

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

**SESSION LAW 2025-89
HOUSE BILL 125**

AN ACT TO IMPLEMENT VARIOUS BUDGETARY ADJUSTMENTS AND TO MAKE
OTHER CHANGES IN THE BUDGET OPERATIONS OF THE STATE.

The General Assembly of North Carolina enacts:

PART I. APPROPRIATIONS

BASE BUDGET AND OTHER APPROPRIATIONS

SECTION 1.1. State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated for each year of the 2025-2027 fiscal biennium to all budget codes listed in the Governor's Recommended Base Budget for the 2025-2027 fiscal biennium, as submitted pursuant to G.S. 143C-3-5, up to the amounts specified, and as adjusted by the General Assembly in this act or in another act of the General Assembly.

AGRICULTURAL DISASTER CROP LOSS PROGRAM TECHNICAL CORRECTION

SECTION 1.2. Section 2A.3(a)(1)a. of S.L. 2025-26 reads as rewritten:

- "a. Twenty-five million dollars (\$25,000,000) for the Agricultural Disaster Crop Loss Program (Program) established in Section 2D.1 of S.L. 2025-2. These funds shall only be used for verifiable losses of farm infrastructure, as that term is defined in Section ~~2D.1(g)~~ 2D.2(g) of S.L. 2025-2, in the affected area. These funds are not subject to the Commissioner of Agriculture's discretion under Section ~~2D.1(h)~~ 2D.2(h) of S.L. 2025-2. The reporting requirements of the Program apply to these funds. The Department of Agriculture may apply these funds to existing applicants who have applied for farm infrastructure losses in the affected area prior to the date this act becomes law and shall open a new application period for these funds."

DISASTER FUNDING

SECTION 1.3.(a) Statewide Agricultural Disaster Crop Loss Funding. – The State Controller shall transfer from the Stabilization and Inflation Reserve to the Department of Agriculture and Consumer Services (Department) the sum of one hundred forty-two million dollars (\$142,000,000) in nonrecurring funds for the 2025-2026 fiscal year 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. The funds transferred in this subsection are appropriated for the 2025-2026 fiscal year to the Department for the Program.

SECTION 1.3.(b) Funding Requirements. – Funds allocated to the Program under this section shall be subject to all requirements of Section 2D.2 of S.L. 2025-2, except for subsection (h) of that section. The Department of Agriculture and Consumer Services shall include these funds in the reporting requirements set forth in Section 2D.2(i) of S.L. 2025-2.

DISASTER FUNDING DIRECTIVES AND RESTRICTIONS



SECTION 1.4.(a) Receipt of Allocations. – A recipient of State funds under Section 1.3 of this Part shall use best efforts and take all reasonable steps to obtain alternative funds that cover the losses or needs for which the State funds are provided, including funds from insurance policies in effect and available federal aid. State funds paid under Section 1.3 of this Part are declared to be excess over funds received by a recipient from the settlement of a claim for loss or damage covered under the recipient's applicable insurance policy in effect or federal aid. Where a recipient is an institution of higher education or a non-State entity, the requirement regarding alternative funds and the calculation of alternative funds received under this subsection includes seeking private donations to help cover the losses or needs for which State funds are provided. An agency awarding State funds for disaster relief shall include a notice to the recipient of the requirements of this subsection.

SECTION 1.4.(b) Remittance of Funds. – If a recipient obtains alternative funds pursuant to subsection (a) of this section, the recipient shall remit the funds to the State agency from which the State funds were received. A recipient is not required to remit any amount in excess of the State funds provided to the recipient under Section 1.3 of this Part. The State agency shall transfer these funds to the Savings Reserve.

SECTION 1.4.(c) Contract Requirements. – Any contract or other instrument entered into by a recipient for receipt of funds under Section 1.3 of this Part shall include the requirements set forth in subsections (a) and (b) of this section.

SECTION 1.4.(d) Limitation on Powers of Governor. – The Governor may not use the funds described in Section 1.3 of this Part to make budget adjustments under G.S. 143C-6-4 or to make reallocations under G.S. 166A-19.40(c). Nothing in Section 1.3 or 1.4 of this Part shall be construed to prohibit the Governor from exercising the Governor's authority under these statutes with respect to funds other than those described in Section 1.3 of this Part.

SECTION 1.4.(e) Directive. – The Governor shall ensure that funds allocated in Section 1.3 of this Part are expended in a manner that does not adversely affect any person's or entity's eligibility for federal funds that are made available, or that are anticipated to be made available, as a result of natural disasters. The Governor shall also, to the extent practicable, avoid using State funds to cover costs that will be, or likely will be, covered by federal funds.

SECTION 1.4.(f) Continuation of Allocation Reporting Requirements. – OSBM shall add the appropriations and allocations provided for in Section 1.3 of this Part to the reporting requirements set forth in Section 4.1(g) of S.L. 2025-2.

SECTION 1.4.(g) Continuation of State Auditor Oversight. – The Office of the Governor of North Carolina shall continue the reporting requirements set forth in Section 4.2 of S.L. 2025-2 for funds described in Section 1.3 of this Part. The State Auditor shall include all funds appropriated and allocated under Section 1.3 of this Part in their report to the Joint Legislative Commission on Governmental Operations and include the expenditure of these funds in the public dashboard as set forth in Sections 4.2(c) and (d) of S.L. 2025-2.

PART II. TRANSFERS, REDUCTIONS, ADJUSTMENTS, AND OFFSETS

PART II-A. EDUCATION

EDUCATION LOTTERY FUND ALLOCATIONS AND ADJUSTMENTS TO APPROPRIATIONS FROM THE ESCHEAT FUND

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

	FY 2025-2026	FY 2026-2027
Noninstructional Support Personnel	\$385,914,455	\$385,914,455
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000

Needs-Based Public School Capital Fund	258,252,612	258,252,612
Public School Repair & Renovation	50,000,000	50,000,000
Scholarship Reserve Fund for Public Colleges and Universities	17,748,769	17,748,769
Children of Wartime Veterans Scholarship	11,070,964	11,070,964
School Transportation	182,193,702	186,033,702
TOTAL ALLOCATION	\$1,083,432,612	\$1,087,272,612

SECTION 2A.1.(b) The funds appropriated to the Longleaf Commitment Community College Grant Program (Budget Code 16012) from the Escheat Fund are reduced for each year of the 2025-2027 fiscal biennium by the sum of twelve million three hundred seventy-five thousand dollars (\$12,375,000) in recurring funds.

SECTION 2A.1.(c) The funds appropriated to the Children of Wartime Veterans Scholarship (Budget Code 16012) from the Escheat Fund are reduced for each year of the 2025-2027 fiscal biennium by the sum of eleven million seventy thousand nine hundred sixty-four dollars (\$11,070,964) in recurring funds.

SECTION 2A.1.(d) There is appropriated from the Escheat Fund to the Need-Based Scholarship for Public Colleges and Universities program (UNC Budget Code 16012) the sum of ninety-eight million four hundred eighteen thousand five hundred twelve dollars (\$98,418,512) in recurring funds for each year of the 2025-2027 fiscal biennium.

SECTION 2A.1.(e) The funds appropriated to the Need-Based Scholarship for Public Colleges and Universities program (UNC Budget Code 16012) are reduced by seventy-four million nine hundred seventy-two thousand five hundred forty-eight dollars (\$74,972,548) in recurring funds for each year of the 2025-2027 fiscal biennium.

SECTION 2A.1.(f) The funds appropriated to the Department of Public Instruction for the State Public School Fund (Budget Code 13510, Budget Fund 101180) for school transportation are reduced by the sum of one hundred sixty million eight hundred seven thousand six hundred twelve dollars (\$160,807,612) in recurring funds for the 2025-2026 fiscal year and reduced by the sum of one hundred sixty-four million six hundred forty-seven thousand six hundred twelve dollars (\$164,647,612) in recurring funds for the 2026-2027 fiscal year.

INDIAN GAMING EDUCATION REVENUE FUND

SECTION 2A.2.(a) 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
Textbooks and Digital Resources	\$10,000,000	\$10,000,000
Classroom Materials Allotment	15,500,000	3,500,000
Total Appropriation	\$25,500,000	\$13,500,000

SECTION 2A.2.(b) The funds appropriated to the Department of Public Instruction for the Classroom Materials/Instructional Supplies/Equipment allotment are reduced by the sum of two million five hundred thousand dollars (\$2,500,000) in recurring funds for each year of the 2025-2027 fiscal biennium and twelve million dollars (\$12,000,000) in nonrecurring funds for the 2025-2026 fiscal year.

