combined for deposit or investment purposes; and when such combined deposits or investments are made, the interest or income received and accruing from all deposits or investments shall be prorated among the funds in

conformity with applicable law and the rules and regulations adopted by the Governor and Council of State.

…

"**§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

(1) The Teachers' and State Employees' Retirement System of North Carolina.
(2) The Consolidated Judicial Retirement System of North Carolina.
(3) The State Health Plan for Teachers and State Employees.
…
(5) The Disability Salary Continuation Income Plan of North Carolina.
(6) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.
(7) The North Carolina Local Governmental Employees' Retirement System.
(8) The Legislative Retirement System of North Carolina.
(9) The Escheat Fund.
(10) The Legislative Retirement Fund.
(11) The State Education Assistance Authority.
(12) The State Property Fire Insurance Fund.
…
(16) The Liability Insurance Trust Fund.
(16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-350.40.
(17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
(17a) North Carolina Veterans Home Trust Fund.
(17b) North Carolina National Guard Pension Fund.
(17c) Retiree Health Benefit Fund.
(17d) The Election Fund.
(17e) The North Carolina State Lottery Fund.
(17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).
(17g) Funds deposited with the State Treasurer by Local Government Other Post-Employment Benefits Trusts pursuant to G.S. 159-30.1.
(17h) The Local Government Law Enforcement Special Separation Allowance Fund.
(17i) The North Carolina Conservation Easement Endowment Fund.
(17j) The Conservation Grant Fund.
(17k) The Wildlife Endowment Fund.
(17*l*) The Ecosystem Restoration Fund.
(17m) The Needs-Based Public School Capital Fund.
(17n) The Riparian Buffer Restoration Fund.
(18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act.
(19) The Swain County Settlement Trust Fund.
(20) Institutional funds of the colleges of the North Carolina Community College System.
(21) The Disability Income Plan of North Carolina.
…

(23) The Catawba Unit No. 1 Decommissioning Trust Fund and the Catawba Unit No. 2 Decommissioning Trust Fund established by North Carolina Municipal Power Agency Number 1, as described in G.S. 159B-18(b)(6).

(24) Funds deposited with the State Treasurer by charter schools pursuant to G.S. 115C-218.15(f).

(b) It shall be the duty of the ~~State Treasurer~~ Investment Authority to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on these funds. The ~~State Treasurer~~ Investment Authority may invest the funds as provided in this subsection in the manner authorized by subsection (e) of this section. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the ~~State Treasurer~~ Investment Authority to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter. Notwithstanding anything in this section to the contrary, the ~~State Treasurer~~ Investment Authority shall categorize investment management arrangements according to the primary investment type or primary strategy utilized under the arrangement authorized under subsection (e) of this section. No investment management arrangement may be categorized in more than one of the subdivisions of this section. The ~~State Treasurer~~ Investment Authority shall select from among the following investments subject to ~~the following~~ any stipulated limitations and ~~requirements:~~requirements:

(1) Investments authorized by G.S. 147-69.1(c)(1)-(7).

(2) General obligations of other states of the United States.

(3) General obligations of cities, counties and special districts in North Carolina.

(4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if, when acquired, the obligations are within one of the four highest rating categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission.

…

(6) Asset-backed ~~securities (whether~~ securities, whether considered debt or ~~equity),~~ equity, if, when acquired, the obligations are within one of the four highest ratings categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission.

(6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems ~~set forth in~~ under this subsection, the ~~State Treasurer~~ Investment Authority shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions ~~(b)(1)~~ (1) through (6) of this ~~section~~ subsection shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.

…

(6c) ~~With respect to~~ Retirement Systems' assets ~~referred to in subdivision (b)(8), they~~ may be invested, within or outside the United States, in obligations, debt securities, and asset-backed securities, whether considered debt or equity,

including obligations and securities convertible into other securities, that do not meet the requirements of any of subdivisions ~~(b)(1)~~ (1) through (6) of this ~~section~~ subsection nor subdivision ~~(b)(7)~~ (7) of this ~~section. The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems.~~subsection.

(7) Retirement Systems' assets ~~referred to in subdivision (8) of this subsection~~ may be invested in strategies managed primarily for the purpose of owning real estate or related debt financing, excluding asset-backed financing and timberlands, located within or outside the United States. ~~The amount invested under this subdivision shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.~~

(8) ~~With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, the Registers of Deeds' Supplemental Pension Fund, and the Retiree Health Benefit Fund (hereinafter referred to collectively as the Retirement Systems), they~~ Retirement Systems' assets may be invested in a strategy composed primarily of equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of the exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States as long as the investments meet the conditions of this subdivision. ~~The investments authorized for the Retirement Systems under this subdivision are subject to the following limitations:~~

…

~~a1. The aggregate amount of the investments cannot exceed sixty-five percent (65%) of the market value of all invested assets of the Retirement Systems.~~

~~b. The aggregate amount of the investment invested through investment companies described in sub-subdivision (e)(4)b. of this section shall not exceed eight and one-half percent (8.5%) of the market value of all invested assets of the Retirement Systems, except that the market value of group trusts and individual, common, or collective trust funds of banks and trust companies shall not be applied against this limit.~~

…

(9) ~~With respect to~~ Retirement Systems' ~~assets, as defined in subdivision (b)(8) of this subsection, they~~ assets may be invested in (i) a strategy composed primarily of private equity, or corporate buyout transactions, within or outside the United States or (ii) an arrangement authorized under subsection (e) of this section with the primary purpose to engage in other strategies not expressly authorized by any other subdivision of this subsection. ~~The amount invested under this subdivision shall not exceed eight and three-quarters percent (8.75%) of the market value of all invested assets of the Retirement Systems.~~

(9a) ~~With respect to~~ Retirement Systems' ~~assets, as defined in subdivision (b)(8) of this subsection, they~~ assets may be invested, within or outside the United States, in obligations, debt securities, asset-backed securities, whether considered debt or equity, and other investments that are acquired by the ~~Treasurer~~ Investment Authority for the primary purpose of ~~providing protection against risks associated with inflation, along with~~ owning real

assets or related debt financing, including, but not limited to, timberland, natural resources, commodities, infrastructure, transportation, agriculture, and other tangible and intangible real assets. ~~The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems.~~

…

(10a) ~~With respect to Retirement Systems' assets, as defined in subdivision (8) of this subsection, the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of this subsection shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems; and the~~ The aggregate market value of all assets invested pursuant to subdivisions ~~(6c) and (7), sub-subdivision b. of subdivision (8), and subdivisions (9) and (9a)~~ (6c), (7), (8), (9), and (9a) of this subsection shall not exceed ~~thirty-five percent (35%)~~ eighty percent (80%) of the market value of all invested assets of the Retirement ~~Systems.~~Systems, including any digital assets invested pursuant to G.S. 147-69.2E(c).

(10b) The market value of illiquid investments, as determined by the Board of Directors, shall not exceed forty percent (40%) of the market value of all invested assets of the Retirement System.

…

(12) It is the intent of the General Assembly that the Escheat Fund provide a perpetual and sustainable source of funding for the purposes authorized by the State Constitution. Accordingly, the following provisions ~~apply:~~apply to the assets of the Escheat Fund:

a. ~~With respect to~~ The Investment Authority may invest the assets of the Escheat ~~Fund, in addition to~~ Fund in those investments authorized by subdivisions (1) through (6) of this ~~subsection, up to ten percent (10%)~~ subsection. Up to eighty percent (80%) of the assets may be invested in the investments authorized under subdivisions (6c) through (9a) of this ~~subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those subdivisions, and provided that the State Treasurer~~ subsection. The Investment Authority may invest the assets as provided in subsection (e) of this section.

…

c. ~~The State Treasurer shall~~ The Investment Authority may invest, in addition to those investments authorized by sub-subdivision a. ten percent (10%) of the net assets of the Escheat Fund as authorized under G.S. 147-69.2A.

~~(b1) The State Treasurer shall appoint an Investment Advisory Committee, which shall consist of seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and four members selected from the general public. All appointed members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall~~

~~not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.~~

(b2) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (b)(1) through (6), subdivision (b)(6c), and subdivision (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital, and interest or other investment income earned thereon shall be prorated and credited to the contributing hospital on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the cost of administering investments pursuant to this subsection and expenditures authorized under this section.

(b3) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (a)(16a) of this section in any of the investments authorized under subdivisions (1) through (6), subdivision (6c) and subdivision (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other investment income earned thereon shall be prorated and credited to the University of North Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the cost of administering investments pursuant to this subsection and expenditures authorized under this section.

(b4) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (17g) of subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. Funds deposited pursuant to this subsection by a Local Government Other Post-Employment Benefits Trust and interest or other investment income earned from those funds shall be prorated and credited to the contributing trust on the basis of the amounts contributed, figured according to sound accounting principles. For investments under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of participation pursuant to this subsection. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b5) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Local Government Law Enforcement Special Separation Allowance Fund in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from that Fund made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of

making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b6) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Catawba Unit No. 1 Decommissioning Trust Fund and the Catawba Unit No. 2 Decommissioning Trust Fund in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from the Funds made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b7) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Swain County Settlement Trust Fund in any of the investments authorized under subdivision (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from that Fund made under subdivision (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b8) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (24) of subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. For investments from that Fund made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to fifty thousand dollars ($50,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering investments and expenditures authorized under this section.

…

(d) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivisions (17i), (17j), (17k), (17*l*), and (17n) of subsection (a) of this section in any of the investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this subsection. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the costs of administering the funds and expenditures authorized under this section. Funds deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation Easement Endowment Fund, the Conservation Grant Fund, the Ecosystem Restoration Fund, the Riparian Buffer Restoration Fund, or the Wildlife Endowment Fund, as applicable, and interest or other investment income earned thereon shall be prorated and credited to the North Carolina Conservation Easement Endowment Fund, the Conservation Grant Fund, the Ecosystem Restoration Fund, the Riparian Buffer Restoration Fund, or the Wildlife Endowment Fund on the basis of the amounts contributed to the respective Funds, figured according to sound accounting principles.

(e) Investments made pursuant to this section may be made as internally managed investments by the ~~State Treasurer~~ Investment Authority or may be made through third-party investment management arrangements, under the following conditions:

(1) Internally managed portfolios shall be subject to industry standard portfolio ~~guidelines developed with periodic consultation by the Investment Advisory Committee.~~guidelines.

(2) In assessing whether to invest directly or to utilize indirect third-party investment management arrangements, the ~~State Treasurer~~ Investment Authority shall consider all relevant material factors ~~he or she considers relevant to the decision~~ consistent with the ~~Treasurer's~~ Investment Authority's fiduciary duties under ~~G.S. 147-69.7,~~ G.S. 147-70.6, including financial, operational, and investment expertise and resources, alignment of interests and investor protections, transparency and repeatability of investment process, risk controls, and cost-effectiveness.

~~(3) For any third-party investment management arrangements, the investment manager must have total assets under management of at least one hundred million dollars ($100,000,000) at the inception of the investment management arrangement with the State Treasurer.~~

(4) Third-party investment management arrangements may be with persons and legal entities located within or outside the United States, including through any of the following:

a. Contractual arrangements in which the investment manager has delegated discretion and authority to invest assets.

b. Investment companies as defined under United States generally accepted accounting principles as promulgated by the Financial Accounting Standards Board, including without limitation entities registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks and trust companies; limited partnerships; limited liability companies or other limited liability investment vehicles; and insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies.

Any limited liability investment vehicles organized by the ~~State Treasurer~~ Investment Authority shall be deemed investment companies for the purposes of this ~~subsection.~~subdivision.

(5) Investment companies shall provide annual audited financial statements to the ~~State Treasurer,~~ Investment Authority, unless the ~~State Treasurer~~ Investment Authority waives the requirement after conducting a cost-benefit analysis.

(6) In connection with any investment otherwise authorized under this section, the ~~State Treasurer~~ Investment Authority may enter into an indemnification agreement provided that, under any agreement, the liability of the ~~State Treasurer~~ Investment Authority will be limited to the amount of the ~~State Treasurer's~~ Investment Authority's contractual investment.

"**§ 147-69.2A. Investments; special funds held by the State Treasurer.**

(a) Firm to Administer ~~Special Fund. Following a public procurement process, a designee of the Governor, a designee of the State Treasurer, a designee of the Speaker of the House of Representatives, and a designee of the President Pro Tempore of the Senate shall jointly and unanimously~~ Venture Capital Multiplier Fund. – The Investment Authority may select a third-party professional investment management firm, subject to the rules and regulations of the U.S. Securities and Exchange Commission, to administer a special fund created to invest assets ~~described in G.S. 147-69.2(b)(12)c.~~ of the Escheats Fund and select investment opportunities appropriate for receiving allocations from the Venture Capital Multiplier Fund on the basis of potential return on investment and the risks attendant thereto. The ~~State Treasurer~~ Investment Authority shall assign professional and clerical staff to assist in the oversight of the Venture

Capital Multiplier Fund. All costs for the third-party investment management firm and the professional and clerical staff shall be borne by the Venture Capital Multiplier Fund pursuant to G.S. 147-69.3(f). The ~~State Treasurer~~ Investment Authority shall discharge ~~his or her~~ its duties with respect to the Venture Capital Multiplier Fund as a fiduciary consistent with ~~G.S. 147-69.7.~~G.S. 147-70.6.

(b) Organization and Reporting. – ~~All documents of the Governor or the State Treasurer concerning the Fund are public records governed by Chapter 132 of the General Statutes and any applicable provisions of the General Statutes protecting confidential information.~~

~~The State Treasurer and the Governor shall jointly~~ The Investment Authority shall develop and adopt an investment policy statement for the Venture Capital Multiplier Fund.

~~The State Treasurer and Governor shall jointly adopt a common policy to prevent conflicts of interests such that (i) the designees of the State Treasurer and Governor who selected the third-party investment management firm, (ii) the staff of the State Treasurer overseeing the Fund, and (iii) the third-party investment management firm's employees selecting or overseeing Fund investments do not provide services for compensation (as an employee, consultant, or otherwise), within two years after the end of their service to the Fund, to any entity in which an investment from the Fund was made.~~

(b1) Conflict of Interest Policy. – The Investment Authority shall adopt a policy to prevent conflicts of interest. This policy shall include a provision prohibiting all of the following individuals from providing services for compensation to any entity in which an investment from the Venture Capital Multiplier Fund was made within two years after the end of that individual's service to the Fund:

(1) The designee of the State Treasurer and Governor who selected the third-party investment management firm prior to the creation of the Investment Authority.

(2) The designee of the Investment Authority who selected the third-party investment management firm.

(3) The staff of the Department of State Treasurer or of the Investment Authority overseeing the Fund.

(4) The third-party investment management firm's employees selecting or overseeing Fund investments.

(c) Types of Investments. – Assets of the Venture Capital Multiplier Fund may be invested in those types of investments authorized for the ~~North Carolina~~ Retirement Systems by ~~G.S. 147-69.2(b), notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those subdivisions.~~G.S. 147-69.2(b).

(d) Report on Escheat Fund Financial Status. – The State ~~Treasurer~~ Treasurer, in coordination with the Investment Authority, shall ~~engage a third-party professional consultant to~~ conduct an assessment and projection of the financial status of the Escheat Fund. A third-party professional consultant may be engaged to conduct the required assessment. The associated costs for the services may be directly charged to the Escheat Fund. ~~The~~ No later than December 31 of each year, the State Treasurer shall communicate the assessment ~~of the consultant~~ in an annual report to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the chairs of the respective appropriations and appropriate substantive committees of each chamber. The annual report shall ~~evaluate~~ include all of the following:

(1) An evaluation of claims by owners upon the Escheat Fund, current and projected investment returns, ~~and~~ projected contributions to the Escheat Fund, current and projected legislative appropriations, and authorized expenses. ~~In the report, the State Treasurer shall assess~~

(2) An assessment of the State Treasurer, with the assistance of the Investment Authority of the status of utilizing the Escheat Fund as an endowment fund and ~~shall recommend~~ a recommendation of an annual amount available for the

funding of scholarships, loans, and grants from the Fund. ~~The annual report shall be presented no later than December 31 of each year.~~

"**§ 147-69.2E. Investments in digital assets.**

(a) The following definitions apply in this section:

(1) Designated funds. – Any of the funds described in G.S. 147-69.1(b) and G.S. 147-69.2(a).

(2) Digital asset. – A virtual currency, cryptocurrency, native electronic asset, stablecoin, nonfungible token, or any other asset that is only digital and that confers economic, proprietary, or access rights or powers.

(3) Private key. – A unique element of cryptographic data used for signing transactions on a blockchain that is known to the owner of the unique element.

(4) Secure custody solution. – A technological product or a blended product and service that employs advanced security measures to safeguard private keys and prevent unauthorized access.

(b) The Investment Authority may invest the cash of the designated funds in digital assets only after approval by the Board of Directors. The approval shall be based on an independent assessment by a third-party consultant that all of the following requirements for proposed investments have been met:

(1) The digital assets are maintained with a secure custody solution.

(2) The risk and reward profile, including under adverse scenarios, is appropriate for the designated fund's circumstances from a total portfolio perspective.

(3) The control environment meets institutional investment industry requirements for independent risk and compliance oversight, operational robustness, and regulatory compliance.

(c) An investment in digital assets from any of the designated funds shall not exceed, in the aggregate, five percent (5%) of the balance of the designated fund.

"**§ 147-69.3. Administration of ~~State Treasurer's~~ Investment Authority's investment programs.**

(a) The State Treasurer shall deposit with the Investment Authority assets of the funds under G.S. 147-69.1 and the special funds under G.S. 147-69.2. The Investment Authority shall establish, maintain, administer, manage, and operate ~~within the Department of State Treasurer~~ one or more investment programs for the deposit ~~and~~ to the credit of the State Treasurer of the investment of assets ~~pursuant to the provisions of G.S. 147-69.1 and G.S. 147-69.2. Different~~ of the funds under G.S. 147-69.1 and the special funds under G.S. 147-69.2. Funds of each of the Retirement Systems and other funds held by the ~~State Treasurer~~ Investment Authority may be invested collectively or separately in the ~~State Treasurer's~~ Investment Authority's discretion consistent with the fiduciary duties ~~stated in G.S. 147-69.7.~~under G.S. 147-70.6.

(b) Any official, board, commission, other public authority, local government, school administrative unit, charter school, local ABC board, or community college of the State having custody of any funds not required by law to be deposited with and invested by the State Treasurer or the Investment Authority may deposit all or any portion of those funds with the ~~State Treasurer~~ Investment Authority for investment in one of the investment programs ~~established pursuant to~~ authorized under this section, subject to any provisions of law with respect to eligible ~~investments, provided that any~~ investments. Any occupational licensing board as defined in G.S. 93B-1 may participate in one of the investment programs ~~established pursuant to~~ authorized under this section regardless of whether or not the funds were required by law to be deposited with and invested by the State ~~Treasurer.~~ Treasurer or the Investment Authority. In the absence of specific statutory provisions to the contrary, any ~~of those~~ funds described in this subsection may be invested by the Investment Authority in accordance with the provisions of G.S. 147-69.2 and 147-69.3. Upon request from any depositor eligible under this subsection, the State Treasurer

may authorize moneys invested pursuant to this subsection to be withdrawn by warrant on the State Treasurer.

(c) The ~~State Treasurer's~~ Investment Authority's investment programs shall be so managed ~~that~~ that, in the judgment of the ~~State Treasurer~~ Investment Authority, funds may be readily converted into cash when needed.

(d) Except as provided by G.S. 147-69.1(d), the total return earned on investments shall accrue pro rata to the fund whose assets are ~~invested according to the formula prescribed by the State Treasurer with the approval of the Governor and Council of State.~~invested.

(e) The ~~State Treasurer~~ Investment Authority has full powers as a fiduciary to hold, purchase, sell, assign, transfer, lend and dispose of any of the securities or investments in which any of the investment programs created pursuant to this section have been invested, and may reinvest the proceeds from the sale of those securities or investments and any other investable assets of the program.

(f) The cost of administration, management, and operation of investment programs established pursuant to this section shall be apportioned and paid equitably among the programs in a manner prescribed by the ~~State Treasurer.~~ Investment Authority, including through administrative fees if approved by the Board of Directors. To the extent not otherwise chargeable directly to the income or assets of a specific investment program or pooled investment vehicle, the cost of administration, management, and operation of investment programs established pursuant to this section shall be paid from the income and assets of the investment programs. Any apportionment and payment under this section shall be accounted for in a manner determined by the ~~State Treasurer.~~Investment Authority.

~~(g) The State Treasurer is authorized to retain the services of independent appraisers, auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.~~

(g1) Notwithstanding G.S. 114-8.3, the Investment Authority's designated attorneys shall review all proposed investment contracts and all proposed contracts for investment-related services entered into pursuant to the Investment Authority's authority under this Article. All of the following apply to the required review:

(1) This review shall include confirmation that a proposed contract meets all of the following criteria:
   a. The proposed contract is in proper legal form.
   b. The proposed contract is legally enforceable to the extent governed by North Carolina law.
   c. The proposed contract accomplishes the intended purposes of the contract.

(2) The Investment Authority's designated attorneys shall establish procedures regarding the review.

(3) The required review does not constitute approval or disapproval of the policy merit, or lack thereof, of the proposed contract.

(4) A designated attorney under this subsection includes any attorney employed or retained by the Investment Authority to review contracts as required by this subsection.

(5) For purposes of this subsection, "investment contract" means investments to be acquired, held, or sold, directly or indirectly, by or for the Investment Authority or an investment entity created by the Investment Authority, either on its own behalf or on behalf of another beneficial owner.

…

~~(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year.~~

…

(i3) The ~~Treasurer~~ Investment Authority may invest in the countries of Sudan and South Sudan to the extent not prohibited by the United States Government, or to the extent that such investment is part of an index or index replication strategy, a commingled fund, limited partnership, or similar investment vehicle, or a derivative instrument.

(j) Subject to the provisions of G.S. 147-69.1(d), the ~~State Treasurer shall~~ Investment Authority may adopt any rules necessary to carry out the provisions of this section.

…

"**§ 147-69.4A. Support and assistance; Supplemental Retirement Board of Trustees.**

(a) The Supplemental Retirement Board of Trustees, as established under G.S. 135-96, may request the Investment Authority to provide monitoring, evaluation, reporting, and other support or assistance for the investments of the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

(b) Upon the consent of the Investment Authority to provide requested support or assistance under this section, the Investment Authority's responsibilities shall be documented in a Statement of Investment Policy approved by the Supplemental Retirement Board of Trustees.

(c) In providing any support or assistance under this section, the Investment Authority shall discharge its duties as a fiduciary to the participants in the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

"**§ 147-69.5. Local Government Law Enforcement Special Separation Allowance Fund.**

The Local Government Law Enforcement Special Separation Allowance Fund is established as a fund in the Office of the State Treasurer under the management of the ~~Treasurer.~~ Investment Authority. The Fund consists of contributions made by entities authorized to make contributions to the Fund and interest and other investment income earned by the Fund. Contributions to the Fund are irrevocable. Assets of the Fund may be used only to provide law enforcement special separation allowance benefits to individuals who are former employees of a unit of local government that contributes to the Fund and are entitled to law enforcement special separation allowance payable by the unit. The assets of the Fund are not subject to the claims of creditors of an entity that contributes to the Fund.

"**§ 147-69.6. Swain County Settlement Trust Fund.**

(a) The Swain County Settlement Trust Fund is established as a special fund in the Office of the State Treasurer under the management of the ~~Treasurer. The Treasurer~~ Investment Authority. The Investment Authority may invest the assets of the Fund in any of the investments authorized under subdivisions (b)(1) through (6) and subdivision (b)(8) of G.S. 147-69.2. The Fund shall consist of the proceeds of any payments made by the United States in settlement of the 1943 agreement between Swain County and the United States Department of Interior, such other contributions as Swain County or other entities may choose to make to the Fund, and the interest and other investment income earned by the Fund. For the purposes of this section, the initial balance of the Fund shall be defined as fifty-two million dollars ($52,000,000).

