



# HOUSE BILL 125: Continuing Budget Operations.

2025-2026 General Assembly

**Committee:**  
**Introduced by:** Reps. Lambeth, Paré, K. Hall, White  
**Analysis of:** Conference Committee Substitute  
(H125-CCSMH-2)

**Date:** July 29, 2025  
**Prepared by:** Brett Berne  
Staff Attorney

**OVERVIEW:** *The Proposed Conference Committee Substitute to House Bill 192 implements various budgetary adjustments and makes other changes in the budget operations of the State.*

**BILL ANALYSIS:** The bill includes the following:

- **Part I. Appropriations**

- **Section 1.1** appropriates State funds for each year of the 2025-2027 fiscal biennium to all budget codes listed in the Governor's Recommended Base Budget.
- **Section 1.2** corrects a citation cross-reference in the Agricultural Disaster Crop Loss Program from S.L. 2025-26
- **Section 1.3** appropriates \$142 million for the Agricultural Disaster Crop Loss Program for statewide agricultural disasters in 2024.
- **Section 1.4** sets out certain restrictions and directives for disaster-related funding.

- **Part II. Transfers, Reductions, Adjustments, and Offsets**

- **Part II-A. Education**

- **Section 2A.1** subsection (a) allocates money from the Education Lottery Fund for the 2025-2027 fiscal biennium. Subsection (b) reduces recurring funding appropriated to the Longleaf Commitment Community College Grant Program pursuant to G.S. 143C-5-4(b). Subsection (c) reduces recurring funding appropriated pursuant to G.S. 143C-5-4(b) to the Children of Wartime Veterans Scholarship from the Escheat Fund. Subsection (d) appropriates funds from the Escheat Fund to the Need-Based Scholarship for Public Colleges and Universities program. Subsection (e) reduces recurring funding appropriated to the Need-Based Scholarship for Public Colleges and Universities program pursuant to G.S. 143C-5-4(b). Subsection (f) reduces the recurring funds appropriated for school transportation to the Department of Public Instruction for the State Public School Fund pursuant to G.S. 143C-5-4(b).
- **Section 2A.2** subsection (a) allocates funds from the Indian Gaming Education Revenue Fund to various education allotments. Subsection (b) reduces recurring and nonrecurring General Fund appropriations to the Department of Public Instruction.
- **Section 2A.3** subsection (a) allocates money from the Civil Penalty and Forfeiture Fund for the 2025-2027 fiscal biennium. Subsection (b) appropriates nonrecurring funds to the Department of Public Instruction for the State Public School Fund.

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# House 125 CCS

Page 2

- **Section 2A.4** reduces funds available for nursing faculty salary increases to align the appropriated amounts with the amounts actually expended on salary increases.
- **Section 2A.5** provides funds to the Community Colleges System Office in a net appropriation of \$74,998,603 in recurring funds to be used to account for an increase in enrollment at community colleges.
- **Section 2A.5A** provides \$10,000,000 in nonrecurring funds to the Community Colleges System Office for Wilson Community College to support the operation of a biologics training center.
- **Section 2A.6** subsection (a) increases receipts for the Department of Public Instruction to the State Public School Fund and reduces General Fund appropriations by an amount equal to the increases in receipts. Subsection (b) reduces funds appropriated pursuant to G.S. 143C-5-4(b) for various public-school programs.
- **Section 2A.7** appropriates recurring funds for changes in average salaries, special population headcounts, supplemental funding in low-wealth counties, and other technical adjustments.
- **Section 2A.8** subsection (a) amends G.S. 115C-264 to require that school meals be provided at no cost for qualifying students. Subsection (b) repeals Section 7.58 of S.L. 2023-134, pertaining to student copays for reduced-price meals.
- **Section 2A.9** repeals Plasma Games program, which provided software for STEM education.
- **Section 2A.10** repeals reporting requirement associated with Beginnings for Parents of Children Who are Deaf or Hard of Hearing.
- **Section 2A.10A** appropriates recurring funds to the Department of Public Instruction to increase funding for the Uniform Education Reporting System for costs associated with transitioning to a new student information system.
- **Section 2A.10B** subsection (a) amends Section 2A.3(c)(1) of S.L. 2025-26 to allocate \$25,000,000 to Yancey County Schools for constructing new or upgrading existing school facilities. Subsection (b) makes the section retroactively effective to June 27, 2025.
- **Section 2A.11** reduces funds appropriated to the Board of Governors of The University of North Carolina for the Longleaf Commitment Community College Grant Program and for nonresident graduate tuition waivers.
- **Section 2A.12** appropriates funds to the Board of Governors of The University of North Carolina for increased enrollment of undergraduate resident and nonresident students at four universities receiving reduced tuition rates under the NC Promise Tuition Plan pursuant to G.S. 116-143.11.
- **Section 2A.13** appropriates funds to the Board of Governors of The University of North Carolina to support the operations 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.