CIVIL PENALTY AND FORFEITURE FUND

SECTION 2A.3.(a) 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

SECTION 2A.3.(b) The funds appropriated to the Department of Public Instruction for the State Public School Fund are reduced by the sum of twenty million dollars (\$20,000,000) in nonrecurring funds for the 2025-2026 fiscal year.

COMMUNITY COLLEGES NURSING FACULTY SALARY ADJUSTMENT REDUCTION

SECTION 2A.4. The funds appropriated to the Community Colleges System Office for Nursing Faculty Salary Adjustments (Budget Code 16800, Budget Fund 105414) are reduced for each year of the 2025-2027 fiscal biennium by the sum of one million one hundred twenty-three thousand six hundred fifty-nine dollars (\$1,123,659) in recurring funds. These reductions align the appropriated amount with the actual amount expended for salary adjustments for nursing faculty pursuant to Section 39.23 of S.L. 2023-134.

COMMUNITY COLLEGE ENROLLMENT GROWTH ADJUSTMENT

SECTION 2A.5. There is appropriated from the General Fund to the Community Colleges System Office for each year of the 2025-2027 fiscal biennium the recurring sums of (i) ninety-four million nine hundred thirty-five thousand two hundred sixty-seven dollars (\$94,935,267) in total requirements and (ii) nineteen million nine hundred thirty-six thousand six hundred sixty-four dollars (\$19,936,664) in receipts. Appropriations pursuant to this section result in a total net appropriation of seventy-four million nine hundred ninety-eight thousand six hundred three dollars (\$74,998,603) in recurring funds and shall be used to account for an increase in enrollment at community colleges in the State.

WILSON COMMUNITY COLLEGE BIOLOGICS

SECTION 2A.5A. There is appropriated from the General Fund to the Community Colleges System Office the sum of ten million dollars (\$10,000,000) in nonrecurring funds for the 2025-2026 fiscal year to provide funds to Wilson Community College to support the operation of the biologics training center.

RECEIPT ADJUSTMENTS AND GENERAL FUND REDUCTIONS FOR THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 2A.6.(a) Receipts for the Department of Public Instruction to the State Public School Fund are increased for the 2025-2026 fiscal year by the sum of forty-one million three hundred fifty-eight thousand sixteen dollars (\$41,358,016) and for the 2026-2027 fiscal year by the sum of five million fourteen thousand two hundred fourteen dollars (\$5,014,214). The net General Fund appropriation to the Department of Public Instruction for each year of the 2025-2027 fiscal biennium for the State Public School Fund is reduced by an amount equal to these increases in receipts. The increases in receipts are as follows:

- (1) State Public School Fund (Budget Code 13510, Budget Fund 101180). – For the 2025-2026 fiscal year, one million three hundred fifty-eight thousand sixteen dollars (\$1,358,016) in recurring funds. For the 2026-2027 fiscal year, five million fourteen thousand two hundred fourteen dollars (\$5,014,214) in recurring funds. These funds reflect the transfer of sales and use tax proceeds from the Department of Revenue to the State Public School Fund, as established in S.L. 2005-276.
- (2) State Public School Fund (Budget Code 13510, Budget Fund 101180). – For the 2025-26 fiscal year, forty million dollars (\$40,000,000) in nonrecurring

funds to reflect a transfer of funds from the State Textbook Fund (Budget Code 73510, Budget Fund 700100).

SECTION 2A.6.(b) The funds appropriated to the Department of Public Instruction are reduced for the 2025-2026 fiscal year by the sum of nine million one hundred twenty-two thousand one hundred eighty-four dollars (\$9,122,184) and for the 2026-2027 fiscal year by the sum of nine million one hundred twenty-two thousand one hundred eighty-four dollars (\$9,122,184), as follows:

- (1) Reduced-Price Meal Copays (Budget Code 13510, Budget Fund 101180). – For each year of the 2025-2027 fiscal biennium, three million dollars (\$3,000,000) in recurring funds to offset copays for reduced-price school meals to match actual expenditures.
- (2) Small Specialty High Schools (Budget Code 13510, Budget Fund 101180). – For each year of the 2025-2027 fiscal biennium, one million eight hundred seventeen thousand nine hundred sixty-eight dollars (\$1,817,968) in recurring funds to eliminate funds for small specialty high schools, an initiative that previously supported a school-within-a-school model.
- (3) Learn and Earn (Budget Code 13510, Budget Fund 101180). – For each year of the 2025-2027 fiscal biennium, one million dollars (\$1,000,000) in recurring funds to eliminate funds for virtual cooperative innovative high schools, which existed under a previous version of the State's dual enrollment program but are now part of the Career and College Promise program.
- (4) Plasma Games (Budget Code 13510, Budget Fund 101060). – For each year of the 2025-2027 fiscal biennium, one million eight hundred thousand dollars (\$1,800,000) in recurring funds to eliminate funds for the Department's contract with Plasma Games, Inc., which provides science, technology, engineering, and math (STEM) focused educational software in STEM and career and technical education classes.
- (5) Beginnings (Budget Code 13510, Budget Fund 101191). – For each year of the 2025-2027 fiscal biennium, one million five hundred four thousand two hundred sixteen dollars (\$1,504,216) in recurring funds to eliminate funding for Beginnings for Parents of Children Who are Deaf or Hard of Hearing, Inc., a nonprofit that provides outreach and support for parents and families of children who are deaf or hard of hearing.

PUBLIC SCHOOLS ENROLLMENT AND TECHNICAL ADJUSTMENTS

SECTION 2A.7. There is appropriated from the General Fund to the Department of Public Instruction the sum of one hundred four million two hundred forty-eight thousand six hundred twenty-four dollars (\$104,248,624) in recurring funds in each year of the 2025-2027 fiscal biennium for changes in average salaries, special population headcounts, supplemental funding in low-wealth counties, and other technical adjustments.

MAINTAIN COVERAGE OF COPAYS FOR REDUCED-PRICE SCHOOL MEALS

SECTION 2A.8.(a) G.S. 115C-264 is amended by adding a new subsection to read:

"(a1) Local boards of education operating school nutrition programs shall provide school meals at no cost to students who 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 cost to students who 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. For the purposes of this section, "school meal" includes school lunch and, if the local board of education participates in the School Breakfast Program, school breakfast."

SECTION 2A.8.(b) Section 7.58 of S.L. 2023-134 is repealed.

REPEAL PLASMA GAMES PROGRAM

SECTION 2A.9. Section 7.69 of S.L. 2023-134, as amended by Section 2.8F of S.L. 2024-1, is repealed.

REPEAL BEGINNINGS REPORT

SECTION 2A.10. Subsection (b) of Section 7.28 of S.L. 2023-134 is repealed.

UNIFORM EDUCATION REPORTING SYSTEM

SECTION 2A.10A. There is appropriated from the General Fund to the Department of Public Instruction the sum of nine million four hundred thousand dollars (\$9,400,000) in recurring funds for each year of the 2025-2027 fiscal biennium to increase funding for the Uniform Education Reporting System, which supports multiple software platforms, for costs associated with transitioning to a new student information system.

YANCEY COUNTY SCHOOLS BUDGET ADJUSTMENT

SECTION 2A.10B.(a) Section 2A.3(c)(1) of S.L. 2025-26 reads as rewritten:

"(1) Twenty-five million dollars (\$25,000,000) to ~~disburse to Yancey County for total rebuilds of destroyed public school infrastructure and buildings damaged by Hurricane Helene. To qualify for these funds, public school units must have sought insurance coverage and have infrastructure damaged that is not reimbursable under federal aid prior to application, if applicable. The county shall ensure that funds do not duplicate funds received from insurance for the same purposes.~~ allocate to Yancey County Schools for constructing new or upgrading existing school facilities."

SECTION 2A.10B.(b) This section is effective retroactively to June 27, 2025.