…."

SECTION 38.3.(b) Part 3 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, reads as rewritten:

"Part 3. Reports and Audits.

"**§ 147-69.8. Annual report on new investment authority.**

Whenever the General Assembly broadens the investment authority of the ~~State Treasurer~~ Investment Authority as to the General Fund, the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative

Retirement System, the North Carolina National Guard Pension Fund, or any idle funds, the ~~State Treasurer~~ Investment Authority shall annually report in detail to the General Assembly the investments made under such new authority, including the returns on those investments, earnings, changes to value, and gains and losses in disposition of such investments. The report shall be made no later than the first six months of each calendar year, covering performance in the prior fiscal year. As to each type of new investment authority, the report shall be made for at least four years. To the extent the information required by this section is also required in the reports under G.S. 147-69.12, the ~~State Treasurer~~ Investment Authority may combine reports or make cross-reference to those reports.

"**§ 147-69.9. Third-party audit of State Treasurer's investments.**

(a) In addition to all other audits and reports required by the law, the State ~~Treasurer~~ Treasurer, with the active assistance of the Investment Authority, shall prepare and issue, at the end of each fiscal ~~year beginning with the 2015-2016 fiscal year,~~ year, a set of consolidated stand-alone financial statements regarding investments authorized in G.S. 147-69.1 and G.S. 147-69.2. These financial statements shall be audited by a commercial independent third-party audit firm selected and engaged by the State ~~Treasurer.~~ Treasurer, in consultation with the Investment Authority. The audit firm's report and the financial statement shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representative Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within six months after the closing of the reporting period.

(b) The management discussion and analysis section of the report accompanying the financial statements shall be prepared by the Investment Authority and shall include a discussion of the investment programs' risk and returns compared to benchmarks, total management fees and incentives paid, and comparison to peer cost benchmarks.

"**§ 147-69.10. Investment policies and performance reviews of Retirement Systems investment programs.**

(a) On at least a biennial basis, the ~~State Treasurer~~ Chief Investment Officer shall present an investment policy statement to the ~~Investment Advisory Committee~~ Board of Directors for ~~the Committee's consultation.~~ approval. The investment policy statement must include descriptions of investment objectives and strategy, roles and responsibilities, permissible asset classes, asset allocation targets and ranges, risk management and compliance guidelines, and evaluation criteria necessary to measure investment performance.

(b) At least once every four years, the ~~State Treasurer~~ Investment Authority shall engage a commercial independent expert firm, pursuant to ~~G.S. 147-69.3(g),~~ G.S. 147-71.2(c), to evaluate the governance, operations, and investment practices of the ~~State Treasurer~~ Investment Authority in order to develop recommendations for improvement. ~~The State Treasurer must consult with the Investment Advisory Committee to develop the scope of the evaluation.~~ The report of the independent expert firm shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within 30 days of receipt.

"**§ 147-69.12. Reporting on the ~~State Treasurer's~~ Investment Authority's investment programs.**

~~(a) No later than the tenth day of February, May, August, and November of each year, the State Treasurer shall report on all investments for which the State Treasurer is in any way responsible, including investments made from the Escheat Fund and return on investment as provided in G.S. 147-69.2A. This report shall be made for the Escheat Fund in lieu of the report required by G.S. 147-69.8. The State Treasurer's quarterly report shall include each of the following:~~

~~(1) A specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the~~

~~State in the management of the Retirement Systems defined in G.S. 147-69.2(b)(8). In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of G.S. 147-69.2 increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement Systems as of the prior fiscal year end, then the quarterly report provided shall describe how that increase complies with the duties described in G.S. 147-69.7 and the consequent expected impact on the risk profile of the Retirement Systems' assets.~~

~~(2) A specific listing of all investments made with certified green managers and companies and funds that support sustainable practices, including the names of the companies, managers, and funds, the amount invested, and the State's return on investment.~~

~~(3) For bank balances:~~

~~a. The State's total bank balance with the State Treasurer, including the amount of cash on hand and money on deposit.~~

~~b. For each bank or other qualified depository utilized by the State Treasurer to hold cash balances, (i) the name of each depository and (ii) current quarter-end cash balances.~~

~~(4) For the State Treasurer's cash management programs:~~

~~a. Total assets.~~

~~b. Duration of investments.~~

~~c. Rate of return, including a comparison to an appropriate benchmark, if available.~~

~~(5) For the Retirement Systems, as defined in G.S. 147-69.2(b)(8), reported separately for each asset class authorized by G.S. 147-69.2(b):~~

~~a. Total assets.~~

~~b. Rate of return, including a comparison to an appropriate benchmark, if available.~~

~~c. Percentage of the total assets that are invested in the asset class and the limitation, if any, on the percentage under G.S. 147-69.2(b).~~

~~(6) For each investment program created under G.S. 147-69.3:~~

~~a. The financial condition of each investment program.~~

~~b. A full and complete statement of all moneys invested by virtue of the provisions of G.S. 147-69.1 and G.S. 147-69.2.~~

~~c. The nature and character of the investments.~~

~~d. The revenues derived from the investments, net of fees and expenses.~~

~~e. The costs of administering, managing, and operating the investment programs, including the recapture of any investment commissions.~~

~~f. The location on the State Treasurer's Web site where the public may find a statement of the investment policies for the revenues invested.~~

~~g. Any other information that may be helpful in understanding the State Treasurer's investment policies, investment practices, and investment results.~~

~~h. Any other information requested by the House of Representatives and Senate Finance Committees.~~

~~i. The location on the State Treasurer's Web site where the public may find a list of new commitments to external investment managers.~~

~~j. The location on the State Treasurer's Web site where the public may find information on the use of placement agents by investment managers.~~

~~(7) For all other investments with or on behalf of the State or any of its agencies or institutions:~~
~~a. The particular agency or institution, fund, rate of return, and duration of the investment.~~
~~b. The amount of deposit on all noninterest bearing accounts.~~

(a1) On a monthly basis, the Investment Authority shall report on the performance of all investments for which the Investment Authority is in any way responsible. The monthly report shall include all of the following information:

(1) The beginning and ending market value of each investment program and deposits or withdrawals.
(2) The rate of return, net of all fees, and expenses for various time periods, including comparisons to an appropriate benchmark, if available. For the Retirement Systems' investment program, asset class level information shall also be provided.
(3) The asset allocation of each investment program and compliance with any statutory limitations or limitations set by the Board of Directors.
(4) All of the following information for each investment program:
a. The location on the Investment Authority's website where the public may find a statement of the investment policies.
b. The location on the Department's or Investment Authority's website where the public may find a list of new commitments to external investment managers and on the use of placement agents by investment managers.
c. Any other information that may be helpful in understanding the Investment Authority's investment policies, investment practices, and investment results.

(b) No later than the date set by G.S. 147-69.9 for the submission of consolidated stand-alone financial statements, the ~~State Treasurer~~ Investment Authority shall report annually on the fees and performance of all externally and internally managed investments for the Retirement ~~Systems defined in G.S. 147-69.2(b)(8).~~ Systems. Externally managed investments shall be reported on the basis of each investment vehicle or investment manager, as applicable. Internally managed investments shall be reported on a portfolio-by-portfolio basis. The ~~State Treasurer's~~ Investment Authority's annual report shall include all of the following, as applicable, reported separately for each investment:

(1) The name, commitment amount, statutory classification, and inception year.
(2) Either a statement that the investment is managed internally by the staff of the ~~State Treasurer~~ Investment Authority or the names of the external investment manager and the investment vehicle for that investment.
(3) ~~Value~~ The value of the investment.
(4) ~~Dollar~~ The dollar amount of the management fees and incentive fees.
(5) For ~~investment-grade fixed income or public equity investments,~~ public market investment manager accounts, the periodic net annualized time-weighted rate of return for that fiscal year and since inception, reported net of fees.
(6) For all investments other than ~~investment-grade fixed income or public equity investments,~~ public market investment manager accounts, all of the following:
a. The net annualized internal rate of return and investment multiple since inception, reported net of fees.
b. The total cash contributions or other investments ~~made by the State Treasurer.~~made.

c. The total distribution received ~~by the State Treasurer~~ with respect to that investment since inception, reported net of fees.

~~(7) For any fund of funds investment vehicles, the aggregate management fees and incentive fees for the underlying investment managers or investment vehicles used by the external investment manager.~~

(8) If any placement agent fees relating to the investment were directly or indirectly borne by the ~~State Treasurer~~ Investment Authority or Retirement Systems, a list of the amount and type of those fees.

(c) The Treasurer shall report to the Governor annually the exact balance in the treasury to the credit of the State, with a summary of the receipts and payments of the treasury during the preceding fiscal year, and so far as practicable an account of the same down to the termination of the current calendar year.

(d) The reports required by this section shall be delivered to the Joint Legislative Commission on Governmental Operations, chairs of the House of Representatives and Senate Appropriations Committees, chairs of the House of Representative and Senate Finance Committees, Fiscal Research Division, Governor, Council of State, and State Auditor. The reports shall also be made available for public ~~review, including by posting on the State Treasurer's Web site.~~

~~A copy of a report on any State Treasurer investment program shall be sent to~~ review by the official, institution, board, commission, or other agency investing in ~~that program.~~the programs, including by posting on the Investment Authority's website."

SECTION 38.3.(c) G.S. 147-70.6, as created by Section 38.1 of this act, reads as rewritten:

"**§ 147-70.6. Discharge of duties to funds.**

(a) The ~~State Treasurer~~ Investment Authority, including the Board of Directors, shall discharge ~~his or her~~ all duties with respect to each fund or investment program held by the Investment Authority to the credit of the State Treasurer, including each of the ~~funds,~~ funds enumerated in ~~G.S. 147-69.2 as follows:~~G.S. 147-69.1 and G.S. 147-69.2, in all of the following manners:

(1) Solely in the interest of the intended beneficiaries of the fund, if any.

(2) For the exclusive purpose of carrying out the purpose of the fund, including providing benefits to participants and beneficiaries, and paying reasonable expenses of administering the fund.

(3) With the care, skill, and caution that a prudent investor would use after considering the purposes, distribution requirements, and other circumstances then prevailing.

(4) Impartially, taking into account any differing interests of participants and beneficiaries.

(5) Incurring only costs that are appropriate and reasonable.

(6) In accordance with a good-faith interpretation of the provisions of G.S. 147-69.2 and any other applicable law governing the fund.

(b) In investing and managing assets of ~~the~~ any fund or investment program pursuant to subsection (a) of this section, the ~~State Treasurer:~~Investment Authority shall do all of the following:

(1) ~~Shall consider~~ Consider all of the following circumstances:

a. General economic conditions.

b. The possible effect of inflation or deflation.

c. The role that each investment or course of action plays within the overall portfolio of the fund.

d. The expected total return from income and the appreciation of capital.

e. Needs for liquidity, regularity of income, and preservation or appreciation of capital.

f. With respect to the Retirement Systems ~~defined in G.S. 147-69.2(b)(8)~~ and any other pension plans, the adequacy of funding for the Retirement Systems or other pension plan based on reasonable actuarial factors.

g. The purpose of the fund, if established.

(2) ~~Shall diversify~~ Diversify the investments of the ~~fund~~ fund, unless the ~~State Treasurer~~ Investment Authority reasonably determines that, because of special circumstances, including applicable investment restrictions, it is clearly prudent not to do so.

(3) ~~Shall make~~ Make a reasonable effort to verify facts relevant to the investment and management of assets of the funds.

~~(4) Shall invest only in those investments authorized by law consistent with the provisions of Article 6 of Chapter 146 of the General Statutes.~~

(5) ~~Shall, in~~ In the evaluation of an investment, or in the evaluation or exercise of any right appurtenant to an investment, consider only pecuniary ~~factors:~~factors as follows:

a. For the purposes of this section, a pecuniary factor is a factor that has a material effect on the financial risk or financial return of an investment based on appropriate investment horizons consistent with the purpose of the fund, if established.

b. Environmental or social considerations are pecuniary factors only if they present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories. The weight given to those factors shall solely reflect a prudent assessment of their impact on risk and return.

~~(6) May,~~

(b1) In investing and managing assets of any fund or investment program pursuant to subsection (a) of this section, the Investment Authority may, in the evaluation or exercise of any right appurtenant to an investment, reasonably conclude that not exercising ~~such a~~ that right is in the best interest of the fund's beneficiaries.

(c) Compliance by the ~~State Treasurer~~ Investment Authority with this section must be determined in light of the facts and circumstances existing at the time of the ~~Treasurer's~~ Investment Authority's decision or action and not by hindsight.

(d) The ~~State Treasurer's~~ Investment Authority's investment and management decisions must be evaluated not in isolation but in the context of the portfolio of the fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund.

(e) Notwithstanding any ~~of the foregoing, the State Treasurer~~ other provision of this section to the contrary, the Investment Authority shall have no duty to assist or advise any official, board, commission, local government, other public authority, school administrative unit, local ABC board, community college of the State, or other person, trust, agency, institution, or entity in connection with any of the following decisions and directions with respect to any funds to be deposited with the State Treasurer and invested by the ~~State Treasurer:~~Investment Authority.

(1) The voluntary decision to deposit or withdraw funds in accordance with applicable law in one or more of the ~~State Treasurer's~~ Investment Authority's investment programs.

(2) The voluntary direction as to the allocation of deposited funds in accordance with applicable law among the ~~State Treasurer's~~ Investment Authority's investment programs.

(3) Any other decision or direction by which the depositor exercises control over assets deposited or to be deposited with the State Treasurer or the Investment Authority in accordance with applicable law."

SECTION 38.3.(d) G.S. 147-71.2(a), as enacted by Section 38.2(b) of this act, is amended by adding a new subdivision to read:

"(6) The Board of Directors has the following liquidity monitoring duties:

a. Upon the quarterly receipt of liquidity monitoring requirements from the Chief Investment Officer, the Board of Directors shall ensure that a portion of the Retirement Systems' invested assets are at all times available to be converted in an orderly fashion to cash proceeds sufficient to meet projected net benefit payments and highly probable contractual obligations.

b. The Board of Directors shall annually certify the allocation of illiquid investment.

c. If the Board of Directors determines that liquidity is insufficient, then the Board of Directors may direct the CIO to pause new contractual commitments to illiquid investments or implement other mitigation activities."

SECTION 38.3.(e) G.S. 147-72.1, as enacted by Section 38.2(b) of this act, is amended by adding a new subsection to read:

"(e) Management of Retirement Systems Investments. – The Chief Investment Officer shall manage the Retirement Systems investments to remain within the approved absolute risk operating range set by the Board of Directors in accordance with G.S. 147-71.2(a)(4)."

SECTION 38.3.(f) Rules adopted by the State Treasurer in effect as of December 31, 2025, and that are impacted by the change in authority under this section shall remain in effect until amended by the Investment Authority, amended by law, or repealed.

SECTION 38.3.(g) G.S. 128-29(c) reads as rewritten:

"(c) Custodian of Funds. – The State Treasurer shall be the custodian of the several funds and shall deposit these funds with the Investment Authority to invest ~~their~~ these assets in accordance with ~~the provisions of G.S. 147-69.2 and 147-69.3.~~ Article 6 of Chapter 147 of the General Statutes. All payments from said funds shall be made by ~~him~~ the State Treasurer only upon vouchers signed by two persons designated by the Board of Trustees. The secretary of the Board of Trustees shall furnish said Board a surety bond in a company authorized to do business in North Carolina in such amount as shall be required by the Board, the premium to be paid from the expense fund."

SECTION 38.3.(h) G.S. 135-7(c) reads as rewritten:

"(c) Custodian of Funds; Disbursements; Bond of Director. – The State Treasurer shall be the custodian of the several funds and shall deposit these funds with the Investment Authority to invest ~~their~~ these assets in accordance with ~~the provisions of G.S. 147-69.2 and 147-69.3.~~Article 6 of Chapter 147 of the General Statutes."

SECTION 38.3.(i) This section is effective January 1, 2026.

PART XXXIX. GENERAL GOVERNMENT – MISCELLANEOUS [RESERVED]

PART XL. INFORMATION TECHNOLOGY

BROADBAND FUND FLEXIBILITY

SECTION 40.1.(a) G.S. 143B-1373.2 is repealed.

SECTION 40.1.(b) G.S. 143B-1374 is repealed.

SECTION 40.1.(c) The Department of Information Technology shall use funds appropriated for the Growing Rural Economies with Access to Technology program for fixed wireless and satellite broadband grants, established in G.S. 143B-1373.2 to award grants to eligible entities to purchase installation materials for satellite internet service. Installation materials must be for the grantee's own use and not for distribution to other parties. The Department shall prioritize grant applicants that will deploy installation materials in one of the 39 counties designated as a disaster area due to Hurricane Helene. The Department may also give priority to grantees that offer emergency services, disaster relief, educational services, or economic development.

SECTION 40.1.(d) For the purposes of this section, an eligible entity is one of the following:

(1) A State agency.
(2) A local government entity.
(3) A volunteer fire department.
(4) An anchor point, as that term is defined in G.S. 117-18.1(d)(1).

SECTION 40.1.(e) The Department of Information Technology may provide emergency funding to communications services providers to rebuild, repair, or replace broadband infrastructure damaged by Hurricane Helene, including costs already incurred for rebuilding, repairing, or replacing broadband infrastructure, provided that all of the following apply:

(1) An applicant for funding under this section shall only be permitted to recovery costs that are not subject to reimbursement from another source of external funding, including insurance.
(2) The Department may cap reimbursement at a portion of the costs incurred based upon evaluation of considerations, such as the number of applications anticipated compared to funds available.
(3) Priority shall be given to restoration of broadband service.

SECTION 40.1.(f) The Department may use up to fifty million dollars ($50,000,000) of the funds available from the Broadband Make Ready Accelerator appropriation in S.L. 2021-180 for the emergency funding described in subsection (e) of this section. Funds shall be used in compliance with applicable federal guidelines associated with the use of federal funds. The Department may use its emergency procurement authority provided in 09 NCAC 06B .1302 to procure any goods or services in accordance with this section and shall document the request for funding, the emergency situation or need, the area to be served, and the community's need for the procurement.

SECTION 40.1.(g) Section 38.15 of S.L. 2021-180, as enacted by Section 16.1(a) of S.L. 2022-6, reads as rewritten:

"**SECTION 38.15.** Except as otherwise ~~provided,~~ provided and after the intent of the original appropriation has been satisfied to the extent practicable, the Department of Information Technology shall have flexibility to transfer funding between the programs outlined in Section 38.4, Section 38.5, and Section 38.6 of this ~~act, so long as the total allocations for the programs remain the same.~~act."

SECTION 40.1.(h) The Department of Information Technology, working with the North Carolina Pandemic Recovery Office in the Office of State Budget and Management, shall ensure that all federal laws, regulations, and guidance, including reporting requirements, are followed in the reallocation of funding between projects funded with federal State Fiscal Recovery Funds described in this section.

SECTION 40.1.(i) Section 10.2(p) of S.L. 2024-55 reads as rewritten:

"**SECTION 10.2.(p)** ~~The State Controller shall establish~~ There is established a BEAD ~~Reserve (Reserve)~~ Fund (Fund) in the General Fund to maintain federal funds received from the IIJA for the BEAD Program. ~~The State Controller shall transfer funds to the GREAT 3.0 Fund~~

~~established in subsection (d) of this section only as needed to meet the appropriations set out in subsequent legislation. Funds reserved in the Reserve do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.~~Monies received in the Fund may be used for the purposes set forth in this section, subject to applicable federal rules and regulations, and those funds are hereby appropriated for those purposes."

CHANGES TO THE BROADBAND POLE REPLACEMENT PROGRAM

SECTION 40.2.(a) Section 38.10 of S.L. 2021-180, as amended by Section 16.4 of S.L. 2022-6, reads as rewritten:

"**BROADBAND ACCELERATION**

…

"**SECTION 38.10.(g)** A pole owner shall promptly review a request for access, perform surveys, provide estimates and final invoices, and complete, or require the completion by other attaching entities of, any make-ready work necessary for purposes of offering broadband service in an unserved area. A pole owner shall provide a good-faith estimate for any make-ready costs to the communications service provider within 60 days after receipt of a complete application for access. If requested by the communications service provider, the pole owner shall provide accompanying documentation indicating the basis of all estimated fees or other charges, including, but not limited to, administrative costs, that form the basis of its estimate. A good-faith estimate shall remain valid for 14 days. To accept a good-faith estimate, a communications service provider must provide the pole owner with written acceptance and payment of the good-faith estimate. Make-ready work shall be conditioned upon payment of the good-faith estimate and shall be completed within a reasonable time frame mutually agreed to by the communications service provider and the pole owner. A pole owner may treat multiple requests from a single communications service provider as one application for access when the requests are filed within 90 days of one another. A pole owner may deviate from the time limits specified in this subsection during performance of make-ready work for good and sufficient cause that renders it infeasible to complete make-ready work within the time limits specified in this subsection. Any deviation from the time limits specified in this subsection shall extend for a period no longer than necessary. A communications service provider shall promptly be notified, in writing, of the reason for a deviation and the new completion date estimate. A communications service provider shall provide notice, in writing, to the pole owner no later than 14 days after attaching equipment to a pole in an unserved area. This subsection shall not apply to poles owned by a utility.

"**SECTION 38.10.(h)** A party subject to a dispute arising under subsection (g) of this section may invoke the dispute procedures authorized in G.S. 62-350 in the same manner as a party seeking resolution of a dispute under G.S. 62-350(c), and the Utilities Commission shall issue a final order resolving the dispute within 120 days of the date the proceedings were initiated; provided, however, the Commission may extend the time for issuance of a final order for good cause and with the agreement of all parties. In such a dispute, the Commission shall apply the provisions of this section notwithstanding any contrary provisions of any existing agreement. This subsection shall not apply to poles owned by a utility.

"**SECTION 38.10.(i)** No later than 60 days after the date funds are appropriated to the Program special fund, and on a quarterly basis thereafter, the Department shall maintain and publish on its website all of the following:

(1) The number of applications for reimbursement received, processed, and rejected, including the reasons applications were rejected.

(2) The amount of each reimbursement, the total number of reimbursements, and the status of any pending reimbursements.

(3) The estimated remaining balance in the Program special fund.

"**SECTION 38.10.(j)** The following definitions apply in this section:

…

(4) Eligible pole replacement cost. – The actual and reasonable costs paid or incurred by a party after June 1, 2021, to (i) remove and replace a pole, including the amount of any expenditures to remove and dispose of the existing pole, purchase and install a replacement pole, and transfer any existing facilities to the new ~~pole.~~ pole or (ii) place facilities, including lines, conduit, and related equipment, underground to better protect the critical infrastructure from natural disaster. The term includes costs paid or incurred by the party responsible for the costs of a pole replacement to reimburse the party that performs the pole replacement. The term does not include costs that the party incurs initially that have been reimbursed to the party by another party ultimately responsible for the costs.

(5) Pole. – Any pole used, wholly or partly, for any wire communications or electric distribution, irrespective of who owns or operates the ~~pole.~~pole, including poles owned by a utility.

(6) Pole owner. – A city or cooperatively organized entity that owns utility poles.

(7) Qualified project. – A project undertaken by a communications service provider that is not affiliated with a pole owner seeking to provide or, due to natural disaster or other force majeure event, restore, temporarily or permanently, qualifying internet access service on a retail basis to one or more households, businesses, agricultural operations, or community access points in an unserved area.

…

(9) Unserved area. – An area in which, according to the most recent map of fixed broadband internet access service made available by the Federal Communications Commission, fixed, terrestrial broadband service at speeds of at least 25 megabits per second download and at least 3 megabits per second upload is unavailable at the time the communications service provider requests access. An unserved area also includes an area that was previously served but has become unserved due to damage or destruction by a natural disaster. A pole or underground installation shall be presumed to be located in an unserved area if the pole is located in an area that is the subject of a federal or State grant to deploy broadband service, the conditions of which limit the availability of a grant to unserved ~~areas.~~areas or, in the case of a damaged or destroyed facility, was in such an area when the facility was originally constructed.

