GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 257

Appropriations/Base Budget Committee Substitute Adopted with unengrossed amendments 4/15/25
Finance Committee Favorable 4/15/25
Pensions and Retirement and Aging Committee Substitute Adopted 4/15/25
Third Edition Engrossed 4/17/25
House Committee Substitute Favorable 5/19/25
House Committee Substitute #2 Favorable 5/20/25

Short Title: 2025 Appropriations Act. (Public)

Sponsors:

Referred to:

March 11, 2025

A BILL TO BE ENTITLED

AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE AGENCIES, DEPARTMENTS, AND INSTITUTIONS.

The General Assembly of North Carolina enacts:

PART I. TITLE AND INTRODUCTION

TITLE OF ACT

SECTION 1.1. This act shall be known as the "Current Operations Appropriations Act of 2025."

INTRODUCTION

SECTION 1.2. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget in accordance with the State Budget Act. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes, and the savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise provided by law.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

GENERAL FUND APPROPRIATIONS

SECTION 2.1.(a) Appropriations from the General Fund for the budgets of the State departments, institutions, and agencies, and for other purposes, as enumerated, are made for each year of the 2025-2027 fiscal biennium, according to the following schedule:

Current Operations - General Fund	**FY 2025-2026**	**FY 2026-2027**
EDUCATION		
North Carolina Community College System		

Requirements	2,132,485,457	2,140,493,331
Less: Receipts	402,813,878	398,313,878
Net Appropriation	**1,729,671,579**	**1,742,179,453**
Department of Public Instruction		
Requirements	15,141,463,467	15,384,611,327
Less: Receipts	2,730,332,011	2,693,788,209
Net Appropriation	**12,411,131,456**	**12,690,823,118**
THE UNIVERSITY OF NORTH CAROLINA		
East Carolina Univ. - Academic Affairs		
Requirements	456,546,645	458,646,645
Less: Receipts	182,418,884	184,518,884
Net Appropriation	**274,127,761**	**274,127,761**
East Carolina Univ. - Health Affairs		
Requirements	121,853,241	121,853,241
Less: Receipts	14,708,326	14,708,326
Net Appropriation	**107,144,915**	**107,144,915**
Appalachian State University		
Requirements	368,021,568	370,121,568
Less: Receipts	158,158,973	160,258,973
Net Appropriation	**209,862,595**	**209,862,595**
Elizabeth City State University		
Requirements	56,075,597	56,475,597
Less: Receipts	7,562,050	7,962,050
Net Appropriation	**48,513,547**	**48,513,547**
Fayetteville State University		
Requirements	106,637,643	107,037,643
Less: Receipts	19,050,653	19,450,653
Net Appropriation	**87,586,990**	**87,586,990**
NC A&T University		
Requirements	264,494,998	264,909,534
Less: Receipts	101,766,524	102,166,524
Net Appropriation	**162,728,474**	**162,743,010**
NC School of Science and Mathematics		
Requirements	49,107,483	49,107,483
Less: Receipts	3,866,717	3,866,717
Net Appropriation	**45,240,766**	**45,240,766**
NC State University - Academic Affairs		
Requirements	1,057,745,970	1,060,209,903
Less: Receipts	488,308,834	490,408,834
Net Appropriation	**569,437,136**	**569,801,069**
NC State University - Ag. Research		

Requirements	83,589,800	83,589,800
Less: Receipts	20,124,784	20,124,784
Net Appropriation	**63,465,016**	**63,465,016**
NC State University - Coop. Extension		
Requirements	65,417,787	65,417,787
Less: Receipts	18,874,550	18,874,550
Net Appropriation	**46,543,237**	**46,543,237**
North Carolina Central University		
Requirements	154,404,790	154,804,790
Less: Receipts	55,832,154	56,232,154
Net Appropriation	**98,572,636**	**98,572,636**
UNC at Asheville		
Requirements	73,836,418	74,236,418
Less: Receipts	22,735,324	23,135,324
Net Appropriation	**51,101,094**	**51,101,094**
UNC at Chapel Hill - Academic Affairs		
Requirements	807,492,482	809,092,482
Less: Receipts	412,394,558	414,494,558
Net Appropriation	**395,097,924**	**394,597,924**
UNC at Chapel Hill - Area Health Ed.		
Requirements	56,855,450	56,855,450
Less: Receipts	0	0
Net Appropriation	**56,855,450**	**56,855,450**
UNC at Chapel Hill - Health Affairs		
Requirements	392,135,573	392,135,573
Less: Receipts	142,736,020	142,736,020
Net Appropriation	**249,399,553**	**249,399,553**
UNC at Charlotte		
Requirements	535,339,845	537,439,845
Less: Receipts	201,655,102	203,755,102
Net Appropriation	**333,684,743**	**333,684,743**
UNC at Greensboro		
Requirements	308,610,059	309,010,059
Less: Receipts	103,622,976	104,022,976
Net Appropriation	**204,987,083**	**204,987,083**
UNC at Pembroke		
Requirements	115,488,721	115,888,721
Less: Receipts	20,014,868	20,414,868
Net Appropriation	**95,473,853**	**95,473,853**
UNC at Wilmington		
Requirements	350,877,159	351,277,159

Less: Receipts	133,637,430	134,037,430
Net Appropriation	**217,239,729**	**217,239,729**
UNC BOG - Aid to Private Institutions		
Requirements	1,209,300	2,709,300
Less: Receipts	0	0
Net Appropriation	**1,209,300**	**2,709,300**
UNC BOG - Institutional Programs		
Requirements	230,856,579	257,798,406
Less: Receipts	0	30,000,000
Net Appropriation	**230,856,579**	**227,798,406**
UNC BOG - Related Ed. Programs		
Requirements	1,044,814,078	1,112,014,078
Less: Receipts	196,935,487	196,935,487
Net Appropriation	**847,878,591**	**915,078,591**
UNC School of the Arts		
Requirements	58,876,330	58,876,330
Less: Receipts	16,904,167	16,904,167
Net Appropriation	**41,972,163**	**41,972,163**
UNC System Office		
Requirements	54,107,311	54,107,311
Less: Receipts	4,009,217	4,009,217
Net Appropriation	**50,098,094**	**50,098,094**
Western Carolina University		
Requirements	200,707,511	200,341,223
Less: Receipts	35,351,773	35,751,773
Net Appropriation	**165,355,738**	**164,589,450**
Winston-Salem State University		
Requirements	93,943,876	94,343,876
Less: Receipts	25,200,103	25,600,103
Net Appropriation	**68,743,773**	**68,743,773**
HEALTH AND HUMAN SERVICES		
Aging		
Requirements	164,303,521	164,343,085
Less: Receipts	110,527,985	110,527,985
Net Appropriation	**53,775,536**	**53,815,100**
Central Management and Support		
Requirements	393,760,863	404,960,962
Less: Receipts	175,307,598	181,444,525
Net Appropriation	**218,453,265**	**223,516,437**
Child and Family Well-Being		
Requirements	590,681,611	585,825,279

Less: Receipts	525,168,964	525,168,964
Net Appropriation	**65,512,647**	**60,656,315**
Child Development and Early Education		
Requirements	1,017,577,762	1,043,929,191
Less: Receipts	722,387,144	732,687,145
Net Appropriation	**295,190,618**	**311,242,046**
Emp. & Indep. For People with Disabilities		
Requirements	193,029,281	192,370,164
Less: Receipts	148,782,923	147,874,973
Net Appropriation	**44,246,358**	**44,495,191**
Health Benefits		
Requirements	32,500,820,158	33,445,466,693
Less: Receipts	26,117,444,632	26,663,694,712
Net Appropriation	**6,383,375,526**	**6,781,771,981**
Health Service Regulation		
Requirements	84,733,032	85,032,220
Less: Receipts	58,502,016	58,509,562
Net Appropriation	**26,231,016**	**26,522,658**
Mental Hlth/Dev. Disabl./Subs. Use Serv.		
Requirements	1,802,483,594	1,798,848,068
Less: Receipts	1,037,424,730	982,108,379
Net Appropriation	**765,058,864**	**816,739,689**
Public Health		
Requirements	516,281,336	516,127,082
Less: Receipts	376,237,742	382,761,631
Net Appropriation	**140,043,594**	**133,365,451**
Services for the Blind/Deaf/Hard of Hearing		
Requirements	47,938,351	48,004,065
Less: Receipts	38,350,821	38,359,246
Net Appropriation	**9,587,530**	**9,644,819**
Social Services		
Requirements	2,212,860,010	2,215,436,944
Less: Receipts	1,975,419,946	1,980,092,262
Net Appropriation	**237,440,064**	**235,344,682**
AGRIC., NATURAL, AND ECON. RES.		
Agriculture and Consumer Services		
Requirements	278,274,803	277,520,703
Less: Receipts	93,169,654	93,169,654
Net Appropriation	**185,105,149**	**184,351,049**
Commerce		
Requirements	271,286,707	262,520,827

Less: Receipts	77,602,791	77,602,791
Net Appropriation	**193,683,916**	**184,918,036**
Environmental Quality		
Requirements	223,171,873	221,723,660
Less: Receipts	119,014,557	120,173,918
Net Appropriation	**104,157,316**	**101,549,742**
Labor		
Requirements	47,908,224	48,595,592
Less: Receipts	20,582,629	21,004,161
Net Appropriation	**27,325,595**	**27,591,431**
Natural and Cultural Resources		
Requirements	357,890,255	354,765,622
Less: Receipts	51,789,470	51,789,470
Net Appropriation	**306,100,785**	**302,976,152**
Wildlife Resources Commission		
Requirements	102,980,056	103,150,017
Less: Receipts	85,200,340	85,200,340
Net Appropriation	**17,779,716**	**17,949,677**
JUSTICE AND PUBLIC SAFETY		
Administrative Office of the Courts		
Requirements	832,298,866	838,160,814
Less: Receipts	7,209,807	1,209,807
Net Appropriation	**825,089,059**	**836,951,007**
Indigent Defense Services		
Requirements	192,726,473	188,944,272
Less: Receipts	18,494,851	18,494,851
Net Appropriation	**174,231,622**	**170,449,421**
Adult Correction		
Requirements	2,094,465,634	2,103,435,420
Less: Receipts	21,455,170	21,455,170
Net Appropriation	**2,073,010,464**	**2,081,980,250**
Justice		
Requirements	118,120,787	118,782,221
Less: Receipts	50,114,998	50,114,998
Net Appropriation	**68,005,789**	**68,667,223**
Public Safety		
Requirements	886,715,958	863,722,481
Less: Receipts	213,519,604	208,582,548
Net Appropriation	**673,196,354**	**655,139,933**
State Bureau of Investigation		
Requirements	173,282,129	117,899,506

Less: Receipts	28,393,256	23,596,352
Net Appropriation	**144,888,873**	**94,303,154**
GENERAL GOVERNMENT		
Administration		
Requirements	88,381,932	83,625,659
Less: Receipts	20,908,076	15,791,755
Net Appropriation	**67,473,856**	**67,833,904**
Administrative Hearings		
Requirements	10,847,645	9,746,139
Less: Receipts	4,021,520	1,521,520
Net Appropriation	**6,826,125**	**8,224,619**
Auditor		
Requirements	39,007,557	34,175,295
Less: Receipts	17,365,869	12,365,869
Net Appropriation	**21,641,688**	**21,809,426**
Budget and Management		
Requirements	13,029,440	13,126,484
Less: Receipts	1,106,402	1,106,402
Net Appropriation	**11,923,038**	**12,020,082**
Budget and Management - Special Approp.		
Requirements	32,222,477	13,420,402
Less: Receipts	1,922,477	830,000
Net Appropriation	**30,300,000**	**12,590,402**
Controller		
Requirements	38,168,047	38,427,448
Less: Receipts	1,723,209	1,723,209
Net Appropriation	**36,444,838**	**36,704,239**
Elections		
Requirements	28,105,387	11,685,475
Less: Receipts	15,102,000	102,000
Net Appropriation	**13,003,387**	**11,583,475**
General Assembly		
Requirements	104,234,370	104,024,883
Less: Receipts	767,526	561,000
Net Appropriation	**103,466,844**	**103,463,883**
Governor		
Requirements	13,021,128	13,080,959
Less: Receipts	1,140,294	1,140,294
Net Appropriation	**11,880,834**	**11,940,665**
Housing Finance Agency		
Requirements	15,660,000	10,660,000

Less: Receipts	0	0
Net Appropriation	**15,660,000**	**10,660,000**
Human Resources		
Requirements	13,337,684	14,824,139
Less: Receipts	1,273,415	798,888
Net Appropriation	**12,064,269**	**14,025,251**
Industrial Commission		
Requirements	20,118,068	19,037,085
Less: Receipts	4,357,425	4,357,425
Net Appropriation	**15,760,643**	**14,679,660**
Insurance		
Requirements	53,370,570	53,889,017
Less: Receipts	9,252,247	9,358,231
Net Appropriation	**44,118,323**	**44,530,786**
Insurance - Fire Marshal		
Requirements	21,081,461	23,076,554
Less: Receipts	2,718,899	2,718,899
Net Appropriation	**18,362,562**	**20,357,655**
Lieutenant Governor		
Requirements	1,257,888	1,176,044
Less: Receipts	0	0
Net Appropriation	**1,257,888**	**1,176,044**
Military and Veterans Affairs		
Requirements	9,399,512	8,986,327
Less: Receipts	0	0
Net Appropriation	**9,399,512**	**8,986,327**
Revenue		
Requirements	208,516,712	206,663,427
Less: Receipts	78,896,148	76,077,870
Net Appropriation	**129,620,564**	**130,585,557**
Secretary of State		
Requirements	20,975,435	20,971,094
Less: Receipts	1,800,251	1,612,750
Net Appropriation	**19,175,184**	**19,358,344**
Treasurer		
Requirements	81,923,053	73,336,228
Less: Receipts	81,713,979	73,127,154
Net Appropriation	**209,074**	**209,074**
Treasurer - Other Retirement Plans/Benefits		
Requirements	24,694,657	25,044,657
Less: Receipts	0	0

Net Appropriation	**24,694,657**	**25,044,657**
INFORMATION TECHNOLOGY		
Department of Information Technology		
Requirements	92,819,163	93,042,093
Less: Receipts	1,957,692	1,957,692
Net Appropriation	**90,861,471**	**91,084,401**
RESERVES AND LOTTERY		
General Fund Reserve		
Requirements	0	0
Less: Receipts	0	0
Net Appropriation	**0**	**0**
General Fund Reserves		
Requirements	8,194,713	9,291,388
Less: Receipts	0	0
Net Appropriation	**8,194,713**	**9,291,388**
Total Requirements	**70,424,953,321**	**71,624,280,565**
Less: Total Receipts	**37,837,144,420**	**38,303,245,963**
Total Net Appropriation	**32,587,808,901**	**33,321,034,602**

SECTION 2.1.(b) For purposes of this act and the Committee Report described in Section 45.2 of this act, the requirements set forth in this section represent the total amount of funds, including agency receipts, appropriated to an agency, department, or institution.

GENERAL FUND AVAILABILITY

SECTION 2.2.(a) General Fund Availability. – The General Fund availability derived from State tax revenue, nontax revenue, and other adjustments used in developing the budget for each year of the 2025-2027 fiscal biennium is as follows:

	FY 2025-2026	**FY 2026-2027**
Unappropriated Balance Remaining FY 2024-25	**48,073,341**	**115,277,444**
Anticipated Reversions	500,000,000	500,000,000
Anticipated FY 2024-25 Overcollections	543,900,000	-
Total, Prior Year-End Fund Balance	**1,091,973,341**	**615,277,444**
Consensus Revenue Forecast		
Tax Revenue	33,388,800,000	32,657,100,000
Non-Tax Revenue	1,500,900,000	1,410,000,000
Total, Tax & Non-Tax Revenue	**34,889,700,000**	**34,067,100,000**
Revenue Adjustments		
Adjustments to Tax Revenue	(173,435,000)	834,007,000
Adjustments to Non-Tax Revenue	4,996,890	6,323,463
Total, Revenue Adjustments	**(168,438,110)**	**840,330,463**
Statutorily Required Reservations of Revenue		
Savings Reserve	(36,669,750)	-
State Capital and Infrastructure Fund	(1,120,000,000)	(1,159,200,000)

Total, Statutorily Required Reservations of Revenue	**(1,156,669,750)**	**(1,159,200,000)**
Discretionary Reservations of Revenue		
Additional Transfer to Savings Reserve	(1,103,479,136)	-
Economic Development Project Reserve	(250,000,000)	-
Regional Economic Development Reserve	(600,000,000)	-
Total, Discretionary Reservations of Revenue	**(1,953,479,136)**	**-**
Revised Total General Fund Availability	**32,703,086,345**	**34,363,507,907**
General Fund Net Appropriations	**32,587,808,901**	**33,321,034,602**
Unappropriated Balance Remaining	**115,277,444**	**1,042,473,305**

SECTION 2.2.(b) Savings Reserve. – The State Controller shall transfer to the Savings Reserve the sum of one billion one hundred three million four hundred seventy-nine thousand one hundred thirty-six dollars ($1,103,479,136) in nonrecurring funds in the 2025-2026 fiscal year.

SECTION 2.2.(c) IT Reserve. – The State Controller shall transfer funds available in the Information Technology Reserve established in Section 2.2(h) of S.L. 2021-180 to State agencies and departments for information technology projects in accordance with the following schedule:

	State Agency or Department	**2025-2026**	**2026-2027**
(1)	Administrative Office of the Courts (Budget Code: 12000)	$6,000,000	$0
(2)	Office of State Auditor (Budget Code: 13300)	10,000,000	5,000,000
(3)	Department of State Treasurer (Budget Code 13410)	4,300,000	0
(4)	Department of Public Instruction (Budget Code: 13510)	15,000,000	0
(5)	Department of Public Instruction (Budget Code: 23515)	15,200,000	0
(6)	Department of Administration (Budget Code: 74100)	6,000,000	0
(7)	Department of Administration (Budget Code: 14100)	5,000,000	0
(8)	Office of Administrative Hearings (Budget Code: 18210)	2,500,000	0
(9)	Office of State Budget and Management (Budget Code: 23017)	20,850,000	0
(10)	Office of State Human Resources (Budget Code: 14111)	1,172,527	698,000
(11)	State Board of Elections (Budget Code: 18025)	15,000,000	0
(12)	Division of Central Management and Support (Budget Code: 24410)	19,618,177	0
(13)	Division of Health Benefits (Budget Code: 14445)	4,560,000	9,100,000

(14)	Department of Environmental Quality (Budget Code: 24317)	5,510,000	0
(15)	Department of Public Safety (Budget Code: 14550)	5,743,980	0
(16)	State Bureau of Investigation (Budget Code: 15020)	4,901,476	0
(17)	State Highway Patrol (Budget Code: 14550)	3,000,000	0
(18)	Department of Information Technology (Budget Code: 14460)	1,481,770	1,481,770
(19)	Department of Revenue (Budget Code: 13410)	4,367,667	1,443,333
(20)	NC Community College System Office (Budget Code: 16800)	$1,250,000	$0

SECTION 2.2.(d) Federal Infrastructure Match Reserve. – The State Controller shall transfer funds available in the Federal Infrastructure Match Reserve established in Section 2.2(m) of S.L. 2022-74 to State agencies and departments in accordance with the following schedule:

	State Agency or Department	**2025-2026**	**2026-2027**
(1)	Department of Environmental Quality (Budget Code: 64311)	$8,892,000	$8,892,000
(2)	Department of Environmental Quality (Budget Code: 64320)	13,722,200	13,722,200
(3)	Department of Environmental Quality (Budget Code: 24300)	1,388,921	1,388,921
(4)	Department of Environmental Quality Budget Code: 14300)	850,000	850,000
(5)	Department of Commerce (Budget Code: 14600)	250,000	250,000
(6)	State Emergency Response and Disaster Relief Fund (Budget Code 19930)	45,469,883	0

SECTION 2.2.(e) Economic Development Project Reserve. – The State Controller shall reserve from funds available in the General Fund to the Economic Development Project Reserve established in Section 2.2 of S.L. 2021-180 the sum of two hundred fifty million dollars ($250,000,000) for the 2025-2026 fiscal year.

SECTION 2.2.(f) Regional Economic Development Reserve. – The State Controller shall reserve from funds available in the General Fund to the Regional Economic Development Reserve established in Section 2.2 of S.L. 2023-134 the sum of six hundred million dollars ($600,000,000) for the 2025-2026 fiscal year.

SECTION 2.2.(g) Medicaid Contingency Reserve. – The State Controller shall transfer all funds available in the Medicaid Contingency Reserve to the State Emergency Response and Disaster Relief Fund.

SECTION 2.2.(h) SERDRF. – The State Controller shall transfer from funds available in the State Emergency Response and Disaster Relief Fund to the State agencies and departments in accordance with the following schedule:

State Agency or Department	**2025-2026**	**2026-2027**

(1) Department of Public Safety (Budget Code: 24552)	$40,000,000	0
(2) Office of State Fire Marshal (Budget Code: 539XX)	200,000,000	0
(3) Office of State Budget and Management (Budget Code: 23027)	200,000,000	0

SECTION 2.2.(i) Unfunded Liability Solvency Reserve. – Notwithstanding G.S. 143C-4-2(i), no transfer shall be made to the Unfunded Liability Solvency Reserve for the 2025-2027 fiscal biennium.

SECTION 2.2.(j) Reservations Not Appropriation. – Funds reserved pursuant to this section 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.

PART III. HIGHWAY FUND AND HIGHWAY TRUST FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes, as enumerated, are made for each year of the 2025-2027 fiscal biennium, according to the following schedule:

Highway Fund	**FY 2025-26**	**FY 2026-27**
Administration	$133,880,672	$133,880,672
Division of Highways		
Administration	55,675,557	55,675,557
Construction	81,543,078	81,543,078
Maintenance	2,252,507,812	2,241,585,107
Governor's Highway Safety Program	351,695	351,695
OSHA	358,030	358,030
Aid to Municipalities		
Powell Bill	185,875,000	185,875,000
Intermodal Divisions		
Ferry	90,741,173	97,957,728
Public Transportation, Bicycle and Pedestrian	69,570,554	69,570,554
Aviation	159,176,982	159,489,238
Rail	45,367,607	45,367,607
Division of Motor Vehicles	171,639,030	164,698,724
Other State Agencies, Reserves, Transfers	47,915,071	59,553,737
Capital Improvements	10,797,739	47,793,273
Highway Fund Total	**$3,305,400,000**	**$3,343,700,000**

HIGHWAY FUND AVAILABILITY

SECTION 3.2. The Highway Fund availability used in developing the budget for each year of the 2025-2027 fiscal biennium is as follows:

	FY 2025-2026	**FY 2026-2027**
Beginning Balance	**$0**	**$0**
Consensus Revenue Forecast		
Motor Fuels Tax	1,866,100,000	1,891,500,000
Licenses and Fees	1,097,500,000	1,116,000,000
Sales Tax Transfer	171,500,000	176,900,000

Short-Term Lease	113,100,000	114,900,000
Investment Income	50,200,000	37,600,000
Transportation Commerce Tax	7,000,000	7,300,000
Adjustments to Availability		
Sales Tax Holiday		(500,000)
Total Highway Fund Availability	**$3,305,400,000**	**$3,343,700,000**

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 3.3. Appropriations from the State Highway Trust Fund for construction, for operations of the Department of Transportation, and for other purposes as enumerated are made for each year of the 2025-2027 fiscal biennium according to the following schedule:

Highway Trust Fund	**FY 2025-26**	**FY 2026-27**
Program Administration	$45,117,311	$45,117,311
Bond	121,440,275	121,436,275
Turnpike Authority	49,000,000	49,000,000
State Ports Authority	45,000,000	45,000,000
FHWA State Match	6,048,440	6,048,440
Strategic Prioritization Funding		
Plan for Transportation Investments	2,222,253,974	2,279,357,974
Transfer to Visitor Center	640,000	640,000
Highway Trust Fund Total	**$2,489,500,000**	**$2,546,600,000**

HIGHWAY TRUST FUND AVAILABILITY

SECTION 3.4. The Highway Trust Fund availability used in developing the budget for each year of the 2025-2027 fiscal biennial budget is as follows:

	FY 2025-2026	**FY 2026-2027**
Beginning Balance	**$0**	**$0**
Consensus Revenue Forecast		
Highway Use Tax	1,150,500,000	1,179,800,000
Motor Fuels Tax	619,500,000	627,900,000
Sales Tax Transfer	514,400,000	530,600,000
Fees	172,100,000	172,500,000
Investment Income	33,000,000	37,200,000
Adjustments to Availability		
Sales Tax Holiday		(1,400,000)
Total Highway Trust Fund Availability	**$2,489,500,000**	**$2,546,600,000**

PART IV. OTHER AVAILABILITY AND APPROPRIATIONS

OTHER APPROPRIATIONS

SECTION 4.1.(a) State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated for each year of the 2025-2027 fiscal biennium, as follows:

(1) All budget codes listed in the Governor's Recommended Base Budget for the 2025-2027 fiscal biennium, submitted pursuant to G.S. 143C-3-5, are appropriated up to the amounts specified, as adjusted by the General Assembly in this act and as delineated in the Committee Report described in Section 45.2 of this act, or in another act of the General Assembly.

(2) Agency receipts up to the amounts needed to implement the legislatively mandated salary increases and employee benefit increases provided in this act for each year of the 2025-2027 fiscal biennium.

SECTION 4.1.(b) Receipts collected in a fiscal year in excess of the amounts appropriated by this section shall remain unexpended and unencumbered until appropriated by the General Assembly, unless the expenditure of overrealized receipts in the fiscal year in which the receipts were collected is authorized by G.S. 143C-6-4. Overrealized receipts are appropriated in the amounts necessary to implement this subsection.

SECTION 4.1.(c) Funds may be expended only for the specified programs, purposes, objects, and line items or as otherwise authorized by the General Assembly.

OTHER RECEIPTS FROM PENDING AWARD GRANTS

SECTION 4.2.(a) Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded after the enactment of this act for grant awards that are for less than two million five hundred thousand dollars ($2,500,000). State agencies shall report to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate Committee on Appropriations/Base Budget, the chairs of the House Appropriations Committee, and the Fiscal Research Division within 30 days of receipt of such funds.

State agencies may spend up to the greater of one percent (1%) or ten million dollars ($10,000,000) of the total amount of grants awarded after the enactment of this act to respond to an emergency, as defined in G.S. 166A-19.3, with the approval of the Director of the Budget. State agencies shall report to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate Committee on Appropriations/Base Budget, the chairs of the House Appropriations Committee, and the Fiscal Research Division within 30 days of receipt of such funds, including specifying the total amount of grants awarded to respond to the emergency.

State agencies may spend all other funds from grants awarded after the enactment of this act only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 4.2.(b) The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. Funds received from such grants are hereby appropriated up to the applicable amount set forth in subsection (a) of this section and shall be incorporated into the authorized budget of the recipient State agency.

SECTION 4.2.(c) Notwithstanding the provisions of this section, no State agency may accept a grant not anticipated in this act if (i) acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds or (ii) the grant funds will be used for a capital project.

EDUCATION LOTTERY FUNDS

SECTION 4.3.(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	280,120,000	282,680,000
Public School Repair & Renovation	70,000,000	70,000,000
Scholarship Reserve Fund for Public Colleges and Universities	28,819,733	28,819,733
School Transportation	182,193,702	186,033,702
TOTAL ALLOCATION	**$1,125,300,000**	**$1,131,700,000**

SECTION 4.3.(b) Notwithstanding G.S. 18C-164(b3), the sum of one hundred one million forty thousand dollars ($101,040,000) in net revenues from the 2024-2025 fiscal year, after appropriation pursuant to G.S. 18C-164(b1) and transfer pursuant to G.S. 18C-164(b2), shall be allocated to and remain available for school transportation for the 2025-2026 fiscal year. Funds remaining after the allocation described in this subsection shall be appropriated to the Needs-Based Public School Capital Fund.

SECTION 4.3.(c) Subsection (b) of this section becomes effective June 30, 2025. The remainder of this section becomes effective July 1, 2025.

NEEDS-BASED PUBLIC SCHOOL CAPITAL PROGRAM CHANGES

SECTION 4.3A.(a) Article 38B of Chapter 115C of the General Statutes reads as rewritten:

"Article 38B.

"Needs-Based Public School Capital Fund.

"**§ 115C-546.10. Fund created; purpose; prioritization.**

There is created the Needs-Based Public School Capital Fund as an interest-bearing, nonreverting special fund in the Department of Public Instruction. The State Treasurer shall be the custodian of the Needs-Based Public School Capital Fund and shall invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The Department of Public Instruction shall award grants from the Fund to counties to assist with their critical public school building capital needs in accordance with the following priorities:

(1) Counties designated as development tier one areas.
(2) Counties with greater need and less ability to generate sales tax and property tax revenue.
(3) Counties with a high debt-to-tax revenue ratio.
(4) The extent to which a project will address critical deficiencies in adequately serving the current and future student population.
(5) Projects with new construction or complete renovation of existing facilities.
(6) Projects that will consolidate two or more schools into one new facility.
(7) Counties that have not received a grant under this Article in the previous three years.
(8) Whether the county has declined or forfeited a previous grant awarded under this Article.
(9) Whether the county has submitted a certification of intent to provide funding necessary for project completion.
(10) A school district is eligible for a grant under this Article in any year following a successful grant from another school district in the same county.

"**§ 115C-546.11. Matching requirement; use of funds; maximum awards; ~~project review.~~project review; application time lines.**

(a) An eligible county awarded a grant under this Article shall provide local matching funds from county funds, other non-State funds, or a combination of these sources for the grant as provided in this section. An eligible county is a county with an adjusted market value of taxable

real property of less than forty billion dollars ($40,000,000,000). The adjusted market value of taxable property in a county is equal to the county's assessed taxable real property value, using the latest available data published by the Department of Revenue, divided by the county's sales assessment ratio determined under G.S. 105-289(h). The amount of matching funds for a county awarded a grant shall be published annually by the Department of Public Instruction prior to any application period. The local match requirement applied to the project shall be based on the match requirement effective at the time of the grant award. The local match requirement is calculated as follows:

Adjusted Market Value of Taxable Real Property

Over	Up to	Percentage Match
$0	$2 billion	0%
$2 billion	$10 billion	5%
$10 billion	$20 billion	15%
$20 billion	$30 billion	25%
$30 billion	$40 billion	35%

(b) Grant funds shall be used only for the construction of new school buildings and additions, repairs, and renovations. Grant funds shall not be used for real property acquisition or for capital improvements to administrative buildings. Grant funds shall be disbursed in a series of payments based on the progress of the project. To obtain a payment, the grantee shall submit a request for payment along with documentation of the expenditures for which the payment is requested and evidence that the matching requirement contained in subsection (a) of this section has been met. No portion of grant funds may be used to acquire a Leadership in Energy and Environmental Design (LEED) certification.