GENERAL FUND REDUCTIONS FOR THE UNIVERSITY OF NORTH CAROLINA

SECTION 2A.11. The funds appropriated to the Board of Governors of The University of North Carolina are reduced for the 2025-2026 fiscal year by the sum of three million six hundred twenty-five thousand dollars (\$3,625,000) and for the 2026-2027 fiscal year by the sum of three million six hundred twenty-five thousand dollars (\$3,625,000), as follows:

- (1) Longleaf Commitment Community College Grant Program (Budget Code 16012). – For each year of the 2025-2027 fiscal biennium, one hundred twenty-five thousand dollars (\$125,000) in recurring funds to eliminate the Longleaf Commitment Community College Grant Program, which provided a two-year need-based grant to community college students who graduated high school during the 2022-2023 school year. There are no students eligible for the program in the 2025-2027 fiscal biennium.
- (2) Graduate Tuition Waiver (Budget Code 16011). – For each year of the 2025-2027 fiscal biennium, three million five hundred thousand dollars (\$3,500,000) in recurring funds for nonresident graduate tuition waivers.

FUNDS FOR NC PROMISE TUITION PLAN

SECTION 2A.12. There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of nine million five hundred thousand dollars (\$9,500,000) in recurring funds for each year of the 2025-2027 fiscal biennium to account for increased enrollment of undergraduate resident and nonresident students receiving reduced tuition rates under the NC Promise Tuition Plan pursuant to G.S. 116-143.11 at Elizabeth City

State University, Fayetteville State University, the University of North Carolina at Pembroke, and Western Carolina University.

UNC BUILDING RESERVES

SECTION 2A.13. There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the following amounts to support the operation and maintenance of completed capital projects at North Carolina State University, the University of North Carolina at Chapel Hill, and the North Carolina School of Science and Mathematics:

- (1) For each year of the 2025-2027 fiscal biennium, the sum of two million eight hundred sixty-seven thousand two hundred twenty-two dollars (\$2,867,222) in recurring funds.
- (2) For the 2025-2026 fiscal year, the sum of five hundred sixteen thousand six hundred sixty-four dollars (\$516,664) in nonrecurring funds.

PART II-B. HEALTH AND HUMAN SERVICES

NC LOAN REPAYMENT PROGRAM (NC LRP) REDUCTION

SECTION 2B.1. The funds appropriated for the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Central Management and Support, for the North Carolina Loan Repayment Program are reduced by the sum of two million dollars (\$2,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium.

FUNDING OFFSET FOR CHILD CARE SUBSIDY

SECTION 2B.2. The funds appropriated for each year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Child Development and Early Education, for the Child Care Subsidy program shall be reduced by the sum of eight million dollars (\$8,000,000) in recurring General Fund appropriations, which shall be offset with receipts from the federal Temporary Assistance for Needy Families (TANF) block grant for each year of the 2025-2027 fiscal biennium currently budgeted for Work First Family Assistance.

REPEAL THE MENTAL HEALTH AND SUBSTANCE USE TASK FORCE RESERVE FUND

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

SECTION 2B.3.(b) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS), shall transfer the Mental Health and Substance Use Task Force Reserve Fund's entire unrestricted fund balance, less any obligations for services provided in the 2024-2025 fiscal year, to the DMH/DD/SUS General Fund (Budget Code 14460) for single-stream funding. The funds appropriated for the 2025-2026 fiscal year to DMH/DD/SUS for single-stream funding shall be reduced by an equivalent amount not less than forty-one million eight hundred sixteen thousand three hundred fifty-one dollars (\$41,816,351) in nonrecurring funds. Any funds remaining in the Mental Health and Substance Use Task Force Reserve Fund for obligations for services provided in the 2024-2025 fiscal year shall be transferred to the DMH/DD/SUS General Fund (Budget Code 14460) and shall not revert.

SECTION 2B.3.(c) The funds appropriated for each year of the 2025-2027 fiscal biennium to DMH/DD/SUS for the Mental Health and Substance Use Task Force Reserve Fund shall be reduced by ten million dollars (\$10,000,000) in recurring funds.

SECTION 2B.3.(d) Departmental receipts appropriated from the Mental Health and Substance Use Task Force Reserve Fund to DMH/DD/SUS to provide funding for the non-federal share of the Projects for Assistance in Transitions from Homelessness (PATH) grant

are reduced by the sum of four hundred sixty thousand dollars (\$460,000) in recurring funds for each year of the 2025-2027 fiscal biennium.

SECTION 2B.3.(e) There is appropriated from the General Fund to DMH/DD/SUS the sum of four hundred sixty thousand dollars (\$460,000) in recurring funds for each year of the 2025-2027 fiscal biennium. These funds shall be used to offset the reduction in departmental receipts for funding the non-federal share of the PATH grant authorized in subsection (d) of this section.

SECTION 2B.3.(f) Departmental receipts appropriated from the Mental Health and Substance Use Task Force Reserve Fund to the Department of Health and Human Services, Division of Child and Family Well-Being, for Child Case Management are reduced by the sum of four million eight hundred seventy-five thousand dollars (\$4,875,000) in recurring funds for each year of the 2025-2027 fiscal biennium.

SECTION 2B.3.(g) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Child and Family Well-Being, the sum of three million four hundred forty-seven thousand two hundred five dollars (\$3,447,205) in recurring funds for each year of the 2025-2027 fiscal biennium. These funds shall be used to partially offset the reduction in departmental receipts for Child Case Management authorized by subsection (f) of this section.

THREE-WAY BED CONTRACTS FUNDING REDUCTION

SECTION 2B.4. The funds appropriated for each year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, for inpatient psychiatric treatment at local community hospitals (three-way bed contracts) shall be reduced by fifteen million six hundred seventy-five thousand two hundred five dollars (\$15,675,205) in recurring funds. This amount is equivalent to the savings attributable to NC Health Works.

SINGLE-STREAM FUNDING REDUCTION

SECTION 2B.5.(a) The funds appropriated for each year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS), for single-stream funding shall be reduced by eighteen million five hundred sixty-two thousand six hundred forty-five dollars (\$18,562,645) in recurring funds.

SECTION 2B.5.(b) 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.

STATE-COUNTY SPECIAL ASSISTANCE BUDGET SURPLUS REDUCTIONS

SECTION 2B.6.(a) Surplus Reduction of General Fund Appropriations. – The funds appropriated from the General Fund for the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Social Services, for the State-County Special Assistance Program authorized by Part 3 of Article 2 of Chapter 108A of the General Statutes (SA Program) are reduced by the sum of eight million six hundred forty-seven thousand two dollars (\$8,647,002) in nonrecurring funds for the 2025-2026 fiscal year and by the sum of two million

two hundred fifty thousand dollars (\$2,250,000) in nonrecurring funds for the 2026-2027 fiscal year.

SECTION 2B.6.(b) Surplus Reduction of Nonrecurring Departmental Receipts. – Departmental receipts budgeted by the Department of Health and Human Services, Division of Social Services, for the SA Program are reduced by the sum of seven hundred fifty thousand dollars (\$750,000) in nonrecurring funds for the 2025-2026 fiscal year and by the sum of two million two hundred fifty thousand dollars (\$2,250,000) in nonrecurring funds for the 2026-2027 fiscal year.

TALC SETTLEMENT OFFSET

SECTION 2B.7.(a) As used in this section, "Talc Settlement funds" means funds received by the State as a beneficiary of the final consent judgment resolving the case, State of North Carolina, ex rel. Joshua H. Stein, Attorney General, Plaintiff v. Johnson & Johnson, Defendant, in the General Court of Justice, Superior Court Division, Wake County, and any other funds received by the State as a result of a settlement, as defined in G.S. 114-2.4A, relating to claims regarding deceptive marketing about the safety and purity of products containing talcum powder.

SECTION 2B.7.(b) There is transferred from the Talc Settlement funds available within the North Carolina Department of Justice (Budget Code 23600/Budget Fund 202295) to the Department of Health and Human Services, Division of Public Health, the sum of seven million nine hundred five dollars (\$7,000,905) in nonrecurring funds for the 2025-2026 fiscal year and the sum of thirteen million four hundred seventy-five thousand three hundred ninety-four dollars (\$13,475,394) in nonrecurring funds for the 2026-2027 fiscal year. Funds transferred pursuant to this subsection are appropriated for the fiscal year in which they are transferred.