(10) Utility. – As defined by 47 U.S.C. § 224.

…."

SECTION 40.2.(b) This section is effective when it becomes law. Funds encumbered for expenses incurred as of June 1, 2021, prior to the effective date of this section shall remain eligible for reimbursement.

PART XLI. SALARIES AND BENEFITS

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY INCREASE

SECTION 41.1.(a) Effective July 1, 2025, except as provided by subsection (b) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed in a State-funded

position on June 30, 2025, is awarded a legislative salary increase in the 2025-2026 fiscal year, as follows:

(1) A cost-of-living adjustment in the amount of one and twenty-five hundredths percent (1.25%).

(2) Any other salary adjustment otherwise allowed or provided by law.

SECTION 41.1.(b) For the 2025-2027 fiscal biennium, the following persons are not eligible to receive the legislative salary increases provided by subsection (a) of this section:

(1) Employees of local boards of education.

(2) Employees of The University of North Carolina.

(3) Clerks of superior court compensated under G.S. 7A-101.

(4) Officers and employees to which Section 41.14 of this Part applies.

(5) Officers and employees to which Section 41.15 of this Part applies.

(6) Officers and employees to which Section 41.16 of this Part applies.

(7) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the Department of Adult Correction, the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, the North Carolina School for the Deaf, and the State Board of Education who are paid based on the Teacher Salary Schedule.

SECTION 41.1.(c) Part-time employees shall receive the increases authorized by this section on a prorated and equitable basis.

SECTION 41.1.(d) No eligible State-funded employee shall be prohibited from receiving the full salary increases provided in this section solely because the employee's salary after applying the legislative salary increase is above the maximum of the salary range prescribed by the State Human Resources Commission.

BONUS AWARDED IN EACH YEAR OF 2025-2027 BIENNIUM

SECTION 41.2.(a) For the 2025-2026 fiscal year, any State-funded employee (i) whose salary is set by Part VII-A of this act or by this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed on June 30, 2025, shall be awarded a bonus in the amount of one thousand five hundred dollars ($1,500), payable during the month of September 2025.

SECTION 41.2.(b) For the 2026-2027 fiscal year, any State-funded employee (i) whose salary is set by Part VII-A of this act or by this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed on June 30, 2026, shall be awarded a bonus in the amount of one thousand five hundred dollars ($1,500), payable during the month of September 2026.

SECTION 41.2.(c) The funds appropriated for bonuses in excess of the amounts required to implement these bonuses shall revert to the General Fund. The compensation bonuses awarded by this section are not compensation for the purposes of any retirement system administered by the State. The compensation bonuses awarded by this section are not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible State-funded permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

GOVERNOR AND COUNCIL OF STATE

SECTION 41.3.(a) Effective July 1, 2025, G.S. 147-11(a) reads as rewritten:

"**§ 147-11. Salary and expense allowance of Governor; allowance to person designated to represent Governor's office.**

(a) The salary of the Governor shall be ~~two hundred three thousand seventy-three dollars ($203,073)~~ two hundred five thousand six hundred eleven dollars ($205,611) annually, payable monthly."

SECTION 41.3.(b) Effective July 1, 2025, the annual salaries for members of the Council of State, payable monthly, are set as follows:

Council of State	Annual Salary
Lieutenant Governor	$170,489
Attorney General	170,489
Secretary of State	170,489
State Treasurer	170,489
State Auditor	170,489
Superintendent of Public Instruction	170,489
Agriculture Commissioner	170,489
Insurance Commissioner	170,489
Labor Commissioner	170,489

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 41.4. Effective July 1, 2025, the annual salaries, payable monthly, for the following executive branch officials are as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$142,605
State Controller	198,570
Commissioner of Banks	160,052
Chair, Board of Review, Division of Employment Security	156,993
Members, Board of Review, Division of Employment Security	155,075
Chairman, Parole Commission	156,993
Full-time Members of the Parole Commission	145,156
Chairman, Utilities Commission	203,555
Members of the Utilities Commission	177,962
Executive Director, North Carolina Agricultural Finance Authority	138,876
State Fire Marshal	140,788

JUDICIAL BRANCH

SECTION 41.5.(a) Effective July 1, 2025, the annual salaries, payable monthly, for the following judicial branch officials are as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	$205,611
Associate Justice, Supreme Court	200,275
Chief Judge, Court of Appeals	197,107
Judge, Court of Appeals	191,991
Judge, Senior Regular Resident Superior Court	176,428
Judge, Superior Court	171,239
Chief Judge, District Court	169,642
Judge, District Court	164,653
Chief Administrative Law Judge	164,653
District Attorney	169,429
Assistant Administrative Officer of the Courts	153,713
Public Defender	169,429
Director of Indigent Defense Services	170,672

SECTION 41.5.(b) The district attorney of a judicial district, with the approval of the Administrative Officer of the Courts, and the public defender of a judicial district, with the approval of the Commission on Indigent Defense Services, shall set the salaries of assistant district attorneys and assistant public defenders in that district such that the average salary of those assistants in that district does not exceed one hundred two thousand five hundred sixty-five dollars ($102,565) and the minimum salary of any assistant is at least fifty-five thousand forty-nine dollars ($55,049), effective July 1, 2025.

CLERKS OF SUPERIOR COURT

SECTION 41.6. Effective July 1, 2025, G.S. 7A-101(a) reads as rewritten:

"**§ 7A-101. Compensation.**

(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula, according to the following schedule:

Assistants and Deputies	Annual Salary
0-19	~~$111,726~~$113,123
20-29	~~123,488~~125,032
30-49	~~135,248~~136,939
50-99	~~147,010~~148,848
100 and above	~~149,949~~151,823

If the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula changes, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for that new number, except that the salary of an incumbent clerk shall not be decreased by any change in that number during the clerk's continuance in office."

ASSISTANT AND DEPUTY CLERKS OF COURT

SECTION 41.7. Effective July 1, 2025, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$40,482~~$40,988
Maximum	~~74,792~~75,727

Deputy Clerks	Annual Salary
Minimum	~~$36,315~~$36,769
Maximum	~~58,740~~59,474"

MAGISTRATES

SECTION 41.8. Effective July 1, 2025, G.S. 7A-171.1(a)(1) reads as rewritten:

"(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and

every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6:

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$47,228~~$47,818
Step 1	~~$50,714~~$51,348
Step 2	~~$54,475~~$55,156
Step 3	~~$58,457~~$59,188
Step 4	~~$63,228~~$64,018
Step 5	~~$68,973~~$69,835
Step 6	~~$75,415.~~$76,358."

LEGISLATIVE EMPLOYEES

SECTION 41.9.(a) Effective July 1, 2025, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2025, shall be legislatively increased by one and twenty-five hundredths percent (1.25%).

SECTION 41.9.(b) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 41.10. Effective July 1, 2025, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred thirty-three thousand nine hundred thirty-six dollars ($133,936),~~ one hundred thirty-five thousand six hundred ten dollars ($135,610), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this ~~paragraph.~~subsection."

SERGEANTS-AT-ARMS AND READING CLERKS

SECTION 41.11. Effective July 1, 2025, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant at arms and the reading clerk in each house shall be paid a salary of ~~five hundred twenty-eight dollars ($528.00)~~ five hundred thirty-five dollars ($535.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants at arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only.

Each sergeant at arms shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the sergeant at arms prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this subsection."

COMMUNITY COLLEGES

SECTION 41.12.(a) Effective July 1, 2025, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of one and twenty-five hundredths percent (1.25%).

SECTION 41.12.(b) Effective July 1, 2025, the minimum salaries for nine-month, full-time curriculum community college faculty are as follows:

Educational Level	Minimum Salary
Vocational Diploma/Certificate or Less	$43,659
Associate Degree or Equivalent	44,267
Bachelor's Degree	46,900
Master's Degree or Education Specialist	49,237
Doctoral Degree	52,605

SECTION 41.12.(c) No full-time faculty member shall earn less than the minimum salary for the faculty member's education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA

SECTION 41.13. Effective July 1, 2025, the Board of Governors of The University of North Carolina shall provide SHRA employees, EHRA employees, and teachers employed by the North Carolina School of Science and Mathematics with an across-the-board salary increase in the amount of one and twenty-five hundredths percent (1.25%).

CORRECTIONAL OFFICERS/YOUTH COUNSELORS/YOUTH COUNSELOR TECHNICIANS/YOUTH SERVICES BEHAVIORAL SPECIALISTS – SALARY SCHEDULE

SECTION 41.14.(a) State employees serving as correctional officers in the Department of Adult Correction shall be compensated at a specific pay rate on the basis of a salary schedule determined according to the duration of the employee's correctional officer work experience.

SECTION 41.14.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific pay rate set on the basis of a salary schedule determined according to the duration of the employee's work experience, as follows:

(1) Youth Counselor Technicians shall be paid under the Correctional Officer I salary schedule.

(2) Youth Services Behavioral Specialists shall be paid under the Correctional Officer II salary schedule.

(3) Youth Counselors shall be paid under the Correctional Officer III salary schedule.

SECTION 41.14.(b) Effective July 1, 2025, the following annual salary schedule will apply for the 2025-2027 fiscal biennium under subsections (a) and (a1) of this section:

Experience	COI	COII	COIII
0	40,066	41,385	44,259
1	42,869	44,281	47,358
2	45,444	46,985	50,201
3	47,715	49,285	52,711
4	49,623	51,256	54,819
5	51,113	52,793	56,463
6+	52,135	53,850	57,593

SECTION 41.14.(c) If an employee will not receive a salary increase under this section because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

STATE HIGHWAY PATROL/STATE BUREAU OF INVESTIGATION/ALCOHOL LAW ENFORCEMENT – SALARY SCHEDULE

SECTION 41.15.(a) Effective July 1, 2025, law enforcement officers of the State Highway Patrol, State Bureau of Investigation, and Alcohol Law Enforcement shall be compensated pursuant to an experience-based salary schedule and shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 41.15.(b) The following annual salary schedule applies for the 2025-2027 fiscal biennium under subsection (a) of this section:

Years of Experience	FY 2025-27
0	$58,575
1	62,382
2	66,437
3	70,755
4	75,354
5	80,252
6+	85,468

SECTION 41.15.(c) If an employee will not receive a salary increase under this section because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

PROBATION AND PAROLE OFFICERS/JUVENILE COURT COUNSELORS – SALARY SCHEDULE

SECTION 41.16.(a) Probation and parole officers shall be compensated pursuant to the experience-based salary schedule based on the officer's respective work experience, as established in subsection (b) of this section.

SECTION 41.16.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be compensated under the probation and parole officer salary schedule.

SECTION 41.16.(b) Effective July 1, 2025, the following annual salary schedule applies for the 2025-2027 fiscal biennium under subsections (a) and (a1) of this section:

Years of Experience	2025-27
0	46,898
1	49,946
2	53,194
3	56,651
4	60,334
5	64,256
6+	68,432

SECTION 41.16.(c) If an employee will not receive a salary increase under this section because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

STATE AGENCY TEACHERS

SECTION 41.17. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the Department of Adult Correction, the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, the North Carolina School for the Deaf, and the State Board of Education who are paid based on the Teacher Salary Schedule shall be paid as authorized under this act.

COUNCIL OF STATE/EXEMPT POSITIONS – FLEXIBILITY

SECTION 41.18. G.S. 126-5(c14) reads as rewritten:

"(c14) Notwithstanding any provision of this Chapter to the contrary, each Council of State agency and the Office of the State Controller has the sole authority to set the salary of its exempt policymaking and exempt managerial positions within the minimum rates, and the maximum rates plus ~~ten percent (10%),~~ thirty percent (30%), established by the State Human Resources Commission under G.S. 126-4(2)."

MOST STATE EMPLOYEES

SECTION 41.19. Unless otherwise expressly provided by this Part, the annual salaries in effect for the following persons on June 30, 2025, shall be legislatively increased as provided by this act:

(1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
(2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.
(3) Permanent, part-time State employees.
(4) Temporary and permanent hourly State employees.

ALL STATE-SUPPORTED PERSONNEL

SECTION 41.20.(a) The legislative salary increases authorized by this act shall be paid effective on July 1, 2025, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2025.

SECTION 41.20.(b) The Director of the Budget is granted flexibility to administer the compensation increases enacted by this act. The State employer contribution rates enacted by this act for retirement and related benefits may be deemed by the Director of the Budget for administrative purposes to become effective after July 1 to provide flexibility in the collection and reconciliation of salary-related contributions as required by law, provided the estimated amount contributed to any affected employee benefit trust equals the amount that would have been contributed to the employee benefit trust if the enacted employer contribution rates had been effective on July 1.

SECTION 41.20.(c) This section applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED INCREASES

SECTION 41.21.(a) The Office of State Budget and Management shall ensure that the appropriations made by this act for legislatively mandated salary increases and employee benefits are used only for those purposes.

SECTION 41.21.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases and employee benefits.

SECTION 41.21.(c) Funds appropriated for legislatively mandated salary and employee benefit increases may not be used to adjust the budgeted salaries of vacant positions, to provide salary increases in excess of those required by the General Assembly, or to increase the budgeted salary of filled positions to the minimum of the position's respective salary range.

SECTION 41.21.(d) Any funds appropriated for legislatively mandated salary and employee benefit increases in excess of the amounts required to implement the increases shall be credited to the Pay Plan Reserve.

SECTION 41.21.(e) No later than May 1, 2026, the Office of State Budget and Management shall report to the Fiscal Research Division on the expenditure of funds for legislatively mandated salary increases and employee benefits. This report shall include at least the following information for each State agency:

(1) The total amount of funds that the agency received for legislatively mandated salary increases and employee benefits.

(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.

(3) The total amount of funds used by the agency for legislatively mandated salary increases and employee benefits.

(4) The amount of funds credited to the Pay Plan Reserve.

SALARY-RELATED CONTRIBUTIONS

SECTION 41.22.(a) Effective for the 2025-2027 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 41.22.(b) Effective July 1, 2025, the State's employer contribution rates budgeted for retirement, health, and related benefits as a percentage of covered salaries for the 2025-2026 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	**State LEOs**	**ORPs**	**CJRS**	**LRS**
Retirement	17.14%	17.14%	6.84%	37.73%	18.26%
Health	7.33%	7.33%	7.33%	7.33%	7.33%
Disability	0.07%	0.07%	0.07%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	24.67%	29.67%	14.24%	45.06%	25.59%

The rate for health includes two and four-tenths percent (2.40%) for the Public Employee Health Benefit Fund and four and ninety-three hundredths percent (4.93%) for the Retiree Health Benefit Fund.

SECTION 41.22.(c) Effective July 1, 2026, the State's employer contribution rates budgeted for retirement, health, and related benefits as a percentage of covered salaries for the 2026-2027 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	**State LEOs**	**ORPs**	**CJRS**	**LRS**
Retirement	17.49%	17.49%	6.84%	42.00%	20.00%
Health	7.69%	7.69%	7.69%	7.69%	7.69%
Disability	0.09%	0.09%	0.09%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	25.40%	30.40%	14.62%	49.69%	27.69%

The rate for health includes two percent (2%) for the Public Employee Health Benefit Fund and five and sixty-nine hundredths percent (5.69%) for the Retiree Health Benefit Fund.

SECTION 41.22.(d) Effective July 1, 2025, the annual employer contributions for the 2025-2026 fiscal year, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee is a maximum of eight thousand five hundred dollars ($8,500).

SECTION 41.22.(e) Effective July 1, 2026, the annual employer contributions for the 2026-2027 fiscal year, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee is a maximum of eight thousand nine hundred five dollars ($8,905).

SECTION 41.22.(f) G.S. 135-151(d) reads as rewritten:

"(d) Funding of the QEBA. – The QEBA shall be unfunded within the meaning of federal tax laws. No payee contributions or deferrals, direct or indirect, by election or otherwise shall be made or allowed. The benefit liability for the QEBA shall be determined each fiscal year, and assets shall not be accumulated to pay benefits in future fiscal years. All of the following apply to employer contributions required to pay benefits under the QEBA:

(1) The Board of Trustees, upon the recommendation of the actuary engaged by the Board of Trustees, shall determine the employer contributions required to pay the benefits due under the QEBA for each fiscal year.

(2) The required contributions shall be paid by all participating employers.

(3) The required contributions shall be deposited in a separate fund from the fund into which regular employer contributions are deposited for the Retirement System. ~~The benefit liability for the QEBA shall be determined each fiscal year, and assets shall not be accumulated to pay benefits in future fiscal years.~~

(4) A portion of the employer contribution rate established for retirement benefits as a percentage of covered salaries for teachers, State employees, and State law enforcement officers may be deposited into the separate fund established in accordance with subdivision (3) of this subsection. The amount of the portion allowable under this subdivision shall not exceed one-hundredths percent (0.01%) in any given fiscal year."

ENHANCE BENEFITS UNDER NORTH CAROLINA FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND AND MAKE TECHNICAL CHANGES TO THE RELATED STATUTES

SECTION 41.23.(a) G.S. 58-86-55 reads as rewritten:

"**§ 58-86-55. Monthly pensions upon attaining the age of 55 years.**

(a) The monthly pension benefit under this section is one hundred eighty dollars ($180.00) and is payable per month from the Pension Fund unless otherwise provided.

(a1) Any member who has served 20 years as an ~~"eligible firefighter" or "eligible~~ eligible firefighter or eligible rescue squad ~~worker"~~ worker in the State of North Carolina, as provided in ~~G.S. 58-86-25 and G.S. 58-86-30,~~ this Article, and who has attained the age of 55 years is entitled to be paid a monthly pension ~~from this fund. The monthly pension shall be in the amount of one hundred seventy-five dollars ($175.00) per month. Any retired firefighter receiving a pension shall, effective January 1, 2025, receive a pension of one hundred seventy-five dollars ($175.00) per month.~~benefit under this section.

~~(b) Members shall pay fifteen dollars ($15.00) per month as required by G.S. 58-86-35 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad member" shall receive a pension prior to July 1, 1983.~~

(c) A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid ~~from the fund a monthly benefit in an amount of one hundred seventy-five dollars ($175.00) per month~~ a monthly pension benefit under this section beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the ~~board who~~ Board, and the Board may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. ~~Any~~ G.S. 58-86-41 shall not apply to a disabled ~~member shall not be required to make the monthly payment of fifteen dollars ($15.00) as required by G.S. 58-86-35 and G.S. 58-86-40.~~member.

(d) A member who is totally and permanently disabled for any ~~cause,~~ cause other than ~~line of duty,~~ those under subsection (c) of this section and who leaves the fire or rescue squad service because of this disability and who has at least 10 years of service with the ~~pension fund,~~ Pension Fund may be permitted to continue making a monthly contribution ~~of fifteen dollars ($15.00)~~ in the amount required under G.S. 58-86-41 to the fund until the member has made contributions for a total of 240 months. ~~The~~ Upon attaining the age of 55, that member shall ~~upon attaining the age of 55 years~~ be entitled to receive a monthly pension ~~as provided by~~ benefit under this section. All applications for disability are subject to the approval of the ~~board who~~ Board, and the Board may appoint physicians to examine and evaluate the disabled member prior to approval of the ~~application~~ application, and annually thereafter.

(d1) Benefits payable from the Pension Fund shall be paid in the following manner when a member is killed in the line of duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

(1) If the member had been receiving a monthly pension ~~fund~~ benefit under this section prior to being killed in the line of duty, then there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible and has not accepted a return of contributions, ~~an amount of one hundred seventy-five dollars ($175.00) per month~~ the monthly pension benefit amount beginning the month following the member's month of death, payable until the beneficiary's death. If the member became a member prior to July 1, 2018, and had not designated a principal beneficiary prior to being killed in the line of duty, there shall be paid to the member's living spouse upon the spouse's application to the Board, ~~an amount of one hundred seventy-five dollars~~

~~($175.00) per month~~ the monthly pension benefit amount beginning the month following the member's month of death, payable until the spouse's death.

(2) If the member had been receiving a monthly pension ~~fund~~ benefit under this section prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (1) of this subsection, then a lump sum payment equal to the difference between the amount paid into the member's separate account by or on behalf of the member and the amount received by the member as a pensioner ~~will~~ shall be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be paid to the member's estate.

(3) If the member had not yet begun receiving a monthly pension benefit under this section prior to being killed in the line of duty, then there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible and has not accepted a return of contributions, ~~an amount of one hundred seventy-five dollars ($175.00) per month~~ the monthly pension benefit amount beginning the month following the month the member would have attained age 55, or if the member had already attained age 55, beginning the month following the member's month of death, payable until the beneficiary's death. If the member became a member prior to July 1, 2018, and had not designated a principal beneficiary prior to being killed in the line of duty, then there shall be paid to the member's living spouse upon the spouse's application to the Board, ~~an amount of one hundred seventy-five dollars ($175.00) per month~~ the monthly pension benefit amount beginning the month following the month the member would have attained age 55, or if the member had attained age 55, beginning the month following the member's month of death, payable until the spouse's death.

(4) If the member had not yet begun receiving a monthly pension benefit under this section prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (3) of this subsection, then a lump sum payment equal to the member's contributions will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.

~~A beneficiary under this subsection shall not be required to make the monthly payment of fifteen dollars ($15.00) as required by G.S. 58-86-35 and G.S. 58-86-40~~ G.S. 58-86-41 shall not apply after ~~the~~ a member has been killed in the line of duty.

(e) ~~A member who, because the~~ If a member has at least 10 years of service with the Pension Fund and that member's (i) residence is annexed by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, ~~or whose~~ (ii) department is closed because of an annexation by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, or ~~whose~~ (iii) volunteer department is taken over by a city or county, and because of ~~such~~ the annexation or takeover the member is unable to perform as a firefighter or rescue squad worker of any status, ~~and if the member has at least 10 years of service with the pension fund, may~~ then the member shall be permitted to continue making a monthly contribution ~~of fifteen dollars ($15.00)~~ in the amount required under G.S. 58-86-41 to the fund until the member has made contributions for a total of 240 months. ~~The~~ Upon completion of the total 240 months of contributions, and upon a member ~~upon~~ attaining ~~the age of 55 years and completion of such contributions~~ age 55, the member shall be entitled to receive a monthly pension ~~as provided by~~ benefit under this section. Any application to make monthly contributions under this section shall be subject to a finding of eligibility by the Board of Trustees upon application of the member.

(f) The ~~pensions~~ benefits provided under this Article shall be in addition to all other pensions or benefits under any other statutes of the State of North Carolina or the United States,

notwithstanding any exclusionary provisions of other pensions or retirement systems provided by law."

SECTION 41.23.(b) Article 86 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-86-41. Amount due for membership; payments credited to separate member accounts.**

(a) Unless otherwise provided under this Article, each member of the Pension Fund shall pay the sum of fifteen dollars ($15.00) per month to the Pension Fund for membership in the fund for a period not to exceed 20 years.

(b) Unless otherwise provided under this Article, all payments due in any calendar year shall be made no later than March 31 subsequent to the end of the calendar year in which the payment was due.

(c) The Pension Fund shall not award fully credited service based on payments received later than March 31 subsequent to the end of the calendar year in which the month occurred unless the payment is applied as provided in G.S. 58-86-45(a1).

(d) Payments made in accordance with this section shall be credited to the separate account of the member and shall be kept by the custodian in a manner that allows the payments to be made available upon a member's withdrawal from membership or retirement."