(c) Maximum grant award amounts shall be determined as follows:

(1) Up to forty-two million dollars ($42,000,000) for an elementary school.

(2) Up to fifty-two million dollars ($52,000,000) for a middle school or a combination of an elementary and middle school.

(3) Up to sixty-two million dollars ($62,000,000) for a high school.

(d) The Department of Public Instruction shall review projected enrollment to evaluate the reasonableness of a project's size and scope. A county may include in a grant application a minimum grant amount that would enable the project to proceed. A grant application that proposes to consolidate two or more schools by (i) making additions or renovations at one or more school facilities and (ii) closing one or more existing school facilities may be submitted and considered by the Department of Public Instruction as a single project. Each application for a grant under this Article shall be evaluated independent of other grant applications submitted. A county may not apply for projects that exceed an aggregate amount greater than the maximum grant award amounts listed in subsection (c) of this section in any single year. The Department of Public Instruction shall not award a grant to an applicant at less than the requested amount or less than the maximum grant amounts listed in subsection (c) of this section for the purpose of reserving the amount of grant funds available for other grant applications. If a county declines or otherwise forfeits a grant awarded under this section, the Department shall not award additional grants to that county for 24 months from the date the grant award was declined or forfeited.

(e) No later than October 1 of each year, the Department of Public Instruction shall publish the application requirements, including the applicable county match requirements calculated pursuant to subsection (a) of this section, for grant awards under this Article to be considered for the following fiscal year. The Department of Public Instruction shall open the grant application period on January 1 of each year and shall accept grant applications meeting the criteria established under this Article from that date until March 15 of each year. During the grant application period, the Department of Public Instruction may work with applicants to supplement grant applications with any information needed to evaluate the grant application.

Upon the closing of the grant application period on March 15 of each year, the Department shall evaluate all applications received during the grant application period and, no later than May 1 of each year, shall submit an unranked list of grant applications, to include a technical evaluation and a statement of comparison to the priorities listed in G.S. 115C-546.10 for each application, that qualify under the conditions imposed by this Article to the chairs of the Senate Committee on Appropriations/Base Budget, the chairs of the House Appropriations Committee, and the Fiscal Research Division.

"**§ 115C-546.12. Grant agreement; requirements.**

(a) A county receiving grant funds pursuant to this Article shall enter into an agreement with the Department of Public Instruction detailing the use of grant funds. The agreement shall contain at least all of the following:

(1) A requirement that the grantee seek planning assistance and plan review from the School Planning Section of the Department of Public Instruction.

(2) A progress payment provision governing disbursements to the county for the duration of the school construction project based upon the construction progress and documentation satisfactory to the Department that the matching requirement in G.S. 115C-546.11 has been met.

(3) A provision requiring periodic reports to the Department of Public Instruction on the use of disbursed grant funds and the progress of the school construction project.

(4) A requirement that matching funds paid by the county pursuant to G.S. 115C-546.11 must be derived from non-State and nonfederal funds.

(5) A provision requiring repayment in full of awarded grant funds in the event the grant recipient declines the grant award or the grant is forfeited.

(b) Project construction must be initiated within 24 months of the award of grant funds. The Superintendent of Public Instruction may grant a 12-month extension under extraordinary circumstances.

(c) A grant awarded under this section may be forfeited if any of the following occur:

(1) Project construction is not initiated on time.

(2) Project scope changes significantly from what was outlined in the grant agreement.

(3) Any statement or information provided in the grant application is later determined to be materially false.

(4) Local funding is subsequently decreased from the amount provided in the grant application.

(d) For grant awards that, due to extraordinary circumstances, are forfeited or declined, the Department of Public Instruction may deduct reasonable administrative costs incurred by the grant recipient in connection with the project from grant funds disbursed to the grant recipient in the calculation of fund repayment. A grant recipient shall provide documentation satisfactory to the Department to support any administrative costs to be deducted.

"**§ 115C-546.13. Lease exception; requirements.**

(a) Notwithstanding any provision of this Article to the contrary, a county may utilize grant funds for a lease agreement if all of the following criteria are met:

(1) Ownership of the subject property on which the leased school is constructed shall be retained by the county.

(2) The lease agreement shall include a repairs and maintenance provision that requires the landlord to bear the entire expense of all repairs, maintenance, alterations, or improvements to the basic structure, fixtures, appurtenances, and grounds of the subject property for the term of the lease.

(3) The lease agreement shall be for a term of at least 15 years and no more than 25 years.

(4) In lieu of the progress payment requirement provided in G.S. 115C-546.11(b), a county that has entered into a lease agreement shall provide a copy of the lease agreement to the Department of Public Instruction and shall be periodically reimbursed upon submission of documentation satisfactory to the Department that the matching requirement of this section has been met.

(b) For the purposes of this section, the term "lease agreement" shall include any ancillary agreements or predevelopment agreements entered into in anticipation of or in accordance with a lease. A lease agreement entered into pursuant to this subsection shall be subject to the requirements of Article 8 of Chapter 159 of the General Statutes. In determining whether the lease agreement is necessary or expedient pursuant to G.S. 159-151(a)(1) and G.S. 159-151(b)(1), the Local Government Commission may consider any other relevant construction and financing methods available to the county.

"**§ 115C-546.14. Reporting.**

(a) On or before April 1 of each year, a grant recipient shall submit to the Department of Public Instruction an annual report for the preceding year that describes the progress of the project for which the grant was received. The grant recipient shall submit a final report to the Department of Public Instruction within three months of the completion of the project.

(b) On or before May 1 of each year, the Department of Public Instruction shall submit a report to the chairs of the Senate Appropriations Committee on Education/Higher Education, the chairs of the House Appropriations Committee on Education, and the Fiscal Research Division. The report shall contain at least all of the following information for the fiscal year:

(1) Number, description, and geographic distribution of ~~projects awarded.~~project applications received.

(2) Total cost of each project and amount supported by the Needs-Based Public School Capital Fund.

(3) Projections for local school administrative unit capital needs for the next 30 years based upon present conditions and estimated demographic changes.

(4) Any legislative recommendations for improving the Needs-Based Public School Capital Fund program."

SECTION 4.3A.(b) G.S. 115C-546.10, as amended by subsection (a) of this section, reads as rewritten:

"**§ 115C-546.10. Fund created; purpose; prioritization.**

There is created the Needs-Based Public School Capital Fund as an interest-bearing, nonreverting special fund in the Department of Public Instruction. The State Treasurer shall be the custodian of the Needs-Based Public School Capital Fund and shall invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The Department of Public Instruction shall ~~award~~ administer grants allocated by an act of the General Assembly from the Fund to counties to assist with their critical public school building capital needs in accordance with this Article. Grant awards will be considered in accordance with the following priorities:

(1) Counties designated as development tier one areas.

(2) Counties with greater need and less ability to generate sales tax and property tax revenue.

(3) Counties with a high debt-to-tax revenue ratio.

(4) The extent to which a project will address critical deficiencies in adequately serving the current and future student population.

(5) Projects with new construction or complete renovation of existing facilities.

(6) Projects that will consolidate two or more schools into one new facility.

(7) Counties that have not received a grant under this Article in the previous three years.

(8) Whether the county has declined or forfeited a previous grant awarded under this Article.

(9) Whether the county has submitted a certification of intent to provide funding necessary for project completion."

SECTION 4.3A.(c) G.S. 115C-546.11, as amended by subsection (a) of this section, reads as rewritten:

"**§ 115C-546.11. Matching requirement; use of funds; maximum awards; project review; application time lines.**

…

(b) Grant funds shall be used only for the construction of new school buildings and additions, repairs, and renovations. Grant funds shall not be used for real property acquisition or for capital improvements to administrative buildings. Grant funds shall be disbursed in a series of payments based on the progress of the project. To obtain a payment, the grantee shall submit a request for payment along with documentation of the expenditures for which the payment is requested and evidence that the matching requirement contained in subsection (a) of this section has been met. No portion of grant funds may be used to acquire a Leadership in Energy and Environmental Design (LEED) certification. Grant funds awarded under this section shall not revert but shall remain available until expended or until project completion.

…

(d) The Department of Public Instruction shall review projected enrollment to evaluate the reasonableness of a project's size and scope. A county may include in a grant application a minimum grant amount that would enable the project to proceed. A grant application that proposes to consolidate two or more schools by (i) making additions or renovations at one or more school facilities and (ii) closing one or more existing school facilities may be submitted and considered by the Department of Public Instruction as a single project. Each application for a grant under this Article shall be evaluated independent of other grant applications submitted. A county may not apply for projects that exceed an aggregate amount greater than the maximum grant award amounts listed in subsection (c) of this section in any single year. ~~The Department of Public Instruction shall not award a grant to an applicant at less than the requested amount or less than the maximum grant amounts listed in subsection (c) of this section for the purpose of reserving the amount of grant funds available for other grant applications. If a county declines or otherwise forfeits a grant awarded under this section, the Department shall not award additional grants to that county for 24 months from the date the grant award was declined or forfeited.~~

…."

SECTION 4.3A.(d) Subsections (b) and (c) of this section become effective January 1, 2026. The remainder of this section becomes effective July 1, 2025.

INDIAN GAMING EDUCATION REVENUE FUND APPROPRIATIONS

SECTION 4.4. 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**
Instructional Materials Allotment	$3,500,000	$15,500,000
Classroom Materials Allotment	10,000,000	10,000,000
Total Appropriation	**$13,500,000**	**$25,500,000**

CIVIL PENALTY AND FORFEITURE FUND

SECTION 4.5. 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 Training	31,493,768	31,493,768
State Public School Fund	166,041,640	186,041,640
Total Appropriation	**$215,535,408**	**$235,535,408**

ARPA TEMPORARY SAVINGS FUND

SECTION 4.6.(a) General. – Funds appropriated in this act from the ARPA Temporary Savings Fund, established in Section 1.3(a) of S.L. 2023-7, to State agencies and departments shall be used for the purposes described in this act, or in the Committee Report described in Section 45.2 of this act, for the fiscal year in which they are appropriated. Funds appropriated in this act from the ARPA Temporary Savings Fund shall not revert.

SECTION 4.6.(b) Availability of Funds and Timing of Disbursements. – The funds appropriated in this act from the ARPA Temporary Savings Fund shall become available during the course of the 2025-2026 fiscal year as the funds are deposited into that Fund. The Department of Health and Human Services (DHHS) shall not disburse allocations of the funds appropriated in this act from the ARPA Temporary Savings Fund until the funds are available within that Fund. DHHS shall disburse funds on at least a quarterly basis, or more frequently, provided funds are available within the Fund. Funds allocated as described in this act, or in the Committee Report described in Section 45.2 of this act, shall be disbursed as directed under subsection (c) of this section.

SECTION 4.6.(c) Priority of Disbursement of Funds in the 2025-2026 Fiscal Year. – For the 2025-2026 fiscal year, funds appropriated in this act from the ARPA Temporary Savings Fund and allocated as described in this act, or in the Committee Report described in Section 45.2 of this act, shall be disbursed based upon the amount of funds being allocated, least to most.

PART V. GENERAL PROVISIONS

ESTABLISHING OR INCREASING FEES

SECTION 5.1.(a) Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee to the level authorized or anticipated in this act.

SECTION 5.1.(b) Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter 150B of the General Statutes.

DIRECTED GRANTS TO NON-STATE ENTITIES

SECTION 5.2.(a) Definitions. – For purposes of this act and the Committee Report described in Section 45.2 of this act, the following definitions apply:

(1) Directed grant. – Nonrecurring funds, specifically identified as "directed grants", that are allocated by a State agency to a non-State entity as directed by an act of the General Assembly.

(2) Non-State entity. – As defined in G.S. 143C-1-1.

SECTION 5.2.(b) Requirements. – Nonrecurring funds appropriated in this act as directed grants are subject to all of the following requirements:

(1) Directed grants are subject to the provisions of subsections (b) through (k) of G.S. 143C-6-23, with the exception that the deadline for expending, encumbering, or disbursing grant funds established by G.S. 143C-6-23(f1)(1) shall not apply unless the terms of the applicable appropriation specifically state otherwise.

(2) Directed grants of one hundred thousand dollars ($100,000) or less may be made in a single annual payment in the discretion of the Director of the Budget. Directed grants of more than one hundred thousand dollars ($100,000) shall be made in quarterly or monthly payments in the discretion

of the Director of the Budget. A State agency administering a directed grant shall begin disbursement of funds to a non-State entity that meets all applicable requirements as soon as practicable, but no later than 100 days after the date this act becomes law. Full disbursement of funds to a non-State entity that meets all applicable requirements shall be completed no later than nine months after the date this act becomes law.

(3) Beginning on the first day of a quarter following the deadline provided in subdivision (2) of this subsection and quarterly thereafter, State agencies administering directed grants shall report to the Fiscal Research Division on the status of funds disbursed for each directed grant until all funds are fully disbursed. At a minimum, the report required under this subdivision shall include updates on (i) the date of the initial contact, (ii) the date the contract was sent to the entity receiving the funds, (iii) the date the disbursing agency received the fully executed contract back from the entity, (iv) the contract execution date, and (v) the payment date.

(4) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, nonrecurring funds appropriated in this act for the 2025-2026 fiscal year as directed grants shall not revert until two years after this act becomes law, and nonrecurring funds appropriated in this act for the 2026-2027 fiscal year as directed grants shall not revert until June 30, 2028.

(5) Directed grants to nonprofit organizations are for nonsectarian, nonreligious purposes only.

SECTION 5.2.(c) This section expires on June 30, 2028.

CAP STATE-FUNDED PORTION OF NONPROFIT SALARIES

SECTION 5.3. No more than one hundred forty thousand dollars ($140,000) in State funds, including any interest earnings accruing from those funds, may be used for the annual salary of any individual employee of a nonprofit organization.

VACANT POSITION FLEXIBILITY

SECTION 5.4. By October 1 of each year of the 2025-2027 fiscal biennium, State agencies with vacant position reductions identified in the Committee Report described in Section 45.2 of this act that are not identified by position number shall eliminate vacant positions that remain vacant at the end of the 2024-2025 fiscal year to achieve the budgeted reduction in each of those years. 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.

DISTRIBUTION OF SALARY RESERVE

SECTION 5.4A. The funds appropriated for salaries and benefits set forth in this act, including the reductions associated with the Labor Market Adjustment Reserve increases and the vacant positions in Section 41.2B of this act, shall be distributed to the respective State agencies, departments, and institutions based on the provisions of Part V-IIA and Part XLI of this act.

NCINNOVATION

SECTION 5.7.(a) Return of Funds. – NCInnovation shall transfer back to the State, after consultation with, and in conformity with direction received from, the State Controller, the sum of five hundred million dollars ($500,000,000).

SECTION 5.7.(b) Helene Fund. – The State Controller shall facilitate the return of transferred funds from NCInnovation pursuant to subsection (a) of this section and shall deposit the funds into the Hurricane Helene Disaster Recovery Fund established in Section 4.1 of S.L. 2024-51. The transfer and deposit of funds into reserves pursuant to this section does not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. The funds shall remain unappropriated unless the General Assembly appropriates the funds in this or a subsequent act. In accordance with G.S. 147-69.1(d), funds in the Reserves shall be invested by the Department of the State Treasurer, with earnings and interest therefrom being transferred to and deposited in the General Fund.

SECTION 5.7.(c) Repeal. – Upon the return of the transferred funds to the State pursuant to subsection (a) of this section, Article 76A of Chapter 143 of the General Statutes is repealed. The State Controller shall notify the Revisor of Statutes when the transfer has been completed.

SECTION 5.7.(d) This section is effective when it becomes law.

STATE BUDGET ACT TECHNICAL CHANGES

SECTION 5.8.(a) G.S. 143C-1-1 reads as rewritten:

"**§ 143C-1-1. Purpose and definitions.**

…

(d) Definitions. – The following definitions apply in this Chapter:

…

(20) Object or line item. – An expenditure or receipt in a recommended or enacted budget that is designated in the Budget Code Structure of the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts prescribed by the Office of the State Controller.

…

(23) Purpose or program. – A group of objects or line items for support of a specific activity for a State agency outlined in a recommended or enacted budget that is designated by a ~~nine-digit~~ six-digit fund code in accordance with the Budget Code Structure of the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts prescribed by the Office of the State Controller.

…."

SECTION 5.8.(b) G.S. 143C-3-5 reads as rewritten:

"**§ 143C-3-5. Budget recommendations and budget message.**

…

(b) Odd-Numbered Years. – In odd-numbered years the budget recommendations shall include the following components:

…

(2) A Recommended Base Budget showing, for each budget code and purpose or program in State government, accounting detail corresponding to the Recommended State Budget.

a. The Recommended Base Budget shall employ the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts adopted by the State Controller to show both uses and sources of funds and shall display in separate parallel columns all of the following: (i) actual expenditures and receipts for the most recent fiscal year for which actual information is available, (ii) the certified budget for the preceding fiscal year, (iii) the currently authorized budget for the preceding fiscal year, (iv) program base budget requirements for each fiscal year of the biennium, (v) proposed expenditures and receipts for

each fiscal year of the biennium, and (vi) proposed increases and decreases.

…

(7) The Governor's Recommended State Budget shall include a transfer to the State Capital and Infrastructure Fund ~~of four percent (4%) of the estimated net State tax revenues that are deposited in the General Fund for each fiscal year of the upcoming biennium.~~in accordance with G.S. 143C-4-3.1(b)(1).

…."

SECTION 5.8.(c) G.S. 143C-6-11 reads as rewritten:

"Part 2. Highway Appropriations.

"**§ 143C-6-11. Highway appropriation.**

…

(*l*) It is the intent of the General Assembly to (i) prevent the inclusion of duplicative fund codes in the Highway Fund certified budget and (ii) correctly align authorized positions and associated operating costs with the appropriate purposes and definitions as defined in G.S. 143C-1-1. To that end, the Office of State Budget and Management, in consultation with the Department of Transportation, the Office of the State Controller, and the Fiscal Research Division of the General Assembly, shall include, as an appendix to the Highway Fund certified budget, object detail using the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts prescribed by the Office of the State Controller to provide a more detailed accounting of the proposed budgets and receipts and actual expenditures and revenue collections. This requirement includes applying object detail at the four-digit level for all accounts to full-time and part-time positions, to operating expenditures and receipts, and to intrafund transfers. Additionally, work order positions shall be budgeted within existing fund codes.

…."

SECTION 5.8.(d) G.S. 143C-6-13 is repealed.

STATE FISCAL RECOVERY FUND FLEXIBILITY

SECTION 5.9.(a) Notwithstanding any provision of law to the contrary, and subject to the conditions set out in this section, the North Carolina Pandemic Recovery Office (NCPRO), in consultation with the Director of the Budget, is authorized to reallocate State Fiscal Recovery Funds (SFRF) appropriated by this act or any act of the General Assembly, including, but not limited to:

(1) S.L. 2021-180.
(2) S.L. 2021-189.
(3) S.L. 2022-6.
(4) S.L. 2022-74.
(5) S.L. 2023-134.
(6) S.L. 2024-1.
(7) S.L. 2024-40.
(8) S.L. 2024-53.
(9) S.L. 2024-55.

SECTION 5.9.(b) The funds set out in subsection (a) of this section may be reallocated only when all of the following conditions are met:

(1) The appropriated funds have not been expended by December 31, 2025.
(2) There is a reasonable expectation that the funds will not be expended before the deadline established by applicable federal law or guidance.
(3) The reallocation is made to support one or more SFRF related activities authorized and receiving appropriations under this act or one of the acts listed above in subsection (a) of this section. Reallocated funds shall not be used for any new activity, purpose, or program.

(4) The funds were not appropriated for a broadband project or activity.

SECTION 5.9.(c) To the extent the Office of State Budget and Management is aware of any unappropriated SFRF funds, including interest earned, that remain unexpended and may be reallocated to another eligible project, the OSBM shall report that information to the Fiscal Research Division not later than January 15, 2026.

SECTION 5.9.(d) At least 30 days prior to executing the reallocation of funds as proposed by NCPRO under subsection (a) of this section, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the proposed plan to reallocate the funds, including the amounts to be reallocated and the projects to which the funds will be reallocated. The OSBM shall submit a monthly report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on all reallocated SFRF expenditures.

SECTION 5.9.(e) Any funds remaining after the reallocation of funds authorized in subsection (a) and subsection (b) of this section shall be allocated to the State Treasurer up to an amount equal to the remaining unreimbursed COVID-19 related expenses incurred by the North Carolina State Health Plan for Teachers and State Employees between March 3, 2021, and December 31, 2024.

SECTION 5.9.(f) If the deadline for the expenditure of SFRF funds is extended to June 30, 2027, or later, by the federal government, the provisions of this section shall be void and have no effect.

BREAST CANCER PREVENTION IMAGING PARITY

SECTION 5.10.(a) G.S. 58-51-57 is recodified as G.S. 58-3-271.

SECTION 5.10.(b) G.S. 58-3-271, as enacted by subsection (a) of this section, reads as rewritten:

"**§ 58-3-271. Coverage for diagnostic, screening, and supplemental examinations for breast cancer, including mammograms and other imaging, and cervical cancer screening.**

(a) The following definitions apply in this section:

(1) Breast magnetic resonance imaging. – A diagnostic tool that uses a powerful magnetic field, radio waves, and a computer to produce detailed pictures of the structures within the breast.

(2) Breast ultrasound. – A noninvasive diagnostic tool that uses high-frequency sound waves to produce detailed images of the breast.

(3) Cost-sharing. – A deductible, coinsurance, copayment, and any maximum limitation on the application of a deductible, coinsurance, copayment, or similar out-of-pocket expense.

(4) Diagnostic examination for breast cancer. – An examination for breast cancer that is determined by the healthcare provider treating the patient to be medically necessary and appropriate and that may include breast magnetic resonance imaging, breast ultrasound, and diagnostic low-dose mammography to evaluate the abnormality in the breast that meets one of the following criteria:

a. Is seen or suspected from a screening examination for breast cancer.

b. Is detected by another means of examination.

(5) High-deductible health plan. – As defined under the Internal Revenue Code.

(6) Low-dose mammography. – A radiologic procedure for the early detection of breast cancer using equipment dedicated specifically for mammography, including a physician's interpretation of the results of the procedure.

(7) Screening examination for breast cancer. – Low-dose mammography, or an equivalent procedure, that is used to determine if there is abnormality in the breast.

(8) Screening of early detection of cervical cancer. – Examinations and laboratory tests used to detect cervical cancer, including conventional PAP smear screening, liquid-based cytology, and human papilloma virus (HPV) detection methods for women with equivocal findings on cervical cytologic analysis that are subject to the approval of and have been approved by the United States Food and Drug Administration.

(9) Section 223. – Section 223 of the Internal Revenue Code or its equivalent.

(10) Supplemental examination for breast cancer. – An examination for breast cancer that is determined by the healthcare provider treating the patient to be medically necessary and appropriate and that may include breast magnetic resonance imaging or breast ultrasound to screen for cancer when there is no abnormality seen or suspected if the patient meets either of the following criteria:

a. The patient is at increased risk for breast cancer based on the patient's personal medical history or family medical history of breast cancer.

b. The patient has a breast cancer risk profile that qualifies the patient based on current recommendations of the United States Preventive Services Task Force, also known as USPSTF.

~~(a)~~(a1) Every ~~policy or contract of accident or health insurance, and every preferred provider benefit plan under G.S. 58-50-56, that is issued, renewed, or amended on or after January 1, 1992,~~ health benefit plan offered by an insurer in this State shall provide coverage for examinations and laboratory tests for the screening for the early detection of cervical cancer and for low-dose screening mammography. The same deductibles, coinsurance, and other limitations as apply to similar services covered under the policy, contract, or plan shall apply to coverage for examinations and laboratory tests for the screening for the early detection of cervical cancer and low-dose screening mammography.

~~(a1) As used in this section, "examinations and laboratory tests for the screening for the early detection of cervical cancer" means conventional PAP smear screening, liquid-based cytology, and human papilloma virus (HPV) detection methods for women with equivocal findings on cervical cytologic analysis that are subject to the approval of and have been approved by the United States Food and Drug Administration.~~

~~(b) As used in this section, "low-dose screening mammography" means a radiologic procedure for the early detection of breast cancer provided to an asymptomatic woman using equipment dedicated specifically for mammography, including a physician's interpretation of the results of the procedure.~~

(b1) Every health benefit plan offered by an insurer that provides benefits for a diagnostic or supplemental examination for breast cancer shall ensure that the cost-sharing requirements applicable to a diagnostic or supplemental examination for breast cancer are no less favorable than the cost-sharing requirements applicable to low-dose screening mammography for breast cancer.

(b2) An insurer shall not be required to reimburse a healthcare provider that is not a contracted provider in the provider network of a health benefit plan offered by the insurer any reimbursement rate more than the rate paid to a provider that has contracted with the insurer to participate in the provider network of the health benefit plan for any of the following services:

(1) Diagnostic, screening, or supplemental examination for breast cancer.

(2) Low-dose mammography.

(3) Breast ultrasound.

(4) Breast magnetic resonance imaging.

(c) Coverage for low-dose screening mammography shall be provided as follows:
(1) One or more mammograms a year, as recommended by a physician, for any woman who is at risk for breast cancer. For purposes of this subdivision, a woman is at risk for breast cancer if any one or more of the following is true:
a. The woman has a personal history of breast ~~cancer;~~cancer.
b. The woman has a personal history of biopsy-proven benign breast ~~disease;~~disease.
c. The woman's mother, sister, or daughter has or has had breast ~~cancer; or~~cancer.
d. The woman has not given birth prior to the age of ~~30;~~30.
(2) One baseline mammogram for any woman 35 through 39 years of age, ~~inclusive;~~inclusive.
(3) A mammogram every other year for any woman 40 through 49 years of age, inclusive, or more frequently upon recommendation of a ~~physician; and~~physician.
(4) A mammogram every year for any woman 50 years of age or older.

(d) Reimbursement for a mammogram authorized under this section shall be made only if the facility in which the mammogram was performed meets mammography accreditation standards established by the North Carolina Medical Care Commission.

(e) Coverage for the screening for the early detection of cervical cancer shall be in accordance with the most recently published ~~American Cancer Society~~ American College of Obstetricians and Gynecologists' guidelines or guidelines adopted by the North Carolina Advisory Committee on Cancer Coordination and Control. Coverage shall include the examination, the laboratory fee, and the physician's interpretation of the laboratory results. Reimbursements for laboratory fees shall be made only if the laboratory meets accreditation standards adopted by the North Carolina Medical Care Commission.

(f) If the application of any provision of this section would render the insured ineligible for a health savings account under section 223, then that provision shall apply only for high-deductible health plans with respect to the deductible of that plan after the insured has satisfied the minimum deductible under section 223, except with respect to items or services that are preventative care. For items or services that are preventative care under section 223, all provisions of this section shall apply regardless of whether or not the minimum deductible under section 223 has been satisfied."

SECTION 5.10.(b1) Subsection (b) of this section applies to insurance contracts issued, renewed, or amended on or after October 1, 2025.

SECTION 5.10.(c) G.S. 135-48.51 reads as rewritten:

"**§ 135-48.51. Coverage and operational mandates related to Chapter 58 of the General Statutes.**

The following provisions of Chapter 58 of the General Statutes apply to the State Health Plan:

…

(9a) G.S. 58-3-271, Coverage for diagnostic, screening, and supplemental examinations for breast cancer, including mammograms and other imaging, and cervical cancer screening.

…."

SECTION 5.10.(c1) Subsection (c) of this section applies to the next plan year after this act becomes effective.

SECTION 5.10.(d) G.S. 58-65-92 and G.S. 58-67-76 are repealed.

SECTION 5.10.(e) G.S. 90-701 is recodified as G.S. 90-705.

SECTION 5.10.(f) Article 41 of Chapter 90 of the General Statutes, as amended by subsection (d) of this section, reads as rewritten:

"Article 41.

"~~Pathology Services Billing.~~Transparency in Healthcare Provider Billing Practices.

"**§ 90-702. Definitions.**

The following definitions shall apply in this Article:

(1) Breast cancer prevention service. – All services listed under G.S. 58-3-271(b2).

(2) Cost-sharing. – As defined in G.S. 58-3-271.

(3) Reserved for future codification purposes.

(4) Health benefit plan. – As defined in G.S. 58-3-167.

(5) Healthcare provider. – A health services facility or a person who is licensed, registered, or certified under Chapter 90 or Chapter 90B of the General Statutes, or under the laws of another state, to provide healthcare services in the ordinary care of business or practice, or as a profession, or in an approved education or training program.

(6) Health services facility. – As defined in G.S. 131E-214.25

(7) Reserved for future codification purposes.

(8) Insurer. – As defined in G.S. 58-3-167.

"**§ 90-704. Billing for certain breast cancer prevention services.**

(a) A healthcare provider who has not contracted with an insurer to participate in the provider network of a health benefit plan shall accept as reimbursement for any breast cancer prevention service provided to an individual insured under a health benefit plan the amount of reimbursement provided by that insurer, including any cost-sharing required to be paid by the patient.

(b) No healthcare provider may bill a patient covered under a health benefit plan or request additional reimbursement from the insurer for any amount above the amount required to be accepted under subsection (a) of this section.

…."

SECTION 5.10.(f1) Subsection (f) of this section applies to services provided on or after October 1, 2025.

SECTION 5.10.(g) This section is effective October 1, 2025.

CARE FIRST/CUT AUTHORIZATION RED TAPE EFFICIENTLY AND FACILITATE INTERVENTIONS RAPIDLY, START TREATMENT

SECTION 5.11.(a) G.S. 58-50-61 reads as rewritten:

"**§ 58-50-61. Utilization review.**

(a) Definitions. – ~~As used in this section, in G.S. 58-50-62, and in Part 4 of this Article, the term:~~The following definitions apply in this section:

(1) ~~"Certificate of coverage" includes a~~ Certificate of coverage. – A policy of insurance issued to an individual person or a franchise policy issued pursuant to G.S. 58-51-90.

(1a) Chronic or long-term condition. – A condition that has an expected duration of one year or more and that (i) requires ongoing medical attention, (ii) limits activities of daily living, or (iii) both.