SECTION 2B.7.(c) The funds appropriated for the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Public Health, are reduced by the sum of seven million nine hundred five dollars (\$7,000,905) in nonrecurring funds for the 2025-2026 fiscal year and by the sum of thirteen million four hundred seventy-five thousand three hundred ninety-four dollars (\$13,475,394) in nonrecurring funds for the 2026-2027 fiscal year. The Department of Health and Human Services, Division of Public Health, shall offset the reductions authorized by this subsection with the Talc Settlement funds transferred and appropriated to the Department of Health and Human Services, Division of Public Health, by subsection (b) of this section.

RECOVERY OF OVERAPPROPRIATION TO THE HEALTH ADVANCEMENT RECEIPTS SPECIAL FUND

SECTION 2B.8.(a) The Department of Health and Human Services, Division of Health Benefits (DHB), shall transfer the sum of nineteen million three hundred two thousand dollars (\$19,302,000) in nonrecurring funds for the 2025-2026 fiscal year from the Health Advancement Receipts Special Fund (Budget Code 24448) to the DHB General Fund (Budget Code 14445).

SECTION 2B.8.(b) The funds appropriated for the 2025-2026 fiscal year to the Department of Health and Human Services, Division of Health Benefits (DHB), to support the Medicaid program shall be reduced by nineteen million three hundred two thousand dollars (\$19,302,000) in nonrecurring funds.

COUNTY ADMINISTRATION REIMBURSEMENT SYSTEM REPLACEMENT TEMPORARY REDUCTION

SECTION 2B.9. The funds appropriated for the 2025-2026 fiscal year to the Department of Health and Human Services, Division of Social Services, for the operations and

maintenance of a new County Administration Reimbursement System (CARS), which was anticipated to have been implemented in the 2024-2025 fiscal year but has not yet occurred, shall be reduced by the sum of one million five hundred seventy-eight thousand nine hundred five dollars (\$1,578,905) in nonrecurring funds for the 2025-2026 fiscal year.

MEDICAID REBASE AND MANAGED CARE ADMINISTRATION

SECTION 2B.10. There is appropriated from the General Fund to the Department of Health and Human Services, Division of Health Benefits, the sum of six hundred million dollars (\$600,000,000) in recurring funds and associated receipts for each year of the 2025-2027 fiscal biennium. These funds shall be used to adjust Medicaid funding to account for projected changes in enrollment, enrollment mix, service and capitation costs, and federal match rates, as well as the implementation of the Children and Families Specialty Plan in December 2025 or for contracts needed to operate the State's Medicaid managed care program.

CHARITY CARE EXEMPTION FOR CERTAIN QUALIFIED URBAN AMBULATORY SURGICAL FACILITIES

SECTION 2B.11.(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 2B.11.(b) This section becomes effective November 21, 2025.

GROSS PREMIUM TAX OFFSET CHANGES

SECTION 2B.12.(a) Article 8B of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-228.5C. 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, and adjusted as provided in this section. If the gross premiums offset amount under G.S. 108A-147.12 for the applicable quarter is negative, the amount to be transferred under this section for the applicable quarter shall be zero, and the negative amount of gross premiums tax offset for the applicable quarter shall be applied to the amount to be transferred under this section in future quarters until the negative amount has been fully reconciled. 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 any adjustments to that amount required by this section and shall certify the amount for the Secretary of Revenue that is required to transfer each quarter using data in the North Carolina Financial System."

SECTION 2B.12.(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. 105-228.5C.
- (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 2B.12.(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.~~ amount transferred by the Department of Revenue to the State Treasurer for the Health Advancement Receipts Special Fund under G.S. 105-228.5C.

(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 2B.12.(d) Section 1.6(d) of S.L. 2023-7 expires on June 30, 2025.

SECTION 2B.12.(e) As a result of the changes in this section, the appropriation to the Department of Health and Human Services, Division of Health Benefits, in this act is reduced by the sum of twenty-two million two hundred sixty-one thousand dollars (\$22,261,000) in recurring funds for each year of the 2025-2027 fiscal biennium.

SECTION 2B.12.(f) Subsection (b) of this section is effective on the first day of the next assessment quarter after this act becomes law and applies to assessments imposed on or after that date.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 2B.13.(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 2B.13.(b) For the 2025-2026 fiscal year, the Department of Health and Human Services shall deposit from its revenue one hundred seventy-one million four hundred thousand dollars (\$171,400,000) 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.

PART II-C. AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES

SUNDAY OPENING STATE HISTORIC SITE PILOT PROGRAM

SECTION 2C.1.(a) Program Established. – Funds appropriated in this section 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) Charlotte Hawkins Brown Museum.
- (4) Fort Fisher.
- (5) Governor Charles B. Aycock Birthplace.
- (6) Historic Bath.
- (7) Historic Edenton.
- (8) Historic Halifax.
- (9) North Carolina State Capitol.
- (10) Reed Gold Mine.
- (11) Roanoke Island Festival Park.
- (12) Somerset Place.
- (13) Thomas Day State Historic Site.

SECTION 2C.1.(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 2C.1.(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.

SECTION 2C.1.(d) Appropriation. – There is appropriated from the General Fund to the Department of Natural and Cultural Resources the nonrecurring sum of one hundred fourteen thousand dollars (\$114,000) in each year of the 2025-2027 fiscal biennium to implement and fund the Sunday Opening State Historic Site Pilot Program in accordance with this section.

ECONOMIC DEVELOPMENT PROJECT FUNDS

SECTION 2C.2.(a) Provided the Economic Investment Committee (EIC) awards a Job Development Investment Grant for a qualifying transformative project for an airplane manufacturer in Guilford County, there is appropriated from the Stabilization and Inflation Reserve established in Section 2.2(q) of S.L. 2022-74 to the Department of Commerce (Department) the sum of one hundred eighteen million one hundred thousand dollars (\$118,100,000) in nonrecurring funds for the 2025-2026 fiscal year to be allocated for acquisitions and improvements at the project site as provided in this section. For a term of years the Department, in its discretion, deems appropriate, a recipient to whom funds are allocated under this section that uses the funds, in whole or in part, to acquire or improve land (other than water and sewer improvements) may not (i) sell or otherwise encumber the land or improvement (other than utility and access easements and road rights-of-way) or (ii), absent the consent of the EIC, lease the land or improvement; any such lease must require the land or improvement to be used by the business for the purposes set out in the agreement.

For purposes of this section, the definitions of G.S. 143B-437.51 apply and a "qualifying transformative project" is a transformative project for which the Department enters into a binding contract with the business that requires, over a period of time not to exceed the base period, that the business invests at least four billion five hundred million dollars (\$4,500,000,000) in private funds and creates at least 14,000 eligible positions with an average annual wage of at least eighty-nine thousand three hundred forty dollars (\$89,340). The contract constitutes a continuing obligation of the State and the business benefitted by the funds allocated for improving the project site. The contract must (i) include all of the performance criteria, remedies, and other safeguards required by the Department to secure the State's benefit derived from improvements to the airport funded by this section and (ii) require the business to repay an appropriate, proportionate amount of costs incurred by the State, or reimbursement paid to the business, for improvement of the airport for any failure by the business to meet and maintain the applicable performance criteria on which the cost incurred or reimbursement paid was based. Provided the requirements of the contract continue to be met, it is the intent of the General Assembly to appropriate the sum of one hundred thirty-three million nine hundred thousand dollars (\$133,900,000) in nonrecurring funds for the 2026-2027 fiscal year and additional funds in future acts in the aggregate amount of one hundred ninety-eight million dollars (\$198,000,000) over the following four succeeding fiscal years to support the qualifying transformative project. With respect to funds allocated to the Piedmont Triad Airport Authority (Authority), the Authority may contract for the design and construction using any delivery method it deems appropriate, and the Department shall pay the costs of the design and construction to the Authority or shall reimburse the Authority for the costs of the design and construction from the funds allocated under this subsection. If it deems it appropriate, the Authority may authorize, in writing, the business who operates the improvements to contract for the design and construction of the improvements, and the Department or the Authority, if delegated by the Department, shall pay the costs of the design and construction to the business or shall reimburse the business for the costs of the design and construction from the funds allocated under this subsection. For purposes of this subsection, neither the Authority nor the business shall be subject to the provisions of Article 3D of Chapter 143 of the General Statutes or Article 8 of Chapter 143 of the General Statutes.

