



**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

HOUSE BILL 389: Continuing Budget Operations Part III.

2025-2026 General Assembly

Committee: Senate Appropriations/Base Budget
Introduced by:
Analysis of: PCS to Second Edition
H389-CSNEfa-9

Date: September 21, 2025
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OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 389 would implement additional budgetary adjustments and make other changes in the budget operations of the State.*

BILL ANALYSIS: The PCS would do the following:

Part I. Education [Reserved]

Part II. Department of Health and Human Services

Section 2.1 Transitions to Community Living Initiative Funding – Would appropriate \$12,192,124 in recurring funds to the Division of Central Management and Support for each year of the 2025-2027 fiscal biennium to provide increased funding for implementation of the Transitions to Community Living Initiative Plan designed to achieve compliance with the 2012 U.S. Department of Justice Settlement.

Section 2.2 Electronic Health Records Funding – Would transfer and appropriate \$15,118,177 in nonrecurring funds for the 2025-2026 fiscal year from the Information Technology Reserve to a special fund within the Division of Central Management and Support (DCMS) to fund continued implementation of electronic health records (EHR) at State-operated healthcare facilities. Would transfer and appropriate an additional \$3,490,148 in nonrecurring funds for the 2025-2026 fiscal year from another DCMS special fund to the same special fund referenced in subsection (a) of this section to fund continued implementation of EHR at State-operated healthcare facilities. Would appropriate \$3,019,233 in recurring funds for each year of the 2025-2027 fiscal biennium to fund ongoing operations and maintenance of EHR at State-operated healthcare facilities.

Section 2.3 Funding for Healthy Opportunities Pilot – Would provide \$30M NR in the 2025-2026 fiscal year to continue the Healthy Opportunities Pilots program in current pilot counties.

Section 2.4 Rural Health Transformational Program Application and Funds – Would direct the lead State agency that develops and submits the State's application for funding under the Rural Health Transformation Program (RHTP) to collaborate with all relevant State entities; to provide a copy of the submitted application to the Chairs of the Joint Legislative Oversight Committee on Health and Human Services on the date of submission; and to submit a report to the Joint Legislative Oversight Committee on Health and Human Services by November 15, 2025, summarizing the rural health transformation vision, plan, goals, strategies, proposed projects, and sustainability plans for North Carolina as described in the application. It would also provide that any federal funds received by the State under the RHTP shall be available for expenditure only upon an act of appropriation by the General Assembly.

Part III. Agriculture and Natural and Economic Resources

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Section 3.1 Department of Natural and Cultural Resources – Operating Reserves – Would provide additional funds for the operation of new and expanded State Parks, trails, natural areas, and other attractions managed by the Department of Natural and Cultural Resources.

Section 3.2 Authorize the Environmental Management Commission to Employ Independent Staff – Would authorize the Chair of the Environmental Management Commission to employ staff to serve the Commission.

Section 3.3 Water Sewer Economic Development Program – Would authorize reimbursement to a manufacturer for costs incurred on an eligible water/sewer project at the manufacturing site, provided that the company enters into and abides by a company performance agreement. Reimbursement under the program is equal to the lesser of (i) \$50 million or (ii) 50% of the costs of the water/sewer project.

Section 3.4 Subsistence Allowance for Members of the Utilities Commission – Would provide a daily subsistence allowance of \$143.10 to members of the Utilities Commission who live at least 50 miles from the City of Raleigh for each day of service the member travels to Raleigh for business of the Commission.

Part IV. Justice and Public Safety

Section 4.1 Funding for Viper Network Operating Shortfall – Would appropriate \$2.1 million recurring to the State Highway Patrol to be used to maintain and operate the VIPER public safety network.

Section 4.2 School Safety Grants – Would reestablish the School Safety Grants Program for the 2025-2026 fiscal year and would appropriate \$35 million in nonrecurring funds in the 2025-2026 fiscal year for that Program.

Part V. General Government

Section 5.1 Emergency Training Center Operating Costs – Would provide funds to support the operating costs of the OFSM's Emergency Training Center located in Stanly County.

Section 5.2 State Property Insurance Fund – Would appropriate funds for the purpose of covering increased expenditures related to the State's reinsurance policy.

Section 5.3 Budget and Human Resources Positions – Would provide \$300,000 in recurring funds to the Office of the State Fire Marshal to hire three administrative positions for budgetary and human resources support.

Section 5.4 Direct OSBM to Give OSFM Separate Budget Code – Would direct the Office of State Budget and Management to give the Office of the State Fire Marshal its own budget code.

Section 5.5 Renovate Fayetteville Veterans Home – Would appropriate funds from the North Carolina Veterans Home Trust Fund for the renovation and repair of the Fayetteville State Veterans Home. Removes DMVA's specific authority to tap the Veterans Home Trust Fund for the Wake County facility's State match and would eliminate the automatic appropriation of related federal funds for that project going forward.

Part VI. Information Technology

Section 6.1 IBIS System Replacement and Stabilization – Would appropriate funds from the IT Reserve for the replacement and stabilization of the IBIS system at OSBM.

Part VII. Transportation

Section 7.1 Marine Vessel Maintenance and Repairs – Would appropriate funds for drydocking marine vessel maintenance and repairs and requires the Department of Transportation, Ferry Division, to submit

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a progress report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the use of those funds.

Part VIII. Finance

Section 8.1 Insurance Holding Company Exemption – Would allow a corporation subject to the franchise tax to adjust its net worth by deducting for investments in an insurance company if the corporation owns more than 80% of the outstanding voting stock, voting capital interests, or ownership interests in the insurance company. Under current law, an insurance company subject to the gross premiums tax is not subject to franchise tax. This section would be retroactively effective to calculations of franchise tax on the 2018 and later corporate income tax returns.

Part IX. Miscellaneous

Section 9.1 Additional Transparency in State Budgeting – Would require each provision of the Current Operations Appropriations Act (and any act that adjusts that act) to specify which member or members of the General Assembly requested the inclusion of a provision in those acts.

Sections 9.2 through 9.5 would enact various boilerplate provisions.

EFFECTIVE DATE: Except as otherwise provided, the PCS would be effective July 1, 2025.

**Staff Attorneys with the Legislative Drafting Division substantially contributed to this summary.*