(1b) ~~"Clinical peer" means a health care~~ Clinical peer. – A healthcare professional who holds an unrestricted license in a state of the United States, in the same or similar ~~specialty,~~ specialty as those subject to utilization review and who also routinely provides the ~~health care~~ healthcare services subject to utilization review.

(2) ~~"Clinical~~ Clinical review ~~criteria" means the~~ criteria. – The written screening procedures, decision abstracts, clinical protocols, and practice guidelines used by an insurer to determine medically necessary services and supplies.

(2a) Closely related service. – A healthcare service subject to utilization review that is closely related in purpose, diagnostic utility, or designated healthcare billing code; that was provided on the same date of service as another healthcare service that was authorized to be performed by a previous utilization review determination; and for which a provider, acting within the scope of the provider's license and expertise, may reasonably be expected to perform in conjunction with, or in lieu of, the originally authorized service due to differences in the observed patient characteristics or needs for diagnostic information that were not readily identifiable until the provider was performing the originally authorized service. The term does not include an order for, or administration of, a prescription drug or any part of a series or course of treatments.

(2b) Course of treatment. – Any prescribed order or all ordered treatments, including all prescription drugs and medical therapies, for a specific covered person with a specific condition that is outlined and decided upon ahead of time with the covered person and healthcare provider.

(3) ~~"Covered person" means a~~ Covered person. – A policyholder, subscriber, enrollee, or other individual covered by a health benefit plan. ~~"Covered person"~~ This term includes another person, other than the covered person's provider, who is authorized to act on behalf of a covered person.

(4) ~~"Emergency~~ Emergency medical ~~condition" means a~~ condition. – A medical condition manifesting itself by acute symptoms of sufficient severity including, but not limited to, severe pain, or by acute symptoms developing from a chronic medical condition that would lead a prudent layperson, possessing an average knowledge of health and medicine, to reasonably expect the absence of immediate medical attention to result in any of the following:

…

(5) ~~"Emergency services" means health care~~ Emergency services. – Healthcare items and services furnished or required to screen for or treat an emergency medical condition until the condition is stabilized, including prehospital care transportation services, including ambulance services and ancillary services routinely available to the emergency department.

(6) ~~"Grievance" means a~~ Grievance. – A written complaint submitted by a covered person about any of the following:

a. An insurer's decisions, policies, or actions related to availability, delivery, or quality of ~~health care~~ healthcare services. A written complaint submitted by a covered person about a decision rendered solely on the basis that the health benefit plan contains a benefits exclusion for the ~~health care~~ service in question is not a grievance if the exclusion of the specific service requested is clearly stated in the certificate of coverage.

b. Claims payment or ~~handling;~~ handling or the reimbursement for services.

…

(8) ~~"Health care provider" means any~~ Healthcare provider. – Any person who is licensed, registered, or certified under Chapter 90 of the General Statutes or the laws of another state to provide ~~health care~~ healthcare services in the ordinary care of ~~business or practice or a profession~~ business, practice, or profession, or in an approved education or training program; in a health care

~~facility~~ facility, as defined in G.S. 131E-176(9b) or the laws of another state to operate as a health care facility; or in a pharmacy.

(9) ~~"Health care services" means services~~ Healthcare services. – Services provided for the diagnosis, prevention, treatment, cure, or relief of a health condition, illness, injury, or disease.

(10) ~~"Insurer" means an~~ Insurer. – An entity that writes a health benefit plan and that is an insurance company subject to this Chapter, a service corporation under Article 65 of this Chapter, a health maintenance organization under Article 67 of this Chapter, or a multiple employer welfare arrangement under Article 50A of this Chapter.

(11) ~~"Managed care plan" means a~~ Managed care plan. – A health benefit plan in which an insurer either (i) requires a covered person to use or (ii) creates incentives, including financial incentives, for a covered person to use providers that are under contract with or managed, owned, or employed by the insurer.

(12) ~~"Medically~~ Medically necessary services or ~~supplies" means those~~ supplies. – Those covered services or supplies that ~~are:~~meet any of the following criteria:

a. ~~Provided~~ Are provided for the diagnosis, treatment, cure, or relief of a health condition, illness, injury, or disease.

b. Except as allowed under G.S. 58-3-255, are not for experimental, investigational, or cosmetic purposes.

c. ~~Necessary~~ Are necessary for and appropriate to the diagnosis, treatment, cure, or relief of a health condition, illness, injury, disease, or its symptoms.

d. ~~Within~~ Provision of the services or supplies is within generally accepted standards of medical care in the community.

e. ~~Not~~ Are not provided solely for the convenience of the insured, the insured's family, or the provider.

…

(13) ~~"Noncertification" means a~~ Noncertification. – A determination by an insurer or its designated utilization review organization that an admission, availability of care, continued stay, or other ~~health care~~ healthcare service has been reviewed and, based upon the information provided, does not meet the insurer's requirements for medical necessity, appropriateness, ~~health care~~ healthcare setting, level of ~~care~~ care, or effectiveness, or does not meet the prudent layperson standard for coverage of emergency services in G.S. 58-3-190, and the requested service is therefore denied, reduced, or terminated. A ~~"noncertification"~~ noncertification is not a decision rendered solely on the basis that the health benefit plan does not provide benefits for the ~~health care~~ healthcare service in question, if the exclusion of the specific service requested is clearly stated in the certificate of coverage. A ~~"noncertification"~~ noncertification includes any situation in which an insurer or its designated agent makes a decision about a covered person's condition to determine whether a requested treatment is experimental, investigational, or cosmetic, and the extent of coverage under the health benefit plan is affected by that decision.

(14) ~~"Participating provider" means a~~ Participating provider. – A provider who, under a contract with an insurer or with an insurer's contractor or subcontractor, has agreed to provide ~~health care~~ healthcare services to covered persons in return for direct or indirect payment from the insurer, other than

cost-sharing by the covered person, such as coinsurance, copayments, or deductibles.

(14a) Prior authorization. – The process by which insurers and utilization review organizations determine the medical necessity or medical appropriateness of otherwise covered healthcare services prior to the rendering of those healthcare services. Prior authorization includes any insurer's or utilization review organization's requirement that a covered person or healthcare provider notify the insurer or utilization review organization prior to providing a healthcare service.

(15) ~~"Provider" means a health care~~ Provider. – A healthcare provider.

(16) ~~"Stabilize" means to~~ Stabilize. – To provide medical care that is appropriate to prevent a material deterioration of the person's condition, within reasonable medical probability, in accordance with the ~~HCFA (Health Care Financing Administration)~~ Centers for Medicare and Medicaid Services interpretative guidelines, policies, and regulations pertaining to responsibilities of hospitals in emergency ~~cases (as provided~~ cases under the Emergency Medical Treatment and Labor Act, section 1867 of the Social Security Act, ~~42 U.S.C.S. § 1395dd),~~ 42 U.S.C.S. § 1395dd, and including any medically necessary services and supplies to maintain stabilization until the person is transferred.

(16a) Urgent healthcare service. – A healthcare service with respect to which the application of the time periods for making a non-expedited utilization review that, in the opinion of a medical doctor with knowledge of the covered person's medical condition, could either (i) seriously jeopardize the life or health of the covered person or the ability of the covered person to regain maximum function or (ii) subject the covered person to severe pain that cannot be adequately managed without the care or treatment that is the subject of the utilization review. The term urgent healthcare service includes mental and behavioral healthcare services.

(17) ~~"Utilization review" means a~~ Utilization review. – A set of formal techniques designed to monitor the use of or evaluate the clinical necessity, appropriateness, ~~efficacy~~ efficacy, or efficiency of ~~health care~~ healthcare services, procedures, providers, or facilities. These techniques may ~~include:~~include any of the following:

…

c. Certification. – A determination by an insurer or its designated URO that an admission, availability of care, continued stay, or other service has been reviewed and, based on the information provided, satisfies the insurer's requirements for medically necessary services and supplies, appropriateness, ~~health care~~ healthcare setting, level of care, and effectiveness.

d. Concurrent review. – Utilization review conducted during a patient's hospital stay or course of ~~treatment.~~treatment and for which payment will be made for that service.

…

e1. Prior authorization.

…

(18) ~~"Utilization~~ Utilization review ~~organization" or "URO" means an~~ organization or URO. – An entity that conducts utilization review under a managed care plan, but does not mean an insurer performing utilization review for its own health benefit plan.

…

(c) Scope and Content of Program. – Every insurer shall prepare and maintain a utilization review program document that describes all delegated and nondelegated review functions for covered services ~~including:~~including all of the following:

(1) Procedures to evaluate the clinical necessity, appropriateness, efficacy, or efficiency of ~~health~~ healthcare services.

…

(5) Data collection processes and analytical methods used in assessing utilization of ~~health care~~ healthcare services.

…

(7) The organizational ~~structure (e.g., structure, such as a~~ utilization review committee, quality assurance, or other ~~committee)~~ committees, that periodically assesses utilization review activities and reports to the insurer's governing body.

…

(9) The methods of collection and assessment of data about underutilization and overutilization of ~~health care~~ healthcare services and how the assessment is used to evaluate and improve procedures and criteria for utilization review.

(d) ~~Program Operations.~~ Clinical Review Criteria, Generally. – In every utilization review program, an insurer or URO shall use documented clinical review criteria that are based on sound clinical evidence and that are ~~periodically~~ evaluated at least annually to assure ongoing efficacy. An insurer may develop its own clinical review criteria or purchase or license clinical review ~~criteria.~~ criteria, provided that the clinical review meets, at a minimum, all of the following standards:

(1) The criteria used is based on applicable nationally recognized medical standards.

(2) The clinical review and standards used are consistent with applicable government guidelines.

(3) The clinical review provides for the delivery of a healthcare service in a clinically appropriate type, frequency, and setting and for a clinically appropriate duration.

(4) The criteria used in the clinical review reflects the current medical and scientific evidence regarding emerging procedures, clinical guidelines, and best practices, as articulated in independent, peer-reviewed medical literature.

(5) The clinical review is sufficiently flexible to allow deviations from the norm when justified on a case-by-case basis to ensure access to care.

(d1) Clinical Review Criteria, Substance Use Treatment. – Criteria for determining when a patient needs to be placed in a substance abuse treatment program shall be ~~either (i)~~ the diagnostic criteria contained in the most recent revision of the American Society of Addiction Medicine Patient Placement Criteria for the Treatment of Substance-Related ~~Disorders or (ii) criteria adopted by the insurer or its URO.~~ Disorders. The Department, in consultation with the Department of Health and Human Services, may require proof of compliance with this subsection by a plan or URO.

(d2) Administration of Program. – All of the following shall apply in the administration of a utilization review program under this section:

(1) Qualified health care professionals shall administer the utilization review program and oversee review decisions under the direction of a medical doctor. ~~A medical doctor licensed to practice medicine in this State shall evaluate the clinical appropriateness of noncertifications.~~ An insurer and its URO shall ensure that all noncertifications are made by a medical doctor possessing a current and valid license to practice medicine in this State who (i) is of the same specialty as the healthcare provider who typically manages the medical

condition or disease or provides the healthcare service involved in the request and (ii) has experience treating patients with the condition or disease for which the healthcare service is being requested. Medical doctors shall issue noncertifications under the clinical direction of one of the insurer's medical directors responsible for the provision of healthcare services provided to covered persons.

(2) Compensation to persons involved in utilization review shall not contain any direct or indirect incentives for them to make any particular review decisions.

(3) Compensation to utilization reviewers shall not be directly or indirectly based on the number or type of noncertifications they render.

(4) In issuing a utilization review decision, an insurer ~~shall: obtain~~ or its URO shall do all of the following:

a. Obtain all information required to make the decision, including pertinent clinical ~~information; employ~~ information.

b. Employ a process to ensure that utilization reviewers apply clinical review criteria ~~consistently; and issue~~ consistently.

c. Apply the decision in a timely manner pursuant to this section.

(d3) Consultation Prior to Issuing Noncertifications. – If an insurer or its URO is questioning the medical necessity of a healthcare service, then the covered person's relevant provider shall be notified that medical necessity is being questioned within five business days of the date the insurer or its URO received the utilization review request for the healthcare service in question. Prior to issuing a noncertification, the covered person's provider shall be given the opportunity to discuss the medical necessity of the healthcare service by telephonic or tele-video means with the medical doctor who will be responsible for making the utilization review determination of the healthcare service under review. The insurer or its URO is required to make documented personal contact with the covered person's provider, or with the medical staff of that provider, via telephone before the five business days otherwise required under this section for notification.

(e) Insurer Responsibilities. – Every insurer ~~shall:~~shall do all of the following regarding its utilization review process under this section:

…

(7) Maintain a complete, publicly available list of healthcare services for which utilization review is required, including for all healthcare services where utilization review is to be performed by an entity under contract with the insurer.

(8) Ensure that its URO is in compliance with this section.

(f) Time Lines for Prospective and Concurrent Utilization Reviews Based Upon Type of Healthcare Service. – As used in this subsection, the term "necessary information" includes the results of any patient examination, clinical evaluation, or second opinion that may be required. ~~Prospective and concurrent determinations shall be communicated to the covered person's provider within three business days after the insurer obtains all necessary information about the admission, procedure, or health care service.~~ The time line for completion of a prospective or current utilization review, if required by an insurer, is as follows:

(1) Non-urgent healthcare services. – An insurer or its URO shall both render a utilization review determination or noncertification concerning non-urgent healthcare services and notify the covered person and the covered person's provider of that determination or noncertification within 48 hours of obtaining all necessary information to make the utilization review determination or noncertification.

(2) Urgent healthcare services. – An insurer or its URO shall both render a utilization review determination or noncertification concerning urgent

healthcare services and notify the covered person and the covered person's provider of that determination or noncertification not later than 24 hours after receiving all necessary information needed to complete the review of the requested healthcare services.

(3) Emergency services. – All of the following shall apply to utilization review for emergency services:

a. Utilization review shall not be required for prehospital transportation or the provision of emergency services.

b. A minimum period of 24 hours following the provision of emergency services to or an emergency admission of a covered person shall be allowed for a covered person or the relevant provider to notify an insurer or its URO of the admission or provision of emergency services. If the admission or emergency service occurs on a State or federal holiday or on a weekend, then notification shall not be required until the next business day after the admission or provision of the emergency services.

c. An insurer shall cover emergency services necessary to screen and stabilize a covered person. If a provider attests in writing to an insurer within 72 hours of a covered person's admission that the covered person's condition required emergency services, then that attestation creates a presumption that the emergency services were medically necessary and that presumption may be rebutted only if the insurer is able to establish, with clear and convincing evidence, that the emergency services were not medically necessary.

d. The medical necessity or appropriateness of emergency services shall not be based on whether those services were provided by participating or nonparticipating providers. Restrictions on coverage of emergency services provided by nonparticipating providers cannot be greater than restrictions that apply when those same services are provided by participating providers.

e. If a covered person receives an emergency service that requires one or more immediate post-evaluation or post-stabilization services, then an insurer or its URO shall make a utilization review determination for those services within 60 minutes of receiving a request. If the authorization determination is not made within 60 minutes, then the services for which the utilization review was requested are deemed approved.

(f1) Utilization Review Requests for Additional Information. – If an insurer or its URO requests additional information to process a claim subject to utilization review, then an insurer shall notify the provider of the specific information necessary to complete the utilization review and the specific purpose of the request. The notification shall reference all relevant clinical and administrative criteria and be written in easily understandable language. The notification shall be sent to the provider as soon as possible but not later than 48 hours after receipt of the initial utilization review request. The requesting provider or a member of the requesting provider's clinical or administrative staff may submit the specified additional information within 14 business days of the notification that clinical information is missing. Any claim subject to a request for additional information shall be processed within the time periods for prompt payment of claims pursuant to G.S. 58-3-225.

(f2) Utilization Review Determination Notifications. – If an insurer or its URO certifies a ~~health care~~ healthcare service, ~~the insurer shall notify~~ then notification of the determination shall be sent to the covered person's provider. ~~For~~ If an insurer or its URO issues a noncertification,

~~the insurer shall notify the covered person's provider and send~~ then written or electronic confirmation of the noncertification shall be sent to the covered person's provider and covered ~~person. In~~ person that is in compliance with subsection (h) of this section.

(f3) Concurrent Review Liability. – For concurrent reviews, the insurer shall remain liable for ~~health care~~ healthcare services until the covered person has been notified of the noncertification.

(g) Retrospective Reviews. – As used in this subsection, the term "necessary information" includes the results of any patient examination, clinical evaluation, or second opinion that may be required. For retrospective review determinations, an insurer or its URO shall make the determination within 30 days after receiving all necessary information. ~~For a certification, the insurer may give written notification to the covered person's provider. For a noncertification,~~ If a noncertification is issued, then the insurer or its URO shall give written notification to the covered person and the covered person's provider within five business days after ~~making~~ issuing the noncertification. The notice of the noncertification shall meet all requirements under subsection (h) of this section.

(g1) Retrospective Denial. – Subject to subsection (n1) of this section, an insurer may not revoke, limit, condition, or restrict a utilization review determination if care that has been previously certified by the insurer or its URO is provided within 45 business days from the date the provider received the utilization review determination. An insurer is required to pay a provider at the contracted payment rate for a healthcare service provided by the provider per a utilization review determination unless any of the following apply:

(1) The provider knowingly and materially misrepresented the healthcare service in the utilization review request with the specific intent to deceive and obtain an unlawful payment from the insurer.

(2) The healthcare service was no longer a covered benefit on the day it was provided.

(3) The provider was no longer contracted with the covered person's health benefit plan on the date the care was provided.

(4) The provider failed to meet the insurer's timely filing requirements.

(5) The insurer does not have liability for the claim.

(6) The covered person was no longer eligible for healthcare coverage on the day the care was provided.

(h) Requirements for Notice of Noncertification. – A written notification of a noncertification made in accordance with this section shall include all reasons for the noncertification, including the clinical rationale, the name and medical specialty of all medical doctors that were involved in the noncertification, the instructions for initiating a voluntary appeal or reconsideration of the noncertification, and the instructions for requesting a written statement of the clinical review criteria used to make the noncertification. An insurer shall provide the clinical review criteria used to make the noncertification to any person who received the notification of the noncertification and who follows the procedures for a request. An insurer shall also inform the covered person in writing about the availability of assistance from the Department's Health Insurance Smart NC, including the telephone number and address of the ~~Program.~~program.

(h1) Failure to Make a Timely Utilization Review Determination. – An insurer or its URO failing to approve, deny, or request additional information for a requested utilization review within the applicable time frames under this section is deemed to have approved the request.

(i) Requests for Informal Reconsideration. – An insurer may establish procedures for informal reconsideration of noncertifications and, if established, the procedures shall be in writing. After a written notice of noncertification has been issued in accordance with ~~subsection (h) of~~ this section, the reconsideration shall be conducted between the covered person's provider and a medical doctor licensed to practice medicine in this State designated by the insurer. An

insurer shall not require a covered person to participate in an informal reconsideration before the covered person may appeal a noncertification under subsection (j) of this section. If, after informal reconsideration, the insurer upholds the noncertification decision, then the insurer shall issue a new notice ~~in accordance with subsection (h)~~ that meets the requirements of this section. If the insurer is unable to render an informal reconsideration decision within 10 business days after the date of receipt of the request for an informal reconsideration, ~~it~~ then the insurer shall treat the request for informal reconsideration as a request for an ~~appeal; provided that~~ appeal and the requirements of subsection (k) of this section for acknowledging the request shall apply beginning on the day the insurer determines an informal reconsideration decision cannot be made before the tenth business day after receipt of the request for an informal reconsideration.

(j) Appeals of Noncertifications. – Every insurer shall have written procedures for appeals of noncertifications by covered persons or their providers acting on their behalves, including expedited review to address a situation where the time frames for the standard review procedures set forth in this section would reasonably appear to seriously jeopardize the life or health of a covered person or jeopardize the covered person's ability to regain maximum function. Each appeal shall be evaluated by a medical doctor licensed to practice medicine in this State who was not involved in the noncertification.

(j1) Requirements Applicable to Appeals Reviews. – All appeals shall be reviewed by a medical doctor who meets all of the following criteria:

(1) Possesses a current and valid non-restricted license to practice medicine in this State.

(2) Is currently in active practice for a period of at least five consecutive years in the same or similar specialty as a medical doctor who typically manages the medical condition or disease for which utilization review is required.

(3) Is knowledgeable of, and has experience providing, the healthcare services under appeal.

(4) Has not been directly involved in making the adverse determination.

As part of the appeals review, the medical doctor shall consider all known clinical aspects of the healthcare service under review, including all pertinent medical records and any medical literature that have been provided by the covered person's provider or by a health care facility.

(k) Nonexpedited Appeals. – Within three business days after receiving a request for a standard, nonexpedited appeal, the insurer or its URO shall provide the covered person with the name, address, and telephone number of the coordinator and information on how to submit written material. For standard, nonexpedited appeals, the insurer or its URO shall give written notification of the decision, in clear terms, to the covered person and the covered person's provider within 30 days after the insurer receives the request for an appeal. If the decision is not in favor of the covered person, then the written decision shall ~~contain:~~contain all of the following information:

(1) The professional qualifications and licensure of the person or persons reviewing the appeal.

(2) A statement of the reviewers' understanding of the reason for the covered person's appeal.

(3) The reviewers' decision in clear terms and the medical rationale in sufficient detail for the covered person to respond further to the insurer's position.

(4) A reference to the evidence or documentation that is the basis for the decision, including the clinical review criteria used to make the determination, and instructions for requesting the clinical review criteria.

(5) A statement advising the covered person of the covered person's right to request a second-level grievance review and a description of the procedure for submitting a second-level grievance under G.S. 58-50-62.

(6) Notice of the availability of assistance from the Department's Health Insurance Smart NC, including the telephone number and address of the ~~Program.~~program.

(*l*) Expedited Appeals. – An expedited appeal of a noncertification may be requested by a covered person or ~~his or her~~ the provider acting on the covered person's behalf only when a nonexpedited appeal would reasonably appear to seriously jeopardize the life or health of a covered person or jeopardize the covered person's ability to regain maximum function. The insurer may require documentation of the medical justification for the expedited appeal. The insurer shall, in consultation with a medical doctor licensed to practice medicine in this State, provide expedited review, and the insurer or its URO shall communicate its decision in writing to the covered person and his or her provider as soon as possible, but not later than four days after receiving the information justifying expedited review. The written decision shall contain the provisions specified in subsection (k) of this section. If the expedited review is a concurrent review determination, then the insurer shall remain liable for the coverage of ~~health care~~ healthcare services until the covered person has been notified of the determination. An insurer is not required to provide an expedited review for retrospective noncertifications.

(m) Disclosure of Utilization Review Requirements. – Information required to be provided under this section shall be described in detail and in easily understandable language. All of the following apply to an insurer's responsibility to disclose any utilization review procedures:

(1) Coverage and member handbook. – In the certificate of coverage and member handbook provided to covered persons, an insurer shall include a clear and comprehensive description of its utilization review procedures, including the procedures for appealing noncertifications and a statement of the rights and responsibilities of covered persons, including the voluntary nature of the appeal process, with respect to those procedures. An insurer shall also include in the certificate of coverage and the member handbook information about the availability of assistance from the Department's Health Insurance Smart NC, including the telephone number and address of the ~~Program.~~ program.

(2) Prospective materials. – An insurer shall include a summary of its utilization review procedures in materials intended for prospective covered persons.

(3) Membership cards. – An insurer shall print on its membership cards a toll-free telephone number to call for utilization review purposes.

(4) Website. – An insurer shall make any current utilization review requirements and restrictions readily accessible on its website.

(m1) Changes to Utilization Review. – If an insurer intends either to implement a new utilization review requirement or restriction or to amend an existing requirement or restriction, then all of the following apply:

(1) The new or amended requirement or restriction shall not be in effect unless and until the insurer's website has been updated to reflect the new or amended requirement or restriction. A claim shall not be denied for failure to obtain a prior authorization if the new or amended requirement or restriction was not in effect on the date of service of the claim.

(2) The insurer shall provide participating providers written notice of the new or amended requirement or restriction no less than 60 calendar days before the requirement or restriction is implemented.

This subsection does not apply if an insurer removes a utilization review requirement or restriction or amends a requirement or restriction to be less restrictive.

(n) Maintenance of Records. – Every insurer and URO shall maintain records of each review performed and each appeal received or reviewed, as well as documentation sufficient to demonstrate compliance with this section. The maintenance of these records, including electronic

reproduction and storage, shall be governed by rules adopted by the Commissioner that apply to insurers. These records shall be retained by the insurer and URO for a period of five years or, for domestic companies, until the Commissioner has adopted a final report of a general examination that contains a review of these records for that calendar year, whichever is later.

(n1) Utilization Review Statistics. – An insurer using utilization review shall make statistics available regarding utilization review approvals and noncertifications on its website in a readily accessible format and shall update the information available, at a minimum, on a monthly basis. These statistics shall include the most recent 12-month rolling data reported separately for medications and procedural codes for all of the following:

(1) The total number of medications and procedural codes subject to utilization review, and specifically prior authorization.

(2) The percentage of medications and procedural codes requiring prior authorization.

(3) The reasons for any noncertifications issued.

(4) The number and percentage of utilization review determinations that are appealed and the number and percentage of appeals that are approved or denied at each stage of the appeal process.

(5) The average time and distribution by percentile of number of days between submission and response of each stage of the appeal process.

(6) The number and percentage of providers who qualify for an exemption from the utilization review process under this section.

(n2) Utilization Review Determination Validity. – A utilization review determination shall be valid for the entire duration of the approved course of treatment and shall be effective regardless of any changes in dosage for a prescription drug prescribed by a provider. If an insurer requires a utilization review determination for a healthcare service for the treatment of a chronic or long-term care condition, then the utilization review determination shall remain valid for the length of the treatment and the insurer may not require the covered person to obtain a utilization review determination again for the healthcare service.

(o) Violation. – ~~A~~ In accordance with this Chapter, a violation of this section subjects an insurer and an agent of the insurer to G.S. 58-2-70.

(p) Continuity of Care. – The following requirements shall apply to ensure continuity of care for covered persons:

(1) On receipt from a covered person or the covered person's provider of information documenting a prior utilization review determination, an insurer shall honor a utilization review determination granted to the covered person from a previous insurer for at least 90 calendar days of a covered person's coverage under a new health benefit plan. During this 90-day time period, an insurer may perform its own utilization review.

(2) If the insurer makes a change in coverage of, or approval criteria for, a previously authorized healthcare service, then the change in coverage or approval criteria shall not affect a covered person who received a utilization review determination before the effective date of the change for the remainder of that covered person's health benefit plan year.

(3) An insurer shall continue to honor a utilization review determination that the insurer or its URO certified for a covered person when that covered person changes products or health benefit plans under the same insurer, provided that the medically necessary services or supplies subject to the utilization review determination do not change.

(4) If a provider performs a healthcare service that is closely related to the service for which certification has already been granted by an insurer or its URO, then that insurer or its URO shall not deny a claim for the closely related service

for failure of the provider to seek or obtain a utilization review so long as the provider had notified the insurer or its URO of the performance of the closely related service both no later than three business days following the completion of the closely related service and prior to the submission of a claim for payment for that service. The submission of the notification shall include the submission of all relevant clinical information necessary for the insurer to evaluate the medical necessity of the service. Nothing in this subsection shall be construed to limit an insurer's retrospective review of medical necessity of the closely related service nor limit the need for verification of the covered person's eligibility for coverage under the health benefit plan.

(5) An insurer shall not restrict benefits for any hospital stay of a covered person in connection with childbirth for the mother or newborn child (i) following a normal vaginal delivery to less than 48 hours or (ii) following a cesarean section to less than 96 hours. An insurer shall not require that a provider obtain a utilization review determination from an insurer for prescribing the length of stay required under this subdivision.

(q) Exemptions. – This subsection shall not apply to utilization review requests that are pending review by an insurer or its URO. An insurer may not require a provider to request a utilization review for a healthcare service in order for the covered person to whom the healthcare service is being provided to receive coverage for the service if, within the most recent 12-month period, the insurer or its URO has issued certifications, or would have issued certifications, for not less than eighty percent (80%) of the utilization review requests submitted by the provider for that healthcare service. An insurer may evaluate whether a provider continues to qualify for this exemption not more than once every 12 months. All of the following apply to an exemption under this subsection:

(1) A provider is not required to request an exemption in order to qualify for the exemption.

(2) No more than once per year per healthcare service, a provider who does not receive an exemption under this subsection may request from the insurer evidence to support the insurer's decision. A healthcare provider may appeal an insurer's decision to deny the exemption.

(3) An insurer may only revoke an exemption at the end of the applicable 12-month period if the insurer does all of the following:

a. Makes a determination that the provider would not have met the eighty percent (80%) approval criteria based on a retrospective review of the claims for the particular service for which the exemption applies for the previous three months or for a longer period if needed to reach a minimum of 10 claims for review.

b. Provides the provider with the information the insurer relied upon in making the determination to revoke the exemption.

c. Provides the provider a plain language explanation of how to appeal the decision.

(4) If an insurer revokes an exemption, then that exemption will remain in effect until the thirtieth calendar day after the date the insurer notifies the provider of its revocation of the exemption unless the provider appeals the revocation. If the provider appeals the revocation, then the exemption shall remain in effect until the fifth calendar day after the revocation is upheld on appeal.

(5) An insurer shall provide a healthcare provider that receives an exemption all of the following:

a. A statement that the provider qualifies for an exemption from preauthorization requirements.

b. A list of services for which the exemption applies.
c. A statement of the duration of the exemption.

(6) An insurer shall not deny or reduce payment for a healthcare service exempted from a utilization review requirement under this subsection, including a healthcare service performed or supervised by another provider when the provider who ordered the service received an exemption, unless the rendering provider meets one of the following criteria:

a. Knowingly and materially misrepresented the healthcare service as a part of the request for payment submitted to the insurer with the specific intent to deceive and obtain an unlawful payment from the insurer.
b. Failed to substantially perform the healthcare service.

Nothing in this subsection requires an insurer to evaluate an existing exemption or prevents an insurer from establishing a longer exemption period.

(r) Deemed Approval. – Any failure by an insurer or its URO to comply with the deadlines and other requirements specified in this section will result in any healthcare services subject to review to be automatically deemed authorized by the insurer."