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

- (1) Fifteen million dollars (\$15,000,000) to the Piedmont Triad Airport Authority (Authority) for the acquisition of up to 150 acres of land (i) needed at Piedmont Triad International Airport (Airport) (ii) to be owned by the Authority for the project. If funds allocated pursuant to this subdivision exceed the amount necessary for the purpose of this subdivision, the

Department may reallocate the surplus for purposes authorized in subdivision (2) of this subsection.

- (2) Forty-five million dollars (\$45,000,000) to the Authority for site analysis, engineering, grading, site preparation, site work, and access road and taxiway construction not otherwise provided for in this section that is needed at the Airport for the project. If funds allocated pursuant to this subdivision exceed the amount necessary for the purposes of this subdivision, the Department may reallocate the surplus for the purpose authorized in subdivision (1) of this subsection.
- (3) Seven million nine hundred thousand dollars (\$7,900,000) to the Department of Transportation for roadwork needed at the airport for the project. Notwithstanding any other provision of law, the Department of Transportation is authorized to utilize Progressive Design Build, Construction Management General Contractor, or any other procurement methodology to contract for the delivery of improvements for which funds are provided in this subdivision.
- (4) Five million dollars (\$5,000,000) to the City of Greensboro for water and sewer infrastructure improvements needed to support the project.
- (5) Ten million two hundred thousand dollars (\$10,200,000) to the Authority for the following:
 - a. Renovation costs of, and capital improvements to, an existing airport hub to (i) render it suitable for the project and (ii) be owned by the Authority.
 - b. Offsets for costs required by the Federal Aviation Administration.
- (6) Thirty-five million dollars (\$35,000,000) to the Authority for the following costs related to construction of a facility for manufacturing, research, and development to be owned by the Authority for the project: (i) costs for general conditions, construction administration, construction of the substructure and shell of the facility, building services, and mechanical systems, (ii) contractor fees, and (iii) fees for permitting, inspections, and related administrative costs.

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

PART II-D. JUSTICE AND PUBLIC SAFETY

ADDRESS PAC FUND SHORTFALL

SECTION 2D.1. There is appropriated from the General Fund to the Administrative Office of the Courts, Office of Indigent Defense Services, the sum of ten million dollars (\$10,000,000) in nonrecurring funds for the 2025-2026 fiscal year to be deposited into the Private Assigned Counsel (PAC) Fund and used for the purposes of that Fund.

SUPPORT NORTH CAROLINA NATIONAL GUARD READINESS CENTERS

SECTION 2D.2.(a) There is appropriated from the General Fund to the Department of Public Safety, North Carolina National Guard, the sum of four hundred twenty-one thousand five hundred forty-four dollars (\$421,544) in recurring funds beginning in the 2025-2026 fiscal year and five million two hundred sixty-six thousand dollars (\$5,266,000) in nonrecurring funds in the 2025-2026 fiscal year to be used to support the opening of the McLeansville Readiness Center, scheduled to open in January 2026.

SECTION 2D.2.(b) There is appropriated from the General Fund to the Department of Public Safety, North Carolina National Guard, the sum of four hundred thousand dollars (\$400,000) in nonrecurring funds in the 2025-2026 fiscal year to be used for furniture, fixtures, equipment, and other needs to support the opening of the North Wilkesboro Readiness Center.

PART II-E. GENERAL GOVERNMENT

DIVISION OF ACCOUNTABILITY, VALUE, AND EFFICIENCY

SECTION 2E.2.(a) This section shall be known as "The Division of Accountability, Value, and Efficiency (DAVE) Act."

SECTION 2E.2.(b) The State Auditor shall establish the 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 2E.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 2E.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 2E.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 2E.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, may reassess this information on an annual basis in accordance with this section, and may report the results of the assessment to the General Assembly.

SECTION 2E.2.(g) Subsections (a) through (g) of this section are effective when they become law and expire December 31, 2028, at which time the Division shall terminate.

SECTION 2E.2.(h) There is appropriated from the General Fund to the Office of the State Auditor the sum of six million dollars (\$6,000,000) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium to provide funds for up to 45 positions, including salaries and benefits, within the Division.

SBE EXEMPT POSITIONS/FUNDS

SECTION 2E.3.(a) There is appropriated from the General Fund to the State Board of Elections the sum of one million one hundred ninety-three thousand nine hundred seventy-nine dollars (\$1,193,979) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium to provide funds for the following seven new exempt positions, including salaries, benefits, and operating costs:

- (1) Administrative Officer III.
- (2) Agency General Counsel II.
- (3) Agency HR Director II.
- (4) Assistant General Counsel II.
- (5) Internal Auditor.
- (6) Legislative Affairs Manager.
- (7) Public Information Manager.

SECTION 2E.3.(b) G.S. 126-5 reads as rewritten:

"§ 126-5. Employees subject to Chapter; exemptions.

...

(c14) Notwithstanding any provision of this Chapter to the contrary, each Council of State ~~agency and agency,~~ the Office of the State ~~Controller-Controller,~~ and the Executive Director of the State Board of Elections 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%), established by the State Human Resources Commission under G.S. 126-4(2).

...

(d)(1) Exempt Positions in Cabinet Department. – Subject to this Chapter, which is known as the North Carolina Human Resources Act, the Governor may designate a total of 425 exempt positions throughout the following departments and offices:

...

- (2) Exempt Positions in Council of State Departments and ~~Offices and Offices,~~ the Office of the State ~~Controller-Controller,~~ and the State Board of Elections. – The Secretary of State, the Auditor, the Treasurer, the Attorney General, the Superintendent of Public Instruction, the Commissioner of Agriculture, the Commissioner of Insurance, the Labor Commissioner, ~~and the State Controller-Controller,~~ and the Executive Director of the State Board of Elections may designate exempt positions. The number of exempt policymaking positions in each department headed by an elected department head listed in this subdivision is limited to 25 exempt policymaking positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt managerial positions is limited to 25 positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt policymaking positions designated by the Superintendent of Public Instruction

is limited to 70 exempt policymaking positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt managerial positions designated by the Superintendent of Public Instruction is limited to 70 exempt managerial positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The total number of exempt positions, policymaking and managerial, designated by the Office of the State Controller is limited to 10. The total number of exempt positions designated by the Executive Director of the State Board of Elections is limited to the following seven positions: Agency Human Relations Director II, Agency General Counsel II, Assistant General Counsel II, Public Information Manager, Legislative Affairs Manager, Internal Auditor, and Administrative Officer III.

...

- (4) Vacancies. – In the event of a vacancy in the Office of Governor, the office of a member of the Council of State, ~~or the Office of the State Controller,~~ Controller, or the Executive Director of the State Board of Elections, the person who succeeds to or is appointed or elected to fill the unexpired term shall make designations in a letter to the Director of the Office of State Human Resources, the Speaker of the House of Representatives, and the President of the Senate within 180 days after the oath of office is administered to that person.

...."

SBE LITIGATION FUNDS

SECTION 2E.4. There is appropriated from the General Fund to the State Board of Elections the sum of one million five hundred thousand dollars (\$1,500,000) in nonrecurring funds for the 2025-2026 fiscal year for future litigation needs. These funds shall not revert on June 30, 2026, but shall remain available until expended.

SBE SOFTWARE MODERNIZATION AND DIT PROCUREMENT EXEMPTION

SECTION 2E.5.(a) There is appropriated from the Information Technology Reserve in the General Fund, as established in Section 2.2(h) of S.L. 2021-180, to the State Board of Elections the sum of fifteen million dollars (\$15,000,000) in nonrecurring funds for the 2025-2026 fiscal year to be used to complete the State Election Information Management System (SEIMS) upgrade and the campaign finance software upgrade.

SECTION 2E.5.(b) The State Board of Elections shall develop and issue a request for proposal for the Statewide Elections Information Management System Modernization Project Plan.