SECTION 41.23.(c) G.S. 58-86-35 reads as rewritten:

"**§ 58-86-35. Firefighters' application for membership in ~~fund; monthly payments by members; payments credited to separate accounts of members;~~ Pension Fund; termination of membership.**

(a) ~~Those firefighters~~ Firefighters who are eligible for membership in the Pension Fund pursuant to G.S. 58-86-25 may apply to the ~~board~~ Board for membership. ~~Each firefighter upon becoming a member of the fund shall pay the director of the fund the sum of fifteen dollars ($15.00) per month; each payment shall be made no later than March 31 subsequent to the end of the calendar year in which the month occurred. The Pension Fund shall not award fully credited service based on payments received later than March 31 subsequent to the end of the calendar year in which the month occurred unless the payment is applied as provided in G.S. 58-86-45(a1). The monthly payments shall be credited to the separate account of the member and shall be kept by the custodian so it is available for payment on withdrawal from membership or retirement.~~

(b) A member may elect to terminate membership in the ~~fund~~ Pension Fund at any time and request the refund of payments previously made to the fund. ~~However, a~~ A member's delinquency in making the monthly payments required by this ~~section~~ Article does not result in the termination of membership without ~~such~~ an election to terminate membership in the Pension Fund made by the member."

SECTION 41.23.(d) G.S. 58-86-40 reads as rewritten:

"**§ 58-86-40. Rescue squad worker's application for membership in ~~funds; monthly payments by members; payments credited to separate accounts of members;~~ Pension Fund; termination of membership.**

(a) ~~Those rescue~~ Rescue squad workers eligible for membership in the Pension Fund pursuant to G.S. 58-86-30 may apply to the ~~board~~ Board for membership. ~~Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for membership. Each eligible rescue squad worker upon becoming a member shall pay the director of the fund the sum of fifteen dollars ($15.00) per month; each payment shall be made no later than March 31 subsequent to the end of the calendar year in which the month occurred. The Pension Fund shall not award fully credited service based on payments received later than March 31 subsequent to the end of the calendar year in which the month occurred unless the payment is applied as provided in G.S. 58-86-45(a1). The monthly payments shall be credited to the separate account~~

~~of the member and shall be kept by the custodian so it is available for payment on withdrawal from membership or retirement.~~

(b) A member may elect to terminate membership in the ~~fund~~ Pension Fund at any time and request the refund of payments previously made to the fund. ~~However, a~~ A member's delinquency in making the monthly payments required by this ~~section~~ Article does not result in the termination of membership without ~~such~~ an election to terminate membership in the Pension Fund made by the member."

SECTION 41.23.(e) G.S. 58-86-45 reads as rewritten:

"**§ 58-86-45. Additional retroactive membership.**

(a1) Any firefighter or rescue squad worker who is 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina may purchase credit for any periods of service to any chartered fire department or rescue squad not otherwise creditable by making a lump sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, which payment shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on a retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made ~~pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable.~~in accordance with G.S. 58-86-41.

(b) An eligible firefighter or rescue squad worker who is not yet 35 years old may apply to the Board for membership in the ~~fund~~ Pension Fund at any time. Upon becoming a member, the worker may make a lump sum payment ~~of fifteen dollars ($15.00) per month~~ in the amount required under G.S. 58-86-41 at the time of the payment for each month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the ~~board~~ Board upon advice from actuary for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

(c) A member of the Pension Fund who is not yet 35 years old may receive credit for the prior service upon making a lump sum payment ~~of fifteen dollars ($15.00)~~ in the amount required under G.S. 58-86-41 at the time of the payment for each month since the worker first became eligible, plus interest at an annual rate to be set by the Board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable, for any firefighter or rescue squad worker who is not yet 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina."

SECTION 41.23.(f) The Revisor of Statutes shall replace the phrase "G.S. 58-86-35 or G.S. 58-86-40" with the phrase "G.S. 58-86-41" in each instance it appears in G.S. 58-86-2.

SECTION 41.23.(g) This section applies to pension benefit amounts payable from the Pension Fund due to a member or beneficiary on or after January 1, 2026. If a member or beneficiary becomes eligible to receive a pension benefit from the Pension Fund on or before December 31, 2025, but the pension benefit amount is paid from the Pension Fund on or after January 1, 2026, then the pension benefit amount due to the member or beneficiary shall be the amount applicable to the pension benefit amount that was effective for each respective month to which the benefit applies.

SECTION 41.23.(h) This section is effective January 1, 2026.

INCREASE BENEFITS PAYABLE UNDER NORTH CAROLINA NATIONAL GUARD PENSION FUND

SECTION 41.24.(a) G.S. 127A-40 reads as rewritten:

"**§ 127A-40. Pensions for the members of the North Carolina National Guard.**

(a) Every member and former member of the North Carolina National Guard who meets the requirements of this section shall receive, commencing at age 60, a pension of one hundred ~~five~~ eight dollars ~~($105.00)~~ ($108.00) per month for 20 years' creditable military service with an additional ten dollars and ~~fifty cents ($10.50)~~ eighty cents ($10.80) per month for each additional year of ~~such~~ creditable military service; provided, however, that the total pension shall not exceed two hundred ~~ten~~ sixteen dollars ~~($210.00)~~ ($216.00) per month. ~~The requirements for~~

(a1) To receive a pension ~~are that~~ under this section, each member ~~shall:~~shall meet all of the following requirements:

(1) ~~Have~~ The individual served and qualified for at least 20 years' creditable military service, including National Guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.

(2) ~~Have at~~ At least 15 years of the ~~aforementioned~~ service required under subdivision (1) of this subsection was as a member of the North Carolina National Guard.

(3) ~~Have~~ The individual received an honorable discharge from the North Carolina National Guard.

…."

SECTION 41.24.(b) This section applies to pension benefit amounts payable from the Pension Fund due to a member on or after January 1, 2026. If a member becomes eligible to receive a pension benefit from the Pension Fund on or before December 31, 2025, but the pension benefit amount is paid from the Pension Fund on or after January 1, 2026, then the pension benefit amount due to the member shall be the amount applicable to the pension benefit amount that was effective for each respective month to which the benefit applies.

SECTION 41.24.(c) This section is effective January 1, 2026.

PROVIDE AN ADDITIONAL SPECIAL SEPARATION ALLOWANCE OPTION FOR STATE AND LOCAL LAW ENFORCEMENT OFFICERS WITH AT LEAST THIRTY YEARS OF CREDITABLE SERVICE

SECTION 41.25.(a) G.S. 143-166.41 reads as rewritten:

"**§ 143-166.41. Special separation ~~allowance.~~allowance options for State law enforcement officers.**

(a) Annual Special Separation Allowance. – Notwithstanding any other provision of law, every sworn law-enforcement officer ~~as defined by G.S. 135-1(11c) or G.S. 143-166.30(a)(4)~~ employed by a State department, agency, or institution who qualifies under this section shall ~~receive,~~ receive an annual special separation allowance beginning in the month in which ~~he~~ the officer retires on a basic service retirement under the provisions of ~~G.S. 135-5(a), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to him for each year of creditable service.~~ G.S. 135-5(a). The allowance shall be paid in equal installments on the payroll frequency used by the ~~employer. To qualify for the allowance the officer shall:~~

~~(1) Have (i) completed 30 or more years of creditable service or, (ii) have attained 55 years of age and completed five or more years of creditable service; and~~

~~(2) Not have attained 62 years of age; and~~

~~(3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any~~

~~break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance.~~employer from which the officer retired.

…

(b) ~~As used in this section, "creditable service" means the~~ Definitions. – The following definitions apply in this section:

(1) Allowance. – The annual special separation allowance for State law enforcement officers provided for under this section.

(2) Creditable service. – The service for which credit is allowed under the retirement system of which the officer is a ~~member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined or as a probation/parole officer as defined in G.S. 135-1(17a).~~member.

(3) Law enforcement officer. – As defined in either G.S. 135-1 or G.S. 143-166.30(a).

(4) Officer. – A law enforcement officer.

(5) Probation/parole officer. – As defined in G.S. 135-1.

(b1) Eligibility for Allowance and Calculation of Allowance Amount. – To be eligible for an allowance under this section, an officer is required to meet one of the following sets of criteria that shall also determine the allowance amount:

(1) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual base rate of compensation most recently applicable to the officer for each year of that officer's creditable service:

a. The officer (i) has completed 30 or more years of creditable service or (ii) is 55 years of age or older and completed five or more years of creditable service.

b. The officer is less than 62 years of age.

c. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

d. At least fifty percent (50%) of the officer's creditable service is as a law enforcement officer, or for service prior to July 1, 2017, as a probation/parole officer.

(2) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation at the time the officer attained 30 years of service multiplied by 30:

a. Prior to attaining 62 years of age, the officer has completed 30 or more years of creditable service, at least fifty percent (50%) of which was as a law enforcement officer, or for service prior to July 1, 2017, as a probation/parole officer.

b. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service

retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

If an officer meets all of the criteria under each subdivision of this subsection, then the employer making the allowance payments shall allow the officer to choose which of the two calculation formulas to use for that officer's allowance. This election by the officer is a one-time, irrevocable election and shall be made prior to the first allowance payment. If no election is made by the officer, then the calculation amount under subdivision (2) of this subsection shall be used.

(c) Cessation of Payment. – Payment of the allowance to a retired officer under the provisions of this section shall cease at the first ~~of:~~occurrence of one of the following:

(1) The death of the ~~officer;~~officer.

(2) The last day of the month in which either of the following applies:

a. If the officer is receiving an allowance in an amount determined under subdivision (b1)(1) of this section, the officer attains 62 years of ~~age; or~~age.

b. If the officer is receiving an allowance in an amount determined under subdivision (b1)(2) of this section, there has been a period of receiving the allowance that is equivalent to the total of 62 years minus the age at which the officer first completed 30 years of creditable service.

(3) The first day of reemployment by any State department, agency, or institution, except that this subdivision does not apply to an officer returning to State employment in a position exempt from the North Carolina Human Resources Act in an agency other than the agency from which that officer retired.

(d) Impact of Other Benefits or Actions. – This section does not affect the benefits to which an individual may be entitled from State, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by the General Assembly for employees of the State or retired employees of the State.

(e) Eligibility Determinations. – The head of each State department, agency, or institution shall determine the eligibility of employees for the benefits provided ~~herein.~~under this section.

(f) Transfer of Funds. – The Director of the Budget may authorize from time to time the transfer of funds within the budgets of each State department, agency, or institution necessary to carry out the purposes of this ~~Article.~~ section. These funds shall be taken from ~~those~~ funds appropriated to the department, agency, or institution for salaries and related fringe benefits.

(g) Responsibility for Payment. – The head of each State department, agency, or institution shall make the payments set forth in ~~subsection (a)~~ this section to those persons certified under subsection (e) of this section from funds available under subsection ~~(f).~~(f) of this section."

SECTION 41.25.(b) G.S. 143-166.42 reads as rewritten:

"**§ 143-166.42. Special separation ~~allowances~~ allowance options for local law enforcement officers.**

(a) Annual Special Separation Allowance. – On and after January 1, 1987, every sworn law enforcement officer ~~as defined by G.S. 128-21(11d) or G.S. 143-166.50(a)(3)~~ employed by a local government employer who qualifies under this section shall ~~receive,~~ receive an annual special separation allowance beginning in the month in which the officer retires on a basic service retirement under the provisions of ~~G.S. 128-27(a), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.~~ G.S. 128-27(a). The

allowance shall be paid in equal installments on the payroll frequency used by the ~~employer. To qualify for the allowance, the officer shall:~~

~~(1) Have (i) completed 30 or more years of creditable service or (ii) have attained 55 years of age and completed five or more years of creditable service; and~~

~~(2) Not have attained 62 years of age; and~~

~~(3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance.~~employer from which the officer retired.

(b) ~~As used in this section, "creditable service" means the service~~ Definitions. – The following definitions apply in this section:

(1) Allowance. – The annual special separation allowance for local law enforcement officers provided for under this section.

(2) Creditable service. – The service for which credit is allowed under the retirement system of which the officer is a ~~member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined.~~member.

(3) Law enforcement officer. – As defined in G.S. 128-21 or G.S. 143-166.50(a).

(4) Officer. – Law enforcement officer.

(b1) Qualification for Allowance and Calculation of Allowance. – To be eligible for an allowance under this section, an officer is required to meet one of the following sets of criteria, which shall also determine the allowance amount:

(1) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual base rate of compensation most recently applicable to the officer for each year of that officer's creditable service:

a. The officer (i) has completed 30 or more years of creditable service or (ii) is 55 years of age or older and completed five or more years of creditable service.

b. The officer is less than 62 years of age.

c. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

d. At least fifty percent (50%) of the officer's creditable service is as a law enforcement officer.

(2) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation at the time the officer attained 30 years of service multiplied by 30:

a. Prior to attaining 62 years of age, the officer has completed 30 or more years of creditable service, at least fifty percent (50%) of which was as a law enforcement officer.

b. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

If an officer meets all of the criteria under each subdivision of this subsection, then the employer making the allowance payments shall allow the officer to choose which of the two calculation formulas to use for that officer's allowance. This election by the officer is a one-time, irrevocable election and shall be made prior to the first allowance payment. If no election is made by the officer, then the calculation amount under subdivision (2) of this subsection shall be used.

(c) Cessation of Payment. – Payment of the allowance to a retired officer under the provisions of this section shall cease at the first ~~of:~~occurrence of one of the following:

(1) The death of the ~~officer;~~officer.

(2) The last day of the month in which either of the following applies:

a. If the officer is receiving an allowance in an amount determined under subdivision (b1)(1) of this section, the officer attains 62 years of ~~age; or~~age.

b. If the officer is receiving an allowance in an amount determined under subdivision (b1)(2) of this section, there has been a period of receiving the allowance that is equivalent to the total of 62 years minus the age at which the officer first completed 30 years of creditable service.

(3) The first day of reemployment by a local government employer in any capacity.

(c1) Exceptions to the Cessation of Payments. – Notwithstanding the provisions of subdivision (3) of subsection (c) of this section, payments to a retired officer shall not cease when a local government employer employs a retired officer ~~for any of the following:~~in any of the following manners:

(1) In a public safety position in a capacity not requiring participation in the Local Governmental Employees' Retirement System.

(2) In service to a county board of elections on an election day or during the hours for early voting under Part 5 of Article 14A of Chapter 163 of the General Statutes in a capacity that complies with G.S. 128-21(19) and does not result in cessation or suspension of the retiree's benefit from the Local Government Employees' Retirement System.

(d) Impact of Other Benefits or Actions. – This section does not affect the benefits to which an individual may be entitled from State, local, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by local government employers or for retired employees of local governments.

(e) Eligibility Determinations. – The governing body of each local employer shall determine the eligibility of employees for the benefits provided ~~herein.~~under this section.

(f) Responsibility for Payment. – The governing body of each local employer shall make the payments set forth in ~~subsection (a) of~~ this section to those persons certified under subsection (e) of this section from funds available."

SECTION 41.25.(c) This section becomes effective July 1, 2025, and applies to law enforcement officers retiring on or after that date.

INCREASE THE AMOUNT AWARDED FOR LINE OF DUTY DEATHS UNDER THE PUBLIC SAFETY EMPLOYEES' DEATH BENEFITS ACT

SECTION 41.26.(a) G.S. 143-166.3 reads as rewritten:

"**§ 143-166.3. Payments; determination.**

(a) When any covered person is killed in the line of duty, the Industrial Commission shall award a death benefit in the amount of ~~one hundred thousand dollars ($100,000)~~ one hundred fifty thousand dollars ($150,000) to be paid to one of the following:

(1) The spouse of the covered person if there is a surviving spouse.

(2) If there is no surviving spouse, then payments shall be made to any surviving dependent child of the covered person. If there is more than one surviving dependent child, then the payment shall be made to and equally divided among all surviving dependent children.

(3) If there is no surviving spouse and no surviving dependent child or children, then payments shall be made to any surviving dependent parent of the covered person. If there is more than one surviving dependent parent, then the payments shall be made to and equally divided between the surviving dependent parents of the covered person.

(4) If there is no surviving spouse, surviving dependent child, or surviving dependent parent, then the payment shall be made to the estate of the deceased covered person.

…

(e) ~~On and after July 1, 2016, when~~ When any covered person is murdered in the line of duty, in addition to the award under subsection (a) of this section, the Industrial Commission shall award a death benefit in the amount of ~~one hundred thousand dollars ($100,000)~~ one hundred fifty thousand dollars ($150,000) to be paid to one of the following:

(1) The spouse of the covered person if there is a surviving spouse.

(2) If there is no surviving spouse, then payments shall be made to any surviving dependent child of the covered person. If there is more than one surviving dependent child, then the payment shall be made to and equally divided among all surviving dependent children.

(3) If there is no surviving spouse and no surviving dependent child or children, then payments shall be made to any surviving dependent parent of the covered person. If there is more than one surviving dependent parent, then the payments shall be made to and equally divided between the surviving dependent parents of the covered person.

(4) If there is no surviving spouse, surviving dependent child, or surviving dependent parent, then the payment shall be made to the estate of the deceased covered person.

…."

SECTION 41.26.(b) This section is effective July 1, 2025, and applies to deaths that occur on or after that date.

PART XLII. CAPITAL

CAPITAL IMPROVEMENT & REPAIRS AND RENOVATIONS APPROPRIATIONS

SECTION 42.1.(a) The following agency capital improvement projects have been assigned a project code for reference to allocations in this Part, past allocations, and for intended project support by the General Assembly for future fiscal years:

Agency Capital Improvement Project	**Project Code**
Department of Agriculture and Consumer Services	
Raleigh State Farmers Market–Improvements	DACS23-3

Research Stations–New Maintenance Shop Facilities	DACS23-8
Research Stations–Multipurpose Facilities	DACS23-10
NCFS–New County Offices, Region 3	DACS23-11
Department of Natural and Cultural Resources	
Fort Fisher Aquarium–Aquarium Expansion	DNCR21-5
Department of Administration	
State Government Executive Headquarters	DOA22-1
Department of Instruction Building Renovation	DOA22-3
Service Campus	DOA23-1
Archdale Building Demolition	DOA23-3
Caswell Square Demolition	DOA23-4
Parking Deck–Wilmington Street	DOA23-5
Department of Public Safety	
State Highway Patrol–	
Auditorium	DPS23-3
Training Academy Facilities Enhancement–Phases 3-6	DPS23-4
Cadet Dormitory 1	DPS23-7
National Guard–	
NCNG Matching Fund	NG23-1
Special Forces Complex	NG23-5
The University of North Carolina	
Appalachian State University–	
Peacock Hall/Business	UNC/ASU21-1
Innovation Campus	UNC/ASU21-2
Hickory Campus	UNC/ASU22-1
Walker Hall–Interior Renovation	UNC/ASU23-1
University of North Carolina at Charlotte–	
Smith Hall–Comprehensive Renovation	UNC/CLT23-1
Colvard Hall–Comprehensive Renovation	UNC/CLT23-2
University of North Carolina at Chapel Hill–	
Gardner Hall–Comprehensive Renovation	UNC/CH23-1
Elizabeth City State University–	
Sky Bridge	UNC/ECS21-2
Flight School	UNC/ECS21-4
Infrastructure Repairs–Phase 3	UNC/ECS23-1
Jenkins Hall/Dixon Hall–Labs/Classroom/Bldg. Renovation	UNC/ECS23-2
East Carolina University–	
Brody School of Medicine	UNC/ECU21-1
Howell Science Building North–Comprehensive Renovation	UNC/ECU23-1
Leo Jenkins Building/Health Sciences–Comprehensive Renovation	UNC/ECU23-2
Fayetteville State University–	
Butler Targeted Renovation	UNC/FSU23-1
North Carolina Agricultural & Technical State University–	
Marteena Hall–Renovation, Phase 2	UNC/A&T23-1
Health and Human Sciences Bldg.	UNC/A&T23-2
North Carolina Central University–	
Edmonds Classroom Building–Comprehensive Renovation	UNC/NCC23-2

University Theater Renovation	UNC/NCC23-3
North Carolina State University–	
Mann Hall–Renovation, Phase 2	UNC/NCS23-1
Dabney Hall–Renovation, Phase 2	UNC/NCS23-2
Polk Hall–Renovation, Phase 2	UNC/NCS23-3
Engineering Classroom Building	UNC/NCS23-5
Poe Hall	UNC/NCS24-1
North Carolina School of Science and Math–Durham Campus	
Renovation of Residence Halls	UNC/SSM23-2
University of North Carolina at Greensboro–	
Moore Building–Renovation	UNC/GBO23-1
University of North Carolina at Pembroke–	
Health Sciences Center	UNC/PEM21-1
Givens Performing Arts Center–Renovation	UNC/PEM23-1
University of North Carolina School of the Arts–	
New High School Residence Hall	UNC/SA23-2
University of North Carolina at Wilmington–	
Cameron Hall–Comprehensive Renovation/Expansion	UNC/WIL23-1
Kenan Auditorium–Comprehensive Renovation/Expansion	UNC/WIL23-2
DeLoach Hall–Modernization	UNC/WIL23-3
I.S.A.T. Building	UNC/WIL24-1
Western Carolina University–	
Replacement Engineering Building	UNC/WCU23-1
Winston-Salem State University–	
K.R. Williams Auditorium	UNC/WSS21-1
Eller Hall–Renovation & Elevator Addition	UNC/WSS23-1
Pegram Hall–Renovation & Elevator Addition	UNC/WSS23-2
PBS North Carolina	UNC/PBS23-1
Repairs and Renovations–The University of North Carolina	UNC/R&R21
Repairs and Renovations–State Agencies (non-UNC)	R&R21
SCIF-Related Personnel	PERS21

SECTION 42.1.(b) This subsection authorizes the following capital projects in the 2025-2027 fiscal biennium based upon projected cash flow needs for the authorized projects. The authorizations provided in this subsection represent the maximum amount of funding from the State Capital and Infrastructure Fund that may be expended on each project and do not reflect authorizations from other non-State Capital and Infrastructure Fund sources. An additional action by the General Assembly is required to increase the maximum authorization for any of the projects listed:

Capital Improvements–

State Capital and Infrastructure Fund	**Previous Project Authorization**	**New/Updated Project Authorization**
DNCR21-5	$45,000,000	$65,000,000
DPS23-3	35,000,000	53,466,000
DPS23-7	43,336,785	72,572,000
UNC/ASU21-1	40,000,000	45,000,000
UNC/ASU21-2	54,000,000	74,000,000
UNC/ECS21-2	2,500,000	7,500,000
UNC/ECU21-1	265,000,000	275,000,000
UNC/NCC23-2	12,999,424	19,499.424

UNC/NCC23-3	8,500,000	22,000,000
UNC/NCS23-1	30,000,000	40,000,000
UNC/NCS24-1	5,000,000	185,000,000
UNC/SSM23-2	28,988,042	43,988,042
UNC/PEM23-1	61,000,000	131,004,985
UNC/WIL24-1	8,000,000	83,000,000
UNC/WCU23-1	95,300,000	157,900,000

SECTION 42.1.(c) The Board of Governors of The University of North Carolina shall prioritize funds allocated for project code UNC/R&R21 for repairs and renovations pursuant to G.S. 143C-8-13 and, notwithstanding G.S. 143C-8-13(a), for projects listed in Section 40.1(d) of S.L. 2021-180; provided, however, the sum of one hundred million dollars ($100,000,000) for the 2025-2026 fiscal year shall be used exclusively for repairs and renovations projects at North Carolina Central University. The Board of Governors shall not negatively weight repairs and renovations project funding allocations against North Carolina Central University with respect to the additional funding described in this subsection, and the funds described in this subsection are in addition to and shall not supplant any funds currently earmarked or projected to be allocated to North Carolina Central University for repairs and renovations during the 2025-2027 fiscal biennium. The cost for any single repair and renovation project other than (i) those specifically listed in Section 40.1(d) of S.L. 2021-180 and (ii) the additional funding to North Carolina Central University described in this subsection shall not exceed fifteen million dollars ($15,000,000). The Board of Governors may reallocate funds in accordance with G.S. 143C-8-13(b) or to projects listed in Section 40.1(d) of S.L. 2021-180; provided, however, reallocation of funds intended for a project located at a particular constituent institution may only be reallocated for repairs and renovations projects at that particular constituent institution. The provisions of G.S. 143C-8-13(b)(4) shall not apply to the projects listed in Section 40.1(d) of S.L. 2021-180. The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-8-13(b).