SECTION 5.11.(b) Article 3 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-3-500. Reports due regarding health benefit plans.**

(a) Health Benefit Plan Reporting Requirements. – All insurers offering health benefits shall be required to provide the following information to the Commissioner no later than March 1 of each year:

(1) Utilization review. – At a minimum, and subject to any rules adopted by the Commissioner, insurers shall provide information regarding utilization review approvals and noncertifications for the previous calendar year, reported separately for medications and procedural codes, for all of the following:

a. The total number of medications and procedural codes subject to utilization review, and specifically prior authorization.
b. The percentage of medications and procedural codes requiring prior authorization.
c. The reasons for any noncertifications issued.
d. The number and percentage of utilization review determinations that are appealed and the number and percentage of appeals that are approved or denied at each stage of the appeal process.
e. The average time and distribution by percentile of number of days between submission and response of each stage of the appeal process.
f. The number and percentage of providers who qualify for an exemption from the utilization review process under this section.

(2) Reserved for future codification purposes.

(b) Commissioner Authority Over Required Information. – The Commissioner is authorized to adopt rules related to this section. By rule, the Commissioner is authorized to require additional information related to the subject of the required report. By rule, the Commissioner is authorized to clarify or define further any information required under this section to be the subject of a report.

(c) Commissioner Reporting Requirements. – No later than April 1 of each year, the Commissioner shall compile the information received under subsection (a) of this section and submit a report containing that compiled information to the Joint Legislative Commission on Governmental Operations.

(d) Notwithstanding the penalty limits under G.S. 58-2-70, the failure of an insurer to provide information required under this section is a violation subject to a fine of five thousand dollars ($5,000) per day that the information is not provided."

SECTION 5.11.(c) Subsections (a) and (b) of this section become effective October 1, 2025, and apply to insurance contracts issued, renewed, or amended on or after that date.

SECTION 5.11.(d) In accordance with G.S. 135-48.24(b) and G.S. 135-48.30(a)(7), which require the State Treasurer to implement procedures that are substantially similar to the provisions of G.S. 58-50-61 for the North Carolina State Health Plan for Teachers and State Employees (State Health Plan), the State Treasurer and the Executive Administrator of the State Health Plan shall review all practices of the State Health Plan and all contracts with, and practices of, any third party conducting any utilization review on behalf of the State Health Plan to ensure compliance with subsection (a) of this section no later than the start of the next plan year.

SECTION 5.11.(e) G.S. 90-1.1(5) reads as rewritten:

"(5) The practice of medicine or surgery. – Except as otherwise provided by this subdivision, the practice of medicine or surgery, for purposes of this Article, includes any of the following acts:

…

g. Performing any portion of the utilization review process under G.S. 58-50-51 that is required under that section to be performed by a physician licensed to practice medicine, including making a final utilization review decision, issuing a noncertification, and participating on behalf of an insurer in the utilization reconsideration and appeal process.

…."

SECTION 5.11.(f) Part 2 of Article 50 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-50-64. Utilization review disciplinary actions; North Carolina Medical Board.**

(a) Performing any portion of the utilization review process under G.S. 58-50-61 that is required to be performed by a licensed physician, including making a final utilization review decision, issuing a noncertification, and participating on behalf of the insurer in the utilization reconsideration and appeal process, is the practice of medicine under G.S. 90-1.1(5).

(b) The North Carolina Medical Board has the authority to subpoena an insurer, or a utilization review organization acting on behalf of an insurer, for any records, documents, or other materials pertaining to the involvement of any physician licensed in this State in the utilization review process under G.S. 58-50-61.

(c) If an insurer, or a utilization review organization acting on behalf of an insurer, fails to comply with a subpoena issued in accordance with this section, the North Carolina Medical Board shall report the failure to comply and any information supporting the failure to the Commissioner.

(d) Notwithstanding the penalty minimum limit under G.S. 58-2-70, the failure of an insurer, or a utilization review organization acting on behalf of an insurer, to provide information required by a subpoena issued in accordance with this section is a violation subjecting the insurer to a fine of no less than five hundred dollars ($500.00) for each 90-day period in which the information is not produced.

(e) If the North Carolina Medical Board takes any disciplinary action under G.S. 90-14(a) against a licensed physician as a result of that physician's involvement in the utilization review process under G.S. 58-50-61, then any noncertifications that were issued that are related, in whole or in part, to the disciplinary action shall be subject to reconsideration or appeal under G.S. 58-50-61 so long as the noncertification had not been reversed prior to the disciplinary action. The North Carolina Medical Board shall notify the insurer of the disciplinary action and the utilization determinations involved."

SECTION 5.11.(g) G.S. 135-48.10 reads as rewritten:

"**§ 135-48.10. Confidentiality of information and medical records; provider contracts.**

(a) Any information described in this section that is in the possession of the State Health Plan for Teachers and State Employees or its Claims Processor under the Plan or the Predecessor Plan shall be confidential and shall be exempt from the provisions of Chapter 132 of the General Statutes or any other provision requiring information and records held by State agencies to be made public or accessible to the public. This section shall apply to all information concerning individuals, including the fact of coverage or noncoverage, whether or not a claim has been filed, medical information, whether or not a claim has been paid, and any other information or materials concerning a plan participant, including Claim Payment Data and any documents or other materials derived from the Claim Payment Data. This information may, however, be released to the State ~~Auditor or to the~~ Auditor, the Attorney ~~General~~ General, or the North Carolina Medical Board in furtherance of ~~their~~ the respective statutory duties and ~~responsibilities,~~ responsibilities of each party or to ~~such~~ persons or organizations as may be designated and approved by the State Treasurer. Any information ~~so~~ that is released shall remain confidential ~~as stated above and any~~ as stipulated by this section. Any party obtaining ~~such~~ information under this section shall assume the same level of responsibility for maintaining such confidentiality as that of the State Health Plan for Teachers and State Employees.

(b) The terms of a contract between the Plan and its third party administrator or between the Plan and its pharmacy benefit manager are a public record under Chapter 132 of the General Statutes. No provision of law, however, shall be construed to prevent or restrict the release of any information in a Plan contract to the State Treasurer, the State Auditor, the Attorney General, the North Carolina Medical Board, the Director of the State Budget, the Plan's Board of Trustees, and the Plan's Executive Administrator solely and exclusively for their use in the furtherance of their duties and responsibilities.

(c) Performing any portion of the utilization review process under G.S. 58-50-61 that is required to be performed by a licensed physician, including making a final utilization review decision, issuing a noncertification, and participating on behalf of the insurer in the utilization reconsideration and appeal process, is the practice of medicine under G.S. 90-1.1(5). Subject to this section, all of the following shall apply:

(1) The North Carolina Medical Board has the authority to subpoena the Plan, or a utilization review organization acting on behalf of the Plan, for any records, documents, or other materials pertaining to the involvement of any physician licensed in this State in the utilization review process under the Plan.

(2) If the North Carolina Medical Board takes any disciplinary action under G.S. 90-14(a) against a licensed physician as a result of that physician's involvement in the Plan's utilization review process, then any noncertifications that were issued that are related, in whole or in part, to the disciplinary action shall be subject to reconsideration or appeal so long as the noncertification had not been reversed prior to the disciplinary action. The North Carolina Medical Board shall notify the Plan of the disciplinary action and the utilization determinations involved."

SECTION 5.11.(h) G.S. 58-50-62 is amended by adding a new subsection to read:

"(a1) The definitions under G.S. 58-50-61(a) apply in this section."

SECTION 5.11.(i) G.S. 58-50-61(a)(7) is repealed.

SECTION 5.11.(j) G.S. 58-50-75 reads as rewritten:

"**§ 58-50-75. Purpose, scope, and definitions.**

…

(b) This Part applies to all insurers that offer a health benefit plan and that provide or perform utilization review pursuant to ~~G.S. 58-50-61, the State Health Plan for Teachers and State Employees,~~ G.S. 58-50-61 and any optional plans or programs operating under Part 2 of

Article 3A of Chapter 135 of the General Statutes. With respect to second-level grievance review decisions, this Part applies only to second-level grievance review decisions involving noncertification decisions.

(c) ~~In addition to the~~ The definitions ~~in G.S. 58-50-61(a), as used in this Part:~~under G.S. 58-50-61(a) and the following definitions apply in this Part:

(1) ~~"Covered benefits" or "benefits" means those~~ Covered benefits or benefits. – Those benefits consisting of medical care, provided directly through insurance or ~~otherwise~~ otherwise, and ~~including~~ items and services paid for as medical ~~care, under~~ care under the terms of a health benefit plan.

~~(2) "Covered person" means a policyholder, subscriber, enrollee, or other individual covered by a health benefit plan. "Covered person" includes another person, including the covered person's health care provider, acting on behalf of the covered person. Nothing in this subdivision shall require the covered person's health care provider to act on behalf of the covered person.~~

(3) ~~"Independent~~ Independent review ~~organization" or "organization" means an~~ organization or organization. – An entity that conducts independent external reviews of appeals of noncertifications and second-level grievance review decisions."

SECTION 5.11.(k) G.S. 90-21.52(c)(1) reads as rewritten:

"(1) The liability of the managed care entity is based on an administrative decision to approve or disapprove payment or reimbursement for, or denial, reduction, or termination of coverage, for a health care service and the physician organizations, health care providers, or entities wholly owned by physicians or health care providers or any combination thereof, which have made the decision at issue, have agreed explicitly, in a written addendum or agreement separate from the managed care organization's standard professional service agreement, to assume responsibility for making noncertification ~~decisions~~ decisions, as defined under ~~G.S. 58-50-61(13)~~ G.S. 58-50-61, with respect to certain insureds or enrollees; and"

SECTION 5.11.(*l*) Subsections (a) and (b) of this section are effective October 1, 2025, and apply to insurance contracts issued, renewed, or amended on or after that date. The remainder of this section is effective when it becomes law.

ALLOW JUDGE TO ISSUE A PERMANENT NO CONTACT ORDER AGAINST A DEFENDANT CONVICTED OF CERTAIN VIOLENT OFFENSES AND CLARIFY CHANGES TO FELONY CHILD ABUSE LAWS

SECTION 5.12.(a) Article 81D of Chapter 15A of the General Statutes reads as rewritten:

"Article 81D.

"Permanent No Contact Order Against Convicted ~~Sex~~ Violent Offender.

"**§ 15A-1340.50. Permanent no contact order prohibiting future contact by convicted ~~sex~~ violent offender with crime victim.**

(a) The following definitions apply in this Article:

(1) Permanent no contact order. – A permanent injunction that prohibits any contact by a defendant with the victim of the ~~sex~~ violent offense for which the defendant is ~~convicted.~~ convicted, with the victim's immediate family, or both. The duration of the injunction is the lifetime of the defendant.

~~(2) Sex offense. – Any criminal offense that requires registration under Article 27A of Chapter 14 of the General Statutes.~~

(3) Victim. – The person against whom the ~~sex~~ violent offense was committed.

(4) Violent offense. – Any of the following:

a. A criminal offense that requires registration under Article 27A of Chapter 14 of the General Statutes.
b. A Class A through G felony that is not otherwise covered under sub-subdivision a. of this subdivision.
c. An offense under subsection (b) of G.S. 14-32.4.

(b) When sentencing a defendant convicted of a ~~sex~~ violent offense, the judge, at the request of the district attorney, shall determine whether to issue a permanent no contact order. The judge shall order the defendant to show cause why a permanent no contact order shall not be issued and shall hold a show cause hearing as part of the sentencing procedures for the defendant.

(c) The ~~victim~~ victim, the victim's immediate family, or both shall have a right to be heard at the show cause hearing.

…

(e) At the conclusion of the show cause hearing the judge shall enter a finding for or against the defendant. If the judge determines that reasonable grounds exist for the ~~victim~~ victim, the victim's immediate family, or both to fear any future contact with the defendant, the judge shall issue the permanent no contact order. The judge shall enter written findings of fact and the grounds on which the permanent no contact order is ~~issued.~~ issued. If any member of the victim's immediate family is included in the permanent no contact order, they must be specifically identified. The no contact order shall be incorporated into the judgment imposing the sentence on the defendant for the conviction of the ~~sex~~ violent offense.

(f) The court may grant one or more of the following forms of relief in a permanent no contact order under this Article:

(1) Order the defendant not to threaten, visit, assault, molest, or otherwise interfere with the ~~victim.~~victim, the victim's immediate family, or both.
(2) Order the defendant not to follow the victim, the victim's immediate family, or both, including at ~~the victim's~~ each individual's workplace.
(3) Order the defendant not to harass the ~~victim.~~victim, the victim's immediate family, or both.
(4) Order the defendant not to abuse or injure the ~~victim.~~victim, the victim's immediate family, or both.
(5) Order the defendant not to contact the ~~victim~~ victim, the victim's immediate family, or both by telephone, written communication, or electronic means.
(6) Order the defendant to refrain from entering or remaining present at the ~~victim's~~ residence, ~~school, place of employment,~~ school, or place of employment of the victim, the victim's immediate family, or both, or other specified places at times when the ~~victim~~ victim, the victim's immediate family, or both are present.
(7) Order other relief deemed necessary and appropriate by the court.

…

(h) At any time after the issuance of the order, the State, at the request of the victim, or the defendant may make a motion to rescind or modify the permanent no contact order. If the court determines that reasonable grounds for the ~~victim~~ victim, the victim's immediate family, or both to fear any future contact with the defendant no longer exist, the court may rescind or modify the permanent no contact order.

…."

SECTION 5.12.(b) G.S. 14-318.4 reads as rewritten:

"**§ 14-318.4. Child abuse a felony.**

(a) A parent or any other person providing care to or supervision of a child less than 16 years of age who intentionally inflicts any serious physical injury upon or to the child or who intentionally commits an assault upon the child which results in any serious physical injury to

the child is guilty of a Class D felony, except as otherwise provided in subsection (a3) of this section.

(a1) ~~Any~~ A parent or any other person providing care to or supervision of a child less than 16 years of ~~age, or any other person providing care to or supervision of the child,~~ age who commits, permits, or encourages any act of prostitution with or by the child is guilty of child abuse and shall be punished as a Class D felon.

(a2) ~~Any~~ A parent or ~~legal guardian of~~ any other person providing care to or supervision of a child less than 16 years of age who commits or allows the commission of any sexual act upon the child is guilty of a Class D felony.

(a3) A parent or any other person providing care to or supervision of a child less than 16 years of age who intentionally inflicts any serious bodily injury to the child or who intentionally commits an assault upon the child which results in any serious bodily injury to the child, or which results in permanent or protracted loss or impairment of any mental or emotional function of the child, is guilty of a Class B2 felony.

(a4) A parent or any other person providing care to or supervision of a child less than 16 years of age who, for the purpose of causing fear, emotional injury, or deriving sexual gratification, intentionally and routinely (i) inflicts physical injury on that child and (ii) deprives that child of necessary food, clothing, shelter, or proper physical care is guilty of a Class B2 felony.

~~(a4)~~(a5) A parent or any other person providing care to or supervision of a child less than 16 years of age whose willful act or grossly negligent omission in the care of the child shows a reckless disregard for human life is guilty of a Class E felony if the act or omission results in serious bodily injury to the child.

~~(a5)~~(a7) A parent or any other person providing care to or supervision of a child less than 16 years of age whose willful act or grossly negligent omission in the care of the child shows a reckless disregard for human life is guilty of a Class G felony if the act or omission results in serious physical injury to the child.

~~(a6) For purposes of this section, a "grossly negligent omission" in providing care to or supervision of a child includes the failure to report a child as missing to law enforcement as provided in G.S. 14-318.5(b).~~

(b) The felony of child abuse is an offense additional to other civil and criminal provisions and is not intended to repeal or preclude any other sanctions or remedies.

(c) Abandonment of an infant less than seven days of age pursuant to G.S. 14-322.3 may be treated as a mitigating factor in sentencing for a conviction under this section involving that infant.

(d) The following definitions apply in this section:

(1) Grossly negligent omission. – In the context of providing care to or supervision of a child, this term includes the failure to report a child as missing to law enforcement as provided in G.S. 14-318.5(b).

(2) Serious bodily injury. – Bodily injury that creates a substantial risk of death or that causes serious permanent disfigurement, coma, a permanent or protracted condition that causes extreme pain, or permanent or protracted loss or impairment of the function of any bodily member or organ, or that results in prolonged hospitalization.

~~(2)~~(3) Serious physical injury. – Physical injury that causes great pain and suffering. The term includes serious mental injury."

SECTION 5.12.(c) This section becomes effective December 1, 2025, and applies to offenses committed on or after that date.

PROVIDE SOCIAL MEDIA PROTECTIONS FOR MINORS UNDER SIXTEEN YEARS OF AGE

SECTION 5.13.(a) The General Statutes are amended by adding a new Chapter to read:

"**Chapter 114B.**

"**Social Media Protections for Minors.**

"**§ 114B-1. Title; definitions.**

(a) Title. – This Chapter shall be known and may be cited as the "Social Media Protection for Minors Act."

(b) Definitions. – The following definitions apply in this Chapter:

(1) Account holder. – A person who opens an account or creates a profile or is identified by the social media platform by a unique identifier while using or accessing a social media platform when the social media platform knows or has reason to believe the person is a resident of this State.

(2) Anonymous age verification. – A commercially reasonable method used by a government agency or a business for the purpose of age verification, that is conducted by a nongovernmental, independent third party organized under the laws of a state of the United States that meets all of the following criteria:

a. Has its principal place of business in a state of the United States.

b. Is not owned or controlled by a company formed in a foreign country, a government of a foreign country, or any other entity formed in a foreign country.

(3) Daily active users. – The number of unique users in the United States who used the online forum, website, or application at least eighty percent (80%) of the days during the previous 12 months or, if the online forum, website, or application did not exist during the previous 12 months, the number of unique users in the United States who used the online forum, website, or application at least eighty percent (80%) of the days during the previous month.

(4) Department. – The North Carolina Department of Justice.

(5) Minor. – A person who is under 16 years of age.

(6) Resident. – A person who lives in this State for more than six months of the year.

(7) Social media platform or platform. – An online forum, website, or application that satisfies all of the following criteria:

a. Allows users to upload content or view the content or activity of other users.

b. Ten percent (10%) or more of the daily active users who are younger than 16 years of age spend on average two hours per day or longer on the online forum, website, or application on the days when using the online forum, website, or application during the previous 12 months or, if the online forum, website, or application did not exist during the previous 12 months, during the previous month.

c. Employs algorithms that analyze user data or information on users to select content for users.

d. Has any of the following addictive features:

1. Infinite scrolling, which means either (i) continuously loading content or content that loads as the user scrolls down the page without the need to open a separate page or (ii) seamless content or the use of pages with no visible or apparent end or page breaks.

2. Push notifications or alerts sent by the online forum, website, or application to inform a user about specific activities or events related to the user's account.

3. Displays personal interactive metrics that indicate the number of times other users have clicked a button to indicate their reaction to content or have shared or reposted the content.
4. Auto-play video or video that begins to play without the user first clicking on the video or on a play button for that video.
5. Live-streaming or a function that allows a user or advertiser to broadcast live video content in real time.

The term does not include (i) an online service, website, or application where the exclusive function is email or direct messaging consisting of text, photographs, pictures, images, or videos shared only between the sender and the recipients, without displaying or posting publicly or to other users not specifically identified as the recipients by the sender, (ii) an online service, website, or application that consists primarily of news, sports, entertainment, or other information or content that is not user generated but preselected by the provider, and for which any chat, comments, or interactive functionality is incidental to, directly related to, or dependent on the provision of such content, (iii) a community forum where the primary purpose of the forum is for customer self-service support related to products, sellers, services, events, or places, or any combination thereof, (iv) an interactive video game service equipped with parental controls, (v) online shopping, or (vi) e-commerce.

(8) Standard age verification. – Any commercially reasonable method of age verification approved by the social media platform.

"**§ 114B-2. Social media protections for minors.**

(a) Minors Under 14 Years of Age. – A social media platform shall prohibit a minor who is younger than 14 years of age from entering into a contract with the platform to become an account holder and shall do all of the following:

(1) Terminate any account held by a minor under 14 years of age upon 30 days' notice to the account holder. Termination must be effective upon the expiration of the 30 days if the account holder fails to effectively dispute the termination.

(2) Permanently delete all personal information held by the social media platform relating to the terminated account, unless there are legal requirements to maintain the information.

(b) Minors 14 or 15 Years of Age. – A social media platform shall prohibit a minor who is 14 or 15 years of age from entering into a contract with the platform to become an account holder unless the minor's parent or guardian provides consent for the minor to become an account holder and shall do all of the following:

(1) Terminate any account held by an account holder who is 14 or 15 years of age if the account holder's parent or guardian has not provided consent for the minor to create or maintain the account. The social media platform shall provide 30 days for an account holder to dispute the termination.

(2) Allow the parent or guardian of an account holder who is 14 or 15 years of age to request that the minor's account be terminated. Termination must be effective within 10 business days after the request.

(3) Permanently delete all personal information held by the social media platform relating to the terminated account unless there are legal requirements to maintain the information.

(c) Violations. – If the Department has reason to believe that a social media platform is in violation of this section, the Department, as the enforcing entity, may bring an action against the platform for an unfair or deceptive act or practice.

Any knowing or reckless violation of this section is deemed an unfair and deceptive trade practice actionable under Chapter 75 of the General Statutes actionable solely by the Department against a social media platform.

In addition to other remedies allowed by law, the Department may collect a civil penalty of up to fifty thousand dollars ($50,000) per violation and reasonable attorneys' fees and court costs. When the social media platform's failure to comply with this section is a consistent pattern of knowing or reckless conduct, punitive damages may be assessed against the platform.

A social media platform that knowingly or recklessly violates this section is liable to the minor account holder, including court costs and reasonable attorneys' fees. Claimants may be awarded up to ten thousand dollars ($10,000) in damages. Any action brought under this paragraph may only be brought on behalf of a minor account holder. A civil action for a claim under this paragraph must be brought within one year from the date the complainant knew, or reasonably should have known, of the alleged violation.

If a social media platform allows an account holder to use the social media platform, the parties have entered into a contract.

This section does not preclude any other available remedy at law or in equity.

For purposes of bringing an action under this section, a social media platform that allows a minor to create an account on the platform is considered to be both engaged in substantial and not isolated activities within this State and operating, conducting, engaging in, or carrying on a business and doing business in this State, and is therefore subject to the jurisdiction of the courts of this State.

(d) Enforcement. – If, by its own inquiry or as a result of complaints, the Department has reason to believe that an entity or person has engaged in, or is engaging in, an act or practice that violates this section, the Department may administer oaths and affirmations, subpoena witnesses or matter, and collect evidence. Within five days, excluding weekends and legal holidays, after the service of a subpoena or at any time before the return date specified therein, whichever is longer, the party served may file in the superior court in the county in which it resides or in which it transacts business and serve upon the enforcing authority a petition for an order modifying or setting aside the subpoena. The petitioner may raise any objection or privilege which would be available upon service of such subpoena in a civil action. The subpoena shall inform the party served of its rights under this subsection.

If the matter that the Department seeks to obtain by subpoena is located outside the State, the entity or person subpoenaed may make it available to the Department or its representative to examine the matter at the place where it is located. The Department may designate representatives, including officials of the state in which the matter is located, to inspect the matter on its behalf, and may respond to similar requests from officials of other states.

Upon failure of an entity or person without lawful excuse to obey a subpoena and upon reasonable notice to all persons affected, the Department may apply to the superior court for an order compelling compliance.

The Department may request that an entity or person that refuses to comply with a subpoena on the ground that testimony or matter may incriminate the entity or person be ordered by the court to provide the testimony or matter. Except in a prosecution for perjury, an entity or individual that complies with a court order to provide testimony or matter after asserting a valid privilege against self-incrimination shall not have the testimony or matter so provided, or evidence derived therefrom, received against the entity or person in any criminal investigation or proceeding.

Any entity or person upon whom a subpoena is served pursuant to this subsection shall comply with the terms thereof unless otherwise provided by order of the court.

Any entity or person that fails to appear with the intent to avoid, evade, or prevent compliance in whole or in part with any investigation under this Chapter or who removes from any place, conceals, withholds, mutilates, alters, or destroys, or by any other means falsifies any

documentary material in the possession, custody, or control of any entity or person subject to any such subpoena, or knowingly conceals any relevant information with the intent to avoid, evade, or prevent compliance shall be liable for a civil penalty of not more than five thousand dollars ($5,000) per week in violation, reasonable attorneys' fees, and costs.

(e) Rules. – The Department may adopt rules to implement this Chapter.

(f) Civil Penalties. – The clear proceeds of civil penalties provided for in this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

"**§ 114B-3. Age verification for social media platforms.**

(a) A social media platform must use either anonymous age verification or standard age verification to verify that an account holder is 16 years of age or older and, except as provided in G.S. 114B-2(b), prevent creation of an account by a person younger than 16 years of age. The social media platform must offer anonymous age verification and standard age verification, and a person attempting to create an account may select which method will be used to verify the person's age.

(b) A social media platform must ensure that the requirements of subsection (c) of this section are met.

(c) A third party conducting anonymous age verification pursuant to this section must comply with all of the following:

(1) Shall not retain personal identifying information used to verify age once the age of an account holder or a person seeking an account has been verified.

(2) Shall not use personal identifying information used to verify age for any other purpose.

(3) Must keep anonymous any personal identifying information used to verify age. The information may not be shared or otherwise communicated to any person.

(4) Must protect personal identifying information used to verify age from unauthorized or illegal access, destruction, use, modification, or disclosure through reasonable security procedures and practices appropriate to the nature of the personal information.

(d) Any violation of subsection (a) or (b) of this section is deemed an unfair and deceptive trade practice actionable under Chapter 75 of the General Statutes solely by the Department on behalf of a resident minor against a social media platform.

If the Department has reason to believe that a social media platform is in violation, the Department may bring an action against the social media platform for an unfair or deceptive act or practice under Chapter 75 of the General Statutes. In addition to other remedies allowed by law, the Department may collect a civil penalty of up to fifty thousand dollars ($50,000) per violation and reasonable attorneys' fees and court costs.

When the social media platform's failure to comply with subsection (a) or (b) of this section is a consistent pattern of knowing or reckless conduct, punitive damages may be assessed against the social media platform.

"**§ 114B-4. Miscellaneous provisions.**

(a) It is the intent of the General Assembly that this Chapter be liberally construed for the protection of minors.

(b) If any provision of this Chapter or its application to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of this Chapter which can be given effect without the invalid provision or application and, to this end, the provisions of this Chapter are severable."

SECTION 5.13.(b) This section becomes effective October 1, 2025.

RESIDENTIAL BUILDING CODE/FAMILY CHILD CARE HOME CLASSIFICATION

SECTION 5.14.(a) Definitions. – For the purposes of this section, the following definitions apply:

(1) Code. – The North Carolina State Building Code, and amendments to the Code, as adopted by the Councils.

(2) Councils. – The Residential Code Council and the Building Code Council.

(3) Family child care home. – As described in G.S. 110-86(3)b.

SECTION 5.14.(b) Family Child Care Home. – Until the effective date of the rules to create a family child care home occupancy classification within a dwelling subject to the North Carolina Residential Code, the Office of the State Fire Marshal, the Councils, and State and local governments enforcing the Code shall adhere to family child care home requirements as provided in subsection (c) of this section.

SECTION 5.14.(c) Implementation. – Notwithstanding Section 310, Residential Group R, of the North Carolina Building Code, and Section 203.10, Residential Group R, of the North Carolina Fire Code, a family child care home located within a dwelling subject to the North Carolina Residential Code shall be treated as a Residential Group R-3 occupancy. The building where the family child care home is located shall be permitted to comply with the North Carolina Residential Code, provided that a family child care home must meet only the following additional requirements:

(1) Rooms and areas within a family child care home where occupants receive care shall be on the same level of exit discharge.

(2) Rooms and areas within a family child care home where occupants receive care shall be located on the same level with, and within a maximum of 40 feet travel distance to, at least one 2A:10B:C fire extinguisher.

(3) A family child care home shall have and maintain a Fire Safety, Evacuation, and Lockdown Plan compliant with Section 404 of the North Carolina Fire Code.

(4) A family child care home shall have carbon monoxide alarm and detection systems compliant with Section R315 of the North Carolina Residential Code.

(5) A family child care home shall have smoke alarms compliant with Section R314 of the North Carolina Residential Code.

SECTION 5.14.(d) Additional Residential Code Council Rulemaking Authority. – The Residential Code Council shall adopt rules to amend the North Carolina Residential Code to create a family child care home occupancy classification within a dwelling subject to the North Carolina Residential Code consistent with subsection (c) of this section. Notwithstanding G.S. 150B-19(4), the rules adopted by the Residential Code Council pursuant to this subsection shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted pursuant to this subsection are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 5.14.(e) Additional Building Code Council Rulemaking Authority. – The Building Code Council shall adopt rules to amend the North Carolina State Building Code volumes specified within G.S. 143-138(a)(1) through (9) to make conforming changes consistent with rules adopted by the Residential Code Council as required by subsection (d) of this section. Rules adopted pursuant to this subsection are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 5.14.(f) Sunset. – This section expires when permanent rules adopted as required by subsections (d) and (e) of this section become effective.

STATE BUILDING CODE/FAMILY CHILD CARE HOME CLASSIFICATION

SECTION 5.15.(a) Definitions. – For the purposes of this section, the following definitions apply:

(1) Code. – The North Carolina State Building Code, and amendments to the Code, as adopted by the Councils.

(2) Councils. – The Residential Code Council and the Building Code Council.

(3) Family child care home. – As described in G.S. 110-86(3)b.

SECTION 5.15.(b) Family Child Care Home. – Until the effective date of the rules to create a family child care home occupancy classification within a dwelling subject to the North Carolina Building Code, the Office of the State Fire Marshal, the Councils, and State and local governments enforcing the Code shall adhere to family child care home requirements as provided in subsection (c) of this section.

SECTION 5.15.(c) Implementation. – Notwithstanding Section 310, Residential Group R, of the North Carolina Building Code, and Section 203.10, Residential Group R, of the North Carolina Fire Code, a family child care home located within a dwelling subject to the North Carolina Building Code shall be treated as a Residential Group R-3 occupancy. The dwelling where the family child care home is located shall be permitted to comply with the North Carolina Building Code, provided that a family child care home must meet only the following additional requirements:

(1) Rooms and areas within a family child care home where occupants receive care shall be on the same level of exit discharge.

(2) Rooms and areas within a family child care home where occupants receive care shall be located on the same level with, and within a maximum of 40 feet travel distance to, at least one 2A:10B:C fire extinguisher.

(3) A family child care home shall have and maintain a Fire Safety, Evacuation, and Lockdown Plan compliant with Section 404 of the North Carolina Fire Code.

(4) A family child care home shall have carbon monoxide alarm and detection systems compliant with Section 915 of the North Carolina Building Code.

(5) A family child care home shall have smoke alarms compliant with Section R907 of the North Carolina Building Code.