PART II-F. TRANSPORTATION

DMV DRIVER LICENSE EXAMINER POSITIONS

SECTION 2F.1.(a) There is appropriated from the Highway Fund to the Department of Transportation (i) the sum of one million two hundred two thousand four hundred eight dollars (\$1,202,408) in recurring funds to create 40 additional full-time equivalent (FTE) Driver License Examiner I and II positions in the 2025-2026 fiscal year and (ii) the sum of two million nine hundred ninety thousand three hundred sixty-seven dollars (\$2,990,367) in recurring funds to create 21 additional FTE Driver License Examiner I and II positions in the 2026-2027 fiscal year.

SECTION 2F.1.(b) In addition to the funds appropriated in this section, the Department may use existing funds in Personal Services and Purchased Services to fund the positions authorized by this section. Notwithstanding any other provision of law to the contrary,

the Department may reclassify temporary or vacant positions to create the new positions authorized by this section. Any reclassification pursuant to this section shall be in accordance with the classification system established by the State Human Resources Commission.

NEW DMV OFFICE LOCATIONS

SECTION 2F.2.(a) There is appropriated from the Highway Fund to the Department of Transportation (i) the sum of one million eight hundred thirty-six thousand two hundred twenty-three dollars (\$1,836,223) in recurring funds in the 2025-2026 fiscal year, (ii) the sum of eleven million four hundred seventy-one thousand nine hundred sixty-six dollars (\$11,471,966) in nonrecurring funds in the 2025-2026 fiscal year, and (iii) the sum of two million seven hundred fifty-four thousand three hundred thirty-four dollars (\$2,754,334) in recurring funds in the 2026-2027 fiscal year to be used as follows:

- (1) To establish new Division of Motor Vehicle (DMV) Offices in: (i) Brunswick County, (ii) Cabarrus County, (iii) the Town of Fuquay-Varina in Wake County, and (iv) the Town of Garland in Sampson County.
- (2) To create 24 full-time equivalent (FTE) positions in the 2025-2026 fiscal year and 12 additional FTE positions in the 2026-2027 fiscal year within the new offices established pursuant to subdivision (1) of this subsection.

SECTION 2F.2.(b) No later than October 1, 2025, the DMV is directed to execute contracts that provide for the operation of the new DMV offices established pursuant to subsection (a) of this section. No later than December 1, 2025, the DMV shall report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the terms of the contracts required by this subsection, including the staffing, capital, and operational needs of the new offices.

PART II-G. MISCELLANEOUS REDUCTIONS AND ADJUSTMENTS

VACANT POSITION FLEXIBILITY

SECTION 2G.1.(a) Reduction. – By October 1 of each year of the 2025-2027 fiscal biennium, State agencies shall eliminate positions that remain vacant at the end of the 2024-2025 fiscal year to achieve the following General Fund budgeted reductions in each of those years:

	FY 2025-2026	FY 2026-2027
Department of Public Instruction	(\$1,848,573)	(\$1,848,573)
Department of Environmental Quality	(2,263,924)	(2,933,529)
Department of Information Technology	(1,395,442)	(1,395,442)

SECTION 2G.1.(b) Report. – 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.

PART III. SALARY AND BENEFITS

APPROPRIATIONS TO SUPPORT EMPLOYEE BENEFITS

SECTION 3.1.(a) There is appropriated from the General Fund the sum of one hundred ninety-seven million five hundred sixty-three thousand one hundred thirty-three dollars (\$197,563,133) in recurring funds for the 2025-2026 fiscal year for the costs associated with employee benefits under this Part to be allocated as follows:

Entity	2025-2026
---------------	------------------

Community College System Office	\$14,764,787
Department of Public Instruction	\$115,396,268
The University of North Carolina	\$29,004,662
DHHS – Aging	\$29,565
DHHS – Central Management and Support	\$579,908
DHHS – Child and Family Well-Being	\$210,995
DHHS – Child Development and Early Education	\$20,753
DHHS – Emp. & Indp. For People With Disabilities	\$183,191
DHHS – Health Benefits	\$179,279
DHHS – Health Service Regulation	\$217,526
DHHS – Mental Health/Dev. Disabl./ Substance Use Services	\$3,058,301
DHHS – Public Health	\$328,668
DHHS – Services for the Blind/Deaf/ Hard of Hearing	\$40,656
DHHS – Social Services	\$133,842
Dept. of Agriculture and Consumer Services	\$1,040,071
Dept. of Commerce	\$100,151
Dept. of Env. Quality	\$467,885
Dept. of Labor	\$192,841
Dept. of Natural and Cultural Resources	\$1,417,897
Wildlife Resources Comm.	\$127,659
Administrative Office of the Courts	\$7,190,260
Indigent Defense Services	\$804,451
Department of Adult Correction	\$14,023,748
Department of Justice	\$487,366
Dept. of Public Safety	\$3,739,834
State Bureau of Investigation	\$386,113
Dept. of Administration	\$280,982
Office of Admin. Hearings	\$51,890
Auditor	\$120,639
Office of Budget and Management	\$69,769
Controller	\$187,916
Board of Elections	\$58,423
General Assembly	\$668,256
Office of the Governor	\$43,365
Office of State Human Resources	\$62,816
Industrial Commission	\$88,658
Dept. of Insurance	\$305,601

Office of State Fire Marshal	\$70,864
Office of the Lt. Governor	\$9,462
Dept. of Military and Veteran Affairs	\$65,673
Department of Revenue	\$705,590
Secretary of State	\$139,199
Treasurer – Other Retirement Plans/ Benefit Requirements	\$350,000
Dept. of Information Technology	\$157,353

SECTION 3.1.(b) There is appropriated from the Highway Fund to the Department of Transportation for the costs associated providing for employee benefits in accordance with this Part the sum of eight million four hundred seventy-seven thousand twenty-seven dollars (\$8,477,027) in recurring funds for the 2025-2026 fiscal year.

SECTION 3.1.(c) State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated for each year of the 2025-2027 fiscal biennium, as agency receipts up to the amounts needed to implement the provisions of this Part for each year of the 2025-2027 fiscal biennium.

TRANSFERS TO SUPPORT THE PROVISIONS OF THIS PART

SECTION 3.2. There is transferred from the Insurance Regulatory Fund in the Department of Insurance to the General Fund the sum of three hundred ninety-four thousand two hundred fifty-nine dollars (\$394,259) in recurring funds for the 2025-2026 fiscal year.

AUTHORIZATIONS RELATED TO COMPENSATION OF STATE EMPLOYEES AND PUBLIC SCHOOL PERSONNEL

SECTION 3.3. Notwithstanding subdivisions (5) and (6) of G.S. 143C-5-4(b), during the period of continuing budget authority that begins July 1, 2025, all of the following apply:

- (1) State employees subject to G.S. 7A-102(c), 7A-171.1, 143B-1714, or any other statutory salary schedule, are authorized to move up on salary schedules and receive applicable automatic step increases.
- (2) State employees, including those exempt from the classification and compensation rules established by the State Human Resources Commission, are authorized to receive automatic step increases, annual, performance, merit, bonuses, and other applicable increments.
- (3) Sections 39.16, 39.17, and 39.18 of S.L. 2023-134, and Section 39.15 of S.L. 2023-134, as amended by Section 8.2 of S.L. 2024-1, shall remain in effect, notwithstanding any limitation to the 2023-2025 fiscal biennium.
- (4) Public school employees paid on the teacher salary schedule, the principal salary schedule, or any other salary schedule established by State law are authorized to move up or down on applicable salary schedules and receive applicable automatic step increases.
- (5) Bonuses are authorized for teachers and principals pursuant to the requirements of Section 7A.3 of S.L. 2023-134 and Section 1.3 of S.L. 2024-39, notwithstanding any limitation to the 2023-2025 fiscal biennium.
- (6) Supplemental funds for teacher compensation are authorized pursuant to the requirements of Section 7A.4 of S.L. 2023-134, as amended by Section 1.7B of S.L. 2024-39, notwithstanding any limitation to the 2023-2025 fiscal biennium.

ALLOW IMPLEMENTATION OF SALARY ADJUSTMENTS

SECTION 3.4. Notwithstanding G.S. 143C-5-4(b)(5), a State agency may implement salary adjustments during the period of continuing budget authority that begins July 1, 2025, within its authorized recurring personal services appropriations if all of the following requirements are met:

- (1) Total personal services expenditures do not exceed the agency's authorized personal services appropriation for the most recent completed fiscal year.
- (2) Any salary increases are funded through position vacancies, turnover savings, or reallocation within the personal services budget.
- (3) The salary increases do not include scheduled salary increases based on experience-based salary schedules.