- **Part II-B. Health and Human Services**

- **Section 2B.1** reduces funds appropriated to the DHHS, Division of Central Management & Support, for each year of the 2025-2027 fiscal biennium for the NC Loan Repayment Program by \$2,000,000 in recurring funds.
- **Section 2B.2** reduces net General Fund appropriations for the Child Care Subsidy program and offsets that reduction with receipts from the federal Temporary Assistance for Needy Families (TANF) block grant currently budgeted for Work First Family Assistance in excess of what is anticipated to be needed for the program.
- **Section 2B.3** repeals the Mental Health and Substance Use Task Force Reserve Fund and transfers the unrestricted balance of that fund for use for single-stream funding, reduces the General Fund appropriation for single stream by the entire unrestricted balance of the fund or \$41.8 million, whichever is more, and provides \$460,000 for the Projects for Assistance in Transitions from Homelessness (PATH) grant.
- **Section 2B.4** reduces funding for inpatient psychiatric treatment at local community hospitals (three-way bed contracts) by \$15,675,205 in recurring funds. The savings is attributable to NC Health Works.
- **Section 2B.5** subsection (a) reduces funding for single-stream by \$18,562,645 recurring, Subsection (b) requires LME/MCOs to offer the same level of service utilization as during fiscal year 2024-25.
- **Section 2B.6** subsection (a) reduces nonrecurring appropriations to the DHHS, Division of Social Services (DSS), for the State-County Special Assistance (SA) Program by \$8,647,002 for FY 25-26 and by \$2,250,000 for FY 26-27. Subsection (b) reduces nonrecurring departmental receipts budgeted by DSS for the SA Program by \$750,000 for FY 25-26 and by \$2,250,000 for FY 26-27. Subsection (c) appropriates recurring funds to the DSS in the amount of \$2,897,002 for FY 25-26 and \$10,794,004 for FY 26-27 to be used to fund monthly assistance payments under the SA Program. This is a technical adjustment that will not affect the monthly assistance amounts participants receive, nor the number of people assisted through the SA program. Nor does this adjustment change the funding requirements imposed upon counties by State law.
- **Section 2B.7** subsection (a) defines "Talc Settlement funds" for purposes of the section. Subsection (b) transfers and appropriates nonrecurring funds from the Talc Settlement funds available in the NC Department of Justice to the Department of Health and Human Services, Division of Public Health (DPH), in the sum of \$7,000,905 for the 25-26 FY and \$13,475,394 for FY 26-27. Subsection (c) reduces nonrecurring funds appropriated from the General Fund to the DPH for each year of the 2025-2027 fiscal biennium by identical amounts.
- **Section 2B.8** subsection (a) transfers \$19,302,000 nonrecurring from the Health Advancement Receipts Special Fund to the Division of Health Benefits to recover an amount of gross premiums tax revenue that was overappropriated to the Special Fund in FY 2024-2025. Subsection (b) reduces funds appropriated to DHHS to support Medicaid by identical amounts.
- **Section 2B.9** reduces funding, on a nonrecurring basis, in the 2025-2026 fiscal year for the operations and maintenance of the new County Administration Reimbursement System

# House 125 CCS

Page 4

(CARS), as it is anticipated that funds will not be needed in FY 2025-2026 since the new system (funded in the 2024-2025 fiscal year) has not yet been implemented.

- **Section 2B.10** appropriates \$600,000,000 in recurring funds and associated receipts to DHHS, Division of Health Benefits to adjust Medicaid funding to account for changes in enrollment, enrollment mix, service and capitation costs, federal match rates, the implementation of the Children and Families Specialty Plan, and management contracts.
- **Section 2B.11** subsection (a) amends G.S. 131E-147.5 by adding a subsection (c) that exempts qualified ambulatory surgical facilities in counties with a population greater than 125,000 that were licensed prior to November 21, 2025, from the new charity care requirements that take effect on November 21, 2025. Subsection (b) states the amendment shall become effective on November 21, 2025.
- **Section 2B.12** requires the gross premiums tax revenue amounts that are used to pay for the State share of costs of NC Health Works Medicaid coverage to be transferred from the Department of Revenue to a Special Fund in the DHHS rather than to the General Fund.
- **Section 2B.13** accounts for Medicaid Receivables as nontax revenue.

- **Part II-C**

- **Section 2C.1** establishes and appropriates funds for the Sunday Opening Historic Site Pilot Program to allow certain historic sites to operate on Sundays.
- **Section 2C.2** appropriates \$118,100,000 in nonrecurring funds for the 2025-26 fiscal year to the Department of Commerce to be allocated for acquisitions and improvement at an airplane manufacturing facility site in Guilford County, provided that the airplane manufacturer receives a Job Development Investment Grant.

- **Part II-D. Justice and Public Safety**

- **Section 2D.1** appropriates to the Administrative Office of the Courts, Indigent Defense Services \$10 million in nonrecurring funds to be deposited into the Private Assigned Counsel (PAC) Fund and used for the purposes of that fund.
- **Section 2D.2** provides funds to the North Carolina National Guard to support the opening and operation of the McLeansville Readiness Center and the North Wilksboro Readiness Center.