SECTION 42.1.(d) For project code R&R21, the provisions of Section 40.1(c) of S.L. 2021-180 shall apply to funds allocated for the project code during the 2025-2027 fiscal biennium.

SECTION 42.1.(e) Of the funds allocated for project code R&R21 for the 2025-2026 fiscal year, the sum of eleven million three hundred thousand dollars ($11,300,000) shall be allocated to the Legislative Services Office to be used for renovations and upgrades to the downtown education complex chilled water system.

SIX-YEAR INTENDED PROJECT ALLOCATION SCHEDULE

SECTION 42.2. It is the intent of the General Assembly to fund capital improvement projects on a cash flow basis and to plan for future project funding based upon projected availability in the State Capital and Infrastructure Fund. Nothing in this section shall be construed (i) to appropriate funds or (ii) as an obligation by the General Assembly to appropriate funds for the projects listed in future years. The following schedule lists capital improvement projects that will begin or be completed in fiscal years outside of the 2025-2027 fiscal biennium and estimated amounts (in thousands) needed for completion of those projects:

Project Code	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31
PERS21	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9
UNC/R&R21	400,000	200,000	200,000	200,000	200,000	200,000
R&R21	200,000	200,000	200,000	200,000	200,000	200,000
DACS23-3	2,000	4,000	4,000	N/A	N/A	N/A
DACS23-10	2,000	2,000	2,200	N/A	N/A	N/A

DACS23-11	N/A	1,500	1,500	N/A	N/A	N/A
DOA22-1	N/A	N/A	8,800	22,000	35,200	22,000
DOA22-3	N/A	N/A	21,000	N/A	24,000	N/A
DOA23-1	N/A	N/A	1,000	20,244	12,500	N/A
DOA23-3	N/A	N/A	N/A	11,000	N/A	N/A
DOA23-4	N/A	N/A	15,000	N/A	N/A	N/A
DOA23-5	N/A	N/A	40,000	N/A	N/A	N/A
DPS23-3	14,791.5	25,774.5	8,500	N/A	N/A	N/A
DPS23-4	N/A	N/A	N/A	19,000	48,500	77,600
DPS23-7	14,472.4	42,931.7	8,834.2	N/A	N/A	N/A
NG23-5	800	4,000	3,200	N/A	N/A	N/A
UNC/ASU21-2	N/A	N/A	12,000	8,000	N/A	N/A
UNC/ASU22-1	12,300	14,350	10,250	N/A	N/A	N/A
UNC/ASU23-1	N/A	9,900	6,300	N/A	N/A	N/A
UNC/CLT23-1	N/A	12,600	19,800	N/A	N/A	N/A
UNC/CLT23-2	N/A	N/A	4,500	N/A	15,000	25,500
UNC/CH23-1	N/A	N/A	2,500	10,000	N/A	10,000
UNC/ECU23-1	8,237.5	20,162.5	12,300	N/A	N/A	N/A
UNC/ECU23-2	N/A	N/A	1,890	N/A	10,000	7,010
UNC/PEM21-1	30,500	24,400	4,250	N/A	N/A	N/A
UNC/PEM23-1	N/A	N/A	32,150	22,750	30,000	40,005
UNC/ECS23-2	N/A	N/A	1,250	N/A	11,250	N/A
UNC/FSU23-1	N/A	N/A	2,075	N/A	12,000	6,675
UNC/A&T23-1	N/A	N/A	N/A	N/A	5,335	N/A
UNC/A&T23-2	5,335	N/A	2,000	18,912	29,455	69,798
UNC/NCC23-2	N/A	4,549.8	7,149.7	6,500	N/A	N/A
UNC/NCC23-3	N/A	2,975	4,675	N/A	5,500	8,000
UNC/NCS23-1	27,000	N/A	N/A	N/A	2,000	8,000
UNC/NCS23-2	24,000	28,000	20,000	N/A	N/A	N/A
UNC/NCS23-3	18,900	22,050	15,750	N/A	N/A	N/A
UNC/NCS23-5	N/A	N/A	40,000	67,000	80,000	13,000
UNC/NCS24-1	25,049	74,957.9	79,993.4	N/A	N/A	N/A
UNC/SSM23-2	3,000	4,800	6,500	7,938	9,000	N/A
UNC/GBO23-1	N/A	8,470	13,310	N/A	N/A	N/A
UNC/SA23-2	N/A	N/A	2,450	8,575	N/A	13,475
UNC/WIL23-1	2,000	5,725	17,770	10,550	N/A	N/A
UNC/WIL23-2	1,200	4,000	N/A	8,840	5,400	N/A
UNC/WIL23-3	N/A	N/A	3,000	4,860	N/A	N/A
UNC/WIL24-1	N/A	N/A	29,644	23,723	21,633	N/A
UNC/WCU23-1	N/A	9,530	39,955	87,415	19,000	N/A
UNC/WSS23-1	N/A	N/A	N/A	N/A	1,080	5,140
UNC/WSS23-2	N/A	N/A	N/A	N/A	1,600	8,000
UNC/PBS23-1	10,000	7,325	18,412.5	8,812.5	N/A	N/A

NON-GENERAL FUND/NON-SCIF CAPITAL PROJECT AUTHORIZATIONS

SECTION 42.3.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund and non-State Capital and Infrastructure Fund sources available to the appropriate department:

Name of Project	**Amount of Non-General Fund/Non-SCIF Funding Authorized**	
	FY 2025-2026	**FY 2026-2027**

Department of Natural and Cultural Resources		
Jennette's Pier Aquarium–		
Solar Covered Walkway	$450,000	$0
Roanoke Island Aquarium–		
Invertebrate Tank	500,000	0
Pine Knoll Shores Aquarium–		
Invertebrate Tank	2,000,000	0
NC Zoo–		
Elephant Shelters & Barn Bollard Repair	2,500,000	2,500,000
State Historic Sites–		
House in the Horseshoe–		
Alston House Rehabilitation	445,000	445,000
Department of Agriculture and Consumer Services		
State Fairgrounds Infrastructure Improvements	0	5,000,000
NC Forest Service Nursery Greenhouse	0	350,000
Department of Public Safety		
Alcoholic Beverage Control–		
ABC Warehouse Repairs	1,150,000	0
Wildlife Resources Commission		
Sykes Depot Greenhouse	331,600	0
D7 Storage Building	400,000	0
Caswell Shooting Range Renovation	3,850,000	0
Coastal Restoration and Resiliency	6,500,000	0
Ransom Road Depot	9,000,000	0
Land Acquisition	5,000,000	5,000,000
WRC Game Land Improvements	0	2,000,000
McKinney Lake Hatchery Building Replacement	1,300,000	0
Table Rock Hatchery Residence	0	640,000
WRC New Shooting Range	0	2,000,000
New Tillery Office Depot	0	1,500,000
Agency Infrastructure Repairs & Renovations	1,500,000	1,500,000
Boating Access Repairs & Renovations	800,000	800,000
Caswell Depot Expansion	100,000	0
TOTAL AMOUNT OF NON-GENERAL FUND/NON-SCIF CAPITAL PROJECTS AUTHORIZED	**$35,826,000**	**$21,375,000**

SECTION 42.3.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars ($75,000) for the 2025-2026 fiscal year and the sum of seventy-five thousand dollars ($75,000) for the 2026-2027 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

SECTION 42.3.(c) G.S. 120-76.1 reads as rewritten:

"**§ 120-76.1. Prior consultation with the Commission; reporting requirements.**

(a) The Governor shall consult the Commission before doing any of the following:

(1) Authorizing expenditures in excess of the total requirements of a purpose or program as enacted by the General Assembly and as provided by G.S. 143C-6-4.

(2) Proceeding to reduce programs subsequent to a reduction of ten percent (10%) or more in the federal fund level certified to a department and any subsequent changes in distribution formulas.

(3) Taking measures under Article III, Section 5(3) of the North Carolina Constitution to effect necessary economies in State expenditures required for balancing the budget due to a revenue shortfall, including, but not limited to, (i) making loans among funds, (ii) personnel freezes or layoffs, (iii) capital project reversions, (iv) program eliminations, and (v) use of reserves. However, if the Commission fails to meet within 10 calendar days of a request from the Governor for its consultation, the Governor may proceed to take the actions the Governor deems appropriate and necessary and shall then report those actions at the next meeting of the Commission.

~~(4) Approving a new capital improvement project funded from gifts, grants, receipts, special funds, self-liquidating indebtedness, and other funds or any combination of funds for the project not specifically authorized by the General Assembly. The budget for each capital project must include projected revenues in an amount not less than projected expenditures.~~

…."

VARIOUS CAPITAL CHANGES

SECTION 42.4.(a) G.S. 143C-1-1(d) reads as rewritten:

"(d) Definitions. – The following definitions apply in this Chapter:

…

(5) Capital improvement. – A term that includes real property acquisition, new construction or rehabilitation of existing facilities, and repairs and renovations over one hundred fifty thousand dollars ~~($100,000)~~ ($150,000) in value.

…."

SECTION 42.4.(b) G.S. 143C-8-7 reads as rewritten:

"**§ 143C-8-7. When a State agency may begin a capital improvement project.**

(a) No State agency may expend funds for the construction or renovation of any capital improvement project except as needed to comply with this Article or as otherwise authorized by (i) an act of the General Assembly or (ii) subsection (b) of this section. Funds that become available by gifts, federal or private grants, receipts becoming a part of special funds by act of the General Assembly, or any other funds available to a State agency or institution may be utilized for advanced planning through the working drawing phase of capital improvement projects, upon approval of the Director of the Budget.

(b) Notwithstanding any other provision of law to the contrary, the following agencies are authorized to utilize the types of funds described in subsection (a) of this section for capital improvement projects with a total project cost less than one hundred fifty thousand dollars ($150,000) as follows:

(1) The Department of Agriculture and Consumer Services, for equipment structures that meet the description contained in G.S. 143-138(b4)(1)c. on an as-needed basis.

(2) The Wildlife Resources Commission, for equipment storage or maintenance buildings.

(c) Notwithstanding any other provision of law to the contrary, the following agencies are authorized to utilize non-General Fund and non-State Capital and Infrastructure Fund monies

for a capital improvement project with an estimated cost not exceeding seven hundred fifty thousand dollars ($750,000):

(1) The Department of Agriculture and Consumer Services, upon approval by the Board of Agriculture.

(2) The Wildlife Resources Commission."

SECTION 42.4.(c) G.S. 120-32 reads as rewritten:

"**§ 120-32. Commission duties.**

The Legislative Services Commission is authorized to:

…

(11) Specify, at its sole discretion, the operating and capital uses within the General Assembly budget of funds appropriated to the General Assembly, including which funds remain available for expenditure after the end of the biennial fiscal period and which funds revert under G.S. 143C-1-2.

(11a) Contract for a capital improvement project with an estimated cost not exceeding seven hundred fifty thousand dollars ($750,000); provided that the project is not funded with General Fund or State Capital and Infrastructure Fund monies.

…."

SECTION 42.4.(d) Section 7(b) of S.L. 2019-230, as amended by Section 40.3(b) of S.L. 2022-74, reads as rewritten:

"**SECTION 7.(b)** There is appropriated from the State Capital and Infrastructure Fund to the Growing Rural Economies with Access to Technology Fund the sum of twenty million dollars ($20,000,000) for each fiscal year from the 2019-2020 fiscal year through the ~~2028-2029~~ 2024-2025 fiscal year. Funds appropriated pursuant to this subsection that are remaining in the Growing Rural Economies with Access to Technology Fund that are unencumbered and unexpended are no longer appropriated."

SECTION 42.4.(e) Section 40.1(i) of S.L. 2023-134 is repealed.

NATIONAL GUARD PROJECTS

SECTION 42.5.(a) From the funds allocated in this Part for Project Code NG23-1, the Office of State Budget and Management may disburse to the Department of Public Safety funds needed to provide a State match for federal funds for projects included in the latest Armory and Facilities Development Plan developed pursuant to G.S. 127A-210 and designated by the Adjutant General of the North Carolina National Guard in an amount not exceeding six million dollars ($6,000,000) during the 2025-2026 fiscal year.

SECTION 42.5.(b) No later than June 1, 2027, and every two years thereafter until project completion, the Department shall report on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) The status of all projects undertaken pursuant to this section.

(2) The estimated total cost of each project.

(3) The date that work on each project began or is expected to begin.

(4) The date that work on each project was completed or is expected to be completed.

(5) The actual cost of each project, including federal matching funds.

(6) Facilities planned for closure or reversion.

(7) A list of projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

GRANTS TO NON-STATE ENTITIES

SECTION 42.6. Requirements. – For purposes of this Part, nonrecurring funds allocated from the State Capital and Infrastructure Fund as grants to non-State entities, as defined by G.S. 143C-1-1(d), are subject to all of the following requirements:

(1) As soon as practicable after the effective date of this act, each State agency administering grants shall begin disbursement of funds to each grantee non-State entity when all applicable requirements are met. However, disbursement of grant funds allocated for the 2025-2026 fiscal year shall commence no later than 100 days after the date this act becomes law, and disbursement in full to all grantees shall be completed no later than nine months after the date this act becomes law.

(2) G.S. 143C-6-23(b) through (f) and (f2) through (k) apply to the grants.

(3) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, unless otherwise indicated, nonrecurring funds appropriated in this Part as grants shall not revert until expended or the particular project has been completed.

(4) Grants to each grantee non-State entity shall be used for nonsectarian, nonreligious purposes only.

(5) By January 1, 2026, and then quarterly thereafter, the Office of State Budget and Management shall report to the Fiscal Research Division on the schedule for and status of grant disbursement. At a minimum, the report shall include the following for each grant:

a. The date when the disbursing agency issued the initial contract.

b. The date when the contract was sent to the grantee non-State entity.

c. The date when the fully executed contract was returned to the disbursing agency.

d. The date when the contract was executed.

e. The date when a grant was disbursed in full.

DOWNTOWN GOVERNMENT COMPLEX

SECTION 42.7.(a) The Department of Administration shall sell the property situated on the parcel of land in the City of Raleigh, with Wake County real estate ID# 0179265, commonly known as 304 N. Dawson Street, for fair market value. No service charge into the State Land Fund shall be deducted from or levied against the proceeds of the sale of the property listed in this subsection. Notwithstanding G.S. 146-30, the proceeds of the sale of the property listed in this subsection shall be handled in accordance with the following priority:

(1) First, in accordance with the provisions of any trust or other instrument of title whereby title to the subject real property was acquired by the State.

(2) Second, to reimburse the Department of Administration for any funds expended in the sale of the subject real property.

(3) Third, to be deposited into the State Capital and Infrastructure Fund, established in G.S. 143C-4-3.1.

The Department of Administration shall obtain an appraisal assessing the value for the property listed in this subsection according to their best and highest use and shall submit the appraisal to the Joint Legislative Oversight Committee on Capital Improvements and the Fiscal Research Division no later than January 1, 2026.

SECTION 42.7.(b) The Department of Administration shall prepare a plan that, within 18 months of the effective date of this section, would consolidate and move the offices of the State Records Center and any storage or satellite facilities related to the State Records Center to another location outside of the downtown government complex. The Department of Administration shall consider options for lease or purchase and shall submit its plan and cost estimates to the Joint Legislative Oversight Committee on Capital Improvements and the Fiscal Research Division no later than March 1, 2026.

SECTION 42.7.(c) This section is effective when it becomes law.

PART XLIII. TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND

SECTION 43.1.(a) Subsections (b) and (c) of Section 41.1 of S.L. 2023-134 are repealed.

SECTION 43.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2027-28	$3,399 million
For Fiscal Year 2028-29	$3,553 million
For Fiscal Year 2029-30	$3,612 million
For Fiscal Year 2030-31	$3,666 million
For Fiscal Year 2031-32	$3,723 million

SECTION 43.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2027-28	$2,614 million
For Fiscal Year 2028-29	$2,685 million
For Fiscal Year 2029-30	$2,738 million
For Fiscal Year 2030-31	$2,780 million
For Fiscal Year 2031-32	$2,853 million

SECTION 43.1.(d) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop a 10-year revenue forecast. The 10-year revenue forecast developed under this subsection shall be used (i) to develop the five-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

CONTINGENCY FUNDS

SECTION 43.2.(a) The funds appropriated in this act to the Department of Transportation, Construction – Contingency Fund Code for the 2025-2027 fiscal biennium shall be allocated statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, railroad infrastructure, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subsection require prior approval by the Secretary of Transportation. Funds allocated under this subsection shall not revert at the end of the applicable fiscal year but shall remain available until expended. The use of funds that do not revert under this subsection is not restricted to the fiscal year in which the funds were allocated.

SECTION 43.2.(b) The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to subsection (a) of this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

TRANSPORTATION DISASTER RECOVERY FOR HURRICANE HELENE

SECTION 43.3.(a) Clawback DMV IT Modernization Funds. – Whereas the General Assembly tasked the Division of Motor Vehicles (DMV) with service and information technology modernization efforts in 2013, and has appropriated over one hundred fifty million dollars ($150,000,000) for this purpose, and since there still remains a cash balance of more than one hundred million dollars ($100,000,000), which continues to accumulate, now therefore, notwithstanding any other provision of law, of the funds previously appropriated to the Division

of Motor Vehicles of the Department of Transportation for information technology modernization projects and available in NCFS Budget Fund 801169 or NCDOT SAP Fund Code 150021, the sum of sixty-five million dollars ($65,000,000) shall be included under adjustments to availability for the Highway Fund in Section 3.2 of this act.

SECTION 43.3.(b) Clawback Remaining Dorian Funds. – Whereas the General Assembly appropriated thirty million dollars ($30,000,000) for debris removal and repair of highway infrastructure damage from Hurricane Dorian in 2019, and since all debris removal and infrastructure repair from this storm have been completed and there remains a cash balance of more than twenty-eight million dollars ($28,000,000) in unexpended funds, now therefore, notwithstanding any other provision of law, of the remaining funds previously appropriated to the Department of Transportation from the General Fund for Hurricane Dorian recovery available in NCFS Budget Fund 801278, the sum of twenty-eight million one hundred sixty-one thousand four hundred eighteen dollars ($28,161,418) shall be included under adjustments to availability for the Highway Fund in Section 3.2 of this act.

SECTION 43.3.(c) Recovery Funds. – The following amounts from the Reserve for General Maintenance (GMR) and from the unreserved credit balance to the GMR (Credit Balance Funds) shall be used for cash flow and federal matching purposes for activities related to recovery from Hurricane Helene:

(1) Notwithstanding subsections (f) and (f1) of G.S. 136-44.2 and any other provision of law to the contrary, for the 2025-2026 fiscal year the Department of Transportation shall use up to two hundred seventy million dollars ($270,000,000) in Credit Balance Funds.

(2) Notwithstanding subsections (f) and (f1) of G.S. 136-44.2 and any other provision of law to the contrary, the Department of Transportation shall use all future Credit Balance Funds until recovery is completed.

(3) Of the nonrecurring funds appropriated to GMR for the 2025-2027 fiscal biennium, the sum of two hundred forty-seven million three hundred sixty-nine thousand six hundred thirty dollars ($247,369,630) in nonrecurring funds for the 2025-2026 fiscal year and the sum of one hundred sixteen million dollars ($116,000,000) in nonrecurring funds for the 2026-2027 fiscal year.

SECTION 43.3.(d) Management of Funds. – All funds used for Hurricane Helene recovery as set forth in this section shall be managed in a separate project account within GMR. Federal reimbursements for funds expended from this account shall be deposited in this account. Upon recovery completion, any remaining Recovery Funds shall be transferred to GMR for use by the Department.

SECTION 43.3.(e) Cash Watch Weekly Report. – In addition to the other items published in the weekly report required under G.S. 143C-6-11(n), the Department shall include the total sum of Hurricane Helene expenditures and the total sum of federal reimbursements received by the Department. This requirement shall remain in effect until recovery is complete and the Department has received all federal reimbursements.

DISASTER REIMBURSEMENT REPORTS

SECTION 43.4. Article 2A of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-44.2F. Disaster reimbursement reports.**

(a) Disaster Detailed Report. – No later than the end of each month, the Department of Transportation shall submit a report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on disaster expenditures that qualify for federal reimbursement. The report shall be categorized by disaster and include the following information:

(1) Project number.

(2) Project description.

(3) Highway division.
(4) County.
(5) Total project expenditures to date.
(6) Federal disaster program eligibility.
(7) Estimated expenditures eligible for reimbursement.
(8) Date of initial reimbursement submission.
(9) Date of last reimbursement submission.
(10) Eligible expenditures submitted for reimbursement.
(11) Anticipated reimbursement.
(12) An explanation if the anticipated amount of reimbursement is less than the estimate of expenditures eligible for reimbursement.
(13) Reimbursements received to date.

(b) Disaster Summary Report. – No later than the end of each quarter, the Department shall submit a summary report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division for all disaster expenditures resulting from a disaster that occurred on or after January 1, 2016, and that qualify for federal reimbursement. The report shall be by disaster and contain the source of federal reimbursement and the total eligible expenditures as of the date of the report.

(c) Failure to Submit Report. – If the Department fails to submit a report under this section within 60 days of the required submission date, the Secretary of the Department shall provide to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division an explanation for not submitting the required report."

POWELL BILL FUNDS

SECTION 43.5. For the 2025-2027 fiscal biennium:

(1) The Department of Transportation shall not reduce the funds appropriated under this act to the State Aid – Powell Bill Fund for allocation under the Powell Bill (G.S. 136-41.1 through G.S. 136-41.4).
(2) Notwithstanding G.S. 136-41.1(a), Powell Bill program funds shall only be allocated to municipalities with a population of less than 150,000.

MODIFICATION TO MONTHLY STATEMENT REPORT

SECTION 43.6. The Department of Transportation shall modify its monthly financial statement report, as required by G.S. 143C-6-11(q), by separating the additional registration fee charged for plug-in electric and plug-in hybrid electric vehicles charged under G.S. 20-87(13) and G.S. 20-87(13a) from staggered registration in the "Statement of Fees, Taxes, and Other" for the Highway Fund.

RENAMING OF THE OFFICE OF CIVIL RIGHTS

SECTION 43.7.(a) The North Carolina Department of Transportation's Office of Civil Rights is hereby renamed the "Office of Small Business Development."

SECTION 43.7.(b) Consistent with subsection (a) of this section, the Revisor of Statutes is authorized to change in the General Statutes the name of the Office of Civil Rights to the Office of Small Business Development.

CAPITAL INFRASTRUCTURE PLAN

SECTION 43.8. The Department of Transportation shall prepare a cash flow financing plan to fund capital replacement needs for the Division of Highways operating facilities over an eight-year period. The basis for the plan shall be the building replacement schedule found in Appendix A5 of the 2024 Report on the NCDOT Facilities Management Division Capital Projects. The plan shall include examining the disposal of unused and underutilized real property

of the Department to fund this plan. The Department shall submit the plan to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division by March 15, 2026.

ESTABLISH BOARD OF MOTOR VEHICLES

SECTION 43.9.(a) G.S. 20-2(a) reads as rewritten:

"(a) Commissioner and Assistants. – The Division of Motor Vehicles shall be administered by the Commissioner of Motor Vehicles, who shall be appointed by and serve at the pleasure of the ~~Secretary of the Department of Transportation.~~ Board of Motor Vehicles. The Commissioner shall be paid an annual salary to be fixed by the Governor and allowed traveling expenses as allowed by law.

In any action, proceeding, or matter of any kind, to which the Commissioner of Motor Vehicles is a party or in which he may have an interest, all pleadings, legal notices, proof of claim, warrants for collection, certificates of tax liability, executions, and other legal documents, may be signed and verified on behalf of the Commissioner of Motor Vehicles by the Assistant Commissioner of Motor Vehicles or by any director or assistant director of any section of the Division of Motor Vehicles or by any other agent or employee of the Division so authorized by the Commissioner of Motor Vehicles."