USE OF FUNDS APPROPRIATED FOR EMPLOYEE BENEFITS

SECTION 3.5.(a) The Office of State Budget and Management shall ensure that the appropriations made by this act for employee benefits are used only for those purposes.

SECTION 3.5.(b) If the Director of the Budget determines that funds appropriated to a State agency for 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 employee benefits.

SECTION 3.5.(c) Funds appropriated for 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 3.5.(d) Any funds appropriated for employee benefits in excess of the amounts required to provide for employee benefits shall be credited to the Pay Plan Reserve.

SECTION 3.5.(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 employee benefits under this Part. This report shall include at least the following information for each State agency:

- (1) The total amount of funds that the agency received under this Part for 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 employee benefits.
- (4) The amount of funds credited to the Pay Plan Reserve.

SALARY-RELATED CONTRIBUTIONS

SECTION 3.6.(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 3.6.(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%
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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 3.6.(c) 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 3.6.(d) 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."

SECTION 3.6.(e) Effective July 1, 2025, the State contribution to the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is increased by three hundred fifty thousand dollars (\$350,000) in recurring funds for the 2025-2026 fiscal year resulting in a total State Contribution of twenty million seven hundred fifty-two thousand two hundred eight dollars (\$20,752,208) for the 2025-2026 fiscal year.

PART IV. DEPARTMENT OF INFORMATION TECHNOLOGY

DEPARTMENT OF INFORMATION TECHNOLOGY CHANGES

SECTION 4.1.(a) G.S. 143B-1320(b) reads as rewritten:

"(b) Exemptions. – Except as otherwise specifically provided by law, ~~the provisions of this Chapter do this Article~~ does not apply to the following entities: the General Assembly, the Judicial Department, ~~and~~ The University of North Carolina and its constituent ~~institutions.~~ institutions, the State Board of Elections, and the State Highway Patrol. 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.
- (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.
- (5) For the State Board of Elections, by the Executive Director of the State Board of Elections.
- (6) For the State Highway Patrol, by the Commander of the State Highway Patrol."

SECTION 4.1.(a1) If House Bill 549, 2025 Regular Session, becomes law, G.S. 143B-1320(b), as amended by Section 2 of that act and subsection (a) of this section, reads as rewritten:

"(b) Exemptions. – Except as otherwise specifically provided by law, this Article does not apply to the following entities: the General Assembly, the Judicial Department, The University of North Carolina and its constituent institutions, ~~and the Office of the State Auditor.~~ Auditor, the State Board of Elections, and the State Highway Patrol. 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.
- (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.
- (5) For the Office of the State Auditor, by the State Auditor.
- ~~(5)~~(6) For the State Board of Elections, by the Executive Director of the State Board of Elections.
- ~~(6)~~(7) For the State Highway Patrol, by the Commander of the State Highway Patrol."

SECTION 4.1.(b) Section 38.4 of S.L. 2023-134 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, Investigation 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, and the Division of Emergency Management shall initiate a pilot project where those divisions the division shall be deemed as a separate, stand-alone entities entity within the Department of Public Safety in all matters related to information technology, and each the division shall autonomously manage their its 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 38.4.(b) This section expires on June 30, ~~2025~~2027."

SECTION 4.1.(c) G.S. 143B-1325(c) reads as rewritten:

"(c) Participating Agencies. – The State CIO shall prepare detailed plans to transition each of the participating agencies. As the transition plans are completed, the following participating agencies shall transfer information technology personnel, operations, projects, assets, and appropriate funding to the Department of Information Technology:

- ...
- (13) Department of Public Safety, with the exception of the ~~following:~~
 - ~~a. State Bureau of Investigation.~~
 - ...
 - ~~e. Division of Emergency Management.~~

The State CIO shall ensure that State agencies' operations are not adversely impacted under the State agency information technology consolidation."

CHANGES TO THE BROADBAND POLE REPLACEMENT PROGRAM

SECTION 4.2.(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.(b) The Broadband Pole Replacement Program (hereinafter "Program") is hereby established for the purpose of speeding and facilitating the deployment of broadband service to individuals, businesses, agricultural operations, and community access points in unserved areas by reimbursing a portion of eligible pole replacement costs incurred by communications service providers. A communications service provider who pays or incurs the costs of removing and replacing an existing ~~pole-pole, or placing facilities underground to better protect the critical infrastructure from natural disasters,~~ in connection with a qualified project may apply to the Department for reimbursement in an amount equal to fifty percent (50%) of eligible pole replacement costs paid or incurred by the applicant or ten thousand dollars (\$10,000), whichever is less, for each pole ~~replaced-replaced or, in the case of placing facilities underground, fifty percent (50%) of such costs.~~

...

"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; 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~~, 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 or underserved area. The project may be affiliated with a cooperatively organized entity that owns utility poles but shall not be affiliated with a city that owns utility poles. A pole owner whose affiliate seeks reimbursement for a qualified project shall not pass through the costs for which reimbursement is sought to unaffiliated communications service providers and shall schedule and perform all work in a nondiscriminatory fashion.
- ...

- (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 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 4.2.(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.

BROADBAND FUND FLEXIBILITY

SECTION 4.3.(a) G.S. 143B-1373.2 is repealed.

SECTION 4.3.(b) G.S. 143B-1374 is repealed.

SECTION 4.3.(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 and internet service must be for the grantee's own use and not for distribution to other parties. No portion of funds granted under this section shall be used for internet service subscriptions. The Department shall prioritize grant applicants that operate 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 4.3.(d) For the purposes of subsection (c) 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 4.3.(e) The Department of Information Technology may provide emergency funding to communications service providers to rebuild, repair, or replace broadband infrastructure damaged by Hurricane Helene, including reimbursement of 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 recover 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 4.3.(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 subsection (e) of 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 4.3.(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~~ 38.6, and Sections 38.10(b) through (k) of this act, so long as the total allocations for the programs remain the same.act."

BEAD DEPLOYMENT CHANGES

SECTION 4.4.(a) Section 10.2 of S.L. 2024-55 reads as rewritten:

"SECTION 10.2.(a) Definitions. – As used in this section, the following definitions apply:

- (1) BEAD. – Broadband Equity, Access, and Deployment.
- (2) Broadband service. – For the purposes of this section, a ~~terrestrially deployed~~ mass-market retail service by wire or radio that provides the capability to transmit data to and receive data from all or substantially all internet endpoints, including any capabilities that are incidental to and enable the operation of the communications service, but excluding dial-up internet access service.

...

- (8) ~~Extremely high cost per location threshold. — A BEAD subsidy cost per location above which the Office may decline to select a proposal if use of an alternative technology meeting the BEAD Program's technical requirements is necessitated by the fact that selection of an eligible project proposing to provision service via end-to-end fiber-optic facilities to each end-user premises would be cost prohibitive. The Office will develop a methodology for calculating this threshold in a manner that maximizes use of the best available technology while ensuring that the program can, at a minimum, meet the prioritization requirements. The Office will post the methodology for public comment before implementation. The Office shall not, unless it is determined that it does not have sufficient funding to select each highest-scoring application in the initial round described in this section, utilize the extremely high cost per location threshold in the initial round.~~

...

- (14) Low-cost broadband service option. – ~~A broadband service offered to low-income households that meets the eligibility requirements for the federal Affordable Connectivity Program, or similar replacement program, in the project area for at least the length of time defined by federal requirements. A low-cost broadband service option must be made available and include the following elements: As defined in the IIJA and as interpreted by any subsequent guidance issued by NTIA.~~
 - a. ~~Provide typical download speeds of at least 100 Mbps and typical upload speeds of at least 20 Mbps.~~

- b. ~~Provide typical latency measurements of no more than 100 milliseconds.~~
- e. ~~Not be subject to nongovernmental imposed surcharges and be subject only to the same acceptable use policies to which subscribers to all other broadband internet access service plans offered to home subscribers by the participating subgrantee must adhere.~~
- d. ~~Shall be offered at a price that does not exceed the highest price listed in the FCC's 2024 Urban Rate Survey data for Fixed Broadband Service for a service offering in North Carolina that provides a download speed of 100 Mbps, upload speed of 20 Mbps, and an unlimited capacity allowance. The price may be adjusted by the subgrantee based on the Consumer Price Index, as defined by the United States Bureau of Labor Statistics, beginning with an adjustment in the first new calendar year after the date of enactment of this section.~~
- e. ~~In the event the provider later increases the speeds of one of its low-cost plans, it will permit eligible subscribers that are subscribed to that plan to upgrade to those new speeds at no more than a commensurate change in cost.~~

...

