



HOUSE BILL 192: Salary Adjustments and Budget Offsets.

2025-2026 General Assembly

Committee:	House Appropriations. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 23, 2025
Introduced by:	Reps. Paré, Lambeth, Cotham, Schietzelt	Prepared by:	Brett Berne
Analysis of:	PCS to First Edition H192-CSMHa-4		Staff Attorney

OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 192 appropriates funds for the 2025-2027 fiscal biennium to award public employee benefits increases and legislatively mandated salary increases to State employees, teachers, and other public school employees, and implements various budgetary transfers, reductions, adjustments, and offsets.*

BILL ANALYSIS: The PCS includes the following:

- **Part I**

- **Section 1.1** appropriates departmental receipts for each year of the 2025-2027 fiscal biennium, and recurring funding from the General Fund and the Highway Fund for the 2025-2026 fiscal year, for costs associated with implementing the act.

- **Part II**

- **Section 2.1** 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 to the Children of Wartime Veterans Scholarship pursuant to G.S. 143C-5-4(b). 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). Subsections (g) and (h) allot funds from Lottery proceeds for school transportation and takes a corresponding reduction in the appropriation to the Department of Public Instruction for the same purpose.
- **Section 2.2** allocates funds from the Indian Gaming Education Revenue Fund to various education allotments and makes corresponding reductions to General Fund appropriations to the Department of Public Instruction.
- **Section 2.3** allocates money from the Civil Penalty and Forfeiture Fund for the 2025-2027 fiscal biennium.
- **Section 2.4** reduces funds available for nursing faculty salary increases to align the appropriated amounts with the amounts actually expended on salary increases.

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- **Section 2.4A** provides funds to the Community Colleges System Office for increased enrollment in the community colleges of the State.
- **Section 2.5** subsection (a) shows an increase in the transfer of sales and use tax proceeds to the State Public School Fund and reduces General Fund appropriations to the Department of Public Instruction by the same amount, and reflects a transfer of funds from the State Textbook Fund to the State Public School Fund and reduces General Fund appropriations to the Department of Public Instruction by the same amount. Subsection (b) (i) eliminates duplicative funds within the Department of Public Instruction for copays of school meals for students that receive reduced-price school meals. (Tied to Section 2.6, the copays will still be paid by the State, but the Department has existing funds to cover the cost), (ii) eliminates funding for public schools to contract with the NC Association of School Business Officers to provide training to school business officers, (iii) eliminates funds for small specialty high schools, an initiative that previously supported a school-within-a-school model, (iv) eliminates funds for virtual cooperative innovative high school, (v) eliminates funds for the Department's contract with Plasma Games, and (vi) eliminates funds for Beginnings for Parents of Children Who are Deaf or Hard of Hearing.
- **Section 2.5A** provides funds to the Department of Public Instruction for public school enrollment adjustments and other technical adjustments.
- **Section 2.6** requires local boards of education to continue covering copays for school meals for students that receive reduced-price school meals.
- **Section 2.7** repeals Plasma Games program, which provided software for STEM education.
- **Section 2.8** repeals reporting requirement associated with Beginnings for Parents of Children Who are Deaf or Hard of Hearing.
- **Section 2.9** 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 2.10** 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 2.11** 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 2.12** subsections (a) – (e) repeal the Mental Health and Substance Use Task Force Reserve Fund and transfers the unrestricted balance of that fund for use for single-stream funding and provides \$460k for the Projects for Assistance in Transitions from Homelessness (PATH) grant, which was previously funded out of the Reserve Fund. Subsection (f) reduces recurring departmental receipts appropriated from the MHSUTF Reserve Fund to the DHHS, Division of Child and Family Well-Being (DCFV), for Child Case Management by \$4,875,000 for each year of the 2025-2027 fiscal biennium. Subsection (g) appropriates from the General Fund \$3,447,205 in recurring funds for each year of the 2025-2027 fiscal biennium to the DCFV for Child Case Management to partially offset the recurring reduction in departmental receipts authorized by subsection (f) of this section.

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- **Section 2.13** reduces funding for inpatient psychiatric treatment at local community hospitals (three-way bed contracts) by \$15,675,205 recurring.
- **Section 2.14** reduces funding for single-stream by \$18,562,645 recurring, and requires LME/MCOs to offer the same level of service utilization as during FY 24-25.
- **Section 2.15** 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 or the number of people assisted through the SA program. Nor does this adjustment change the funding requirements imposed upon counties by State law.]
- **Section 2.16** 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; and reduces nonrecurring funds appropriated from the General Fund to the DPH for each year of the 2025-2027 fiscal biennium by identical amounts.
- **Section 2.19** transfers \$19,302,000 NR 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.
- **Section 2.20** reduces funding, on a nonrecurring basis, in the 2025-2026 fiscal year for the operations and maintenance of the new County Administration Reimbursement System (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 2.21** reduces by \$2 million the recurring appropriation to the Department of Public Safety for the Medically Assisted Treatment (MAT) in jails programs.
- **Section 2.22** transfers recurring funding from the Insurance Regulatory Fund in the Department of Insurance to the General Fund for the 2025-2026 fiscal year.
- **Section 2.23** 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**
 - **Section 3.1** authorizes raises for teachers in the 2025-2026 fiscal year of an average of six and four-tenths percent (6.4%).
 - **Section 3.2** reinstates education-based salary supplements for teachers and instructional support personnel.
 - **Section 3.3** authorizes bonuses for teachers in the 2025-2026 fiscal year.
 - **Section 3.4** authorizes funds for salary supplements for teachers in the 2025-2026 fiscal year.

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- **Section 3.5** authorizes raises for principals in the 2025-2026 fiscal year of two and one-half percent (2.5%).
- **Section 3.6** authorizes bonuses for principals in the 2025-2026 fiscal year.
- **Section 3.7** authorizes raises for assistant principals in the 2025-2026 fiscal year based on the raises provided to teachers, plus nineteen percent (19%).
- **Section 3.8** authorizes raises of two and one-half percent (2.5%) and sets new salary maximums for central office personnel in the 2025-2026 fiscal year.
- **Section 3.9** authorizes raises of two and one-half percent (2.5%) for noncertified personnel.
- **Part IV** addresses State employee compensation, including provisions that:
 - Effective July 1, 2025, provide a 2.5% annual salary increase to most State employees and similarly provides 2.5% increase funds for UNC and Community College employees.
 - Allow certain State employees to move through salary schedules and to receive step increases and other applicable compensation, for the duration of the period of continuing budget authority.
 - Allow State agencies to implement salary adjustments so long as specified requirements are met, during the period of continuing budget authority.
 - Establish the labor market adjustment reserve to allow salary adjustments to identified employees for retention purposes.
 - Make a personal services budget reallocation for better alignment by reducing vacant State positions by 20% across agencies.
 - Requiring that appropriations specified for employee salaries and benefits be used only for employee compensation.
 - Provide for a one-time payment to retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System in the amount of 1% of the annual retirement allowance in the 2025-2026 fiscal year.
- **Part V**
 - **Section 5.1** provides that this act prevails over G.S. 143C-5-4 in instances of conflict of law. Provides for expiration of appropriations and authorizations under this act upon passage of a later Current Operations Appropriations Act and provides direction to the Director of the Budget.

EFFECTIVE DATE: except as otherwise provided, the PCS is effective July 1, 2025.