2025-2026 General Assembly

SENATE BILL 257: 2026 Appropriations Act, Sec. 5.6: Modifications to the State Budget Act and Clarifications to the Requirement to Consult with the Joint Legislative Commission on Governmental Operations

Analysis of:	S.L. 2026-41, Sec. 5.6	**Date:**	August 25, 2026
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Section 5.6 of S.L. 2026-41 (Senate Bill 257) does the following:

- Requires that the Governor consult with the Joint Legislative Commission on Governmental Operations (Commission) before (i) authorizing expenditures in excess of a budget code and as provided for in statute in response to extraordinary events or unforeseen circumstances if the overexpenditure would exceed an agency's certified budget for that purpose or program by more than 3% percent or (ii) approving capital improvement projects other than those specifically authorized in statute.
- Requires the Governor to report quarterly to the Fiscal Research Division on certain authorized overexpenditures.
- Defines the terms "budget fund purpose statement," "emergency," "prior year earned revenue," and modifies the definition of other terms for the purposes of the State Budget Act.
- Provides that prior year earned revenue received in response to an emergency by a State entity other than the Department of Transportation reverts to the Savings Reserve in the year in which it is received.
- Requires that in odd-numbered years the Governor's recommended base budget (i) include budget fund purpose statements, (ii) employ the North Carolina Financial System Uniform Chart of Accounts adopted by the State Controller, and (iii) provide an accurate projection of expenditures for the State's employer contribution to the Teachers' and State Employees' Retirement System. It further requires the use of the North Carolina Financial System Uniform Chart of Accounts in preparation of an appendix to the Highway Fund certified budget.
- Modifies the procedure by which State agencies apply, accept, budget, and spend grant funds in years with no Current Operations Appropriations Act.
- Prohibits budget adjustments using prior year earned revenue other than those necessary to revert funds as provided for in statute.
- Prohibits State agencies from accepting a gift or donation that would obligate the State to make future expenditures or otherwise result in financial obligation.
- Removes the requirement that the Office of State Budget and Management's (OSBM) searchable website on State spending for grants and contracts be known as NC Openbook.

- Repeals the requirement that OSBM submit an annual report to the Commission and the Joint Legislative Oversight Committee on General Government on progress in implementing the cost-benefit analysis model for use in crafting policy and budget decisions.
- Expands the function of the Settlement Reserve Fund from clearing proceeds from tobacco-related litigation settlement agreement, final orders, and judgements to clearing all proceeds from all litigation settlement agreements, final orders, and judgments and provides procedure for the accounting of the Settlement Reserve Fund by the State Controller.

The portion of the section pertaining to the Settlement Reserve Fund became effective July 7, 2026, and applies to proceeds payable to the State or any State agency from settlement agreements or court orders entered into after that date. The remainder of the section became effective July 1, 2026.