SECTION 5.15.(d) Additional Building Code Council Rulemaking Authority. – The Building Code Council shall adopt rules to amend the North Carolina State Building Code volumes specified within G.S. 143-138(a)(1) through (9) to create a family child care home occupancy classification within a dwelling subject to the North Carolina Building Code consistent with subsection (c) of this section. Notwithstanding G.S. 150B-19(4), the rules adopted by the Building Code Council pursuant to this subsection shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted pursuant to this subsection are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 5.15.(e) Additional Residential Code Council Rulemaking Authority. – The Residential Code Council shall adopt rules to amend the North Carolina Residential Code to make conforming changes consistent with rules adopted by the Building Code Council as required by subsection (d) of this section. Rules adopted pursuant to this subsection are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 5.15.(f) Sunset. – This section expires when permanent rules adopted as required by subsections (d) and (e) of this section become effective.

MANUFACTURED HOME BUILDING CODE/FAMILY CHILD CARE HOME CLASSIFICATION

SECTION 5.16.(a) Definitions. – For the purposes of this section, the following definitions apply:

(1) Code. – The North Carolina State Building Code, and amendments to the Code, as adopted by the Councils.

(2) Councils. – The Residential Code Council and the Building Code Council.

(3) Family child care home. – As described in G.S. 110-86(3)b.

SECTION 5.16.(b) Family Child Care Home. – Until the effective date of the rules to create a family child care home occupancy classification within a dwelling subject to the State of North Carolina Regulations for Manufactured Homes, the Office of the State Fire Marshal, the Councils, and State and local governments enforcing the Code shall adhere to family child care home requirements as provided in subsection (c) of this section.

SECTION 5.16.(c) Implementation. – Notwithstanding Section 310, Residential Group R, of the North Carolina Building Code, and Section 203.10, Residential Group R, of the North Carolina Fire Code, a family child care home located within a dwelling subject to the State of North Carolina Regulations for Manufactured Homes shall be treated as a Residential Group R-3 occupancy. The dwelling where the family child care home is located shall be permitted to comply with the North Carolina Regulations for Manufactured Homes, provided that a family child care home must meet only the following additional requirements:

(1) Rooms and areas within a family child care home where occupants receive care shall be on the same level of exit discharge.

(2) Rooms and areas within a family child care home where occupants receive care shall be located on the same level with, and within a maximum of 40 feet travel distance to, at least one 2A:10B:C fire extinguisher.

(3) A family child care home shall have and maintain a Fire Safety, Evacuation, and Lockdown Plan compliant with Section 404 of the North Carolina Fire Code.

(4) A family child care home shall have carbon monoxide alarm and detection systems compliant with Section R315 of the North Carolina Residential Code.

(5) A family child care home shall have smoke alarms compliant with Section R314 of the North Carolina Residential Code.

SECTION 5.16.(d) Additional Building Code Council Rulemaking Authority. – The Building Code Council shall adopt rules to amend the North Carolina State Building Code volumes specified within G.S. 143-138(a)(1) through (9) to create a family child care home occupancy classification within a dwelling subject to the State of North Carolina Regulations for Manufactured Homes consistent with subsection (c) of this section. Notwithstanding G.S. 150B-19(4), the rules adopted by the Building Code Council pursuant to this subsection shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted pursuant to this subsection are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 5.16.(e) Additional Residential Code Council Rulemaking Authority. – The Residential Code Council shall adopt rules to amend the North Carolina Residential Code to make conforming changes consistent with rules adopted by the Building Code Council as required by subsection (d) of this section. Rules adopted pursuant to this subsection are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this subsection shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 5.16.(f) Sunset. – This section expires when permanent rules adopted as required by subsections (d) and (e) of this section become effective.

OTHER FAMILY CHILD CARE HOME CHANGES

SECTION 5.17.(a) G.S. 110-86 reads as rewritten:

"**§ 110-86. Definitions.**

Unless the context or subject matter otherwise requires, the terms or phrases used in this Article shall be defined as follows:

…

(3) Child care facility. – Includes child care centers, family child care homes, and any other child care arrangement not excluded by G.S. 110-86(2), that provides child care, regardless of the time of day, wherever operated, and whether or not operated for profit.

a. A child care center is an arrangement where, at any one time, there are three or more preschool-age children or nine or more school-age children receiving child care.

b. A family child care home is a child care arrangement located in ~~a residence~~ an operator occupied private dwelling where, at any one time, more than two children, but less than 11 children, receive child care, provided the arrangement is in accordance with G.S. 110-91(7)b.

…."

SECTION 5.17.(b) G.S. 110-91 reads as rewritten:

"**§ 110-91. Mandatory standards for a license.**

All child care facilities shall comply with all State laws and federal laws and local ordinances that pertain to child health, safety, and welfare. Except as otherwise provided in this Article, the standards in this section shall be complied with by all child care facilities. However, none of the standards in this section apply to the school-age children of the operator of a child care facility but do apply to the preschool-age children of the operator. Children 13 years of age or older may receive child care on a voluntary basis provided all applicable required standards are met. The standards in this section, along with any other applicable State laws and federal laws or local ordinances, shall be the required standards for the issuance of a license by the Secretary under the policies and procedures of the Commission except that the Commission may, in its discretion, adopt less stringent standards for the licensing of facilities which provide care on a temporary, part-time, drop-in, seasonal, after-school or other than a full-time basis.

…

(4) Building. – Each child care facility shall be located in a building which meets the appropriate requirements of the North Carolina State Building ~~Code under standards which shall be developed by the Building Code Council,~~ Code, subject to adoption by the Commission specifically for child care facilities, including facilities operated ~~in a private residence.~~ as family child care homes. These standards shall be consistent with the provisions of this Article. A local building code enforcement officer shall approve any proposed alternate material, design, or method of construction, provided the building code enforcement officer finds that the alternate, for the purpose intended, is at least the equivalent of that prescribed in the technical building codes in quality, strength, effectiveness, fire resistance, durability, or safety. A local building code enforcement officer shall require that sufficient evidence or proof be submitted to substantiate any claim made regarding the alternate. The Child Care Commission may request changes to the North Carolina State Building Code to suit the special needs of preschool children. Satisfactorily written reports from representatives of building inspection agencies shall be required

prior to the issuance of a license and whenever renovations are made to a child care center, or when the operator requests licensure of space not previously approved for child care.

(5) Fire Prevention. – Each child care facility shall be located in a building that meets appropriate requirements for fire prevention and safe evacuation that apply to child care facilities as established by the ~~Department of Insurance~~ Office of the State Fire Marshal in consultation with the Department. Except for child care centers located on State property, each child care center shall be inspected at least annually by a local fire department or volunteer fire department for compliance with these requirements. Child care centers located on State property shall be inspected at least annually by an official designated by the ~~Department of Insurance.~~Office of the State Fire Marshal.

…."

OLD REX PROPERTY SALE

SECTION 5.18. Section 40.6(g) of S.L. 2022-74, as amended by Section 40.5(d) of S.L. 2023-134, reads as rewritten:

"**SECTION 40.6.(g)** The Department of Administration shall sell the properties situated on the parcels of land in the City of Raleigh, with Wake County real estate ID# 0102702 (Department land asset 5498), and real estate ID# 0180361 (Department land asset 5783) for fair market value. No service charge into the State Land Fund shall be deducted from or levied against the proceeds of the sale of the properties listed in this subsection. Notwithstanding G.S. 146-30, the proceeds of the sale of the properties listed in this subsection shall be handled in accordance with the following priority:

(1) First, in accordance with the provisions of any trust or other instrument of title whereby title to the subject real property was acquired by the State.

(2) Second, to reimburse the Department of Administration for any funds expended in the sale of the subject real property.

(3) Third, to be deposited into the State Capital and Infrastructure Fund.

The Department of Administration shall obtain an appraisal assessing the value for the properties listed in this subsection according to their best and highest use and shall submit the appraisals to the Joint Legislative Oversight Committee on Capital Improvements and the Fiscal Research Division no later than January 1, 2023. The Legislative Services Officer shall have oversight of the sale of the property with Wake County real estate ID# 0102702 (Department land asset 5498) and shall ensure the following activities are expedited:

(1) The relocation and removal of any current occupants or tenants.

(2) The marketing and sale of the parcel in a manner most advantageous to the State."

INCREASE PUNISHMENT FOR ASSAULTING TEACHERS

SECTION 5.19.(a) G.S. 14-33 reads as rewritten:

"**§ 14-33. ~~Misdemeanor assaults,~~ Assaults, batteries, and affrays, simple and aggravated; punishments.**

…

(c) Unless the conduct is covered under some other provision of law providing greater punishment, any person who commits any assault, assault and battery, or affray is guilty of a Class A1 misdemeanor if, in the course of the assault, assault and battery, or affray, he or she:

…

~~(6) Assaults a school employee or school volunteer when the employee or volunteer is discharging or attempting to discharge his or her duties as an employee or volunteer, or assaults a school employee or school volunteer as a~~

~~result of the discharge or attempt to discharge that individual's duties as a school employee or school volunteer. For purposes of this subdivision, the following definitions shall apply:~~

~~a. "Duties" means:~~

~~1. All activities on school property;~~

~~2. All activities, wherever occurring, during a school authorized event or the accompanying of students to or from that event; and~~

~~3. All activities relating to the operation of school transportation.~~

~~b. "Employee" or "volunteer" means:~~

~~1. An employee of a local board of education; or a charter school authorized under G.S. 115C-218.5, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes;~~

~~2. An independent contractor or an employee of an independent contractor of a local board of education, charter school authorized under G.S. 115C-218.5, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes, if the independent contractor carries out duties customarily performed by employees of the school; and~~

~~3. An adult who volunteers his or her services or presence at any school activity and is under the supervision of an individual listed in sub-sub-subdivision 1. or 2. of this sub-subdivision.~~

…

~~(c1) No school personnel as defined in G.S. 14-33(c)(6) who takes reasonable actions in good faith to end a fight or altercation between students shall incur any civil or criminal liability as the result of those actions.~~

(c2) Unless the conduct is covered under some other provision of law providing greater punishment, any person who commits any assault, assault and battery, or affray is guilty of a Class I felony if, in the course of the assault, assault and battery, or affray, he or she assaults a school employee or school volunteer when the employee or volunteer is discharging or attempting to discharge his or her duties as an employee or volunteer, or assaults a school employee or school volunteer as a result of the discharge or attempt to discharge that individual's duties as a school employee or school volunteer. No school personnel who takes reasonable actions in good faith to end a fight or altercation between students shall incur any civil or criminal liability as the result of those actions. For purposes of this subsection, the following definitions apply:

(1) Duties. – Means any of the following:

a. All activities on school property.

b. All activities, wherever occurring, during a school authorized event or the accompanying of students to or from that event.

c. All activities relating to the operation of school transportation.

(2) Employee or volunteer. – Means any of the following:

a. An employee of a local board of education, a charter school authorized under G.S. 115C-218.5, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes.

b. An independent contractor or an employee of an independent contractor of a local board of education, charter school authorized under G.S. 115C-218.5, or a nonpublic school which has filed intent

to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes, if the independent contractor carries out duties customarily performed by employees of the school.

c. An adult who volunteers his or her services or presence at any school activity and is under the supervision of an individual listed in sub-subdivision a. or b. of this subdivision.

…."

SECTION 5.19.(b) G.S. 15A-301 reads as rewritten:

"**§ 15A-301. Criminal process generally.**

…

(b1) Approval by District Attorney; school personnel. – Notwithstanding any other provision of law, no warrant for arrest, order for arrest, criminal summons, or other criminal process shall be issued by a magistrate against a school employee, as defined in ~~G.S. 14-33(c)(6),~~ G.S. 14-33(c2), for an offense that occurred while the school employee was in the process of discharging his or her duties of employment, without the prior written approval of the district attorney or the district attorney's designee. For purposes of this subsection, the term "district attorney" means the person elected to the office of district attorney. This subsection does not apply if the offense is a traffic offense or if the offense occurred in the presence of a sworn law enforcement officer. The district attorney may decline to accept the authority set forth in this subsection; in such case, the procedure and review authority shall be as set forth in subsection (b2) of this section.

(b2) (For effective date, see note) Magistrate review; school personnel. – A district attorney may decline the authority provided under subsection (b1) of this section by filing a letter so indicating with the clerk of superior court. The district attorney shall provide a copy of the filed letter to the chief district court judge. Upon receipt of the letter from the district attorney, the chief district court judge shall appoint a magistrate or magistrates to review any application for a warrant for arrest, order for arrest, criminal summons, or other criminal process against a school employee, as defined in ~~G.S. 14-33(c)(6),~~ G.S. 14-33(c2), where the allegation is that the school employee committed a misdemeanor offense while discharging his or her duties of employment. The failure to comply with any of the requirements in this subsection shall not affect the validity of any warrant, order, summons, or other criminal process. The following exceptions apply to the requirements in this subsection:

(1) The offense is a traffic offense.

(2) The offense occurred in the presence of a sworn law enforcement officer.

(3) There is no appointed magistrate available to review the application.

…."

SECTION 5.19.(c) G.S. 115C-289.1 reads as rewritten:

"**§ 115C-289.1. Supervisor duty to report; intimidation of school employee.**

(a) When a supervisor of a school employee has actual notice that the school employee has been the victim of an assault by a student in violation of ~~G.S. 14-33(c)(6)~~ G.S. 14-33(c2) resulting in physical injury, as that term is defined in G.S. 14-34.7, the supervisor shall immediately report to the principal the assault against the school employee. For the purpose of this subsection, the term "supervisor of a school employee" does not include the principal or superintendent.

(b) A principal, superintendent, or supervisor of a school employee shall not, by threats or in any other manner, intimidate or attempt to intimidate that school employee from reporting to law enforcement an assault by a student under ~~G.S. 14-33(c)(6).~~G.S. 14-33(c2).

…."

SECTION 5.19.(d) This section becomes effective December 1, 2025, and applies to offenses committed on or after that date.

ZONING REGULATIONS/UNIVERSITY PROPERTY

SECTION 5.20. G.S. 160D-913 reads as rewritten:

"**§ 160D-913. Public buildings.**

(a) Except as provided in G.S. 143-345.5 and this section, local government zoning and development regulations are applicable to the erection, construction, and use of buildings by the State of North Carolina and its political subdivisions.

(b) Except as provided in G.S. 143-345.5, this Chapter shall not apply to the construction, erection, alteration, enlargement, renovation, substantial repair, movement to another site, demolition, or use of any building or property by the State of North Carolina, ~~including~~ if the project is managed by the State Construction Office, or The University of North Carolina or any of its constituent institutions, if the project is managed by The University of North Carolina, and the project is located in whole or in part in Buncombe or Wake ~~County and the project is managed by the State Construction Office.~~County.

(c) Except as provided in G.S. 143-345.5, this Chapter shall not apply to the construction, erection, alteration, enlargement, renovation, substantial repair, movement to another site, demolition, or use of any building or property when the project is managed by the Legislative Services Commission.

(d) Notwithstanding the provisions of any general or local law or ordinance, except as provided in Part 4 of Article 9 of this Chapter, no land owned by the State of North Carolina may be included within an overlay district or a conditional zoning district without approval of the Council of State or its delegate.

(e) For properties exempt from this Chapter under subsection (b) or (c) of this section, the State Construction Office or the Legislative Services Commission shall consult with the appropriate county or city with jurisdiction with regard to all of the following:

(1) Water and sewer services to be provided to the project.
(2) Stormwater implications of the project.
(3) Impacts on traffic patterns and parking.
(4) Perimeter buffering, landscaping, tree protection, and riparian buffer requirements.
(5) Local environmental regulations adopted under Part 2 of Article 9 of this Chapter."

NC CARES CHANGES

SECTION 5.21. Section 4.10 of S.L. 2023-134, as amended by Section 1.7(m) of S.L. 2024-1 and Section 10(a) of S.L. 2024-34, reads as rewritten:

"…

"**SECTION 4.10.(z)** The General Assembly makes the following findings:

(1) North Carolina's rural population is among the largest in the United States and is in need of dedicated effort and investment to help improve health outcomes in many of the State's rural communities.
(2) The East Carolina University Brody School of Medicine, the University of North Carolina School of Medicine, University Health Systems of Eastern Carolina, Inc., a nonprofit corporation doing business as ECU Health (ECU Health), and the University of North Carolina Health Care System are dedicated to extending and improving health care services and health provider education for the benefit of North Carolina citizens and communities; delivering care close to where citizens live and work; and transforming rural health care for the benefit of North Carolina.

"**SECTION 4.10.(aa)** It is the intent of the General Assembly that ECU Health, UNC Health Care System, and their affiliated schools of medicine (East Carolina University Brody School of Medicine and the University of North Carolina School of Medicine) will collaborate to establish

a new initiative to be known as NC Care. The purpose of the NC Care initiative is to improve access to high quality health care for citizens and communities located in rural areas of North Carolina by establishing outcome driven regional systems of care, beginning in eastern North Carolina. To that end, of the funds authorized in this act or appropriated in this act to the Board of Governors of The University of North Carolina over the 2023-2025 fiscal biennium, a total of ~~four hundred twenty~~ fifty million dollars ~~($420,000,000)~~ ($50,000,000) is provided for investment in the NC Care initiative ~~as follows:~~

~~(1) The sum of ten million dollars ($10,000,000) for Clinically Integrated Network.~~

~~(2) The sum of two hundred ten million dollars ($210,000,000) for three health clinics, of which the sum of one hundred five million dollars ($105,000,000) has been appropriated.~~

~~(3) The sum of one hundred fifty million dollars ($150,000,000) for hospital investment.~~

~~(4) The sum of fifty million dollars ($50,000,000)~~ for a regional behavioral health facility.

"**~~SECTION 4.10.(bb)~~** ~~The University of North Carolina Health Care System and ECU Health, through the NC Care initiative, shall use the funds allocated under subsection (aa) of this section to do the following:~~

~~(1) Invest in strengthening and providing operational support for community hospitals affiliated with the University of North Carolina Health Care System and ECU Health that will be integrated into the new regional systems of care developed through the NC Care initiative.~~

~~(2) Clinically integrate these community hospitals into the new regional systems of care developed through the NC Care initiative.~~

"**SECTION 4.10.(cc)** By April 1, 2024, and every six months thereafter, ECU Health and the University of North Carolina Health Care System shall jointly report to the Senate Committee on Appropriations/Base Budget, the House Appropriations Committee, and the Fiscal Research Division regarding the NC Care initiative. The report shall include at least all of the following:

(1) Progress on the development and implementation of the NC Care initiative.

(2) Plans developed through the NC Care initiative for the establishment of new regional systems of care, new rural care centers, or both. The report shall include the location and projected cost of any new regional systems of care, new rural care centers, or both; and the location and projected cost for each.

(3) Plans developed through the NC Care initiative for ~~investments in strengthening and providing operational support for~~ integrating community hospitals affiliated with the University of North Carolina Health Care System and ECU ~~Health. The report shall include the amount of funds appropriated by this act that are used for these purposes, broken down by hospital name, hospital location, and the purpose of the investment; and information about how these community hospitals will be integrated~~ Health into the new regional systems of care developed through the NC Care initiative.

~~(4) The implementation status of the UNC Health and ECU Health Clinically Integrated Network funded by this act.~~

(5) Progress on capital projects and grant projects funded by the State Capital Infrastructure Fund pursuant to Section 40.1 of this act.

(6) Any other information the University of North Carolina Health Care System and ECU Health deem necessary for the General Assembly to evaluate the effectiveness of the NC Care initiative.

…."

PANDEMIC RECOVERY OFFICE REPORTING

SECTION 5.22. Section 1.7(b) of S.L. 2020-4, as enacted by Section 3.3 of S.L. 2021-1, reads as rewritten:

"**SECTION 1.7.(b)** Beginning April 10, 2021, the Pandemic Recovery Office shall submit a ~~monthly~~ quarterly report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on allocations from the Fund that were not fully expended as of December 30, 2020. A final report is due no later than 30 days after the date of the final expenditure of funds allocated from the Fund."

ADD MEMBERS TO THE BOARD OF TRUSTEES FOR THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

SECTION 5.23.(a) G.S. 135-48.20 reads as rewritten:

"**§ 135-48.20. Board of Trustees established.**

(a) There is established the Board of Trustees of the State Health Plan for Teachers and State Employees.

(b) The Board of Trustees of the State Health Plan for Teachers and State Employees shall consist of ~~10~~ 12 members.

(c) The State Treasurer shall be an ex officio member of the Board and shall serve as its Chair, but shall only vote in order to break a tie vote.

(d) The Director of the Office of State Budget and Management shall be an ex officio nonvoting member of the Board.

(d1) One member of the Senate, appointed by the President Pro Tempore of the Senate, and one member of the House of Representatives, appointed by the Speaker of the House of Representatives, who shall be nonvoting members of the Board.

(e) Two members shall be appointed by the Governor. Terms shall be for two years. Vacancies shall be filled by the Governor.

(f) Two members shall be appointed by the State Treasurer. Terms shall be for two years. Vacancies shall be filled by the State Treasurer.

(g) Two members shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. Terms shall be for two years. Vacancies shall be filled in accordance with G.S. 120-122.

(h) Two members shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. Terms shall be for two years. Vacancies shall be filled in accordance with G.S. 120-122.

…

(j) In making appointments, the appointing authorities shall appoint individuals from the following categories:

(1) Individuals with expertise in actuarial science or health economics.

(2) Repealed by Session Laws 2018-84, s. 9, effective June 25, 2018.

(3) Individuals with expertise in health benefits and administration.

(4) Individuals with expertise in health law and policy.

(5) Physicians who are licensed to practice medicine in this State.

In making appointments to the Board under this section, each appointing authority shall consult with all other appointing authorities prior to making its own appointments to ensure that each of the areas of expertise listed in subdivisions (1) through (5) of this subsection is represented by at least one member of the Board. This subsection does not apply to any member of the General Assembly appointed under subsection (d1) of this section.

…."

SECTION 5.23.(b) G.S. 120-123(35) is repealed.

PART V-A. DISASTER FUNDING AND FLEXIBILITY

EMERGENCY FLEXIBILITY OF FUNDS

SECTION 5A.6. G.S. 166A-19.40 reads as rewritten:

"**§ 166A-19.40. Use of contingency and emergency funds.**

(a) Use of Contingency and Emergency Funds. – The Governor may use contingency and emergency funds:

(1) As necessary and appropriate to provide relief and assistance from the effects of an emergency.

(2) As necessary and appropriate for National Guard training in preparation for emergencies with the concurrence of the Council of State.

(b) Repealed by Session Laws 2015-241, s. 6.19(a), effective July 1, 2015.

(c) Use of Other Funds. – The Governor may reallocate on a nonrecurring basis such other funds as may reasonably be available within the appropriations of the various departments when all of the following conditions are satisfied:

(1) The severity and magnitude of the emergency so requires.

(2) Contingency and emergency funds are insufficient or inappropriate.

(3) A state of emergency has been declared pursuant to ~~G.S. 166A-19.20(a).~~G.S. 166A-19.20(a) and has not expired pursuant to G.S. 166A-19.20(c).

(4) Funds in the State Emergency Response and Disaster Relief Fund are insufficient."

PART VI. COMMUNITY COLLEGE SYSTEM

REPEAL MINORITY MALE SUCCESS INITIATIVE REPORT

SECTION 6.2. G.S. 115D-58.17(a) reads as rewritten:

"(a) No later than February 15, 2024, and annually thereafter, the State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee on outcomes related to ~~the following recurring programs:~~

~~(1) Minority male mentoring programs, including the Minority Male Success Initiative.~~

~~(2) The~~ the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis."

PROPEL NC

SECTION 6.3.(a) Section 8.3(b) of S.L. 2011-145 and Section 10.4(a) of S.L. 2013-360 are repealed.

SECTION 6.3.(b) The State Board of Community Colleges may revise its funding formula for community colleges and allocate funds under that revised formula, beginning with the 2025-2026 fiscal year. Revisions made pursuant to this section are subject to the following minimum criteria:

(1) Each community college shall continue to receive a base allocation of funds.

(2) In addition to the base allocation of funds, funds shall be provided to community colleges based on the number of full-time equivalent (FTE) students enrolled in the following:

a. Curriculum, workforce continuing education, and Basic Skills courses.

b. Courses and programming conducted under the Customized Training Program and the Small Business Center Network.

(3) Funds allocated pursuant to subdivision (2) of this subsection shall be weighted based on the workforce sector of each course, as determined by the

State Board. In making its determinations, the State Board shall consider salary data and labor market demand for the applicable workforce sector.

SECTION 6.3.(c) Part 3 of Article 1 of Chapter 115D of the General Statutes, as enacted by this act, is further amended by adding a new section to read:

"**§ 115D-10.55. Course review.**

The State Board of Community Colleges shall review and revise, as necessary, its workforce sector designations for curriculum, workforce continuing education, and Basic Skills courses at community colleges by July 15, 2028, and every three years thereafter."

SECTION 6.3.(d) The State Board of Community Colleges may increase tuition rates to accommodate any revisions made to the funding formula pursuant to subsection (b) of this section.

SECTION 6.3.(e) G.S. 115D-31(e) reads as rewritten:

"(e) If receipts for community college tuition and fees exceed the amount certified in General Fund Codes at the end of a fiscal year, the State Board of Community Colleges ~~shall transfer the amount of receipts and fees above those budgeted to the Enrollment Growth Reserve.~~ may allocate those receipts to the community colleges for operating costs according to a formula adopted by the State Board. Funds ~~in the Enrollment Growth Reserve~~ allocated pursuant to this subsection shall not revert to the General Fund and shall remain available to the State Board until expended. ~~The State Board may allocate funds in this reserve to colleges experiencing an enrollment increase greater than five percent (5%) of budgeted enrollment levels.~~"

SECTION 6.3.(f) G.S. 115D-31 is amended by adding a new subsection to read:

"(e1) The State Board shall administer the Enrollment Increase Reserve as provided in G.S. 115D-31.4."

SECTION 6.3.(g) Article 3 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-31.4. Enrollment Increase Reserve.**

(a) There is established the Enrollment Increase Reserve (Reserve) to be administered by the State Board of Community Colleges. The purpose of the Reserve is to allow the State Board to provide funds to community colleges to account for enrollment increases beyond budgeted enrollment levels.

(b) Monies in the Reserve shall consist of funds appropriated by the General Assembly in the Current Operations Appropriations Act for a fiscal year. The State Board shall include in its annual enrollment request the appropriation to the Reserve that is needed to fund enrollment increases in the next fiscal year.

(c) The State Board may allocate monies from the Reserve to a community college with an eligible increase in full-time equivalent (FTE) enrollment according to a formula adopted by the State Board. An eligible increase in FTE enrollment is either of the following:

(1) An increase in FTE enrollment of more than five percent (5%) of the budgeted enrollment level in any of the following course categories:

a. Curriculum.

b. Workforce continuing education.

c. Basic Skills.

(2) An increase in total FTE enrollment of more than 325 students.

(d) Monies in the Reserve shall not revert at the end of each fiscal year but shall remain available until expended for the purposes of this section."

SECTION 6.3.(h) No later than April 1, 2027, the Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on any revisions to its funding formula for community colleges pursuant to subsection (b) of this section, including the structure of the revised formula, the process for implementing the revised formula, and any recommended changes to the revised formula.

NCCCS IDD WORKFORCE TRAINING EXPANSION

SECTION 6.4.(a) G.S. 115D-10.21(a), as enacted by this act, reads as rewritten:

"(a) The State Board of Community Colleges shall establish a community college training program for up to ~~15~~ 25 community colleges. The program shall provide opportunities for micro-credentials or other credentials that lead to increased employment outcomes for individuals with intellectual and developmental disabilities (IDD). To the extent funds are appropriated for this purpose, the program shall improve the ability of participating community colleges to offer training and educational components that include improving employability skills and providing on-the-job training and apprenticeships with business and industry for individuals with IDD. The goal of the program shall be to inform community colleges and address cross-departmental supports within the individual community colleges on programs for individuals with IDD related to at least the following:

(1) Establishing best practices for providing vocational training for individuals with IDD.
(2) Providing financial and benefits counseling.
(3) Developing strategies on integrating assistive technology.
(4) Maximizing access, with supports, to credential and degree programs, including micro-credentials that are established by the State Board.
(5) Identifying methods to increase orientation and integration of individuals with IDD into the college community to the greatest extent possible.
(6) Determining a needs assessment, marketing, and evaluation to serve a broad array of individuals with developmental and other similar disabilities or learning challenges to assure adequate demand for new or existing programs."

SECTION 6.4.(b) Of the funds appropriated for North Carolina Community Colleges System IDD Workforce Training Expansion in this act, the Community Colleges System Office shall use the funds as follows:

(1) The sum of six hundred forty thousand dollars ($640,000) in recurring funds shall be used to create two positions to facilitate the creation of work-based learning opportunities and be dedicated to engagement with business and industry partners statewide. These funds shall also be used for the expansion of Career and College Promise high school pathways and pre-apprenticeships and work-based learning for individuals with intellectual and developmental disabilities.
(2) The sum of eight hundred ten thousand dollars ($810,000) may be used for marketing evaluation, online resources, professional development, and infrastructure support.
(3) The remaining funds shall be used to expand the program developed pursuant to G.S. 115D-10.21, as amended by this section.

SECTION 6.4.(c) The Community Colleges System Office shall continue to provide funds to community colleges participating in the program developed pursuant to G.S. 115D-10.21, as amended by this section, at the rate of one hundred ninety-four thousand dollars ($194,000) per participating community college.

CHAPTER 115D REORGANIZATION

SECTION 6.5.(a) Article 1 of Chapter 115D of the General Statutes reads as rewritten:

"Article 1.

"General Provisions for State Administration.

"Part 1. Establishment and Administration of the North Carolina Community Colleges System.

"**§ 115D-1. Statement of purpose.**

The purposes of this Chapter are to provide for the establishment, organization, and administration of a system of educational institutions throughout the State offering courses of instruction in one or more of the general areas of two-year college parallel, technical, vocational, and adult education programs, to serve as a legislative charter for such institutions, and to authorize the levying of local taxes and the issuing of local bonds for the support thereof. The major purpose of each and every institution operating under the provisions of this Chapter shall be and shall continue to be the offering of vocational and technical education and training, and of basic, high school level, academic education needed in order to profit from vocational and technical education, for students who are high school graduates or who are beyond the compulsory age limit of the public school system and who have left the public schools, provided, juveniles of any age committed to the Division of Juvenile Justice of the Department of Public Safety by a court of competent jurisdiction may, if approved by the director of the youth development center to which they are assigned, take courses offered by institutions of the system if they are otherwise qualified for admission.