SECTION 43.9.(b) Article 1 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-2.1. Board of Motor Vehicles.**

(a) There is hereby created a Board of Motor Vehicles. The Board is responsible for appointing the Commissioner of Motor Vehicles and overseeing the organization and administration of the Division of Motor Vehicles by the Commissioner.

(b) The Board consists of nine voting members as follows:

(1) The Secretary of Transportation or the Secretary's designee.

(2) The Secretary of the Department of Information Technology or the Secretary's designee.

(3) The Commander of the State Highway Patrol or the Commander's designee.

(4) Two members appointed by the Governor.

(5) Two members appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate.

(6) Two members appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives.

(c) The terms of one member of the Board each appointed under subdivisions (4), (5), and (6) of subsection (b) of this section shall begin on July 1, 2025, and expire on June 30, 2027. The terms of one member of the Board each appointed under subdivisions (4), (5), and (6) of subsection (b) of this section shall begin on July 1, 2025, and expire on June 30, 2029. Thereafter, all Board members appointed under subdivisions (4) through (6) of subsection (b) of this section shall be appointed for four-year terms beginning on July 1 of the year that the previous term expired.

(d) Board members appointed under subdivisions (4) through (6) of subsection (b) of this section shall continue to serve until their successors are appointed. The appointing authority may appoint a member to serve out the unexpired term of a Board member appointed by that appointing authority. The appointing authority may remove a member of the Board appointed by that appointing authority for any cause the appointing authority finds sufficient.

(e) The Board shall meet at least quarterly and may meet at any time at the call of the chairperson or any three members of the Board. All clerical and other services required by the Board shall be supplied by the Secretary of the Department of Transportation.

(f) The Board shall select a chairperson and may select other officers from among its membership. The Board shall have the power to adopt and enforce rules and regulations for the government of its business and proceedings. A majority of the Board shall constitute a quorum

for the transaction of business. Board members shall receive per diem and necessary travel and subsistence expenses in accordance with G.S. 138-5 and G.S. 138-6, as appropriate."

SECTION 43.9.(c) G.S. 20-3 reads as rewritten:

"**§ 20-3. Organization of Division.**

The Commissioner, subject to the approval of the Secretary of the Department of Transportation, shall organize and administer the Division in such manner as ~~he~~ the Commissioner may deem necessary to conduct the work of the Division."

ELIMINATE MOTOR VEHICLE REGISTRATION CARDS AND STICKERS

SECTION 43.10.(a) It is the intent of the General Assembly to reduce administrative costs, streamline vehicle registration processes, and enhance efficiency by eliminating motor vehicle registration cards and motor vehicle registration renewal stickers.

SECTION 43.10.(b) The Division of Motor Vehicles of the Department of Transportation shall develop, implement, and maintain a secure and user-friendly electronic vehicle registration system that allows vehicle owners, law enforcement agencies, and other authorized entities to access and verify registration status without the need for physical registration cards or renewal stickers.

SECTION 43.10.(c) G.S. 20-57 reads as rewritten:

"**§ 20-57. Division to issue certificate of title and ~~registration card.~~electronic notice of registration.**

(a) The ~~Division~~ Division, upon registering a ~~vehicle~~ vehicle, shall ~~issue a registration card and a~~ issue: (i) an electronic notice of registration and (ii) a certificate of title as a separate ~~documents.~~document.

(a1) The Division shall maintain an electronic record of all vehicles registered in the State and shall update the information contained in those records as required by this Chapter.

(b) The notice of registration ~~card~~ shall be delivered electronically to the owner and shall ~~contain upon the face thereof~~ state: (i) the name and address of ~~the owner,~~ all owners, (ii) the registration number assigned to the vehicle, and (iii) a description of the vehicle as determined by the ~~Commissioner, provided that if there are more than two owners the Division may show only two owners on the registration card and indicate that additional owners exist by placing after the names listed "et al."~~ Commissioner. An owner may obtain a printed copy of ~~a registration card~~ the electronic notice of registration issued in the owner's name by applying to the ~~Division for a copy~~ Division, either in person or through an online portal maintained by the Division, and paying ~~the fee set in G.S. 20-85.~~a fee not to exceed the actual cost of printing and mailing.

~~(c) Every such registration card shall at all times be carried in the vehicle to which it refers or in the vehicle to which transfer is being effected, as provided by G.S. 20-64 at the time of its operation, and such registration card shall be displayed upon demand of any peace officer or any officer of the Division: Provided, however, any person charged with failing to so carry such registration card shall not be convicted if he produces in court a registration card theretofore issued to him and valid at the time of his arrest: Provided further, that in case of a transfer of a license plate from one vehicle to another under the provisions of G.S. 20-72, evidence of application for transfer shall be carried in the vehicle in lieu of the registration card.~~

(d) The certificate of title shall contain ~~upon the face thereof the~~ on its face identical information as required ~~upon the face of the registration card except the abbreviation "et al." if such appears and in addition thereto the name of all owners,~~ on the electronic notice of registration, the date of ~~issuance~~ issuance, and all liens or encumbrances disclosed in the application for title. All ~~such~~ liens or encumbrances shall be shown in the order of their priority, according to the information contained in ~~such~~ the application.

…."

SECTION 43.10.(d) G.S. 20-66 reads as rewritten:

"**§ 20-66. Renewal of vehicle registration.**

(a) Annual Renewal. – The registration of a vehicle must be renewed annually. In accordance with G.S. 105-330.5(b), upon receiving written consent from the owner of the vehicle, the Division may send any required notice of renewal electronically to an e-mail address provided by the owner of the vehicle. To renew the registration of a vehicle, the owner of the vehicle must file an application with the Division and pay the required registration fee. The owner of a vehicle registered in North Carolina may renew that vehicle registration by mail. The Division may receive and grant an application for renewal of registration at any time before the registration expires.

(b) ~~Method of~~ Division Action upon Renewal. – When the Division renews the registration of a vehicle, it must ~~issue a new registration card for the vehicle and either a new registration plate or a registration renewal sticker. The Division may renew a registration plate for any type of vehicle by means of a renewal sticker.~~update the electronic record of registration and issue an updated electronic notice of registration, which must indicate the period for which the registration is valid.

…

~~(c) Renewal Stickers. – A single registration renewal sticker issued by the Division must be displayed on the registration plate that it renews in the place prescribed by the Commissioner and must indicate the period for which it is valid. Except where physical differences between a registration renewal sticker and a registration plate render a provision of this Chapter inapplicable, the provisions of this Chapter relating to registration plates apply to registration renewal stickers.~~

…

(g) When ~~Renewal Sticker~~ Renewed Registration Expires. – The registration of a vehicle that is renewed ~~by means of a registration renewal sticker~~ in accordance with this section expires at midnight on the last day of the last month ~~designated on the sticker.~~ of the validity period indicated on the electronic notice of registration. It is lawful, however, to operate the vehicle on a highway until midnight on the fifteenth day of the month following the month in which the ~~sticker~~ registration expired.

~~The Division may vary the expiration dates of registration renewal stickers issued for a type of vehicle so that an approximately equal number expires at the end of each month, quarter, or other period consisting of one or more months. When the Division implements registration renewal for a type of vehicle by means of a renewal sticker, it may issue a registration renewal sticker that expires at the end of any monthly interval.~~

…."

SECTION 43.10.(e) G.S. 20-4.01 reads as rewritten:

"**§ 20-4.01. Definitions.**

Unless the context requires otherwise, the following definitions apply throughout this Chapter to the defined words and phrases and their cognates:

…

(7c) Electronic Record of Registration. – The electronic record of registration for a vehicle maintained by the Division pursuant to G.S. 20-57.

~~(7c)~~(7d) Employer. – Any person who owns or leases a commercial motor vehicle or assigns a person to drive a commercial motor vehicle and would be subject to the alcohol and controlled substance testing provisions of 49 C.F.R. § 382 and also includes any consortium or third-party administrator administering the alcohol and controlled substance testing program on behalf of owner-operators subject to the provisions of 49 C.F.R. § 382.

…."

SECTION 43.10.(f) G.S. 20-26 reads as rewritten:

"**§ 20-26. Records; copies furnished; charge.**

…

(b1) The registered or declared weight set forth on the vehicle registration ~~card~~ or a certified copy of the Division record sent by the Department of Public Safety or otherwise is admissible in any judicial or administrative proceeding and shall be prima facie evidence of the registered or declared weight.

…."

SECTION 43.10.(g) G.S. 20-28.2 reads as rewritten:

"**§ 20-28.2. Forfeiture of motor vehicle for impaired driving after impaired driving license revocation; forfeiture for felony speeding to elude arrest.**

…

(a1) Definitions. – As used in this section and in G.S. 20-28.3, 20-28.4, 20-28.5, 20-28.7, 20-28.8, 20-28.9, 20-54.1, and 20-141.5, the following terms mean:

…

(3a) Motor Vehicle Owner. – A person in whose name a registration ~~card~~ card, an electronic notice of registration, or certificate of title for a motor vehicle is issued at the time of seizure.

…

(6) Registered Owner. – A person in whose name a registration card or an electronic notice of registration for a motor vehicle is issued at the time of seizure.

…."

SECTION 43.10.(h) G.S. 20-45 reads as rewritten:

"**§ 20-45. Seizure of documents and plates.**

(a) The Division is authorized to take possession of any certificate of title, ~~registration card,~~ permit, license, or registration plate issued by it upon expiration, revocation, cancellation, or suspension thereof, or which is fictitious, or which has been unlawfully or erroneously issued, or which has been unlawfully used.

(b) The Division may give notice to the owner, licensee or lessee of its authority to take possession of any certificate of title, ~~registration card,~~ permit, license, or registration plate issued by it and require that person to surrender it to the Commissioner or the Commissioner's officers or agents. Any person who fails to surrender the certificate of title, ~~registration card,~~ permit, license, or registration plate or any duplicate thereof, upon personal service of notice or within 10 days after receipt of notice by mail as provided in G.S. 20-48, shall be guilty of a Class 2 misdemeanor.

(c) Any sworn law enforcement officer with jurisdiction, including a member of the State Highway Patrol, is authorized to seize the certificate of title, ~~registration card,~~ permit, license, or registration plate, if the officer has electronic or other notification from the Division that the item has been revoked or cancelled, or otherwise has probable cause to believe that the item has been revoked or cancelled under any law or statute, including G.S. 20-311. If a criminal proceeding relating to a certificate of title, ~~registration card,~~ permit, or license is pending, the law enforcement officer in possession of that item shall retain the item pending the entry of a final judgment by a court with jurisdiction. If there is no criminal proceeding pending, the law enforcement officer shall deliver the item to the Division.

…."

SECTION 43.10.(i) G.S. 20-49 reads as rewritten:

"**§ 20-49. Police authority of Division.**

The ~~Commissioner and such~~ Commissioner, any officers and inspectors of the Division ~~as he shall designate~~ designated by the Commissioner, and all members of the Highway Patrol and law enforcement officers of the Department of Public Safety shall have the power:

…

(4) When on duty, upon reasonable belief that any vehicle is being operated in violation of any provision of this Article or of any other law regulating the

operation of vehicles to require the driver ~~thereof to~~ of that vehicle to: (i) stop and exhibit his or her driver's ~~license and the registration card issued for the vehicle, and~~ license and (ii) submit to an inspection of ~~such~~ the stopped vehicle, including the vehicle's registration plates ~~and registration card thereon or to an inspection~~ and a test of the ~~equipment of such vehicle.~~vehicle's equipment.

…."

SECTION 43.10.(j) G.S. 20-52 reads as rewritten:

"**§ 20-52. Application for registration and certificate of title.**

(a) An owner of a vehicle subject to registration must apply to the Division for a certificate of ~~title,~~ title and a registration ~~plate, and a registration card~~ plate for the vehicle. To apply, an owner must complete an application provided by the Division. The application shall contain a preprinted option that co-owners may use to title the vehicle as a joint tenancy with right of survivorship. The co-owners' designation of a joint tenancy with right of survivorship on the application shall be valid notwithstanding whether this designation appears on the assignment of title. The application must request all of the following information and may request other information the Division considers necessary:

…

(c) Unless otherwise prohibited by federal law, an application for a certificate of title, salvage certificate of title, a registration plate, ~~a registration card,~~ and any other document required by the Division to be submitted with the application and requiring a signature may be submitted to the Division with an electronic signature in accordance with Article 40 of Chapter 66 of the General Statutes. The required notarization of any electronic signature on any application or document submitted to the Division pursuant to this subsection may be performed electronically in accordance with Article 2 of Chapter 10B of the General Statutes. The Division will not certify or approve a specific electronic process or vendor. Any entity offering an electronic signature process assumes all responsibility and liability for the accuracy of the signature. The Division shall be held harmless from any liability to a claim arising from applications submitted with an inaccurate electronic signature pursuant to this subsection."

SECTION 43.10.(k) G.S. 20-53.1 reads as rewritten:

"**§ 20-53.1. Specially constructed vehicle certificate of title and registration.**

(a) Specially constructed vehicles shall be titled in the following manner:

(1) Replica vehicles shall be titled as the year, make, and model of the vehicle intended to be replicated. A label of "Replica" shall be applied to the title and ~~registration card.~~ the electronic record of registration. All replica vehicle titles shall be labeled "Specially Constructed Vehicle."

(2) The model year of a street rod vehicle shall continue to be recognized as the manufacturer's assigned model year. The manufacturer's name shall continue to be used as the make with a label of "Street Rod" applied to the title and ~~registration card.~~ the electronic record of registration. All street rod vehicle titles shall be labeled "Specially Constructed Vehicle."

(3) Custom-built vehicles shall be titled and registered showing the make as "Custom-built," and the year the vehicle was built shall be the vehicle model year. All custom-built vehicle titles shall be labeled "Specially Constructed Vehicle."

…

(c) Motor vehicle certificates of title and ~~registration cards~~ electronic notices of registration issued pursuant to this section shall be labeled in accordance with this section. As used in this section, "labeled" means that the title and ~~registration card~~ electronic notice of registration shall contain a designation that discloses if the vehicle is classified as any of the following:

(1) Specially constructed vehicle.
(2) Inoperable vehicle."

SECTION 43.10.(*l*) G.S. 20-53.4 reads as rewritten:

"**§ 20-53.4. Registration of mopeds; certificate of title.**

(a) Registration. – Mopeds shall be registered with the Division. The owner of the moped shall pay the same base fee and be issued the same type of ~~registration card~~ electronic notice of registration and plate issued for a motorcycle. In order to be registered with the Division and operated upon a highway or public vehicular area, a moped must meet the following requirements:

(1) The moped has a manufacturer's certificate of origin.
(2) The moped was designed and manufactured for use on highways or public vehicular areas.

…."

SECTION 43.10.(m) G.S. 20-61 reads as rewritten:

"**§ 20-61. Owner dismantling or wrecking vehicle to return evidence of registration.**

Except as permitted under G.S. 20-62.1, any owner dismantling or wrecking any vehicle shall forward to the Division the certificate of ~~title, registration card~~ title and other proof of ownership, and the registration plates last issued for ~~such~~ the vehicle, unless ~~such~~ the plates are to be transferred to another vehicle of the same owner. In that event, the plates shall be retained and preserved by the owner for transfer to ~~such~~ the other vehicle. No person, firm or corporation shall dismantle or wreck any motor vehicle without first complying with the requirements of this section. The Commissioner upon receipt of certificate of title and notice from the owner thereof that a vehicle has been junked or dismantled may cancel and destroy ~~such~~ the record of certificate of title."

SECTION 43.10.(n) G.S. 20-63 reads as rewritten:

"**§ 20-63. Registration plates furnished by Division; requirements; replacement of regular plates with First in Flight plates, First in Freedom plates, or National/State Mottos plates; surrender and reissuance; displaying; preservation and cleaning; alteration or concealment of numbers; commission contracts for issuance.**

…

(g) Alteration, Disguise, or Concealment of Numbers. – Any operator of a motor vehicle who shall willfully mutilate, bend, twist, cover or cause to be covered or partially covered by any bumper, light, spare tire, tire rack, strap, or other device, or who shall paint, enamel, emboss, stamp, print, perforate, or alter or add to or cut off any part or portion of a registration plate or the figures or letters thereon, or who shall place or deposit or cause to be placed or deposited any oil, grease, or other substance upon such registration plates for the purpose of making dust adhere thereto, or who shall deface, disfigure, change, or attempt to change any letter or figure thereon, or who shall display a number plate in other than a horizontal upright position, shall be guilty of a Class 2 misdemeanor. Any operator of a motor vehicle who shall willfully cover or cause to be covered any part or portion of a registration plate or the figures or letters thereon by any device designed or intended to prevent or interfere with the taking of a clear photograph of a registration plate by a traffic control or toll collection system using cameras commits an infraction and shall be penalized under G.S. 14-3.1. Any operator of a motor vehicle who shall otherwise intentionally cover any number ~~or registration renewal sticker~~ on a registration plate with any material that makes the number ~~or registration renewal sticker~~ illegible commits an infraction and shall be penalized under G.S. 14-3.1. Any operator of a motor vehicle who covers any registration plate with any frame or transparent, clear, or color-tinted cover that makes a number or letter included in the vehicle's ~~registration,~~ registration or the State name on the ~~plate, or a number or month on the registration renewal sticker on the~~ plate illegible commits an infraction and shall be penalized under G.S. 14-3.1.

(h) Commission Contracts for Issuance of Plates and ~~Certificates.~~ Certificates and In-Person Registration Renewal. – All registration ~~plates, registration certificates,~~ plates and certificates of title issued by the Division, outside of those issued from the office of the Division located in Wake, Cumberland, or Mecklenburg Counties and those issued and handled through the United States mail, shall be issued insofar as practicable and possible through commission contracts entered into by the Division for the issuance of the plates and certificates in localities throughout North Carolina, including military installations within this State, with persons, firms, corporations or governmental subdivisions of the State of North Carolina. The Division shall also offer in-person registration renewal through commission contract arrangements. The Division shall accept applications for new commission contracts or renewal of existing contracts and enter into contracts with commission contractors in the commission contractor's business entity name, unless the commission contractor chooses to enter into a contract as an individual. The Division shall make a reasonable effort in every locality, except as noted above, to enter into a commission contract ~~for~~ for: (i) the issuance of the plates and certificates and (ii) offering in-person vehicle registration renewal, and a record of these efforts shall be maintained in the Division. In the event the Division is unsuccessful in making commission contracts, it ~~shall~~ shall: (i) issue the plates and ~~certificates~~ certificates, and (ii) offer in-person vehicle registration renewal through the regular employees of the Division. Whenever registration ~~plates, registration certificates,~~ plates and certificates of title are issued by the Division through commission contract arrangements, the Division shall provide proper supervision of the distribution. Whenever in-person vehicle registration renewal is offered through commission contract arrangements, the Division shall ensure that the electronic record of registration is properly updated. Nothing contained in this subsection allows or permits the operation of fewer outlets in any county in this State than are now being operated.

The terms of a commission contract entered under this subsection shall specify the duration of the contract and either include or incorporate by reference standards by which the Division may supervise and evaluate the performance of the commission contractor. The duration of an initial commission contract may not exceed eight years and the duration of a renewal commission contract may not exceed two years. The Division may award monetary performance bonuses, not to exceed an aggregate total of ninety thousand dollars ($90,000) annually, to commission contractors based on their performance.

The terms of a commission contract entered under this subsection shall allow the commission contractor to sell the contractor's business, as applicable, and assign contractual rights to another qualified contractor prior to expiration of the contract. A qualified contractor is a person, firm, corporation, or governmental subdivision of the State of North Carolina, with demonstrated experience as a commission contractor in North Carolina or equivalent experience in another state, as determined by the Division. All Division equipment and software shall be transferred to the new commission contractor upon sale, in accordance with guidelines established by the Division.

The amount of compensation payable to a commission contractor is determined on a per transaction basis. The collection of the highway use tax and the removal of an inspection stop are each considered a separate transaction for which one dollar and sixty-eight cents ($1.68) compensation shall be paid. The issuance of a limited registration ~~"T" sticker~~ plate and the collection of property tax are each considered a separate transaction for which compensation at the rate of one dollar and forty cents ($1.40) and one dollar and sixteen cents ($1.16) respectively, shall be paid by counties and municipalities as a cost of the combined motor vehicle registration renewal and property tax collection system. The performance at the same time of one or more of the transactions below is considered a single transaction for which one dollar and eighty-nine cents ($1.89) compensation shall be paid:

(1) Issuance of a registration ~~plate, a registration card, a registration sticker,~~ plate or a certificate of title.

(1a) In-person vehicle registration renewal.

…

(4) Acceptance of a surrendered registration ~~plate, registration card, or registration renewal sticker,~~ plate or acceptance of an affidavit stating why a person cannot surrender a registration ~~plate, registration card, or registration renewal sticker.~~plate.

…

(j) The Division shall contract with at least two online motor vehicle registration vendors which may enter into contracts with motor vehicle dealers and other participants, including, but not limited to, out-of-state entities, such as dealers, fleet, leasing, and rental car companies, to complete and file Division required documents for ~~the~~ the: (i) issuance of a certificate of ~~title,~~ title or registration plate, ~~or registration card or~~ (ii) issuance of a duplicate certificate of ~~title,~~ title or registration ~~plate, or registration card~~ plate, or (iii) renewing the registration and updating the electronic record of registration for a motor vehicle, upon purchase or sale of a vehicle. Vendors under contract with the Division pursuant to this subsection may also enter into contracts with used motor vehicle dealers whose primary business is the sale of salvage vehicles on behalf of insurers to complete and file documents required by the Division for the issuance of a salvage certificate of title. The Division shall not unreasonably deny a contract or access to any entity.

(k) Commission contract agents are authorized to enter into contracts with online motor vehicle registration vendors which are under contract with the Division to complete and file Division required documents for ~~the~~ the: (i) issuance of a certificate of ~~title,~~ title or registration plate, ~~or registration card or~~ (ii) issuance of a duplicate certificate of ~~title,~~ title or registration ~~plate, or registration card~~ plate, or (iii) renewing the registration and updating the electronic record of registration for a motor vehicle."

SECTION 43.10.(o) G.S. 20-67 reads as rewritten:

"**§ 20-67. Notice of change of address or name.**

(a) Address. – A person whose address changes from the address stated on a certificate of title or ~~registration card~~ electronic notice of registration must notify the Division of the change within 60 days after the change occurs. The person may obtain a duplicate certificate of title ~~or registration card~~ stating the new address but is not required to do so. The Division shall update the person's electronic record of registration. A person who does not move but whose address changes due to governmental action may not be charged with violating this subsection.

(b) Name. – A person whose name changes from the name stated on a certificate of title or ~~registration card~~ electronic notice of registration must notify the Division of the change within 60 days after the change occurs. The person may obtain a duplicate certificate of title ~~or registration card~~ but is not required to do so.

~~(c) Fee. – G.S. 20-85 sets the fee for a duplicate certificate of title or registration card.~~"

SECTION 43.10.(p) G.S. 20-68 reads as rewritten:

"**§ 20-68. Replacement of lost or damaged ~~certificates, cards~~ certificates and plates.**

(a) ~~In the event any registration card or~~ If a registration plate is lost, mutilated, or becomes illegible, the owner or legal representative of the owner of the vehicle for which the same was issued, as shown by the records of the Division, shall immediately make application for and may obtain a duplicate or a substitute or a new registration under a new registration number, as determined to be most advisable by the Division, upon the applicant's furnishing under oath information satisfactory to the Division and payment of required fee.

…."

SECTION 43.10.(q) G.S. 20-70 reads as rewritten:

"**§ 20-70. Division to be notified when another engine is installed or body changed.**

(a) Whenever a motor vehicle registered hereunder is altered by the installation of another engine in place of an engine, the number of which is shown in the registration records, or the installation of another body in place of a body, the owner of ~~such~~ that motor vehicle shall

immediately give notice to the Division in writing on a form prepared by it, which shall state the number of the former engine and the number of the newly installed engine, the registration number of the motor vehicle, the name of the owner and any other information which the Division may require. Whenever another engine has been substituted as provided in this section, and the notice given as required hereunder, the Division ~~shall~~ shall (i) insert the number of the newly installed engine upon the ~~registration card and~~ certificate of title issued for ~~such~~ that motor ~~vehicle.~~vehicle and (ii) update the electronic record of registration associated with that motor vehicle.