- (20) ~~Reliable broadband service. – Terrestrial-based broadband service (i) with ninety five percent (95%) of latency measurements during testing windows falling at or below 100 milliseconds round trip time and (ii) which is designed to ensure that network outages should not exceed, on average, 48 hours over any 365-day period except in the case of natural disasters or other force majeure occurrences. Locations served exclusively by satellite, terrestrial fixed wireless services utilizing entirely licensed spectrum, using a hybrid of licensed and unlicensed spectrum, or a technology not specified by the FCC for purposes of its Broadband DATA Maps do not meet the definition of "reliable broadband service" and will be considered "unserved" for the purposes of determining eligible locations.~~As defined in the IIJA and as interpreted by any subsequent guidance issued by NTIA.
- (21) Secretary. – The Secretary of Information Technology.
- (22) Subgrantee. – An eligible recipient who receives BEAD funds for an eligible project.
- (23) Underserved. – ~~A BSL that has access to reliable broadband service equal to or greater than 25 Mbps download and 3 Mbps upload but less than 100 Mbps download and 20 Mbps upload. Unless otherwise determined by the Department based on competent findings of fact, locations that the FCC's Broadband DATA Maps show to have available qualifying broadband service delivered via (i) DSL or (ii) terrestrial fixed wireless services utilizing entirely licensed spectrum, or using a hybrid of licensed and unlicensed spectrum, shall be considered "underserved" for the purpose of determining eligible locations.~~As defined in the IIJA and as interpreted by any subsequent guidance issued by NTIA.
- (24) Unserved. – ~~A BSL that does not have access to reliable broadband service with transmission speeds of at least 25 Mbps download and at least 3 Mbps upload.~~As defined in the IIJA and as interpreted by any subsequent guidance issued by NTIA.

...

"SECTION 10.2.(j) Competitive Subgrantee Selection Process. – The Office shall implement a competitive subgrantee selection process that conforms with published regulations

and guidelines under the BEAD Program under the IIJA. Applications receiving the highest score shall receive priority status for the awarding of subgrants pursuant to this section. ~~As a means of breaking a tie for applications receiving the same score, the Office shall give priority to the application proposing to serve the highest number of new unserved and underserved locations.~~ Applications shall be scored on an objective 100-point scale that is published prior to the submission of applications for subgrants. The Office shall determine whether or not a subgrantee has the capacity to perform multiple projects and shall not be required to award multiple projects to a prequalified subgrantee that has failed to demonstrate its ability to perform.

...."

SECTION 4.4.(b) 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."

LIFELINE SERVICE PROVIDERS

SECTION 4.5. Article 3 of Chapter 62 of the General Statutes is amended by adding a new section to read:

"§ 62-30.1. Designating telecommunications carriers; rules.

(a) Notwithstanding G.S. 62-3(23)j. or G.S. 62-30, the Utilities Commission may, solely upon petition of any provider or reseller of mobile radio communications service, designate the petitioning provider or reseller of mobile radio communications service as an eligible telecommunications carrier pursuant to 47 C.F.R. § 54.201 for purposes of providing Lifeline service. The Commission may adopt rules to effectuate the purposes of this section.

(b) Nothing in this section shall confer upon the Utilities Commission any regulatory jurisdiction over providers or resellers of mobile radio communications service that have been previously designated as eligible telecommunications carriers for purposes of providing Lifeline service prior to the enactment of this section."

PART V. CAPITAL

CAPITAL IMPROVEMENT & REPAIRS AND RENOVATION PROJECT CASH FLOW

SECTION 5.1.(a) There is appropriated from the State Capital and Infrastructure Fund to the Office of State Budget and Management the sum of eight hundred twenty-three million five hundred sixty-five thousand eight hundred ninety-seven dollars (\$823,565,897) in nonrecurring funds for the 2025-2026 fiscal year to be allocated to the following project codes in the following amounts:

(1)	DACS21-2	\$1,500,000
(2)	DACS21-4	1,500,000
(3)	DEQ21-1	17,075,000
(4)	DNCR21-13	86,800,000
(5)	DNCR23-7	7,000,000
(6)	DOA23-2	800,000
(7)	NCGA21-3	65,250,000
(8)	NCGA23-1	26,000,000

(9)	UNC/BOG21-1	3,750,000
(10)	DOI21-1	22,000,000
(11)	DPS21-9	19,793,242
(12)	DPS21-6	2,658,750
(13)	DPS23-9	2,024,414
(14)	DPS23-11	5,927,250
(15)	NG23-1	6,000,000
(16)	NG23-2	5,750,000
(17)	NG23-3	2,250,000
(18)	TRAN23-1	60,000,000
(19)	UNC/ASU21-1	12,500,000
(20)	UNC/ASU22-1	12,300,000
(21)	UNC/ECS21-4	9,172,727
(22)	UNC/ECS23-1	17,172,727
(23)	UNC/ECU21-1	60,000,000
(24)	UNC/FSU21-2	6,573,912
(25)	UNC/NCS20-1	22,224,823
(26)	UNC/NCS23-1	27,000,000
(27)	UNC/NCS23-2	24,000,000
(28)	UNC/SSM23-2	3,000,000
(29)	UNC/CH20-2	17,693,052
(30)	UNC/PEM21-1	30,500,000
(31)	UNC/SA23-1	22,950,000
(32)	UNC/WSS21-1	22,400,000
(33)	R&R21	100,000,000
(34)	UNC/R&R21	100,000,000

SECTION 5.1.(b) 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. The cost for any single repair and renovation project other than those specifically listed in Section 40.1(d) of S.L. 2021-180 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 5.1.(c) 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 5.1.(d) There is appropriated from the State Capital and Infrastructure Fund to the Office of State Budget and Management the sum of one million six hundred thousand dollars (\$1,600,000) in nonrecurring funds for the 2025-2026 fiscal year to be allocated to the North Carolina School of Science and Mathematics for temporary housing. This project shall be known as project code UNC/SSM25-1 and shall have a maximum project authorization of one million six hundred thousand dollars (\$1,600,000).

VARIOUS SCIF CHANGES

SECTION 5.2.(a) Section 40.8(a) of S.L. 2023-134, as enacted by Section 9.1(a) of S.L. 2024-1 and amended by Section 7.1(a) of S.L. 2025-4, is amended by adding a new subdivision to read:

"(6) The funds for UNC Health Blue Ridge Hospital transferred from the ARPA Temporary Savings Fund to provide funds in the amount of one million five hundred thousand dollars (\$1,500,000) for each year of the 2023-2025 fiscal biennium for capital improvements or equipment may also be used to offset expenditures incurred prior to July 1, 2023, for the purposes for which the funding was intended."

SECTION 5.2.(b) There is transferred from the State Capital and Infrastructure Fund to the Highway Fund the sum of eight million three hundred thousand dollars (\$8,300,000) in nonrecurring funds to be used for capital improvements, equipment, and State Highway Patrol aviation relocation at Johnston Regional Airport, and the funds are hereby appropriated.

PART VI. MISCELLANEOUS

STATE BUDGET ACT APPLICABILITY

SECTION 6.1. If any provision of this act and G.S. 143C-5-4 are in conflict, the provisions of this act shall prevail. The appropriations and the authorizations to allocate and spend funds which are set out in this act shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1 of the fiscal year.

SEVERABILITY CLAUSE

SECTION 6.2. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application and, to this end, the provisions of this act are severable.

PART VII. EFFECTIVE DATE

SECTION 7.1. Except as otherwise provided, this act is effective retroactively to July 1, 2025.

In the General Assembly read three times and ratified this the 31st day of July, 2025.

s/ Rachel Hunt
President of the Senate

s/ Allen Chesser
Presiding Officer of the House of Representatives

s/ Josh Stein
Governor

Approved 3:05 p.m. this 6th day of August, 2025