The Community Colleges System Office is designated as the primary lead agency for delivering workforce development training, adult literacy training, and adult education programs in the State.

…

"~~**§ 115D-1.3. Accreditation of secondary school located in North Carolina shall not be a factor in admissions, loans, scholarships, or other educational policies.**~~

~~(a) For purposes of this section, the term "accreditation" shall include certification or any other similar approval process.~~

~~(b) The State Board of Community Colleges shall adopt a policy that prohibits any community college from soliciting or using information regarding the accreditation of a secondary school located in North Carolina that a person attended as a factor affecting admissions, loans, scholarships, or other educational activity at the community college, unless the accreditation was conducted by a State agency.~~

…

"~~**§ 115D-4.1. College transfer program approval; standards for programs; annual reporting requirements.**~~

~~(a) Repealed by Session Laws 1995, c. 288, s. 1, effective September 1, 1995.~~

~~(b) The State Board of Community Colleges may approve the addition of the college transfer program to a community college. If addition of the college transfer program to an institution would require a substantial increase in funds, State Board approval shall be subject to appropriation of funds by the General Assembly for this purpose.~~

~~(c) Addition of the college transfer program shall not decrease an institution's ability to provide programs within its basic mission of vocational and technical training and basic academic education.~~

~~(d) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the addition of the college transfer program to institutions.~~

~~(e) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the operation of college transfer programs.~~

~~(f) The Board of Governors of The University of North Carolina shall report to each community college and to the State Board of Community Colleges in accordance with G.S. 116-11(10b) on the academic performance of that community college's transfer students. If the State Board of Community Colleges finds that college transfer students from a community college are not consistently performing adequately at a four-year college, the Board shall review the community college's program and determine what steps are necessary to remedy the problem. The Board shall report annually to the General Assembly on the reports it receives and on what steps it is taking to remedy problems that it finds.~~

~~(g) The Community Colleges System Office shall report by April 15, 2011, and annually thereafter, to the Joint Legislative Education Oversight Committee, the State Board of Education, the Office of State Budget and Management, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall include:~~

~~(1) The courses and programs within the 2+2 E-Learning Initiative;~~

~~(2) The total number of prospective teachers that have taken or are taking part in this initiative to date broken down by the current academic period and each of the previous academic periods since the program's inception;~~

~~(3) The total number of teachers currently in the State's classrooms, by local school administrative unit, who have taken part in this initiative;~~

~~(4) The change in the number of teachers available to schools since the program's inception;~~

~~(5) The qualitative data from students, teachers, local school administrative unit personnel, university personnel, and community college personnel as to the impact of this initiative on our State's teaching pool; and~~

~~(6) An explanation of the expenditures and collaborative programs between the North Carolina Community College System and The University of North Carolina, including recommendations for improvement.~~

"**~~§ 115D-5. Administration of institutions by State Board of Community Colleges; personnel exempt from North Carolina Human Resources Act; extension courses; tuition waiver; in-plant training; contracting, etc., for establishment and operation of extension units of the community college system; use of existing public school facilities.~~**

~~(a) The State Board of Community Colleges may adopt and execute such policies, regulations and standards concerning the establishment, administration, and operation of institutions as the State Board may deem necessary to insure the quality of educational programs, to promote the systematic meeting of educational needs of the State, and to provide for the equitable distribution of State and federal funds to the several institutions.~~

~~The State Board of Community Colleges shall establish standards and scales for salaries and allotments paid from funds administered by the State Board, and all employees of the institutions shall be exempt from the provisions of the North Carolina Human Resources Act. Any and all salary caps set by the State Board for community college presidents shall apply only to the State-paid portion of the salary. Except as otherwise provided by law, the employer contribution rate on the local-paid portion of the salary, to be paid from local funds, shall be set by the State Treasurer based on actuarial recommendations. The State Board shall have authority with respect to individual institutions: to approve sites, capital improvement projects, budgets; to approve the selection of the chief administrative officer; to establish and administer standards for professional personnel, curricula, admissions, and graduation; to regulate the awarding of degrees, diplomas, and certificates; to establish and regulate student tuition and fees within policies for tuition and fees established by the General Assembly; and to establish and regulate financial accounting procedures.~~

~~The State Board of Community Colleges shall require each community college to meet the faculty credential requirements of its accrediting agency for all community college programs.~~

~~(a1) Notwithstanding G.S. 66-58(c)(3) or any other provisions of law, the State Board of Community Colleges may adopt rules governing the expenditure of funds derived from bookstore sales by community colleges. These expenditures shall be consistent with the mission and purpose of the Community College System. Profits may be used in the support and enhancement of the bookstores, for student aid or scholarships, for expenditures of direct benefit to students, and for other similar expenditures authorized by the board of trustees, subject to rules adopted by the State Board. These funds shall not be used to supplement salaries of any personnel.~~

~~(a2) The State Board of Community Colleges shall comply with the provisions of G.S. 116-11(10a) to plan and implement an exchange of information between the public schools and the institutions of higher education in the State.~~

~~(a3) The State Board of Community Colleges shall adopt the following rules to assist community colleges in their administration of procedures necessary to implement G.S. 20-11 and G.S. 20-13.2:~~

~~(1) To establish the procedures a person who is or was enrolled in a community college must follow and the requirements that person must meet to obtain a driving eligibility certificate.~~

~~(2) To require the person who is required under G.S. 20-11(n) to sign the driving eligibility certificate to provide the certificate if he or she determines that one of the following requirements is met:~~

~~a. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and is not subject to G.S. 20-11(n1).~~

~~b. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and G.S. 20-11(n1).~~

~~(3) To provide for an appeal through the grievance procedures established by the board of trustees of each community college by a person who is denied a driving eligibility certificate.~~

~~(4) To define exemplary student behavior and to define what constitutes the successful completion of a drug or alcohol treatment counseling program.~~

~~The State Board also shall develop policies as to when it is appropriate to notify the Division of Motor Vehicles that a person who is or was enrolled in a community college no longer meets the requirements for a driving eligibility certificate. The State Board also shall adopt guidelines to assist the presidents of community colleges in their designation of representatives to sign driving eligibility certificates.~~

~~The State Board shall develop a form for the appropriate individuals to provide their written, irrevocable consent for a community college to disclose to the Division of Motor Vehicles that the student no longer meets the conditions for a driving eligibility certificate under G.S. 20-11(n)(1) or G.S. 20-11(n1), if applicable, in the event that this disclosure is necessary to comply with G.S. 20-11 or G.S. 20-13.2. Other than identifying under which statutory subsection the student is no longer eligible, no other details or information concerning the student's school record shall be released pursuant to this consent.~~

~~(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for the following:~~

~~(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate.~~

~~(2) Courses requested by the following entities that support the organizations' training needs and are on a specialized course list approved by the State Board of Community Colleges:~~

~~a. Volunteer fire departments.~~

~~b. Municipal, county, or State fire departments.~~
~~c. Volunteer EMS or rescue and lifesaving departments.~~
~~d. Municipal, county, or State EMS or rescue and lifesaving departments.~~
~~d1. Law enforcement, fire, EMS or rescue and lifesaving entities serving a lake authority that was created by a county board of commissioners prior to July 1, 2012.~~
~~e. Radio Emergency Associated Communications Teams (REACT) under contract to a county as an emergency response agency.~~
~~f. Municipal, county, or State law enforcement agencies.~~
~~f1. Campus police agencies of private institutions of higher education certified by the Attorney General pursuant to Chapter 74G of the General Statutes.~~
~~g. The Division of Prisons of the Department of Adult Correction and the Division of Juvenile Justice of the Department of Public Safety for the training of full-time custodial employees and employees of the Divisions required to be certified under Article 1 of Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.~~
~~h. Repealed by Session Laws 2017-186, s. 2(hhhhh), effective December 1, 2017.~~
~~i. The Eastern Band of Cherokee Indians law enforcement, fire, EMS or rescue and lifesaving tribal government departments or programs.~~
~~j. The Criminal Justice Standards Division of the Department of Justice for the training of criminal justice professionals, as defined in G.S. 17C-20(6), who are required to be certified under (i) Article 1 of Chapter 17C of the General Statutes and the rules of the North Carolina Criminal Justice Education and Training Standards Commission or (ii) Chapter 17E of the General Statutes and the rules of the North Carolina Sheriffs' Education and Training Standards Commission. The waivers provided for in this sub-subdivision apply to participants and recent graduates of the North Carolina Criminal Justice Fellows Program to obtain certifications for eligible criminal justice professions as defined in G.S. 17C-20(6).~~

~~(2a) Firefighters, EMS personnel, and rescue and lifesaving personnel whose duty station is located on a military installation within North Carolina for courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges.~~

~~(3) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.~~

~~(4) Trainees enrolled in courses conducted under the Customized Training Program.~~

~~(5) through (9) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.~~

~~(10) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR).~~

~~(11) Repealed by Session Laws 2013-360, s. 10.6, effective July 1, 2013.~~

~~(12) All courses taken by high school students at community colleges, in accordance with G.S. 115D-20(4) and this section.~~

~~(13) Human resources development courses for any individual who (i) is unemployed; (ii) has received notification of a pending layoff; (iii) is working and is eligible for the Federal Earned Income Tax Credit (FEITC); or (iv) is~~

working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.

(14) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.

(15) Courses providing employability skills, job-specific occupational or technical skills, or developmental education instruction to certain students who are concurrently enrolled in an eligible community college literacy course, in accordance with rules adopted by the State Board of Community Colleges.

(16) Courses provided to students who are participating in a pre-apprenticeship or apprenticeship program that meets all of the following criteria:

a. Meets one of the following:

1. Is a registered apprenticeship program recognized by the United States Department of Labor.

2. Is a pre-apprenticeship program recognized and approved by the State agency administering the statewide apprenticeship program.

b. Has a documented plan of study with courses relating to a job-specific occupational or technical skill.

c. Requires the participants in the program to be North Carolina high school students when entering the program.

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals.

(b1) The State Board of Community Colleges shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, ten-, eleven-, or twelve-month term. Community colleges may also use State and local funds to pay tuition and registration fees for professional development courses and for other courses consistent with the academic assistance program authorized by the State Human Resources Commission.

(b2) Beginning February 1, 2018, and annually thereafter, the Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on the number and type of waivers granted pursuant to subsection (b) of this section.

(c) No course of instruction shall be offered by any community college at State expense or partial State expense to any captive or co-opted group of students, as defined by the State Board of Community Colleges, without prior approval of the State Board of Community Colleges. All course offerings approved for State prison inmates or prisoners in local jails must be tied to clearly identified job skills, transition needs, or both. Approval by the State Board of Community Colleges shall be presumed to constitute approval of both the course and the group served by that institution. The State Board of Community Colleges may delegate to the President the power to make an initial approval, with final approval to be made by the State Board of Community Colleges. A course taught without such approval will not yield any full-time equivalent students, as defined by the State Board of Community Colleges.

(c1) Community colleges shall report full-time equivalent (FTE) student hours for correction education programs on the basis of student membership hours. No community college shall operate a multi-entry/multi-exit class or program in a prison facility, except for a literacy class or program.

The State Board shall work with the Division of Adult Correction and Juvenile Justice of the Department of Public Safety on offering classes and programs that match the average length of stay of an inmate in a prison facility.

(c2) Courses in federal prisons shall not earn regular budget full-time equivalents, but may be offered on a self-supporting basis.

~~(c3) Funds appropriated for community college courses for prison inmates shall be used only for inmates in State prisons. The first priority for the use of these funds shall be to restore the FTE for basic skills courses to the FY 2008-2009 level. Funds not needed for this purpose may be used for continuing education and curriculum courses related to job skills training.~~

~~(d) Recodified as G.S. 115D-5.1(a) by Session Laws 2005-276, s. 8.4(a), effective July 1, 2005.~~

~~(e) Repealed by Session Laws 1999-84, s. 3, effective May 21, 1999.~~

~~(f) A community college may not offer a new program without the approval of the State Board of Community Colleges except that approval shall not be required if the tuition for the program will fully cover the cost of the program. If at any time tuition fails to fully cover the cost of a program that falls under the exception, the program shall be discontinued unless approved by the State Board of Community Colleges. If a proposed new program would serve more than one community college, the State Board of Community Colleges shall perform a feasibility study prior to acting on the proposal. The State Board of Community Colleges shall consider whether a regional approach can be used when developing new programs and, to the extent possible, shall initiate new programs on a regional basis.~~

~~The State Board of Community Colleges shall collect data on an annual basis on all new programs and program terminations it approved and any regionalization of programs during the year, including the specific reasons for which each program was terminated or approved.~~

~~(f1) The State Board shall adopt a policy requiring community colleges to be accredited in accordance with G.S. 115D-6.2.~~

~~(g) Funds appropriated to the Community Colleges System Office as operating expenses for allocation to the institutions comprising the North Carolina Community College System shall not be used to support recreation extension courses. The financing of these courses by any institution shall be on a self-supporting basis, and membership hours produced from these activities shall not be counted when computing full-time equivalent students (FTE) for use in budget-funding formulas at the State level.~~

~~(h) Whenever a community college offers real estate continuing education courses pursuant to G.S. 93A-4.1, the courses shall be offered on a self-supporting basis.~~

~~(i) Recodified as G.S. 115D-5.1(c) by Session Laws 2005-276, s. 8.4(a), effective July 1, 2005.~~

~~(j) The State Board of Community Colleges shall use its Board Reserve Fund for feasibility studies, pilot projects, start-up of new programs, and innovative ideas.~~

~~(k) Recodified as G.S. 115D-5.1(b) by Session Laws 2005-276, s. 8.4(a), effective July 1, 2005.~~

~~(*l*) The State Board shall review and approve lease purchase and installment purchase contracts as provided under G.S. 115D-58.15(b). The State Board shall adopt policies and procedures governing the review and approval process.~~

~~(m) The State Board of Community Colleges shall maintain an accountability function that conducts periodic reviews of each community college operating under the provisions of this Chapter. The purpose of the compliance review shall be to ensure that (i) data used to allocate State funds among community colleges is reported accurately to the System Office and (ii) community colleges are charging and waiving tuition and registration fees consistent with law. The State Board of Community Colleges shall require the use of a statistically valid sample size in performing compliance reviews of community colleges. All compliance review findings that are determined to be material shall be forwarded to the college president, local college board of trustees, the State Board of Community Colleges, and the State Auditor. The State Board of Community Colleges shall adopt rules governing the frequency, scope, and standard of materiality for compliance reviews.~~

~~(n) The North Carolina Community Colleges System Office shall provide the Department of Revenue with a list of all community colleges, including name, address, and other identifying~~

~~information requested by the Department of Revenue. The North Carolina Community Colleges System Office shall update this list whenever there is a change.~~

~~(o) All multicampus centers approved by the State Board of Community Colleges shall receive funding under the same formula. The State Board of Community Colleges shall not approve any additional multicampus centers without identified recurring sources of funding. A community college facility shall be considered a multicampus center if it meets all of the following criteria:~~

~~(1) Is at least 4 miles away from the main campus of the community college and other multicampus center locations.~~

~~(2) Any other criteria established by the State Board.~~

~~(p) The North Carolina Community College System may offer courses, in accordance with Article 17D of Subchapter V of Chapter 115C of the General Statutes, to individuals who choose to enter the teaching profession through residency licensure.~~

~~(q) Repealed by Session Laws 2009-451, s. 8.9, effective July 1, 2009.~~

~~(r) The State Board of Community Colleges shall develop curriculum and continuing education standards for courses of instruction in American Sign Language and shall encourage community colleges to offer courses in American Sign Language as a modern foreign language.~~

~~(s) The State Board of Community Colleges may establish, retain and budget fees charged to students taking an adult high school equivalency diploma test, including fees for retesting. Fees collected for this purpose shall be used only to (i) offset the costs of the test, including the cost of scoring the test, (ii) offset the costs of printing adult high school equivalency diplomas, and (iii) meet federal and State reporting requirements related to the test.~~

~~(t) The purpose of the first semester of the Gateway to College Program is to address additional support to successfully complete the program. Students may need to take developmental courses necessary for the transition to more challenging courses; therefore, the State Board of Community Colleges shall (i) permit high school students who are enrolled in Gateway to College Programs to enroll in developmental courses based on an assessment of their individual student needs by a high school and community college staff team and (ii) include this coursework in computing the budget FTE for the colleges.~~

~~(u) The State Board of Community Colleges shall direct each community college to adopt a policy that authorizes a minimum of two excused absences each academic year for religious observances required by the faith of a student. The policy may require that the student provide written notice of the request for an excused absence a reasonable time prior to the religious observance. The policy shall also provide that the student shall be given the opportunity to make up any tests or other work missed due to an excused absence for a religious observance.~~

~~(v) Community colleges may teach curriculum courses at any time during the year, including the summer term. Student membership hours from these courses shall be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level.~~

~~(w) The State Board of Community Colleges shall review, at least every five years, service areas that include counties assigned to more than one community college to determine the feasibility of continuing to assign those counties to more than one community college. The State Board shall revise service areas as needed to ensure that counties are served effectively. The first review and any revisions shall be completed no later than March 1, 2016, and the State Board shall report its findings and any revisions to the Joint Legislative Education Oversight Committee no later than March 1, 2016. All subsequent reviews and revisions shall also be submitted to the Committee.~~

~~(x) In addition to the evaluation of cooperative innovative high schools by the State Board of Education pursuant to G.S. 115C-238.55, the State Board of Community Colleges, in conjunction with the State Board of Education and the Board of Governors of The University of North Carolina, shall evaluate the success of students participating in the Career and College~~

~~Promise Program, including the College Transfer pathway and the Career and Technical Education pathway. Success shall be measured by high school retention rates, high school completion rates, high school dropout rates, certification and associate degree completion, admission to four-year institutions, postgraduation employment in career or study-related fields, and employer satisfaction of employees who participated in the programs. The evaluation shall also include an analysis of the cost of students participating in each of the programs within the Career and College Promise Program, including at least the following:~~

~~(1) Total enrollment funding, the number of budgeted full-time equivalent students, and the number of students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.~~

~~(2) The cost and number of waivers of tuition and registration fees provided for students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.~~

~~(3) Any additional costs of a student attending courses on campus if a student is not attending public school in a local school administrative unit for the majority of the student's instructional time.~~

~~The Boards shall jointly report by March 15 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division of the General Assembly. The report shall be combined with the evaluation of cooperative innovative high schools required by G.S. 115C-238.55, and the Community Colleges System Office shall be responsible for submitting the combined report.~~

~~(y) The State Board of Community Colleges shall adopt a policy to be applied uniformly throughout the Community College System to provide that any student enrolled in a community college who is a National Guard service member placed onto State active duty status during an academic term shall be given an excused absence for the period of time the student is on active duty. The policy shall further provide all of the following:~~

~~(1) The student shall be given the opportunity to make up any test or other work missed during the excused absence.~~

~~(2) The student shall be given the option, when feasible, to continue classes and coursework during the academic term through online participation for the period of time the student is placed on active duty.~~

~~(3) The student shall be given the option of receiving a temporary grade of "incomplete (IN)" or "absent from the final exam (AB)" for any course that the student was unable to complete as a result of being placed on State active duty status; however, the student must complete the course requirements within the period of time specified by the community college to avoid receiving a failing grade for the course.~~

~~(4) The student shall be permitted to drop, with no penalty, any course that the student was unable to complete as a result of being placed on State active duty status.~~

~~(z) The State Board of Community Colleges shall monitor community colleges for compliance with Article 38 of Chapter 116 of the General Statutes. If the State Board determines that a community college is in violation of Article 38, it shall report the identity of the community college to the Joint Legislative Education Oversight Committee.~~

"**~~§ 115D-5.1. Workforce Development Programs.~~**

~~(a) Community colleges shall assist in the preemployment and in-service training of employees in industry, business, agriculture, health occupation and governmental agencies. Such training shall include instruction on worker safety and health standards and practices applicable to the field of employment. The State Board of Community Colleges shall make appropriate~~

~~regulations including the establishment of maximum hours of instruction which may be offered at State expense in each in-plant training program. No instructor or other employee of a community college shall engage in the normal management, supervisory and operational functions of the establishment in which the instruction is offered during the hours in which the instructor or other employee is employed for instructional or educational purposes.~~

~~(b) through (d) Repealed by Session Laws 2008-107, s. 8.7(a), effective July 1, 2008.~~

~~(e) There is created within the North Carolina Community College System the Customized Training Program. The Customized Training Program shall offer programs and training services to assist new and existing business and industry to remain productive, profitable, and within the State. Before a business or industry qualifies to receive assistance under the Customized Training Program, the President of the North Carolina Community College System shall determine that:~~

~~(1) The business is making an appreciable capital investment;~~

~~(2) The business is deploying new technology;~~

~~(2a) The business or individual is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the State; and~~

~~(3) The skills of the workers will be enhanced by the assistance.~~

~~(f) The Community Colleges System Office shall report no later than September 1 of each year to the Joint Legislative Education Oversight Committee on:~~

~~(1) The total amount of funds received by a company under the Customized Training Program.~~

~~(1a) The types of services sought by the company, whether for new, expanding, or existing industry.~~

~~(2) The amount of funds per trainee received by that company.~~

~~(3) The amount of funds received per trainee by the community college delivering the training.~~

~~(4) The number of trainees trained by the company and community college.~~

~~(5) The number of years that company has been funded.~~

~~(f1) Notwithstanding any other provision of law, the State Board of Community Colleges may adopt guidelines that allow the Customized Training Program to use funds appropriated for that program to support training projects for the various branches of the Armed Forces of the United States.~~

~~(f2) Funds available to the Customized Training Program shall not revert at the end of a fiscal year but shall remain available until expended. Up to ten percent (10%) of the college-delivered training expenditures and up to five percent (5%) of the contractor-delivered training expenditures for the prior fiscal year for Customized Training may be allotted to each college for capacity building at that college.~~

~~(f3) Of the funds appropriated in a fiscal year for the Customized Training Programs, the State Board of Community Colleges may approve the use of up to eight percent (8%) for the training and support of regional community college personnel to deliver Customized Training Program services to business and industry.~~

~~(g) The State Board shall adopt guidelines to implement this section. At least 20 days before the effective date of any criteria or nontechnical amendments to guidelines, the State Board must publish the proposed guidelines on the Community Colleges System Office's web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the State Board must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the State Board has completed these notifications. For the purpose of this subsection, a technical amendment is either of the following:~~

~~(1) An amendment that corrects a spelling or grammatical error.~~

~~(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.~~

"**~~§ 115D-5.1A. Short-Term Workforce Development Grant Program.~~**

~~(a) Program Established. There is established the North Carolina Community College Short-Term Workforce Development Grant Program (Program) to be administered by the State Board of Community Colleges. The State Board shall adopt rules for the disbursement of the grants pursuant to this section.~~

~~(b) Programs of Study. The State Board of Community Colleges, in collaboration with the Department of Commerce, shall determine the eligible programs of study for the Program, according to the occupations that are in the highest demand in the State. The eligible programs of study shall include programs such as architecture and construction, health sciences, information technology, electrical line worker, and manufacturing programs and may include other programs to meet local workforce needs.~~

~~(c) Award Amounts. To the extent funds are made available for the Program, the State Board of Community Colleges shall award grants in an amount of up to seven hundred fifty dollars ($750.00) to students pursuing short-term, noncredit State and industry workforce credentials. The State Board of Community Colleges shall establish criteria for initial and continuing eligibility for students. At a minimum, students shall be required to qualify as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the State Education Assistance Authority.~~

~~(d) Report. The State Board shall submit a report by April 1, 2024, and annually thereafter, on the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division. The report shall contain, for each academic year and by programs of study, the amount of grant funds disbursed and the number of eligible students receiving funds.~~

"**~~§ 115D-5.2. Commercial fishing and aquaculture classes.~~**

~~(a) The General Assembly urges all community colleges serving the coastal area of the State to offer classes on commercial fishing and aquaculture.~~

~~(b) The North Carolina Community Colleges System Office shall provide technical assistance to these colleges on offering such classes.~~

~~(c) The North Carolina Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on any fiscal and administrative issues it identifies that limit colleges' ability to offer such courses.~~

"**§ 115D-5.5. Board Reserve Fund.**

The State Board of Community Colleges shall use its Board Reserve Fund for feasibility studies, pilot projects, start-up of new programs, and innovative ideas.

"Part 2. Administration of Local Community Colleges by State Board of Community Colleges.

"**§ 115D-6. Withdrawal of State support.**

The State Board of Community Colleges may withdraw or withhold State financial and administrative support of any institutions subject to the provisions of this Chapter in the event ~~that:~~of any of the following:

(1) The required local financial support of an institution is not ~~provided;~~provided.

(2) Sufficient State funds are not ~~available;~~available.

(3) The officials of an institution refuse or are unable to maintain prescribed standards of administration or ~~instruction; or~~instruction.

(4) Local educational needs for such an institution cease to exist.

"**§ 115D-6.1. Administration of institutions.**

(a) Policies. – The State Board of Community Colleges may adopt and execute such policies, regulations, and standards concerning the establishment, administration, and operation of institutions as the State Board may deem necessary to ensure the quality of educational

programs, to promote the systematic meeting of educational needs of the State, and to provide for the equitable distribution of State and federal funds to the several institutions.

(b) Authority. – The State Board shall have the following authority with respect to individual institutions:

(1) To approve sites, capital improvement projects, and budgets.

(2) To approve the selection of the chief administrative officer.

(3) To establish and administer standards for professional personnel, curricula, admissions, and graduation.

(4) To regulate the awarding of degrees, diplomas, and certificates.

(5) To establish and regulate student tuition and fees within policies for tuition and fees established by the General Assembly.

(6) To establish and regulate financial accounting procedures.

(c) Salaries. – The State Board shall establish standards and scales for salaries and allotments paid from funds administered by the State Board, and all employees of the institutions shall be exempt from the provisions of the North Carolina Human Resources Act. Any and all salary caps set by the State Board for community college presidents shall apply only to the State-paid portion of the salary. Except as otherwise provided by law, the employer contribution rate on the local-paid portion of the salary, to be paid from local funds, shall be set by the State Treasurer based on actuarial recommendations.

(d) Faculty Credentials. – The State Board of Community Colleges shall require each community college to meet the faculty credential requirements of its accrediting agency for all community college programs.

"**§ 115D-6.2. ~~Accreditation.~~Accreditation policy.**

The State Board of Community Colleges shall adopt a policy requiring community colleges to be accredited in accordance with G.S. 115D-21.2.

~~(a) Definitions. The following definitions apply in this section:~~

~~(1) Accreditation cycle. The period of time during which a community college is accredited.~~

~~(2) Accrediting agency. An agency or association that accredits institutions of higher education.~~

~~(3) Regional accrediting agency. One of the following accrediting agencies:~~

~~a. Higher Learning Commission.~~

~~b. Middle States Commission on Higher Education.~~

~~c. New England Commission on Higher Education.~~

~~d. Northwest Commission on Colleges and Universities.~~

~~e. Southern Association of Colleges and Schools Commission on Colleges.~~

~~f. Western Association of Schools and Colleges Accrediting Commission for Community and Junior Colleges.~~

~~(b) Prohibit Consecutive Accreditation by an Accrediting Agency. A community college shall not receive accreditation by an accrediting agency for consecutive accreditation cycles except as provided in subsection (c) of this section.~~

~~(c) Accreditation Transfer Procedure. A community college that pursues accreditation with a different accrediting agency in accordance with this section shall pursue accreditation with a regional accrediting agency. If the community college is not granted candidacy status by any regional accrediting agency that is different from its current accrediting agency at least three years prior to the expiration of its current accreditation, the community college may remain with its current accrediting agency for an additional accreditation cycle.~~

~~(d) Certain Programs Exempt. The requirements of this section do not apply to professional, departmental, or certificate programs at community colleges that have specific~~

~~accreditation requirements or best practices, as identified by the State Board of Community Colleges.~~

~~(c) Cause of Action. – A community college may bring a civil action, as follows:~~

~~(1) Against any person who makes a false statement to the accrediting agency of the community college, if all of the following criteria are met:~~

~~a. The statement, if true, would mean the community college is out of compliance with its accreditation standards.~~

~~b. The person made the statement with knowledge that the statement was false or with reckless disregard as to whether it was false.~~

~~c. The accrediting agency conducted a review of the community college as a proximate result of the statement.~~

~~d. The review caused the community college to incur costs.~~

~~(2) A community college that prevails on a cause of action initiated pursuant to this subsection shall be entitled to the following:~~

~~a. Costs related to the review conducted by the accrediting agency, including for the following:~~

~~1. Additional hours worked by community college personnel.~~

~~2. Contracted services, including outside legal counsel.~~

~~3. Travel, lodging, and food expenses.~~

~~4. Fees required by the agency.~~

~~b. Reasonable attorney fees.~~

~~c. Court costs.~~

"**§ 115D-6.5. Notice of noncompliance; appointment of an interim board of trustees.**

…

(c) Interim Board Assumption of Powers and Duties. – The adoption of the resolution to remove the full board under this section shall have the effect of vacating the terms of all of the members serving on the board of trustees. Notwithstanding G.S. 115D-12, the State Board of Community Colleges shall appoint an interim five-member board of trustees for a period not to exceed 12 months with input from the advisory committee listed in subsection (a) of this section. To preserve local autonomy, the appointing authorities of the local administrative area of the community college under G.S. 115D-12 shall make recommendations to the State Board on the appointment of the members to the interim board of trustees. All appointees to the interim board of trustees shall be residents of the administrative area of the institution for which they are selected or of counties contiguous thereto with the exception of members provided for in ~~subsection (a) of G.S. 115D-12, Group Four.~~ G.S. 115D-12(a)(3). At the end of the period of service of the interim board of trustees, a board of trustees for the community college shall be appointed in accordance with G.S. 115D-12. Initial terms of members of the new board of trustees shall be staggered to align with the remainder of the vacated terms of the members of the board of trustees.

…

"**§ 115D-9.5. Bookstore sales.**

Notwithstanding G.S. 66-58(c)(3) or any other provisions of law, the State Board of Community Colleges may adopt rules governing the expenditure of funds derived from bookstore sales by community colleges. These expenditures shall be consistent with the mission and purpose of the Community College System. Profits may be used in the support and enhancement of the bookstores, for student aid or scholarships, for expenditures of direct benefit to students, and for other similar expenditures authorized by the board of trustees, subject to rules adopted by the State Board. These funds shall not be used to supplement salaries of any personnel.