(b) Whenever a new engine or serial number has been assigned to and stamped upon a motor vehicle as provided in G.S. 20-69, or whenever a new engine has been installed or body changed as provided in this section, the Division shall require the owner to surrender to the Division the ~~registration card and~~ certificate of title previously issued for ~~said~~ that vehicle. The Division shall ~~also~~ also: (i) update the electronic record of registration associated with that motor vehicle and (ii) require the owner to ~~make application~~ apply for a ~~duplicate registration card and a~~ duplicate certificate of title showing the new motor or serial number ~~thereon~~ or new style of ~~body, and upon~~ body. Upon receipt of ~~such~~ the application and fee, ~~as for any other duplicate title,~~ the Division shall issue to ~~said~~ the owner a duplicate ~~registration and a duplicate~~ certificate of title showing ~~thereon~~ the new number in place of the original number or the new style of body.

…."

SECTION 43.10.(r) G.S. 20-71 reads as rewritten:

"**§ 20-71. Altering or forging certificate of title, registration ~~card~~ or application, a felony; reproducing or possessing blank certificate of title.**

(a) Any person who, with fraudulent intent, shall alter any certificate of title, registration ~~card~~ issued by the Division, or any application for a certificate of title or ~~registration card,~~ registration, or forge or counterfeit any certificate of title or registration ~~card~~ purported to have been issued by the Division under the provisions of this Article, or who, with fraudulent intent, shall alter, falsify or forge any assignment thereof, or who shall hold or use any such certificate, ~~registration card,~~ registration, or application, or assignment, knowing the same to have been altered, forged or falsified, shall be guilty of a felony and upon conviction thereof shall be punished in the discretion of the court.

…."

SECTION 43.10.(s) G.S. 20-71.3 reads as rewritten:

"**§ 20-71.3. Salvage and other vehicles – ~~titles and registration cards to be branded.~~title and registration branding.**

(a) Motor vehicle certificates of title ~~and registration cards issued~~ issued, electronic notices of registration issued, and electronic records of registration maintained pursuant to G.S. 20-57 shall be branded in accordance with this section.

As used in this section, "branded" means that the title and ~~registration card~~ electronic record of registration shall contain a designation that discloses if the vehicle is classified as any of the following:

(1) Salvage Motor Vehicle.
(2) Salvage Rebuilt Vehicle.
(3) Reconstructed Vehicle.
(4) Flood Vehicle.
(5) Non-U.S.A. Vehicle.
(6) Any other classification authorized by law.

(a1) Any motor vehicle that is declared a total loss by an insurance company licensed and approved to conduct business in North Carolina, in addition to the designations noted in subsection (a) of this section, shall:

(1) Have the title and ~~registration card~~ electronic record of registration marked "TOTAL LOSS CLAIM".

(2) Have a tamperproof permanent marker inserted into the doorjamb of that vehicle by the Division, at the time of the final inspection of the reconstructed vehicle, that states "TOTAL LOSS CLAIM VEHICLE". Should that vehicle be later reconstructed, repaired, or rebuilt, a permanent tamperproof marker shall be inserted in the doorjamb of the reconstructed, repaired, or rebuilt vehicle.

…

(i) Once the Division has issued a branded title for a motor vehicle all subsequent titles for that motor vehicle and the electronic record of registration associated with that vehicle shall continue to reflect the branding.

…."

SECTION 43.10.(t) G.S. 20-72 reads as rewritten:

"**§ 20-72. Transfer by owner.**

(a) Whenever the owner of a registered vehicle transfers or assigns his title or interests thereto, he shall remove the license plates. The ~~registration card and~~ plates shall be forwarded to the Division unless the plates are to be transferred to another vehicle as provided in G.S. 20-64. If they are to be transferred to and used with another vehicle, then ~~the endorsed registration card and~~ the plates shall be retained and preserved by the owner. If such registration plates are to be transferred to and used with another vehicle, then the owner shall make application to the Division for assignment of the registration plates to such other vehicle under the provisions of G.S. 20-64. Such application shall be made within 20 days after the date on which such plates are last used on the vehicle to which theretofore assigned.

…."

SECTION 43.10.(u) G.S. 20-76 reads as rewritten:

"**§ 20-76. Title lost or unlawfully detained; bond as condition to issuance of new certificate.**

(a) Whenever the applicant for the registration of a vehicle or a new certificate of title thereto is unable to present a certificate of title thereto by reason of the same being lost or unlawfully detained by one in possession, or the same is otherwise not available, the Division is hereby authorized to receive such application and to examine into the circumstances of the case, and may require the filing of affidavits or other information; and when the Division is satisfied that the applicant is entitled thereto and that G.S. 20-72 has been complied with, it is hereby authorized ~~to~~ to: (i) register ~~such vehicle~~ that vehicle, (ii) update the electronic record of registration associated with that vehicle, and (iii) issue a new ~~registration card,~~ electronic notice of registration, registration plate or plates and certificates of title to the person entitled thereto, upon payment of proper fees.

…

(c) Whenever an applicant for the registration of a moped is unable to present a manufacturer's certificate of origin for the moped, the applicant must submit an affidavit stating why the applicant does not have the manufacturer's certificate of origin and attesting that the applicant is entitled to registration. Upon receipt of the application and accompanying affidavit, the Division ~~shall~~ shall: (i) update the electronic record of registration associated with the moped and (ii) issue the applicant ~~a registration card~~ an electronic notice of registration and a registration plate. The Division may not require the applicant to post a bond as required under subsection (b) of this section. A person damaged by ~~issuance of the registration card~~ an update to an electronic record of registration or the issuance of an electronic notice of registration does not have a right of action against the Division."

SECTION 43.10.(v) G.S. 20-78 reads as rewritten:

"**§ 20-78. When Division to transfer registration and issue new certificate; recordation.**

(a) The Division, upon receipt of a properly endorsed certificate of title, application for transfer thereof and payment of all proper fees, shall issue a new certificate of title as upon an original registration. The Division, upon receipt of an application for transfer of registration

plates, together with payment of all proper fees, shall update the electronic record of registration and issue a new ~~registration card~~ electronic notice of registration transferring and assigning the registration plates and numbers thereon as upon an original assignment of registration plates. The Division, upon receipt of an application for transfer thereof and payment of all proper fees, but without receipt of a properly endorsed certificate of title, shall issue a salvage certificate of title pursuant to G.S. 20-109.1(b)(2) or G.S. 20-109.1(e1).

(b) The Division shall maintain a record of certificates of title issued by the Division for a period of 20 years. After 20 years, the Division shall maintain a record of the last two owners.

The Commissioner is hereby authorized and empowered to provide for the photographic or photostatic recording of certificate of title records in such manner as ~~he~~ the Commissioner may deem expedient. The photographic or photostatic copies herein authorized shall be sufficient as evidence in tracing of titles of the motor vehicles designated therein, and shall also be admitted in evidence in all actions and proceedings to the same extent that the originals would have been admitted."

SECTION 43.10.(w) G.S. 20-79 reads as rewritten:

"**§ 20-79. Dealer license plates.**

…

(b1) Dealer Plate ~~Registration Card.~~ Electronic Record. – For each dealer license plate issued pursuant to this section, the Division ~~must provide a registration card~~ shall maintain an electronic record that lists all valid dealer license plates issued to that dealer pursuant to this section. The Division shall ~~reissue registration cards~~ update the electronic record as needed to ensure the accuracy of dealer license plate information.

…

(d) Restrictions on Use. – A dealer license plate may be displayed only on a motor vehicle that meets all of the following requirements:

…

(6) Displays a dealer license plate that matches (i) a copy of the registration card for the dealer plate issued to the dealer carried by the person operating the motor vehicle, or (ii) if the person is operating the motor vehicle in this State, ~~a registration card for the dealer plate issued to the dealer that is maintained on file at the dealer's address listed on the registration card and the registration card must be able to be produced within 24 hours upon request of any law enforcement officer.~~the electronic record maintained by the Division pursuant to subsection (b1) of this section.

A dealer may issue a demonstration permit for a motor vehicle to a person licensed to drive that type of motor vehicle. A demonstration permit authorizes each person named in the permit to drive the motor vehicle described in the permit for up to 96 hours after the time the permit is issued. A dealer may, for good cause, renew a demonstration permit for one additional 96-hour period. A franchised motor vehicle dealer is not prohibited from using a demonstration permit pursuant to this subsection by reason of the dealer's receipt of (i) incentive or warranty compensation or other reimbursement or consideration from a manufacturer, factory branch, distributor, distributor branch or (ii) a third-party warranty, maintenance, or service contract company relating to the use of the vehicle as a demonstrator or service loaner.

A dealer may not lend, rent, lease, or otherwise place a dealer license plate at the disposal of a person except as authorized by this subsection.

…."

SECTION 43.10.(x) G.S. 20-79.02 reads as rewritten:

"**§ 20-79.02. Loaner/Dealer "LD" license plate for franchised dealer loaner vehicles.**

…

(b) Number of ~~Plates.~~Plates; Electronic Record.– There is no limit on the number of LD license plates that a franchised motor vehicle dealer may be issued, provided that the applicable

annual fee for each plate is paid. The Division shall maintain an electronic record of all valid LD plates issued pursuant.

…

(d) Restrictions on Use. – The following restrictions apply with regard to the use and display of an LD license plate:

…

(2) The person operating the motor vehicle must carry a copy of the assignment by the franchised motor vehicle dealer and a copy of the registration card for the LD license plate issued to the franchised motor vehicle dealer, or, if the person is operating the motor vehicle in this State, ~~the registration card must be maintained on file at the franchised motor vehicle dealer's address listed on the registration card, and the registration card must be able to be produced within 24 hours upon request of a law enforcement officer.~~ ensure that LD license plate matches the electronic record of validity maintained by the Division pursuant to subsection (b) of this section.

…."

SECTION 43.10.(y) G.S. 20-85 reads as rewritten:

"**§ 20-85. Schedule of fees.**

(a) The following fees are imposed concerning a certificate of ~~title, a registration card,~~ title or a registration plate for a motor vehicle. These fees are payable to the Division and are in addition to the tax imposed by Article 5A of Chapter 105 of the General Statutes:

…

~~(6) Each application for duplicate registration card.....21.50~~

…."

SECTION 43.10.(z) G.S. 20-88 reads as rewritten:

"**§ 20-88. Property-hauling vehicles.**

…

(c) The fee for a semitrailer or trailer is twenty-seven dollars ($27.00) for each year or part of a year. The fee is payable each year. Upon the application of the owner of a semitrailer or trailer, the Division may issue a multiyear plate and ~~registration card~~ electronic notice of registration for the semitrailer or trailer for a fee of one hundred five dollars and seventy-five cents ($105.75). Upon issuance of a multiyear plate, the Division shall update the electronic record of registration associated with the registered vehicle accordingly. A multiyear plate and registration ~~card~~ for a semitrailer or trailer are valid until the owner transfers the semitrailer or trailer to another person or surrenders the plate and registration card to the Division. A multiyear plate may not be transferred to another vehicle.

The Division shall issue a multiyear semitrailer or trailer plate in a different color than an annual semitrailer or trailer plate and shall include the word "multiyear" on the plate. The Division may not issue a multiyear plate for a house trailer.

…."

SECTION 43.10.(aa) G.S. 20-95 reads as rewritten:

"**§ 20-95. Prorated fee for license plate issued for other than a year.**

…

(a1) ~~Plate With Renewal Sticker.~~ Prorated License Plate Renewal Fees. – The fee for a license plate whose registration is renewed ~~by means of a registration renewal sticker~~ for a period of other than 12 months is a prorated amount of the annual fee. The prorated amount is one-twelfth of the annual fee multiplied by the number of full months in the period beginning the date the renewal ~~sticker~~ becomes effective until the date the renewal ~~sticker~~ expires, rounded to the nearest dollar.

…."

SECTION 43.10.(bb) G.S. 20-110 reads as rewritten:

"**§ 20-110. When registration shall be rescinded.**

…

(b) The Division shall rescind and cancel the registration of any vehicle whenever the person to whom the registration ~~card or registration number plates therefor~~ or plates have been issued shall make or permit to be made any unlawful use of the ~~said card~~ registration or plates or permit the use thereof by a person not entitled thereto.

…."

SECTION 43.10.(cc) G.S. 20-111 reads as rewritten:

"**§ 20-111. Violation of registration provisions.**

It shall be unlawful for any person to commit any of the following acts:

…

(2) To display or cause or permit to be displayed or to have in possession ~~any registration card,~~ an electronic notice of registration, certificate of title or registration number plate knowing the same to be fictitious or to have been canceled, revoked, suspended or altered, or to willfully display an expired license or registration plate on a vehicle knowing the same to be expired. Violation of this subdivision is a Class 3 misdemeanor.

…

(4) To fail or refuse to surrender to the Division, upon demand, any title ~~certificate, registration card~~ certificate or registration number plate which has been suspended, canceled or revoked as in this Article provided. Service of the demand shall be in accordance with G.S. 20-48.

…."

SECTION 43.10.(dd) G.S. 20-176 reads as rewritten:

"**§ 20-176. Penalty for misdemeanor or infraction.**

…

(a1) A person who does any of the following is responsible for an infraction:

~~(1) Fails to carry the registration card in the vehicle, in violation of G.S. 20-57(c).~~

…

(3) Fails to notify the Division of an address ~~change for a vehicle registration card within 60 days after the change occurs,~~ change in violation of G.S. 20-67.

…."

SECTION 43.10.(ee) G.S. 20-183.4C reads as rewritten:

"**§ 20-183.4C. When a vehicle must be inspected; 10-day temporary license plate.**

(a) Inspection. – A vehicle that is subject to a safety inspection, an emissions inspection, or both must be inspected as follows:

…

(7) A vehicle that is required to be inspected in accordance with this Part may be inspected 90 days prior to midnight of the last day of the month ~~as designated by the vehicle registration sticker.~~the vehicle's registration expires.

…."

SECTION 43.10.(ff) G.S. 20-183.4D reads as rewritten:

"**§ 20-183.4D. Procedure when a vehicle is inspected.**

…

(e) When Electronic Inspection Authorization Expires. – An electronic inspection authorization issued under this Part expires at midnight of the last day of the month ~~designated by the vehicle registration sticker of the following year.~~the vehicle's registration expires."

SECTION 43.10.(gg) G.S. 20-311 reads as rewritten:

"**§ 20-311. Action by the Division when notified of a lapse in financial responsibility.**

…

(d) Revocation Notice. – When the Division revokes the registration of an owner's vehicle, it shall notify the owner of the revocation. The notice shall inform the owner of the following:

(1) That the owner shall return the vehicle's registration plate ~~and registration card~~ to the Division, if the owner has not done so already, and that failure to do so is a Class 2 misdemeanor under G.S. 20-45.

(2) That the vehicle's registration plate ~~and registration card are~~ is subject to seizure by a law enforcement officer.

…

(g) Military Waiver. – Notwithstanding the penalty and restoration fee provisions of this section, any monetary penalty or restoration fee shall be waived for any person who, at the time of notification of a lapse in financial responsibility, was deployed as a member of the Armed Forces of the United States outside of the continental United States for a total of 45 or more days. In addition, no insurance points under the Safe Driver Incentive Plan shall be assessed for any violation for which a monetary penalty or restoration fee is waived pursuant to this subsection. All of the following apply to a person qualifying under this subsection:

(1) The person shall have an affirmative defense to any criminal charge based upon the failure to return ~~any registration card or~~ a registration plate to the Division.

(2) Upon reregistration, the person shall receive without cost from the Division all necessary ~~registration cards~~ notices of electronic registration or registration plates.

…."

SECTION 43.10.(hh) G.S. 20-401 reads as rewritten:

"**§ 20-401. Regulation of fully autonomous vehicles.**

…

~~(b) Vehicle Registration Card in Vehicle. – For a fully autonomous vehicle, the provisions of G.S. 20-49(4) and G.S. 20-57(c) are satisfied if the vehicle registration card is in the vehicle, physically or electronically, and readily available to be inspected by an officer or inspector.~~

…

(h) Operation. – A person may operate a fully autonomous vehicle if the vehicle meets all of the following requirements:

…

(5) The vehicle is registered in accordance with Part 3 of Article 3 of this Chapter, and, if registered in this State, the vehicle shall be identified on the ~~registration and registration card~~ electronic record of registration as a fully autonomous vehicle.

…."

SECTION 43.10.(ii) G.S. 105-330.4 reads as rewritten:

"**§ 105-330.4. Due date, interest, and enforcement remedies.**

(a) Due Date. – The registration of a classified motor vehicle may not be issued unless a temporary registration plate is issued for the motor vehicle under G.S. 20-79.1A or the taxes for the motor vehicle's tax year that begins after the issuance of the registration are paid upon registration. A registration of a classified motor vehicle may not be renewed unless the taxes for the motor vehicle's tax year that begins after the registration expires are paid upon registration. If the registration of a classified motor vehicle is renewed earlier than the date the taxes are due, the taxes must be paid as if they were due. Taxes on a classified motor vehicle are due as follows:

(1) For an unregistered classified motor vehicle, the taxes are due on September 1 following the date by which the vehicle was required to be listed.

(2) For a registered classified motor vehicle that is registered under the staggered system, the taxes are due each year on the date the owner applies for a new registration or the fifteenth day of the month following the month in which the registration renewal ~~sticker~~ expires pursuant to G.S. 20-66(g).

(3) For a registered classified motor vehicle that is registered under the annual system, taxes are due on the date the owner applies for a new registration or 45 days after the registration expires.

(4) For a registered classified motor vehicle that has a temporary registration plate issued under G.S. 20-79.1 or a limited registration plate issued under G.S. 20-79.1A, the taxes are due on the last day of the second month following the date the owner applied for the plate.

…."

SECTION 43.10.(jj) This section becomes effective October 1, 2025, and applies to motor vehicle registrations and registration renewals applied for on or after that date.

TRANSFER CERTAIN NONSWORN PERSONNEL FROM THE LICENSE AND THEFT BUREAU OF THE DEPARTMENT OF TRANSPORTATION TO THE STATE HIGHWAY PATROL

SECTION 43.11. The following positions, including the salaries, property, and other funds allocated for the positions, are transferred from the Department of Transportation, Division of Motor Vehicles License and Theft Bureau, to the State Highway Patrol:

Position	Position Number
Program Coordinator III	60030052
Administrative Specialist II	60030907
Administrative Specialist I	60031075
Program Analyst I	60031189
Program Analyst I	60031341
Administrative Specialist II	60029790
Administrative Specialist I	60031033
Program Coordinator II	60030760
Program Coordinator II	60030921
Electronics Technician II	60030924
Administrative Specialist I	60030909
Program Coordinator III	60092620
Program Coordinator III	60030920
Program Coordinator III	60030933
Program Coordinator III	60090052
Program Supervisor I	60092613
Program Supervisor I	60092614
Program Coordinator III	60092615
Program Coordinator III	60092616
Program Coordinator III	60092617
Program Coordinator III	60092618
Program Coordinator III	60092619
Program Coordinator III	60030904
Program Coordinator III	60092622
Program Coordinator III	60092623
Program Coordinator III	60092625
Program Coordinator III	60092626
Program Coordinator III	60092627
Program Coordinator I	60029918

Program Supervisor I	60030890
Program Coordinator III	60030922
Program Coordinator I	60031074
Program Coordinator I	60031114
Program Coordinator I	60031142
Program Coordinator I	60031143
Administrative Specialist I	60030847
Program Coordinator III	60030894
Administrative Specialist I	60030899
Program Supervisor I	60030917
Administrative Specialist I	60030934
Administrative Specialist I	60031312
Program Coordinator III	65037940
Program Coordinator III	65037942
Program Supervisor I	65037786
Program Coordinator III	65037941
Program Supervisor I	60030929
Program Coordinator III	60030844
Program Coordinator I	60030893
Program Coordinator III	60030898
Program Coordinator III	60031077
Program Coordinator I	60031284
Program Coordinator I	60031320
Program Coordinator III	60030916
Program Coordinator III	60030905
Program Coordinator III	60092628
Program Coordinator III	60092629
Administrative Specialist I	60030937
Administrative Specialist I	60030962
Administrative Specialist I	60029801
Administrative Specialist I	60031024
Administrative Specialist I	60030997
Administrative Specialist I	60031026
Administrative Specialist I	60030996
Administrative Specialist I	60031140
Administrative Specialist I	60030995
Administrative Specialist I	60031193
Program Coordinator III	60031112
Program Coordinator III	60031115
Administrative Specialist I	60031076

EXTEND DURATION OF SAFETY INSPECTIONS FOR LARGE VOLUME RENTAL CAR COMPANIES

SECTION 43.12.(a) G.S. 20-183.2 reads as rewritten:

"**§ 20-183.2. Description of vehicles subject to safety or emissions inspection; definitions.**

…

(c) Definitions. – The following definitions apply in this Part:

…

(4) Large volume rental company vehicle. – A vehicle that is both of the following:

a. Rented or leased to the public.

b. One of a fleet of not less than 10,000 vehicles registered and titled in this State by a rental car company, as defined in G.S. 66-201."

SECTION 43.12.(b) G.S. 20-183.4C reads as rewritten:

"**§ 20-183.4C. When a vehicle must be inspected; 10-day temporary license plate.**

(a) Inspection. – A vehicle that is subject to a safety inspection, an emissions inspection, or both must be inspected as follows:

…

(6) ~~A~~ Except as otherwise provided by this subdivision, a vehicle that has been inspected in accordance with this Part must be inspected by the last day of the month in which the registration on the vehicle expires. A large volume rental company vehicle that has been inspected in accordance with this Part must be inspected by the last day of the month in which the registration on the vehicle expires in the third year after its last electronic safety inspection authorization was issued.

…."

SECTION 43.12.(c) G.S. 20-183.4D reads as rewritten:

"**§ 20-183.4D. Procedure when a vehicle is inspected.**

…

(e) When Electronic Inspection Authorization Expires. – ~~An~~ Except as otherwise provided by this subsection, an electronic inspection authorization issued under this Part expires at midnight of the last day of the month designated by the vehicle registration sticker of the following year. An electronic safety inspection authorization issued to a large volume rental company vehicle expires at midnight on the last day of the month in which the registration on the vehicle expires in the third year after its last electronic safety inspection authorization was issued."

SECTION 43.12.(d) G.S. 20-183.7 reads as rewritten:

"**§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection authorization to a vehicle; use of civil penalties.**

(a) Fee Amount. – When a fee applies to an inspection of a vehicle or the issuance of an electronic inspection authorization, the fee must be collected. ~~The~~ Except as otherwise provided by subsection (a1) of this section, the following fees apply to an inspection of a vehicle and the issuance of an electronic inspection authorization:

Type	Inspection	Authorization
Safety Only	$12.75	$ .85
Emissions and Safety	23.75	6.25.

The fee for performing an inspection of a vehicle applies when an inspection is performed, regardless of whether the vehicle passes the inspection. The fee for an electronic inspection authorization applies when an electronic inspection authorization is issued to a vehicle. The fee for inspecting after-factory tinted windows shall be ten dollars ($10.00), and the fee applies only to an inspection performed with a light meter after a safety inspection mechanic determined that the window had after-factory tint. A safety inspection mechanic shall not inspect an after-factory tinted window of a vehicle for which the Division has issued a medical exception permit pursuant to G.S. 20-127(f).

A vehicle that is inspected at an inspection station and fails the inspection is entitled to be reinspected at the same station at any time within 60 days of the failed inspection without paying another inspection fee.