- **Part II-E. General Government**

- **Section 2E.2** appropriates funds to the Office of State Auditor for new position and states the role and responsibilities of the new positions and any reporting requirements.
- **Section 2E.3** subsection (a) provides funds to the State Board of Elections for 7 new exempt positions. Subsection (b) makes conforming changes to the relevant statute.
- **Section 2E.4** provides \$1.5 million to the State Board of Elections for litigation funds.
- **Section 2E.5** subsection (a) provides \$15 million in nonrecurring funds to the State Board of Elections from the IT Reserve for the State Election Information Management System and campaign finance software upgrades. Subsection (b) instructs the SBE to develop and issue a request for proposal for the Statewide Elections Information Management System Modernization Project Plan.

- **Part II-F. Transportation**

- **Section 2F.1** appropriates funds for the creation of 40 additional full time equivalent (FTE) Driver License Examine I and II positions in the 2025-26 fiscal year and 21 additional FTE Driver License Examiner I and II positions in the 2026-27 fiscal year.
- **Section 2F.2** appropriates funds to create 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.

- **Part II-G. Miscellaneous Reductions and Adjustments**

- **Section 2G.1** subsection (a) requires certain State agencies to eliminate vacant positions to achieve set General Fund budgeted reductions during the 2025-2027 fiscal biennium. Subsection (b) requires each State agency to submit a report detailing its conformity with subsection (a).

- **Part III Salary and Benefits**

- **Section 3.1** appropriates \$197,562,133 in recurring funds for the 2025-26 fiscal year for the costs associated with employee benefits under this Part and includes and allocation of those funds.
- **Section 3.2** transfers \$394,259 in recurring funds from the Insurance Regulatory Fund to the General Fund.
- **Section 3.3** allows State employees and public-school personnel to move within statutory pay schedules
- **Section 3.4** provides parameters for the implementation of salary adjustments.
- **Section 3.5** boilerplate language providing for the administration of employee benefits.
- **Section 3.6** sets the employer salary-related contributions, effective July 1, 2025, for State employees. Subsection (d) codifies the ability of the Department of State Treasurer to use up to 0.01% of the employer contributions for benefits payable under the Qualified Excess Benefit Arrangement.

- **Part IV. Department of Information Technology**

- **Section 4.1** amends G.S. 143B-1320(b) to exempt the State Board of Elections and State Highway Patrol from Article 15 of Chapter 143 which covers the Department of Information Technology.
- **Section 4.2** amends Section 38.10 of S.L. 2021-180 pertaining to the Broadband Pole Replacement Program.
- **Section 4.3** subsection (a) repeals G.S. 143B-1373.2. Subsection (b) repeals G.S. 143B-1374. Subsection (c) instructs the Department of Information Technology to use funds appropriated for the Growing Rural Economies with Access to Technology program to award grants for the purchase of installation materials for satellite internet services and provides guidelines. Subsection (e) states that the Department may provide emergency funding to communications service providers related to broadband infrastructure damage caused by Hurricane Helene. Subsection (f) allows the Department to use up to

# House 125 CCS

Page 6

\$50,000,000 of funds from the Broadband Make Ready Accelerator appropriation from S.L. 2021-180.

- **Section 4.4** amends Section 10.2 of S.L. 2024-55 discussing changes to Broadband, Equity, Access, and Deployment (BEAD), the BEAD Fund, and its operation and administration.
- **Section 4.5** creates a new section of Article 3 of Chapter 62 empowering the Utilities Commission to designate providers or resellers of radio communications services as eligible telecommunications carriers for purposes of providing Lifeline service.

- **Part V. Capital**

- **Section 5.1** subsection (a) appropriates to the Office of State Budget and Management from the State Capital and Infrastructure Fund \$823,565,897 in nonrecurring funds to be allocated for various project codes and allocates the amounts. Subsection (b) instructs the Board of Governors of the University of North Carolina which projects to prioritize and limiting the amount that can be expended for a particular repair or renovation. Subsection (d) appropriates \$1.6 million in nonrecurring funds from the State Capital and Infrastructure Fund to the North Carolina School of Science and Mathematics for temporary housing and assigns it a project code.
- **Section 5.2** subsection (a) amends Section 40.8(a) of S.L. 2023-134 by adding a new subdivision regarding how the UNC Health Blue Ridge Hospital may use funds transferred from the ARPA Temporary Savings Fund. Subsection (b) transfers \$8.3 million in nonrecurring funds from the State Capital and Infrastructure Fund to the Highway Fund related to the Johnson Regional Airport.

- **Part VI. Miscellaneous**

- **Section 6.1** states that this act shall prevail if in conflict with any provisions of G.S. 143C-5-4. The appropriations and authorizations established in this act shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law.
- **Section 6.2** states the if any provision of the act is found to be invalid, the parts of the act that are unimpacted by the invalid provisions remain valid and effective.

**EFFECTIVE DATE:** except as otherwise provided, the bill is effective retroactively to July 1, 2025.