"**§ 115D-9.10. Exchange of information with The University of North Carolina and North Carolina public schools.**

The State Board of Community Colleges shall comply with the provisions of G.S. 116-11(10a) to plan and implement an exchange of information between the public schools and the institutions of higher education in the State.

"**§ 115D-9.15. Lease purchase and installment purchase contracts.**

The State Board of Community Colleges shall review and approve lease purchase and installment purchase contracts as provided under G.S. 115D-58.15(b). The State Board shall adopt policies and procedures governing the review and approval process.

"**§ 115D-9.20. Compliance review and requested information.**

(a) Compliance Review. – The State Board of Community Colleges shall maintain an accountability function that conducts periodic reviews of each community college operating under the provisions of this Chapter. The purpose of the compliance review shall be to ensure that (i) data used to allocate State funds among community colleges is reported accurately to the System Office and (ii) community colleges are charging and waiving tuition and registration fees consistent with law. The State Board of Community Colleges shall require the use of a statistically valid sample size in performing compliance reviews of community colleges. All compliance review findings that are determined to be material shall be forwarded to the college president, local college board of trustees, the State Board of Community Colleges, and the State Auditor. The State Board of Community Colleges shall adopt rules governing the frequency, scope, and standard of materiality for compliance reviews.

(b) Information to Department of Revenue. – The North Carolina Community Colleges System Office shall provide the Department of Revenue with a list of all community colleges, including name, address, and other identifying information requested by the Department of Revenue. The North Carolina Community Colleges System Office shall update this list whenever there is a change.

"**§ 115D-9.25. Multicampus centers.**

All multicampus centers approved by the State Board of Community Colleges shall receive funding under the same formula. The State Board of Community Colleges shall not approve any additional multicampus centers without identified recurring sources of funding. A community college facility shall be considered a multicampus center if it meets the criteria established by the State Board and is at least 4 miles away from the main campus of the community college and other multicampus center locations.

"**§ 115D-9.30. Service areas.**

The State Board of Community Colleges shall review, at least every five years, service areas that include counties assigned to more than one community college to determine the feasibility of continuing to assign those counties to more than one community college. The State Board shall revise service areas as needed to ensure that counties are served effectively. The State Board shall report its findings and any revisions to the Joint Legislative Education Oversight Committee within 60 days of revisions being made.

"**§ 115D-9.35. Athletic teams.**

The State Board of Community Colleges shall monitor community colleges for compliance with Article 38 of Chapter 116 of the General Statutes. If the State Board determines that a community college is in violation of Article 38 of Chapter 116 of the General Statutes, it shall report the identity of the community college to the Joint Legislative Education Oversight Committee.

…

"Part 3. Community College Programs.

"**§ 115D-10.5. Program funding.**

(a) New Programs and Terminations of Programs. – A community college may not offer a new program without the approval of the State Board of Community Colleges except that approval shall not be required if the tuition for the program will fully cover the cost of the program. If at any time tuition fails to fully cover the cost of a program that falls under the

exception, the program shall be discontinued unless approved by the State Board. If a proposed new program would serve more than one community college, the State Board shall perform a feasibility study prior to acting on the proposal. The State Board shall consider whether a regional approach can be used when developing new programs and, to the extent possible, shall initiate new programs on a regional basis. The State Board shall collect data on an annual basis on all new programs and program terminations it approved and any regionalization of programs during the year, including the specific reasons for which each program was terminated or approved.

(b) Recreation Extension Courses. – Funds appropriated to the Community Colleges System Office as operating expenses for allocation to the institutions comprising the North Carolina Community College System shall not be used to support recreation extension courses. The financing of these courses by any institution shall be on a self-supporting basis, and membership hours produced from these activities shall not be counted when computing full-time equivalent students (FTE) for use in budget-funding formulas at the State level.

(c) Real Estate Continuing Education Courses. – Whenever a community college offers real estate continuing education courses, the courses shall be offered on a self-supporting basis.

"**§ 115D-10.10. College transfer program approval; standards for programs; annual reporting requirements.**

(a) The State Board of Community Colleges may approve the addition of the college transfer program to a community college. If addition of the college transfer program to an institution would require a substantial increase in funds, State Board approval shall be subject to appropriation of funds by the General Assembly for this purpose.

(b) Addition of the college transfer program shall not decrease an institution's ability to provide programs within its basic mission of vocational and technical training and basic academic education.

(c) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the addition of the college transfer program to institutions.

(d) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the operation of college transfer programs.

(e) The Board of Governors of The University of North Carolina shall report to each community college and to the State Board of Community Colleges in accordance with G.S. 116-11(10b) on the academic performance of that community college's transfer students. If the State Board of Community Colleges finds that college transfer students from a community college are not consistently performing adequately at a four-year college, the Board shall review the community college's program and determine what steps are necessary to remedy the problem. The Board shall report annually to the General Assembly on the reports it receives and on what steps it is taking to remedy problems that it finds.

(f) The Community Colleges System Office shall report annually by April 15 to the Joint Legislative Education Oversight Committee, the State Board of Education, the Office of State Budget and Management, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall include the following:

(1) The courses and programs within the 2+2 E-Learning Initiative.

(2) The total number of prospective teachers that have taken or are taking part in this initiative to date broken down by the current academic period and each of the previous academic periods since the program's inception.

(3) The total number of teachers currently in the State's classrooms, by local school administrative unit, who have taken part in this initiative.

(4) The change in the number of teachers available to schools since the program's inception.

(5) The qualitative data from students, teachers, local school administrative unit personnel, university personnel, and community college personnel as to the impact of this initiative on our State's teaching pool.

(6) An explanation of the expenditures and collaborative programs between the North Carolina Community College System and The University of North Carolina, including recommendations for improvement.

"**§ 115D-10.15. Workforce development programs.**

Community colleges shall assist in the preemployment and in-service training of employees in industry, business, agriculture, health occupation, and governmental agencies. Such training shall include instruction on worker safety and health standards and practices applicable to the field of employment. The State Board of Community Colleges shall make appropriate regulations, including the establishment of maximum hours of instruction which may be offered at State expense in each in-plant training program. No instructor or other employee of a community college shall engage in the normal management, supervisory, and operational functions of the establishment in which the instruction is offered during the hours in which the instructor or other employee is employed for instructional or educational purposes.

"**§ 115D-10.17. Customized Training Program.**

(a) There is created within the North Carolina Community College System the Customized Training Program. The Customized Training Program shall offer programs and training services to assist new and existing business and industry to remain productive, profitable, and within the State. Before a business or industry qualifies to receive assistance under the Customized Training Program, the President of the North Carolina Community College System shall determine the following:

(1) The business is making an appreciable capital investment.

(2) The business is deploying new technology.

(3) The business or individual is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the State.

(4) The skills of the workers will be enhanced by the assistance.

(b) The Community Colleges System Office shall report no later than September 1 of each year to the Joint Legislative Education Oversight Committee on the following:

(1) The total amount of funds received by a company under the Customized Training Program.

(2) The types of services sought by the company, whether for new, expanding, or existing industry.

(3) The amount of funds per trainee received by that company.

(4) The amount of funds received per trainee by the community college delivering the training.

(5) The number of trainees trained by the company and community college.

(6) The number of years that company has been funded.

(c) Notwithstanding any other provision of law, the State Board of Community Colleges may adopt guidelines that allow the Customized Training Program to use funds appropriated for that program to support training projects for the various branches of the Armed Forces of the United States.

(d) Funds available to the Customized Training Program shall not revert at the end of a fiscal year but shall remain available until expended. Up to ten percent (10%) of the college-delivered training expenditures and up to five percent (5%) of the contractor-delivered training expenditures for the prior fiscal year for Customized Training may be allotted to each college for capacity building at that college.

(e) Of the funds appropriated in a fiscal year for the Customized Training Program, the State Board of Community Colleges may approve the use of up to eight percent (8%) for the

training and support of regional community college personnel to deliver Customized Training Program services to business and industry.

(f) The State Board shall adopt guidelines to implement this section. At least 20 days before the effective date of any criteria or nontechnical amendments to guidelines, the State Board must publish the proposed guidelines on the Community Colleges System Office's website and provide notice to persons who have requested notice of proposed guidelines. In addition, the State Board must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the State Board has completed these notifications. For the purpose of this subsection, a technical amendment is either of the following:

(1) An amendment that corrects a spelling or grammatical error.

(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.

"**§ 115D-10.19. Short-Term Workforce Development Grant Program.**

(a) Program Established. – There is established the North Carolina Community College Short-Term Workforce Development Grant Program (Program) to be administered by the State Board of Community Colleges. The State Board shall adopt rules for the disbursement of the grants pursuant to this section.

(b) Programs of Study. – The State Board of Community Colleges, in collaboration with the Department of Commerce, shall determine the eligible programs of study for the Program, according to the occupations that are in the highest demand in the State. The eligible programs of study shall include programs such as architecture and construction, health sciences, information technology, electrical line worker, and manufacturing programs and may include other programs to meet local workforce needs.

(c) Award Amounts. – To the extent funds are made available for the Program, the State Board of Community Colleges shall award grants in an amount of up to seven hundred fifty dollars ($750.00) to students pursuing short-term, noncredit State and industry workforce credentials. The State Board of Community Colleges shall establish criteria for initial and continuing eligibility for students. At a minimum, students shall be required to qualify as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the State Education Assistance Authority.

(d) Report. – The State Board shall submit a report by April 1 annually on the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division. The report shall contain, for each academic year and by programs of study, the amount of grant funds disbursed and the number of eligible students receiving funds.

"**§ 115D-10.21. Training programs for students with intellectual and developmental disabilities.**

(a) The State Board of Community Colleges shall establish a community college training program for up to 15 community colleges. The program shall provide opportunities for micro-credentials or other credentials that lead to increased employment outcomes for individuals with intellectual and developmental disabilities (IDD). To the extent funds are appropriated for this purpose, the program shall improve the ability of participating community colleges to offer training and educational components that include improving employability skills and providing on-the-job training and apprenticeships with business and industry for individuals with IDD. The goal of the program shall be to inform community colleges and address cross-departmental supports within the individual community colleges on programs for individuals with IDD related to at least the following:

(1) Establishing best practices for providing vocational training for individuals with IDD.

(2) Providing financial and benefits counseling.

(3) Developing strategies on integrating assistive technology.
(4) Maximizing access, with supports, to credential and degree programs, including micro-credentials that are established by the State Board.
(5) Identifying methods to increase orientation and integration of individuals with IDD into the college community to the greatest extent possible.
(6) Determining a needs assessment, marketing, and evaluation to serve a broad array of individuals with developmental and other similar disabilities or learning challenges to assure adequate demand for new or existing programs.

(b) No later than May 1 of each year, the Community Colleges System Office shall report on the funds appropriated to the System Office for the purposes of this section to the Joint Legislative Education Oversight Committee and the Fiscal Research Division. At a minimum, the report shall address the impact of the program, the use of any additional positions created at community colleges, professional development training for staff, and funding sources identified for individuals with IDD to build programs at community colleges that support postsecondary trainings and certifications that enable individuals with IDD to engage in competitive, sustainable employment.

"**§ 115D-10.25. Commercial fishing and aquaculture classes.**

(a) The General Assembly urges all community colleges serving the coastal area of the State to offer classes on commercial fishing and aquaculture.

(b) The North Carolina Community Colleges System Office shall provide technical assistance to these colleges on offering such classes.

(c) The North Carolina Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on any fiscal and administrative issues it identifies that limit colleges' ability to offer such courses.

"**§ 115D-10.30. Correction education programs.**

(a) Approval. – No course of instruction shall be offered by any community college at State expense or partial State expense to any captive or co-opted group of students, as defined by the State Board of Community Colleges, without prior approval of the State Board. All course offerings approved for State prison inmates or prisoners in local jails must be tied to clearly identified job skills, transition needs, or both. Approval by the State Board shall be presumed to constitute approval of both the course and the group served by that institution. The State Board may delegate to the President the power to make an initial approval, with final approval to be made by the State Board. A course taught without such approval will not yield any full-time equivalent students, as defined by the State Board. Community colleges shall report full-time equivalent (FTE) student hours for correction education programs on the basis of student membership hours. Funds appropriated for community college courses for prison inmates shall be used only for inmates in State prisons. The first priority for the use of these funds shall be to restore the FTE for basic skills courses to the FY 2008-2009 level. Funds not needed for this purpose may be used for continuing education and curriculum courses related to job skills training. No community college shall operate a multi-entry/multi-exit class or program in a prison facility, except for a literacy class or program. The State Board shall work with the Division of Adult Correction and Juvenile Justice of the Department of Public Safety on offering classes and programs that match the average length of stay of an inmate in a prison facility.

(b) Courses in Federal Prisons. – Courses in federal prisons shall not earn regular budget full-time equivalents but may be offered on a self-supporting basis.

"**§ 115D-10.35. Teacher residency licensure courses.**

The North Carolina Community College System may offer courses, in accordance with Article 17D of Subchapter V of Chapter 115C of the General Statutes, to individuals who choose to enter the teaching profession through residency licensure.

"**§ 115D-10.40. American Sign Language courses.**

The State Board of Community Colleges shall develop curriculum and continuing education standards for courses of instruction in American Sign Language and shall encourage community colleges to offer courses in American Sign Language as a modern foreign language.

"**§ 115D-10.45. Adult high school equivalency diploma test.**

The State Board of Community Colleges may establish, retain, and budget fees charged to students taking an adult high school equivalency diploma test, including fees for retesting. Fees collected for this purpose shall be used only to (i) offset the costs of the test, including the cost of scoring the test, (ii) offset the costs of printing adult high school equivalency diplomas, and (iii) meet federal and State reporting requirements related to the test.

"**§ 115D-10.50. Motorcycle Safety Instruction Program.**

(a) There is created a Motorcycle Safety Instruction Program for the purpose of establishing statewide motorcycle safety instruction to be delivered through the Community Colleges System Office. The Program may be administered by a motorcycle safety coordinator who shall be responsible for the planning, curriculum, and completion requirements of the Program. The State Board of Community Colleges may elect a motorcycle safety coordinator upon nomination of the President of the Community College System, and the compensation of the motorcycle safety coordinator shall be fixed by the State Board upon recommendation of the President of the Community College System pursuant to G.S. 115D-3. The State Board of Community Colleges may contract with an appropriate public or private agency or person to carry out the duties of the motorcycle safety coordinator.

(b) The Motorcycle Safety Instruction Program shall be implemented through the Community Colleges System Office at institutions which choose to provide the Program. The motorcycle safety coordinator shall select and facilitate the training and certification of instructors who will implement the Program.

"Part 4. Students.

"**§ 115D-10.65. Accreditation of secondary school located in North Carolina shall not be a factor in admissions, loans, scholarships, or other educational policies.**

(a) For purposes of this section, the term "accreditation" shall include certification or any other similar approval process.

(b) The State Board of Community Colleges shall adopt a policy that prohibits any community college from soliciting or using information regarding the accreditation of a secondary school located in North Carolina that a person attended as a factor affecting admissions, loans, scholarships, or other educational activity at the community college, unless the accreditation was conducted by a State agency.

"**§ 115D-10.70. Driving eligibility certificates.**

(a) The State Board of Community Colleges shall adopt the following rules to assist community colleges in their administration of procedures necessary to implement G.S. 20-11 and G.S. 20-13.2:

(1) To establish the procedures a person who is or was enrolled in a community college must follow and the requirements that person must meet to obtain a driving eligibility certificate.

(2) To require the person who is required under G.S. 20-11(n) to sign the driving eligibility certificate to provide the certificate if he or she determines that one of the following requirements is met:

a. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and is not subject to G.S. 20-11(n1).

b. The person seeking the certificate is eligible for the certificate under G.S. 20-11(n)(1) and G.S. 20-11(n1).

(3) To provide for an appeal through the grievance procedures established by the board of trustees of each community college by a person who is denied a driving eligibility certificate.

(4) To define exemplary student behavior and to define what constitutes the successful completion of a drug or alcohol treatment counseling program.

(b) The State Board shall develop policies as to when it is appropriate to notify the Division of Motor Vehicles that a person who is or was enrolled in a community college no longer meets the requirements for a driving eligibility certificate. The State Board also shall adopt guidelines to assist the presidents of community colleges in their designation of representatives to sign driving eligibility certificates.

(c) The State Board shall develop a form for the appropriate individuals to provide their written, irrevocable consent for a community college to disclose to the Division of Motor Vehicles that the student no longer meets the conditions for a driving eligibility certificate under G.S. 20-11(n)(1) or G.S. 20-11(n1), if applicable, in the event that this disclosure is necessary to comply with G.S. 20-11 or G.S. 20-13.2. Other than identifying under which statutory subsection the student is no longer eligible, no other details or information concerning the student's school record shall be released pursuant to this consent.

"**§ 115D-10.75. Excused absences for religious observances.**

The State Board of Community Colleges shall direct each community college to adopt a policy that authorizes a minimum of two excused absences each academic year for religious observances required by the faith of a student. The policy may require that the student provide written notice of the request for an excused absence a reasonable time prior to the religious observance. The policy shall also provide that the student shall be given the opportunity to make up any tests or other work missed due to an excused absence for a religious observance.

"**§ 115D-10.76. Excused absences for National Guard service members.**

The State Board of Community Colleges shall adopt a policy to be applied uniformly throughout the Community College System to provide that any student enrolled in a community college who is a National Guard service member placed onto State active duty status during an academic term shall be given an excused absence for the period of time the student is on active duty. The policy shall further provide all of the following:

(1) The student shall be given the opportunity to make up any test or other work missed during the excused absence.

(2) The student shall be given the option, when feasible, to continue classes and coursework during the academic term through online participation for the period of time the student is placed on active duty.

(3) The student shall be given the option of receiving a temporary grade of "incomplete (IN)" or "absent from the final exam (AB)" for any course that the student was unable to complete as a result of being placed on State active duty status; however, the student must complete the course requirements within the period of time specified by the community college to avoid receiving a failing grade for the course.

(4) The student shall be permitted to drop, with no penalty, any course that the student was unable to complete as a result of being placed on State active duty status."

SECTION 6.5.(b) G.S. 115D-20(4) reads as rewritten:

"(4) To apply the standards and requirements for admission and graduation of students and other standards established by the State Board of Community Colleges. ~~Notwithstanding any law or administrative rule to the contrary, local community colleges are permitted to offer the following programs:~~

~~a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with public school units and nonpublic schools to offer courses through the following programs:~~

~~1. Repealed by Session Laws 2022-71, s. 3.2, effective July 8, 2022.~~

~~2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate, diploma, or State or industry-recognized credential and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in (i) industrial and engineering technologies, (ii) agriculture and natural resources, (iii) transportation technology, (iv) construction, or (v) business technologies.~~

~~3. College transfer pathways requiring the successful completion of 30 semester credit hours of transfer courses, including English and mathematics, for the following students:~~

~~I. Qualified junior and senior high school students.~~

~~II. Qualified freshman and sophomore high school students, if all of the following requirements are met:~~

~~A. The student is determined to be academically gifted, have a demonstrated readiness for the course material, and have the maturity to justify admission to the community college by (i) the community college president, (ii) the student's high school principal or equivalent administrator, and (iii) the academically gifted coordinator, if one is employed by the high school or local school administrative unit.~~

~~B. The student participates in academic advising focused on the implications of being admitted to college early with representatives from the high school and the community college.~~

~~C. The student's parent or guardian has given consent for the student to participate.~~

~~a1. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer cooperative innovative high school programs, as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.~~

~~b. During the summer quarter, persons less than 16 years old may be permitted to take noncredit courses on a self-supporting basis, subject to rules of the State Board of Community Colleges.~~

~~c. High school students may be permitted to take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.~~

~~d. High school students 16 years and older may be permitted to take noncredit courses, except adult basic skills, subject to rules promulgated by the State Board of Community Colleges.~~

~~e. Notwithstanding any other provision of this subdivision, qualified youth 15 years and older may be permitted to enroll in courses, including certification-eligible courses, in fire training pursuant to G.S. 95-25.5(n) and on a specialized course list approved by the State~~

~~Board of Community Colleges in accordance with G.S. 115D-5(b)(2).~~"

SECTION 6.5.(c) Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-21.2. Accreditation.**

(a) Definitions. – The following definitions apply in this section:

(1) Accreditation cycle. – The period of time during which a community college is accredited.

(2) Accrediting agency. – An agency or association that accredits institutions of higher education.

(3) Regional accrediting agency. – One of the following accrediting agencies:

a. Higher Learning Commission.

b. Middle States Commission on Higher Education.

c. New England Commission on Higher Education.

d. Northwest Commission on Colleges and Universities.

e. Southern Association of Colleges and Schools Commission on Colleges.

f. Western Association of Schools and Colleges Accrediting Commission for Community and Junior Colleges.

(b) Prohibit Consecutive Accreditation by an Accrediting Agency. – A community college shall not receive accreditation by an accrediting agency for consecutive accreditation cycles except as provided in subsection (c) of this section.

(c) Accreditation Transfer Procedure. – A community college that pursues accreditation with a different accrediting agency in accordance with this section shall pursue accreditation with a regional accrediting agency. If the community college is not granted candidacy status by any regional accrediting agency that is different from its current accrediting agency at least three years prior to the expiration of its current accreditation, the community college may remain with its current accrediting agency for an additional accreditation cycle.

(d) Certain Programs Exempt. – The requirements of this section do not apply to professional, departmental, or certificate programs at community colleges that have specific accreditation requirements or best practices, as identified by the State Board of Community Colleges.

(e) Cause of Action. – A community college may bring a civil action, as follows:

(1) Against any person who makes a false statement to the accrediting agency of the community college, if all of the following criteria are met:

a. The statement, if true, would mean the community college is out of compliance with its accreditation standards.

b. The person made the statement with knowledge that the statement was false or with reckless disregard as to whether it was false.

c. The accrediting agency conducted a review of the community college as a proximate result of the statement.

d. The review caused the community college to incur costs.

(2) A community college that prevails on a cause of action initiated pursuant to this subsection shall be entitled to the following:

a. Costs related to the review conducted by the accrediting agency, including for the following:

1. Additional hours worked by community college personnel.

2. Contracted services, including outside legal counsel.

3. Travel, lodging, and food expenses.

4. Fees required by the agency.

b. Reasonable attorneys' fees.

c. Court costs."

SECTION 6.5.(d) G.S. 115D-21.5 is repealed.

SECTION 6.5.(e) Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-21.10. Curriculum courses taught throughout year.**

Community colleges may teach curriculum courses at any time during the year, including the summer term. Student membership hours from these courses shall be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level."

SECTION 6.5.(f) Chapter 115D of the General Statutes is amended by adding a new Article to read:

"Article 2B.

"High School Programs.

"**§ 115D-30.1. Career and College Promise Program.**

(a) There is established the Career and College Promise Program to allow pathways for qualified high school students to take community college courses without the payment of tuition.

(b) Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with public school units and nonpublic schools to offer courses through the following programs:

(1) Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate, diploma, or State or industry-recognized credential and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in one of the following:
   a. Industrial and engineering technologies.
   b. Agriculture and natural resources.
   c. Transportation technology.
   d. Construction.
   e. Business technologies.

(2) College transfer pathways requiring the successful completion of 30 semester credit hours of transfer courses, including English and mathematics, for the following students:
   a. Qualified junior and senior high school students.
   b. Qualified freshmen and sophomore high school students, if all of the following requirements are met:
      1. The student is determined to be academically gifted, have a demonstrated readiness for the course material, and have the maturity to justify admission to the community college by (i) the community college president, (ii) the student's high school principal or equivalent administrator, and (iii) the academically gifted coordinator, if one is employed by the high school or local school administrative unit.
      2. The student participates in academic advising focused on the implications of being admitted to college early with representatives from the high school and the community college.
      3. The student's parent or guardian has given consent for the student to participate.

"**§ 115D-30.5. Evaluation of Career and College Promise Program.**

(a) Evaluation. – In addition to the evaluation of cooperative innovative high schools by the State Board of Education pursuant to G.S. 115C-238.55, the State Board of Community Colleges, in conjunction with the State Board of Education and the Board of Governors of The

University of North Carolina, shall evaluate the success of students participating in the Career and College Promise Program, including the College Transfer pathway and the Career and Technical Education pathway.

(b) Metrics. – Success shall be measured by high school retention rates, high school completion rates, high school dropout rates, certification and associate degree completion, admission to four-year institutions, postgraduation employment in career or study-related fields, and employer satisfaction of employees who participated in the programs. The evaluation shall also include an analysis of the cost of students participating in each of the programs within the Career and College Promise Program, including at least the following:

(1) Total enrollment funding, the number of budgeted full-time equivalent students, and the number of students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.

(2) The cost and number of waivers of tuition and registration fees provided for students enrolled in courses through cooperative innovative high schools, the College Transfer pathway, and the Career and Technical Education pathway.

(3) Any additional costs of a student attending courses on campus if a student is not attending public school in a local school administrative unit for the majority of the student's instructional time.

(c) Report. – The Boards shall jointly report by March 15 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division of the General Assembly. The report shall be combined with the evaluation of cooperative innovative high schools required by G.S. 115C-238.55, and the Community Colleges System Office shall be responsible for submitting the combined report.

"**§ 115D-30.10. Cooperative innovative high schools.**

Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer cooperative innovative high school programs, as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.

"**§ 115D-30.15. Noncredit courses.**

Subject to rules adopted by the State Board of Community Colleges, local community colleges may provide for the following:

(1) During the summer quarter, persons less than 16 years old may be permitted to take noncredit courses on a self-supporting basis.

(2) High school students may be permitted to take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.

(3) High school students 16 years and older may be permitted to take noncredit courses, except adult basic skills.

(4) Notwithstanding any other provision of this Article, qualified youth 15 years and older may be permitted to enroll in courses, including certification-eligible courses, in fire training pursuant to G.S. 95-25.5(n) and on a specialized course list approved by the State Board of Community Colleges in accordance with G.S. 115D-30.1.

"**§ 115D-30.20. Gateway to College Program.**

The purpose of the first semester of the Gateway to College Program is to address additional support to successfully complete the Program. Students may need to take developmental courses necessary for the transition to more challenging courses; therefore, the State Board of Community Colleges shall (i) permit high school students who are enrolled in Gateway to College Programs to enroll in developmental courses based on an assessment of their individual student needs by a high school and community college staff team and (ii) include this coursework in computing the budget FTE for the colleges.

"**§ 115D-30.25. NC Career Coach Program.**

(a) Purpose. – There is established the NC Career Coach Program to place community college career coaches in high schools to assist students with determining career goals and identifying community college programs that would enable students to achieve these goals.

(b) Memorandum of Understanding. – The board of trustees of a community college and a local board of education of a local school administrative unit within the service area of the community college shall enter into a memorandum of understanding for the placement of career coaches employed by the board of trustees of the community college in schools within the local school administrative unit. At a minimum, the memorandum of understanding shall include the following:

(1) Requirement that the community college provides the following:

a. Hiring, training, and supervision of career coaches. The board of trustees may include a local board of education liaison on the hiring committee to participate in the decision making regarding hiring for the coach positions.

b. Salary, benefits, and all other expenses related to the employment of the career coach. The coach will be an employee of the board of trustees and will not be an agent or employee of the local board of education.

c. Development of pedagogical materials and technologies needed to enhance the advising process.

d. Criminal background checks required by the local school administrative unit for employees working directly with students.

e. Agreement that, while on any school campus, the career coach will obey all local board of education rules and will be subject to the authority of the school building administration.

(2) Requirement that the local school administrative unit provides the following to career coaches:

a. Access to student records, as needed to carry out the coach's job responsibilities.

b. Office space on site appropriate for student advising.

c. Information technology resources, including, but not limited to, internet access, telephone, and copying.

d. Initial school orientation and ongoing integration into the faculty and staff community.

e. Promotion of school-wide awareness of coach duties.

f. Facilitation of the coach's access to individual classes and larger assemblies for the purposes of awareness building.

(c) Application for NC Career Coach Program Funding. – The board of trustees of a community college and a local board of education of a local school administrative unit within the service area of the community college jointly may apply for available funds for NC Career Coach Program funding from the State Board of Community Colleges. The State Board of Community Colleges shall establish a process for award of funds as follows:

(1) Advisory committee. – Establishment of an advisory committee, which shall include representatives from the NC Community College System, the Department of Public Instruction, the Department of Commerce, and at least three representatives of the business community, to review applications and make recommendations for funding awards to the State Board.

(2) Application submission requirements. – The State Board of Community Colleges shall require at least the following:

a. Evidence of a signed memorandum of understanding that meets, at a minimum, the requirements of this section.
b. Evidence that the funding request will be matched with local funds in accordance with the following:
1. Matching funds may come from public or private sources.
2. The match amount shall be determined based on the development tier designation of the county in which the local school administrative unit is located where the career coach is assigned on the date of the award of funds by the State Board of Community Colleges according to the following:
I. If located in a tier one county as defined in G.S. 143B-437.08, no local match shall be required.
II. If located in a tier two county as defined in G.S. 143B-437.08, one dollar ($1.00) of local funds for every two dollars ($2.00) in State funds shall be required.
III. If located in a tier three county as defined in G.S. 143B-437.08, one dollar ($1.00) of local funds for every one dollar ($1.00) in State funds shall be required.

(3) Awards criteria. – The State Board of Community Colleges shall develop criteria for consideration in determining the award of funds that shall include the following:
a. Consideration of the workforce needs of business and industry in the region.
b. Targeting of resources to enhance ongoing economic activity within the community college service area and surrounding counties.
c. Geographic diversity of awards.

(d) Annual Report. –
(1) The board of trustees of a community college that employs one or more career coaches shall report annually to the State Board of Community Colleges on implementation and outcomes of the Program, including the following information:
a. Number of career coaches employed.
b. Number of local school administrative units served and names of schools in which career coaches are placed.
c. Number of students annually counseled by career coaches.
d. Impact of career coaches on student choices, as determined by a valid measure selected by the State Board of Community Colleges.
(2) The State Board of Community Colleges shall report annually no later than October 1 to the Joint Legislative Education Oversight Committee on the following:
a. A compilation of the information reported by the board of trustees of community colleges, as provided in subdivision (1) of this subsection.
b. Number and names of partnership applicants for NC Career Coach Program funding.
c. Number, names, and amounts of those awarded NC Career Coach Program funding."

SECTION 6.5.(g) G.S. 115D-39, 115D-39.1, 115D-40.1, and 115D-40.5 are codified into Part 2 of Article 3 of Chapter 115D of the General Statutes, which shall be entitled "Tuition and Fees." The remaining sections of Article 3 of Chapter 115D of the General Statutes

are codified into Part 1 of Article 3 of Chapter 115D of the General Statutes, which shall be entitled "Funding of Community Colleges."