The inspection fee for an emissions and safety inspection set out in this subsection is the maximum amount that an inspection station or an inspection mechanic may charge for an emissions and safety inspection of a vehicle. An inspection station or an inspection mechanic may charge the maximum amount or any lesser amount for an emissions and safety inspection of a vehicle. The inspection fee for a safety only inspection set out in this subsection may not be

increased or decreased. The authorization fees set out in this subsection and subsection (a1) of this section may not be increased or decreased.

(a1) The authorization fee for a safety inspection of a large volume rental company vehicle shall be the amount set forth in subsection (a) of this section multiplied by three. The fee shall be distributed as three authorization fees, in accordance with subsection (c) of this section.

…."

FERRY DRY DOCK USE OF FUNDS REPORT

SECTION 43.13. No later than October 1, 2025, and quarterly thereafter until the funds are expended, the Ferry Division shall submit a progress report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the use of funds appropriated by this act to the Ferry Division for marine vessel dry docking. The report shall include the following information by fiscal year:

(1) A list of all marine vessels scheduled or under contract for dry docking.
(2) The estimated cost of the work to be completed for each marine vessel sent to a private shipyard for dry dock.
(3) The actual cost of the work and the total funds used as of the report date.

SOUTH DOCK FERRY TERMINAL

SECTION 43.14. Notwithstanding any provision of law or the Committee Report described in Section 43.2 of S.L. 2023-134 to the contrary, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2023-2024 fiscal year allocated to build stacking lanes and a concrete barrier on NC 12 at the South Dock Ferry Terminal on Ocracoke shall instead be used for ramp rehabilitation on the South Dock Ferry Terminal to address safety and reliability concerns.

FERRY TOLLS

SECTION 43.15.(a) G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

…

(b) Tolling of ~~Certain~~ Ferry Routes. – The Board of Transportation shall establish tolls ~~on the passenger-only Hatteras-Ocracoke ferry route. The Board of Transportation shall continue tolling the following~~ for all ferry ~~routes:~~routes in accordance with the fee schedule in G.S. 136-82.3.

~~(1) Southport-Fort Fisher.~~
~~(2) Cedar Island-Ocracoke.~~
~~(3) Swan Quarter-Ocracoke.~~

~~(b1) Untolled Ferry Routes. – Except as provided in subsection (b) of this section, ferry routes are exempt from tolls. The Board of Transportation shall not establish tolls on a ferry route exempt from tolls.~~

(b2) Emergency Suspension of Tolling. – The Secretary of Transportation may suspend the collection of tolls for any ferry route serving an emergency area, as declared pursuant to G.S. 166A-19.20 or G.S. 166A-19.22, for the duration of the state of emergency.

~~(c) Revisions of Tolls. – The Board of Transportation may change toll rates or toll-setting methodology. The Department of Transportation shall report to the Fiscal Research Division, the Joint Legislative Transportation Oversight Committee, and all affected local transportation planning organizations 30 days prior to any change in toll rates or change in the toll setting methodology by the Board of Transportation.~~

…

~~(f3) Priority Boarding Fee for Certain Vehicles. – For a vehicle providing commercial goods and services, the Department of Transportation shall charge an annual fee of one hundred~~

~~fifty dollars ($150.00) for an annual pass that entitles the vehicle issued the annual pass to priority when boarding a ferry vessel. Only one annual pass per vehicle shall be issued per year. Except as authorized under this subsection, the Department of Transportation shall not provide priority boarding to a ferry vessel to any vehicle providing commercial goods and services.~~

…."

SECTION 43.15.(b) Article 6 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-82.3. Schedule of ferry tolling fees.**

(a) The following table sets out the tolls for ferry routes according to the route destination and vehicle size:

Ferry Route	**Passenger**	**Vehicle less than 20 ft.**	**Vehicle greater than 20 ft.**
Bayview-Aurora	$1.00	$3.00	$6.00
Cherry Branch-Minnesott	$1.00	$5.00	$10.00
Currituck-Knotts Island	$1.00	$3.00	$6.00
Hatteras-Ocracoke	$1.00	$20.00	$40.00
Cedar Island-Ocracoke	$2.00	$30.00	$60.00
Southport-Fort Fisher	$2.00	$10.00	$20.00
Swan Quarter-Ocracoke	$2.00	$30.00	$60.00
Ocracoke Express	$15.00		

(b) Vehicle Occupants. – Individuals paying a toll for a vehicle are not required to pay separate passenger tolls for vehicle occupants.

(c) Priority Boarding Pass. – For a vehicle providing commercial goods and services, the Department of Transportation shall charge an annual fee of one hundred fifty dollars ($150.00) for an annual pass that entitles the vehicle issued the annual pass to priority when boarding a ferry vessel. Only one annual pass per vehicle shall be issued per year. Except as authorized under this subsection, the Department of Transportation shall not provide priority boarding to a ferry vessel to any vehicle providing commercial goods and services.

(d) Commuter Boarding Pass. – The Department of Transportation shall charge an annual fee of one hundred fifty dollars ($150.00) for a commuter pass that entitles the vehicle issued the annual pass to travel on any ferry route with no additional fees. Only one annual pass per vehicle shall be issued per year."

NORTH CAROLINA RAILROAD DIVIDEND

SECTION 43.16. G.S. 124-18, as it existed before it was repealed by Section 4.4(b) of S.L. 2019-231, is reenacted and reads as rewritten:

"**§ 124-18. Dividends required of State-owned railroad company.**

Any State-owned railroad company that has trackage in more than two counties shall issue an annual cash dividend to the State. The dividend shall be deposited in the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway Fund. The amount of the annual dividend is twenty-five percent (25%) of the company's income from the prior year's trackage rights agreements. The dividend is due by February 15 of each year, and interest shall accrue at the annual rate of prime plus one percent (1%) if the payment is not paid by the due date. The Directors of any State-owned railroad company who vote for or assent to the dividend required under this section shall not be held liable under G.S. 55-8-33."

DOT/RELOCATION OF LAWFULLY EXISTING OUTDOOR ADVERTISING SIGN CHANGES

SECTION 43.17. G.S. 136-131.5 reads as rewritten:

"**§ 136-131.5. Relocation of lawfully existing outdoor advertising sign.**

(a) Subject to subsection (c) of this section, in order to minimize the amount of just compensation due, whenever property on which a lawfully erected outdoor advertising sign is located is acquired by a public or private condemnor, as defined in G.S. 40A-3, or the Department of Transportation, and the acquiring party requires removal of the sign, or whenever the construction of a sound barrier wall would impair the visibility of a lawfully erected outdoor advertising sign, the eligible sign is permitted to be relocated and ~~reconstructed, subject to all of the following requirements:~~reconstructed. For relocated signs that are subject to the jurisdiction of the Department of Transportation in accordance with this Article, the follow relocation and reconstruction conditions shall apply:

(1) The new site for relocation is permitted to be any area within 660 feet of the nearest edge of the right-of-way of a highway on the National System of Interstate and Defense Highways or the federal aid primary highway system within the same zoning jurisdiction as the relocated site or, if the relocated site is within an unzoned city or county, then within the same territorial limits.

(2) The new site for relocation must be conforming to State standards as set forth in this Article and pursuant to rules and regulations promulgated by the Department as authorized by this Article.

(3) The new site for relocation must be along a highway on the interstate system or primary systems or other State road that has the same route number and letter or one of the same route numbers and letters as the highway or State road adjacent to the relocated site.

(4) The reconstruction of the outdoor advertising sign at the new site shall comply with G.S. 136-131.2.

(5) The new site for relocation shall not be within an historic district lawfully established by a local city or county government pursuant to Part 4 of Article 9 of Chapter 160D of the General Statutes, unless consented to by a resolution adopted by the applicable local governing board.

(6) The new site for relocation shall not be adjacent to any scenic highway as provided in G.S. 136-129.2; provided, however, if a relocated sign is already adjacent to a scenic highway, it may be relocated within the same parcel.

(7) The construction work related to the relocation of the outdoor advertising sign shall commence within one year after the date of removal.

The express allowances of relocation and reconstruction in this section shall apply to any lawfully erected outdoor advertising sign anywhere within this State that is required to be removed as a result of action taken by a public or private condemnor, as defined in G.S. 40A-3, or the Department of Transportation, including ~~such signs that are~~ any billboard that is not subject to the jurisdiction of the Department ~~of Transportation.~~located along a State road so long as the affected sign is relocated and reconstructed within the same parcel or, if outside the parcel, to a

commercially or industrially zoned property or, if unzoned, a commercially or industrially used property, and within the same territorial limits and the sign owner complies with subdivisions (3) through (7) of this subsection, except that a Department permit is not required to be in effect.

(b) Subject to subsection (c) of this section, any outdoor advertising sign that does not otherwise qualify for relocation as provided in subsection (a) of this section and for which there is in effect a valid permit issued by the Department of Transportation pursuant to this Article is permitted to be relocated and reconstructed subject to all of the requirements listed in subdivisions (1) through (7) of subsection (a) of this section within the same parcel or an adjoining conforming parcel. No sign shall be relocated pursuant to this subsection within 10 years from the date of the last relocation pursuant to this subsection, however, this temporal limitation does not apply to relocations within the same parcel. For purposes of this Section, the phrase "adjoining conforming parcel" shall mean a new site for relocation that conforms to State standards and is located next to the prior site, including a parcel separated from the prior site only by an intervening street, alley, railroad, utility, or other similar right-of-way, or an intervening river, creek, marshland, or other water body.

…."

PART XLIV. FINANCE

PERSONAL INCOME TAX REDUCTIONS

SECTION 44.1.(a) Effective retroactively to October 3, 2023, G.S. 105-153.7 reads as rewritten:

"**§ 105-153.7. Individual income tax imposed.**

(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. ~~Except as otherwise provided in subsection (a1) of this section, the~~ The tax is a percentage of the taxpayer's North Carolina taxable income computed as follows:

Taxable Years Beginning	Tax
In 2022	4.99%
In 2023	4.75%
In 2024	4.5%
In 2025	4.25%
After 2025	3.99%.

~~(a1) Rate Reduction Trigger. – Notwithstanding the tax rates set out in subsection (a) of this section, if total General Fund revenue in a fiscal year set out below exceeds the trigger amount indicated for that fiscal year, then the applicable tax rate for the indicated and subsequent tax years shall be equal to the greater of (i) the prior taxable year's rate decreased by one-half percentage point (0.50%) or (ii) two and forty-nine hundredths percent (2.49%). For purposes of this subsection, total General Fund revenue is the amount stated in the final accounting of total General Fund Reverting Net Tax and Non-Tax Revenues for the fiscal year, as reported by the Office of State Controller in August following the end of the fiscal year.~~

~~Fiscal Year~~	~~Trigger Amount~~	~~Taxable Year Beginning~~
~~FY 2025-2026~~	~~$33,042,000,000~~	~~In 2027~~
~~FY 2026-2027~~	~~$34,100,000,000~~	~~In 2028~~
~~FY 2027-2028~~	~~$34,760,000,000~~	~~In 2029~~
~~FY 2028-2029~~	~~$35,750,000,000~~	~~In 2030~~
~~FY 2029-2030~~	~~$36,510,000,000~~	~~In 2031~~
~~FY 2030-2031~~	~~$38,000,000,000~~	~~In 2032~~
~~FY 2031-2032~~	~~$38,500,000,000~~	~~In 2033~~
~~FY 2032-2033~~	~~$39,000,000,000~~	~~In 2034~~

…."

SECTION 44.1.(b) G.S. 105-153.7, as amended by subsection (a) of this section, reads as rewritten:

"**§ 105-153.7. Individual income tax imposed.**

(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax is a percentage of the taxpayer's North Carolina taxable income computed as follows:

Taxable Years Beginning	Tax
In 2022	4.99%
In 2023	4.75%
In 2024	4.5%
In 2025	4.25%
~~After 2025~~	~~3.99%.~~
In 2026	3.99%
In 2027	3.49%
After 2027	2.99%.

…

(a2) Rate Reduction Trigger. – Notwithstanding the tax rates set out in subsection (a) of this section, if total General Fund revenue in a fiscal year as set out below exceeds the trigger amount indicated for that fiscal year, then the applicable tax rate for the indicated and subsequent tax years shall be the prior taxable year's rate decreased by one-half percentage point (0.50%) for the first rate reduction under this subsection and by one-quarter percentage point (0.25%) for each subsequent rate reduction under this subsection However, in no instance may the tax rate authorized under this section be lower than one and ninety-nine hundredths percent (1.99%). For purposes of this subsection, total General Fund revenue is the amount stated in the final accounting of total General Fund Reverting Net Tax and Non-Tax Revenues for the fiscal year, as reported by the Office of State Controller in August following the end of the fiscal year.

Fiscal Year	Trigger Amount	Taxable Year Beginning
FY 2027-2028	$34,760,000,000	In 2029
FY 2028-2029	$35,750,000,000	In 2030
FY 2029-2030	$36,510,000,000	In 2031
FY 2030-2031	$38,000,000,000	In 2032
FY 2031-2032	$38,500,000,000	In 2033
FY 2032-2033	$39,000,000,000	In 2034
FY 2033-2034	$39,500,000,000	In 2035
FY 2034-2035	$40,000,000,000	In 2036

…."

SECTION 44.1.(c) Except as otherwise provided, this section is effective when it becomes law.

EXCLUDE CREDIT FOR TRADE-INS FROM SALES TAX

SECTION 44.2.(a) G.S. 105-164.3(237) reads as rewritten:

"(237) Sales price. – The total amount or consideration for which an item is sold, leased, or rented. The consideration may be in the form of cash, credit, property, or services. The sales price must be valued in money, regardless of whether it is received in money.

a. The term includes all of the following:

1. The retailer's cost of the item sold.
2. The cost of materials used, labor or service costs, interest, losses, all costs of transportation to the retailer, all taxes imposed on the retailer, and any other expense of the retailer.

3. Charges by the retailer for any services necessary to complete the sale.
4. Delivery charges.
5. Installation charges.
6. Repealed by Session Laws 2007-244, s. 1, effective October 1, 2007.
~~7. Credit for trade-in. The amount of any credit for trade-in is not a reduction of the sales price.~~
8. The amount of any discounts that are reimbursable by a third party and can be determined at the time of sale through any of the following:
   I. Presentation by the consumer of a coupon or other documentation.
   II. Identification of the consumer as a member of a group eligible for a discount.
   III. The invoice the retailer gives the consumer.

b. The term does not include any of the following:
1. Discounts that are not reimbursable by a third party, are allowed by the retailer, and are taken by a consumer on a sale.
2. Interest, financing, and carrying charges from credit extended on the sale, if the amount is separately stated on the invoice, bill of sale, or a similar document given to the consumer.
3. Any taxes imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the consumer.
4. Credit for any trade-in that is separately stated on the invoice, bill of sale, or similar document given to the consumer."

SECTION 44.2.(b) This section is effective January 1, 2026, and applies to sales occurring on or after that date.

INCREASE TAX BASE AMOUNT TO WHICH MAXIMUM FRANCHISE TAX APPLIES FOR BOTH S AND C CORPORATIONS

SECTION 44.3.(a) G.S. 105-122(d2) reads as rewritten:

"(d2) Tax Rate. – For a C Corporation, as defined in G.S. 105-130.2, the tax rate is one dollar and fifty cents ($1.50) per one thousand dollars ($1,000) of its tax base with a minimum of two hundred dollars ($200.00) and a maximum of five hundred dollars ($500.00) for the first ~~one~~ five million dollars ~~($1,000,000)~~ ($5,000,000) of ~~the corporation's~~ its tax ~~base as determined under subsection (d) of this section.~~ base. For an S Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars ($200.00) for the first ~~one~~ five million dollars ~~($1,000,000)~~ ($5,000,000) of ~~the corporation's~~ its tax base ~~as determined under subsection (d) of this section~~ and one dollar and fifty cents ($1.50) per one thousand dollars ($1,000) of its tax base that exceeds ~~one~~ five million dollars ~~($1,000,000). In no event may the tax imposed by this section be less than two hundred dollars ($200.00).~~($5,000,000). For purposes of this subsection, a corporation's tax base is determined under subsection (d) of this section."

SECTION 44.3.(b) G.S. 105-120.2(b) reads as rewritten:

"(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, a franchise or privilege tax at the rate ~~of one dollar and fifty cents ($1.50) per one thousand dollars ($1,000) of its tax base with a maximum of five hundred dollars ($500.00) for the first one million dollars ($1,000,000) of the corporation's tax base as determined under subsection (a) of this section,~~ set forth in G.S. 105-122(d2), but in

no case shall the tax be more than one hundred fifty thousand dollars ($150,000) nor less than two hundred dollars ($200.00)."

SECTION 44.3.(c) This section is effective for taxable years beginning on or after January 1, 2026, and is applicable to the calculation of franchise tax reported on the 2025 and later corporate income tax returns.

INCREASE TAX RATE ON INTERACTIVE SPORTS WAGERING OPERATORS

SECTION 44.4.(a) G.S. 105-113.126(a) reads as rewritten:

"(a) Tax. – A tax at the rate of ~~eighteen percent (18%)~~ thirty-six percent (36%) is imposed on each interactive sports wagering operator for the privilege of being licensed under Article 9 of Chapter 18C of the General Statutes. The tax applies to the gross wagering revenue of the interactive sports wagering operator."

SECTION 44.4.(b) This section becomes effective October 1, 2025, and applies to gross wagering revenue received on or after that date.

MODIFY SPORTS WAGERING REVENUE DISTRIBUTION

SECTION 44.5.(a) G.S. 105-113.128 reads as rewritten:

"**§ 105-113.128. Use of tax proceeds.**

The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue and reimbursement to the Lottery Commission for administrative expenses, in accordance with this section. The Secretary may retain the cost of administering this Article, not to exceed five hundred thousand dollars ($500,000) a year, as reimbursement to the Department. The Lottery Commission shall, no later than 20 days after the end of the month, notify the Department of its unreimbursed expenses from administering the provisions of Article 9 of Chapter 18C of the General Statutes from the previous month. The Department shall reimburse the Lottery Commission from the tax revenues collected under this Article no later than the end of the month in which the Department was notified. The Secretary shall credit the remainder of the net proceeds of the tax collected under this Article ~~are to be credited~~ in the following priority:

(1) Two million dollars ($2,000,000) annually to the Department of Health and Human Services for gambling addiction education and treatment programs.

(2) One million dollars ($1,000,000) annually to North Carolina Amateur Sports to expand opportunities for persons up to age 18 to engage in youth sports, which shall be distributed through a grant program. In making individual grants, North Carolina Amateur Sports shall comply with the following:

a. Awards shall be used to provide for the purchase of youth sports equipment, or to provide for public facility upgrades or improvements which would benefit youth sports.

b. Awards may be given only to applicants who are either local governments, including local school administrative units, or nonprofit organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

c. Awards may be given only to applicants who demonstrate that a primary purpose for the funding is to facilitate opportunities for persons up to age 18 to engage in youth sports.

d. The total dollar amount awarded each year to all applicants in any one county may not exceed one percent (1%) of the total funding available on July 1 of that year.

(3) ~~Three hundred thousand dollars ($300,000)~~ The following amounts annually ~~shall be appropriated~~ to each of the institutions as provided and listed in this subdivision to support collegiate athletic departments. If there are not

sufficient funds for each of these institutions to receive ~~an appropriation of three hundred thousand dollars ($300,000), the amount of each appropriation shall be reduced by the same proportion so that all institutions receive an appropriation of the same amount.~~ the designated amount, the amounts shall be proportionally reduced. The amounts and corresponding institutions are ~~listed~~ as follows:

a. ~~Appalachian State University.~~Five hundred thousand dollars ($500,000) each to (i) Elizabeth City State University, (ii) Fayetteville State University, (iii) University of North Carolina at Pembroke, and (iv) Winston-Salem State University.

b. ~~East Carolina University.~~One million dollars ($1,000,000) each to (i) North Carolina Agricultural & Technical State University, (ii) North Carolina Central University, (iii) University of North Carolina at Asheville, (iv) University of North Carolina at Greensboro, (v) University of North Carolina at Wilmington, and (vi) Western Carolina University.

c. ~~Elizabeth City State University.~~One million five hundred thousand dollars ($1,500,000) each to (i) Appalachian State University, (ii) East Carolina University, and (iii) University of North Carolina at Charlotte.

~~d. Fayetteville State University.~~

~~e. North Carolina Agricultural & Technical State University.~~

~~f. North Carolina Central University.~~

~~g. University of North Carolina at Asheville.~~

~~h. University of North Carolina at Charlotte.~~

~~i. University of North Carolina at Greensboro.~~

~~j. University of North Carolina at Pembroke.~~

~~k. University of North Carolina at Wilmington.~~

~~l. Western Carolina University.~~

~~m. Winston-Salem State University.~~

(4) One million dollars ($1,000,000) annually to the North Carolina Youth Outdoor Engagement Commission for grants, in the discretion of the Commission, as follows:

a. Grants not to exceed five thousand dollars ($5,000) per sporting team or group per county per year requesting grant assistance to travel to in-State or out-of-state sporting events.

b. Incentive grants not to exceed twenty-five thousand dollars ($25,000) to attract State, regional, area, and national sporting events, tournaments, and programs for nonprofessional sporting participants in programs administered by city, county, and local school administrative units, or appropriate nonprofit organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Code as determined by the North Carolina Youth Outdoor Engagement Commission.

(5) Of the remaining proceeds, as follows:

a. Twenty percent (20%) annually to be distributed equally among the institutions listed in this sub-subdivision to support collegiate athletic departments, not to supplant general funding to that institution. The institutions are listed as follows:

1. Appalachian State University.
2. East Carolina University.

3. Elizabeth City State University.
4. Fayetteville State University.
5. North Carolina Agricultural & Technical State University.
6. North Carolina Central University.
7. University of North Carolina at Asheville.
8. University of North Carolina at Charlotte.
9. University of North Carolina at Greensboro.
10. University of North Carolina at Pembroke.
11. University of North Carolina at Wilmington.
12. Western Carolina University.
13. Winston-Salem State University.

b. Thirty percent (30%) annually ~~to~~ split as follows: (i) ten percent (10%) each to the two public universities in this State with the largest athletic department budgets and (ii) the remaining ten percent (10%) to the North Carolina Major Events, Games, and Attractions Fund established under G.S. 143B-437.112. Amounts to each university included in this subdivision shall be used to support collegiate athletic departments.

c. ~~Fifty percent (50%)~~ Proceeds not otherwise credited under this section, annually to the General Fund."

SECTION 44.5.(b) This section becomes effective July 1, 2025, and applies to net proceeds credited on or after that date.

PART XLV. MISCELLANEOUS

STATE BUDGET ACT APPLIES

SECTION 45.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 45.2.(a) The Senate Committee on Appropriations/Base Budget Report on the Current Operations Appropriations Act of 2025 for Senate Bill 257 Proposed Committee Substitute, as amended, which was distributed in the Senate and used to explain this act, shall indicate action by the General Assembly on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 45.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2025-2027 biennial budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted a recommended base budget to the General Assembly in the Governor's Recommended Budget for the 2025-2027 fiscal biennium, dated March 2025, and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to the recommended base budget made by the General Assembly are set out in the Committee Report.

REPORT BY FISCAL RESEARCH DIVISION

SECTION 45.3. The Fiscal Research Division shall issue a report on budget actions taken by the 2025 Regular Session of the General Assembly. The report shall be in the form of a

revision of the Committee Report described in Section 45.2 of this act pursuant to G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's internet website for public access.

MOST TEXT APPLIES ONLY TO THE 2025-2027 FISCAL BIENNIUM

SECTION 45.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2025-2027 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2025-2027 fiscal biennium.

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 45.5. Except where expressly repealed or amended by this act, the provisions of any legislation enacted during the 2025 Regular Session of the General Assembly affecting the State budget shall remain in effect.

EFFECT OF HEADINGS

SECTION 45.6. The headings to the Parts, subparts, and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part or subpart.

SEVERABILITY CLAUSE

SECTION 45.7. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 45.8. Except as otherwise provided, this act becomes effective July 1, 2025.