SECTION 6.5.(h) Part 2 of Article 3 of Chapter 115D of the General Statutes is amended by adding new sections to read:

"**§ 115D-39.2. Pro rata tuition and uniform registration fees.**

In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds.

"**§ 115D-39.5. Tuition waivers.**

(a) Allowed Tuition Waivers. – The State Board of Community Colleges shall not waive tuition and registration fees for any individuals, except the State Board may, as provided by general and uniform regulations, waive tuition and registration fees for the following:

(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate.

(2) Courses requested by the following entities that support the organizations' training needs and are on a specialized course list approved by the State Board:

a. Volunteer fire departments.

b. Municipal, county, or State fire departments.

c. Volunteer EMS or rescue and lifesaving departments.

d. Municipal, county, or State EMS or rescue and lifesaving departments.

e. Law enforcement, fire, or EMS or rescue and lifesaving entities serving a lake authority that was created by a county board of commissioners prior to July 1, 2012.

f. Radio Emergency Associated Communications Teams (REACT) under contract to a county as an emergency response agency.

g. Municipal, county, or State law enforcement agencies.

h. Campus police agencies of private institutions of higher education certified by the Attorney General pursuant to Chapter 74G of the General Statutes.

i. The Division of Prisons of the Department of Adult Correction and the Division of Juvenile Justice of the Department of Public Safety for the training of full-time custodial employees and employees of the Divisions required to be certified under Article 1 of Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.

j. The Eastern Band of Cherokee Indians law enforcement, fire, or EMS or rescue and lifesaving tribal government departments or programs.

k. The Criminal Justice Standards Division of the Department of Justice for the training of criminal justice professionals who are required to be certified under (i) Article 1 of Chapter 17C of the General Statutes and the rules of the North Carolina Criminal Justice Education and Training Standards Commission or (ii) Chapter 17E of the General Statutes and the rules of the North Carolina Sheriffs' Education and Training Standards Commission. The waivers provided for in this sub-subdivision apply to participants and recent graduates of the North

Carolina Criminal Justice Fellows Program to obtain certifications for eligible criminal justice professions, as defined in G.S. 17C-20(6).

(3) Firefighters, EMS personnel, and rescue and lifesaving personnel whose duty station is located on a military installation within North Carolina for courses that support their organizations' training needs and are approved for this purpose by the State Board.

(4) Trainees enrolled in courses conducted under the Customized Training Program.

(5) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR).

(6) All courses taken by high school students at community colleges, in accordance with this section and Article 2B of this Chapter.

(7) Human resources development courses for any individual who (i) is unemployed, (ii) has received notification of a pending layoff, (iii) is working and is eligible for the Federal Earned Income Tax Credit (FEITC), or (iv) is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.

(8) Courses providing employability skills, job-specific occupational or technical skills, or developmental education instruction to certain students who are concurrently enrolled in an eligible community college literacy course, in accordance with rules adopted by the State Board.

(9) Courses provided to students who are participating in a pre-apprenticeship or apprenticeship program that meets all of the following criteria:

a. Meets one of the following:

1. Is a registered apprenticeship program recognized by the United States Department of Labor.

2. Is a pre-apprenticeship program recognized and approved by the State agency administering the statewide apprenticeship program.

b. Has a documented plan of study with courses relating to a job-specific occupational or technical skill.

c. Requires the participants in the program to be North Carolina high school students when entering the program.

(b) Faculty and Staff. – The State Board shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, 10-, 11-, or 12-month term. Community colleges may also use State and local funds to pay tuition and registration fees for professional development courses and for other courses consistent with the academic assistance program authorized by the State Human Resources Commission.

(c) Annual Report. – Annually by February 1, the Community Colleges System Office shall report to the Joint Legislative Education Oversight Committee on the number and type of waivers granted pursuant to subsection (a) of this section."

SECTION 6.5.(i) G.S. 115D-41 is recodified as G.S. 115D-38.5.

SECTION 6.5.(j) G.S. 115D-43 is recodified as G.S. 115D-38.10.

SECTION 6.5.(k) G.S. 115D-44 is repealed.

SECTION 6.5.(*l*) G.S. 20-11(n) reads as rewritten:

"(n) Driving Eligibility Certificate. – A person who desires to obtain a permit or license issued under this section must have a high school diploma or its equivalent or must have a driving eligibility certificate. A driving eligibility certificate must meet the following conditions:

(1) The person who is required to sign the certificate under subdivision (4) of this subsection must show that he or she has determined that one of the following requirements is met:
a. The person is currently enrolled in school and is making progress toward obtaining a high school diploma or its equivalent.
b. A substantial hardship would be placed on the person or the person's family if the person does not receive a certificate.
c. The person cannot make progress toward obtaining a high school diploma or its equivalent.

(1a) The person who is required to sign the certificate under subdivision (4) of this subsection also must show that one of the following requirements is met:
a. The person who seeks a permit or license issued under this section is not subject to subsection (n1) of this section.
b. The person who seeks a permit or license issued under this section is subject to subsection (n1) of this section and is eligible for the certificate under that subsection.

(2) It must be on a form approved by the Division.

(3) It must be dated within 30 days of the date the person applies for a permit or license issuable under this section.

(4) It must be signed by the applicable person named below:
a. The principal, or the principal's designee, of the public school in which the person is enrolled.
b. The administrator, or the administrator's designee, of the nonpublic school in which the person is enrolled.
c. The person who provides the academic instruction in the home school in which the person is enrolled.
c1. The person who provides the academic instruction in the home in accordance with an educational program found by a court, prior to July 1, 1998, to comply with the compulsory attendance law.
d. The designee of the board of directors of the charter school in which the person is enrolled.
e. The president, or the president's designee, of the community college in which the person is enrolled.

Notwithstanding any other law, the decision concerning whether a driving eligibility certificate was properly issued or improperly denied shall be appealed only as provided under the rules adopted in accordance with G.S. 115C-12(28), ~~115D-5(a3),~~ 115D-10.70, or 115C-566, whichever is applicable, and may not be appealed under this Chapter."

SECTION 6.5.(m) G.S. 20-13.2(c1) reads as rewritten:

"(c1) Upon receipt of notification from the proper school authority that a person no longer meets the requirements for a driving eligibility certificate under G.S. 20-11(n), the Division must expeditiously notify the person that his or her permit or license is revoked effective on the thirtieth calendar day after the mailing of the revocation notice. The Division must revoke the permit or license of that person on the thirtieth calendar day after the mailing of the revocation notice. Notwithstanding subsection (d) of this section, the length of revocation must last for the following periods:

(1) If the revocation is because of ineligibility for a driving eligibility certificate under G.S. 20-11(n)(1), then the revocation shall last until the person's eighteenth birthday.

(2) If the revocation is because of ineligibility for a driving eligibility certificate under G.S. 20-11(n1), then the revocation shall be for a period of one year.

For a person whose permit or license was revoked due to ineligibility for a driving eligibility certificate under G.S. 20-11(n)(1), the Division must restore a person's permit or license before the person's eighteenth birthday, if the person submits to the Division one of the following:

(1) A high school diploma or its equivalent.

(2) A driving eligibility certificate as required under G.S. 20-11(n).

If the Division restores a permit or license that was revoked due to ineligibility for a driving eligibility certificate under G.S. 20-11(n)(1), any record of revocation or suspension shall be expunged by the Division from the person's driving record. The Division shall not expunge a suspension or revocation record if a person has had a prior expunction from the person's driving record for any reason.

For a person whose permit or license was revoked due to ineligibility for a driving eligibility certificate under G.S. 20-11(n1), the Division shall restore a person's permit or license before the end of the revocation period, if the person submits to the Division a driving eligibility certificate as required under G.S. 20-11(n).

Notwithstanding any other law, the decision concerning whether a driving eligibility certificate was properly issued or improperly denied shall be appealed only as provided under the rules adopted in accordance with G.S. 115C-12(28), ~~115D-5(a3),~~ 115D-10.70, or 115C-566, whichever is applicable, and may not be appealed under this Chapter."

SECTION 6.5.(n) G.S. 90-631(b) reads as rewritten:

"(b) A massage and bodywork therapy program operated by a North Carolina community college that is accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2,~~ G.S. 115D-21.2, is exempt from the approval process, licensure process, or both, established by the Board. The college shall certify annually to the Board that the program meets or exceeds the minimum standards for curriculum, faculty, and learning resources established by the Board. Students who complete the program shall qualify for licenses from the Board as if the program were approved, licensed, or both, by the Board."

SECTION 6.5.(o) G.S. 93A-4(a2) reads as rewritten:

"(a2) A certified real estate education provider shall pay a fee of ten dollars ($10.00) per licensee to the Commission for each licensee completing a postlicensing education course conducted by the school, provided that these fees shall not be charged to a community college, junior college, college, or university located in this State and accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively."

SECTION 6.5.(p) G.S. 93A-38.5(e) reads as rewritten:

"(e) The Commission may establish a nonrefundable course application fee to be charged to private real estate education providers for the review and approval of a proposed continuing education course. The fee shall not exceed one hundred twenty-five dollars ($125.00) per course. The Commission may charge the private real estate education providers of an approved course a nonrefundable fee not to exceed seventy-five dollars ($75.00) for the annual renewal of course approval.

A private real estate education provider shall pay a fee of ten dollars ($10.00) per licensee to the Commission for each licensee completing an approved continuing education course conducted by the sponsor.

The Commission shall not charge a course application fee, a course renewal fee, or any other fee for a continuing education course sponsored by a community college, junior college, college, or university located in this State and accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively."

SECTION 6.5.(q) G.S. 93E-1-7(b2) reads as rewritten:

"(b2) The Board shall not charge a course application fee, a course renewal fee, or any other fee for a continuing education course offered by a North Carolina college, university, junior college, or community or technical college accredited by a regional accrediting agency, as

defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively, or an agency of the federal, State, or local government."

SECTION 6.5.(r) G.S. 93E-1-8 reads as rewritten:

"**§ 93E-1-8. Education program approval and fees.**

…

(b) The Board may by rule set nonrefundable fees chargeable to private real estate appraisal schools or course sponsors, including appraisal trade organizations, for the approval and annual renewal of approval of their qualifying courses required by G.S. 93E-1-6(a), or equivalent courses. The fees shall be one hundred dollars ($100.00) per course for approval and fifty dollars ($50.00) per course for renewal of approval. No fees shall be charged for the approval or renewal of approval to conduct appraiser qualifying courses where such courses are offered by a North Carolina college, university, junior college, or community or technical college accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively, or an agency of the federal, State, or local government.

…

(d) Nonrefundable fees of one hundred dollars ($100.00) per course may be charged to schools and course sponsors for the approval to conduct appraiser continuing education courses and fifty dollars ($50.00) per course for renewal of approval. However, no fees shall be charged for the approval or renewal of approval to conduct appraiser continuing education courses where such courses are offered by a North Carolina college, university, junior college, or community or technical college accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, respectively, or by an agency of the federal, State, or local government. A nonrefundable fee of fifty dollars ($50.00) per course may be charged to current or former licensees or certificate holders requesting approval by the Board of a course for continuing education credit when approval of such course has not been previously obtained by the offering school or course sponsor."

SECTION 6.5.(s) G.S. 95-25.5(n) reads as rewritten:

"(n) Nothing in this section prohibits qualified youths under 18 years of age from participating in training through their fire department, the Office of State Fire Marshal, or the North Carolina Community College System. As used in this subsection, the term "qualified youth under 18 years of age" means an uncompensated fire department or rescue squad member who is at least the age of 15 and under the age of 18 and who is a member of a bona fide fire department, as that term is defined in G.S. 58-86-2(4), or of a rescue squad described in G.S. 58-86-2(6). A qualified youth under 18 years of age under this subsection may be permitted to enroll in courses, including certification-eligible courses, in fire training at a community college on a specialized course list approved by the State Board of Community Colleges pursuant to ~~G.S. 115D-20(4)e.~~G.S. 115D-30.15(4)."

SECTION 6.5.(t) G.S. 115C-84.3(a)(3) reads as rewritten:

"(3) Institution of higher education courses, as provided in Article 16 of this Chapter or ~~G.S. 115D-20(4).~~Article 2B of Chapter 115D of the General Statutes."

SECTION 6.5.(u) G.S. 115C-238.55 reads as rewritten:

"**§ 115C-238.55. Evaluation of cooperative innovative high schools.**

The State Board of Education and the governing Boards shall evaluate the success of students in cooperative innovative high schools approved under this Part. Success shall be measured by high school retention rates, high school completion rates, high school dropout rates, certification and associate degree completion, admission to four-year institutions, postgraduation employment in career or study-related fields, and employer satisfaction of employees who participated in and graduated from the schools. The Boards shall jointly report by March 15 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal

Research Division of the General Assembly on the evaluation of these schools. The report shall be combined with the evaluation of and analysis of cost of students participating in the Career and College Promise Program required by ~~G.S. 115D-5(x),~~ G.S. 115D-30.5, and the Community Colleges System Office shall be responsible for submitting the combined report."

SECTION 6.5.(v) G.S. 115D-2(2) reads as rewritten:

"(2) The term "community college" is defined as an educational institution operating under the provisions of this Chapter and dedicated primarily to the educational needs of the service area which it serves, and may offer any of the following:

a. The freshmen and sophomore courses of a college of arts and sciences, authorized by ~~G.S. 115D-4.1;~~G.S. 115D-10.10.

b. Organized credit curricula for the training of technicians; curricular courses may carry transfer credit to a senior college or university where the course is comparable in content and quality and is appropriate to a chosen course of ~~study;~~study.

c. Vocational, trade, and technical specialty courses and ~~programs, and~~programs.

d. Courses in general adult education."

SECTION 6.5.(w) G.S. 115D-39(a1) reads as rewritten:

"(a1) In addition, federal law enforcement officers, firefighters, EMS personnel, and rescue and lifesaving personnel whose permanent duty station is within North Carolina and who do not otherwise qualify for tuition waivers under ~~G.S. 115D-5(b)(2a)~~ G.S. 115D-39.5(a)(3) shall also be eligible for the State resident community college tuition rate for courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges."

SECTION 6.5.(x) G.S. 115D-41(a) reads as rewritten:

"(a) Community college contracts with local school administrative units shall not be used by these agencies to supplant funding for a public school high school teacher providing courses offered pursuant to ~~G.S. 115D-20(4)~~ Article 2B of this Chapter who is already employed by the local school administrative unit. In no event shall a community college contract with a local school administrative unit to provide high school level courses."

SECTION 6.5.(y) Article 6A of Chapter 115D of the General Statutes is repealed.

SECTION 6.5.(z) G.S. 116-201(b)(8) reads as rewritten:

"(8) "Private institution" means an institution other than a seminary, Bible school, Bible college or similar religious institution in this State that is not owned or operated by the State or any agency or political subdivision thereof, or by any combination thereof, that offers post-high school education and is accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, or the Transnational Association of Christian Colleges and Schools, or, in the case of institutions that are not eligible to be considered for accreditation, accredited in those categories and by those nationally recognized accrediting agencies that the Authority may designate;"

SECTION 6.5.(aa) G.S. 116-280(3) reads as rewritten:

"(3) Eligible private postsecondary institution. – A school that is any of the following:

a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is either (i) accredited by a regional accrediting agency, as defined in ~~G.S. 115D-6.2~~ G.S. 115D-21.2 and G.S. 116-11.4, or the Transnational Association of Christian Colleges and Schools or (ii) was accredited by ~~SACSCOC~~ the Southern Association of Colleges and Schools Commission on Colleges on January 1, 2021, and, beginning January 1, 2021, was a member of the Transnational Association of Christian Colleges and Schools.
2. Awards a postsecondary degree as defined in G.S. 116-15.

b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection."

SECTION 6.5.(bb) G.S. 126-5(c2)(3) reads as rewritten:

"(3) Employees of community colleges whose salaries are fixed in accordance with ~~G.S. 115D-5~~ G.S. 115D-6.1 and G.S. 115D-20 and employees of the Community Colleges System Office whose salaries are fixed by the State Board of Community Colleges in accordance with G.S. 115D-3."

SECTION 6.5.(cc) Section 6.9(b) of S.L. 2023-134 reads as rewritten:

"**SECTION 6.9.(b)** Of the recurring funds appropriated in this act to the Community Colleges System Office for the 2023-2025 fiscal biennium to support increasing program offerings for individuals with IDD pursuant to ~~G.S. 115D-44, as enacted by this section,~~ G.S. 115D-10.21, the System Office shall establish at least two statewide positions for program support, provide professional development training for college advising staff to assist students with IDD for career pathway exploration and the identification of credentials leading to competitive employment, and explore funding sources to sustain programs for students with IDD."

NCCCS LEARNING MANAGEMENT SYSTEM

SECTION 6.6.(a) The State Board of Community Colleges shall conduct a competitive solicitation, including a request for information or a request for proposals, to provide a learning management system to all community colleges. The competitive solicitation shall be completed by December 31, 2025, and the transition to the new learning management system shall be completed by December 31, 2027. Answers to the competitive solicitation shall include information on how the learning management system would align with the learning management systems (i) offered by the Department of Public Instruction to local school administrative units and (ii) used by the constituent institutions of The University of North Carolina.

SECTION 6.6.(b) By December 31, 2025, the State Board shall report to the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division on the information received.

SECTION 6.6.(c) G.S. 143B-1320 reads as rewritten:

"**§ 143B-1320. Definitions; scope; exemptions.**

(a) Definitions. – The following definitions apply in this Article:

(1) CGIA. – Center for Geographic Information and Analysis.

…

(17) State agency or agency. – Any agency, department, institution, commission, committee, board, division, bureau, office, unit, officer, or official of the State. The term does not include the legislative or judicial branches of ~~government~~ government, the Community Colleges System Office, or The University of North Carolina.

…

(b) Exemptions. – Except as otherwise specifically provided by law, the provisions of this Chapter do not apply to the following entities: the General Assembly, the Judicial Department, the Community Colleges System Office, and The University of North Carolina and its constituent institutions. 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.
(2a) For the Community Colleges System Office, by the State Board of Community Colleges.
(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.

…."

FISCAL RESPONSIBILITY AND COMMUNITY COLLEGE TECH PLANNING

SECTION 6.7. Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-9.40. Evaluation of technology costs.**

The State Board of Community Colleges shall adopt a policy that requires all community colleges to evaluate the following when acquiring technology, computer hardware, and software:

(1) The long-term cost of ownership, including costs of repairing the technology, computer hardware, or software.
(2) Any flexibility for innovation during the life of the technology, computer hardware, or software.
(3) Any anticipated resale or salvage value at the end of the target life cycle for the technology, computer hardware, or software based on the average resale or salvage value of similar technology, computer hardware, or software as a percentage of the initial cost of purchase."

EXPEDITED TEACHER PIPELINE PATHWAY STUDY

SECTION 6.8. No later than March 15, 2026, ApprenticeshipNC shall report to the Joint Legislative Education Oversight Committee on a plan to facilitate one or more expedited pathways for apprenticeship candidates to enter the teaching profession. ApprenticeshipNC shall develop the plan in collaboration with the Board of Governors of The University of North Carolina, the State Board of Community Colleges, the Department of Public Instruction, and Teach NC. In addition, ApprenticeshipNC may, in its discretion, collaborate with representatives of approved educator preparation programs, local school administrative units, and existing apprenticeship programs. The plan shall include at least the following components:

(1) Options for an accelerated transition pathway that allows high school students to earn college credits leading to a teaching license while participating in structured, paid, or other experiential learning in the classroom, including applicable program design and sequencing components needed to achieve that goal.
(2) Maximize usage and transferability of at least the following coursework completion opportunities:
    a. College transfer pathways provided through the Career and College Promise Program that support entry into a recognized educator preparation program.

b. Community college coursework leading to completion of an associate degree related to teacher preparation.
c. Online or asynchronous coursework provided at a constituent institution of The University of North Carolina leading to a bachelor's degree.
d. Enrollment in an associate degree program or a bachelor's degree program while serving (i) as a full-time employee in a public school unit and (ii) as a teacher assistant or apprentice in a registered apprenticeship program pursuant to G.S. 115C-269.33, as enacted by Section 7.37 of this act.

(3) Any legislative changes or appropriations needed to implement the plan.

VARIOUS NCCCS STATUTORY CHANGES

SECTION 6.9.(a) G.S. 115D-10.17(e), as enacted by this act, reads as rewritten:

"(e) Of the funds appropriated in a fiscal year for the Customized Training Program, the State Board of Community Colleges may approve the use of up to ~~eight percent (8%)~~ fifteen percent (15%) for the training and support of regional community college personnel to deliver Customized Training Program services to business and industry."

SECTION 6.9.(b) G.S. 115D-31.3(e) reads as rewritten:

"(e) Mandatory Performance Measures. – The State Board of Community Colleges shall evaluate each college on the following performance measures:

(1) Progress of basic skills students.
(2) Repealed by Session Laws 2016-94, s. 10.1, effective July 1, 2016.
(3) Performance of students who transfer to a four-year institution.
(3a) Success rate of students in credit-bearing English courses.
(3b) Success rate of students in credit-bearing Math or Science courses.
(4), (5) Repealed by Session Laws 2016-94, s. 10.1, effective July 1, 2016.
(5a) Progress of first-year curriculum students.
(6) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.
(7) Curriculum student retention and graduation.
(8) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.
(9) Attainment of licensure and certifications by students.

The State Board may also evaluate each college on additional performance measures."

SECTION 6.9.(c) G.S. 115D-30.25, as enacted by this act, is amended by adding a new subsection to read:

"(e) Administrative Costs. – The North Carolina Community Colleges System Office may use up to four percent (4%) of the funds appropriated for the NC Career Coach Program for administrative costs, including system office staffing, professional development, and program management and evaluation. These funds shall be utilized to enhance the effectiveness and sustainability of the program, ensuring its continued support for students within the community college system. The North Carolina Community Colleges System Office shall have the authority to allocate and oversee the utilization of these administrative funds in alignment with the Program's goals and requirements."

SECTION 6.9.(d) G.S. 115D-30.1(b), as enacted by this act, is amended by adding a new subdivision to read:

"(3) Career and College Ready Graduate pathways introducing college developmental mathematics and developmental English and reading curricula in the senior year of high school, including the immediately preceding summer, and providing opportunities for college remediation for students prior to high school graduation, ensuring students are prepared for college and career success as they transition from high school to higher education."

SECTION 6.9.(e) The following provisions are repealed:

(1) Section 10.13 of S.L. 2015-241.

(2) Section 10.5 of S.L. 2016-94.

(3) Section 9.4 of S.L. 2018-5.

(4) Section 3J.19 of S.L. 2024-57.

SECTION 6.9.(f) This section applies beginning with the 2025-2026 academic year.

WORKFORCE DIPLOMA PROGRAM

SECTION 6.10.(a) Program; Purpose. – The Community Colleges System Office shall establish the Workforce Diploma Program (Program) for the 2025-2026 and the 2026-2027 fiscal years. The purpose of the Program is to assist eligible students to obtain a high school diploma and develop employability and career and technical skills. The System Office shall contract with each qualifying third-party entity to separately administer a statewide version of the Program.

SECTION 6.10.(b) Definitions. – For purposes of this section, the following definitions shall apply:

(1) Eligible student. – Any adult who meets the following criteria:
   a. Is 21 years of age or older.
   b. Is a resident of North Carolina.
   c. Has not earned a high school diploma or its equivalent.

(2) Employability skills certification. – A certificate earned by demonstrating professional nontechnical skills through assessment and must include the program standards of the United States Department of Labor's "Skills to Pay the Bills: Mastering Soft Skills for Workplace Success."

(3) Half credit. – Equivalent to one course or a semester of study.

(4) Participant. – An eligible student who is participating in the Program.

(5) Qualifying third-party entity. – An entity that meets all of the following requirements:
   a. Did the following in the past five years:
      1. Administered at least three statewide adult high school diploma programs outside of the State.
      2. For any program described in sub-sub-subdivision 1. of this sub-subdivision, maintained a graduation rate of at least fifty percent (50%) based on a two-year cohort beginning with the second cohort of the program.
   b. Is accredited by an external, regional accrediting agency.
   c. Offers a course catalog that aligns with curriculum requirements for a high school diploma in the State.

SECTION 6.10.(c) Program Requirements. – The Program shall do at least the following:

(1) Provide one or more courses that help participants obtain a high school diploma and enter or advance within a specific occupation or occupational cluster. Course completion shall be competency-based.

(2) Assist participants in obtaining employment, including resume development and mock interviews.

(3) Include at least the following:
   a. Proactive communication with participants regarding their pace and progress through learning plans.
   b. A plan for courses and credits needed for each participant that integrates graduation requirements and career goals.
   c. Mentoring services.

d. Milestone tracking.
e. Academic skill intake assessments and transcript evaluations.
f. A catalog of courses necessary to meet graduation requirements.
g. Remediation opportunities in literacy and numeracy.
h. Employability skills certifications.
i. Preparation for workforce credentials.
j. Career advising services.
k. Access to online tutoring services at any time.

SECTION 6.10.(d) Allocation of Funds. – Funds shall be provided to each qualifying third-party entity on a per participant basis, up to seven thousand five hundred dollars ($7,500) per participant, based on the completion of milestones, as follows:

(1) Two hundred seventy-five dollars ($275.00) for the completion of each half credit.
(2) Two hundred seventy-five dollars ($275.00) for the completion of an employability skills certification program equivalent to one credit.
(3) Two hundred seventy-five dollars ($275.00) for the attainment of an industry-recognized credential requiring up to 50 hours of training.
(4) Five hundred fifty dollars ($550.00) for the attainment of an industry-recognized credential requiring between 51 and 100 hours of training.
(5) Eight hundred twenty-five dollars ($825.00) for the attainment of an industry-recognized credential requiring more than 100 hours of training.
(6) One thousand one hundred dollars ($1,100) for the attainment of a high school diploma.

SECTION 6.10.(e) Report. – The State Board of Community Colleges, in consultation with each qualifying third-party entity, shall submit an interim report by August 15, 2026, and a final report by August 15, 2027, to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the impact of the Program, including at least the following information:

(1) The number of participants.
(2) The number of credits earned by participants.
(3) The number of employability skills certifications issued to participants.
(4) The number and type of workforce credentials earned by participants.
(5) The number of participants who received a high school diploma.
(6) The average funding provided per participant who received a high school diploma.
(7) The percentage of participants who received a high school diploma.

SECTION 6.10.(f) Follow-Up. – To the extent possible, the North Carolina Community Colleges System Office shall attempt to collect data on employment outcomes for students who participated in the Program pursuant to this section. Any data collected shall be submitted to the Joint Legislative Education Oversight Committee by July 15 of the year in which the data was collected.

SECTION 6.10.(g) Nonreversion. – The nonrecurring funds appropriated in this act for the 2025-2026 fiscal year to the North Carolina Community Colleges System Office to establish the Program pursuant to this section shall not revert at the end of the 2025-2026 fiscal year but shall remain available until the end of the 2026-2027 fiscal year.

SECTION 6.10.(h) Administration. – Of the nonrecurring funds appropriated in this act for the 2025-2026 fiscal year to the North Carolina Community Colleges System Office for the Program, the System Office shall use up to one hundred thousand dollars ($100,000) to hire one full-time equivalent position to administer the Program.

DIGITAL CREDENTIAL PILOT PROGRAM

SECTION 6.11.(a) There is established the Digital Credential Pilot Program (Program) for the 2025-2027 fiscal biennium. The purpose of the Program is to evaluate the effectiveness of digital credential vaults for use by community college students. The North Carolina Community Colleges System Office shall contract with a third-party entity to create a secure, interoperable digital vault platform capable of issuing, storing, verifying, and sharing learner credentials, including microcredentials, certifications, transcripts, and verified skill records and credentials. The platform shall provide equitable cross-device access for learners and allow for credential portability across educational institutions and employers, support open standards for interoperability, offer real-time verification, and ensure privacy and security in compliance with applicable laws. The system shall enable learners to manage a comprehensive, lifelong record of achievement that is accessible, verifiable, and shareable with third parties through digital means. Vault data must be user-encrypted to prevent unauthorized access or sale, and all credential and learner data shall be owned and controlled by the student.

SECTION 6.11.(b) The System Office shall select six community colleges to participate in the Program. The System Office shall make an application available to all community colleges for participation in the Program no later than 30 days after this section becomes law. Community colleges may submit applications up to 30 days after the application is made available. The System Office shall select community colleges to participate in the Program no later than 30 days after the close of the application window.

SECTION 6.11.(c) The System Office shall conduct a study on the efficacy of raising student fees to continue the Program beyond the 2025-2027 fiscal biennium. The System Office shall report to the Joint Legislative Education Oversight Committee on the results of the study by January 15, 2027.

ADD COGNIA AS APPROVED ACCREDITING AGENCY FOR COMMUNITY COLLEGES

SECTION 6.12. G.S. 115D-21.2(a), as enacted by Section 6.5 of this act, reads as rewritten:

"(a) Definitions. – The following definitions apply in this section:

(1) Accreditation cycle. – The period of time during which a community college is accredited.

(2) Accrediting agency. – An agency or association that accredits institutions of higher education.

(3) Regional accrediting agency. – One of the following accrediting agencies:

a. Cognia, Inc.

~~a.~~b. Higher Learning Commission.

~~b.~~c. Middle States Commission on Higher Education.

~~c.~~d. New England Commission on Higher Education.

~~d.~~e. Northwest Commission on Colleges and Universities.

~~e.~~f. Southern Association of Colleges and Schools Commission on Colleges.

~~f.~~g. Western Association of Schools and Colleges Accrediting Commission for Community and Junior Colleges."

PART VII. PUBLIC INSTRUCTION

CLARIFY LEARNING.COM FUNDING

SECTION 7.2.(a) Subsection (b) of Section 7.23K of S.L. 2017-57 reads as rewritten:

"**SECTION 7.23K.(b)** The State Board of Education, the Department of Public Instruction, the Friday Institute, and UNC educator preparation ~~programs, and local boards of education of local school administrative units located within counties determined to be the most economically distressed by the Department of Commerce~~ programs shall collaborate to assess current efforts to provide student digital literacy instruction in kindergarten through eighth grade in ~~those~~ local school administrative units and to develop a plan to strengthen such efforts. Specifications for any products and services that are required to implement digital literacy instruction, including selection of a digital literacy curriculum provider, if necessary, shall be procured through a competitive process. The assessment and plan shall address at least the following:

(1) Provide opportunity for students to learn essential digital literacy skills, including computer fundamentals, computational thinking, keyboarding, digital citizenship and online safety, Web browsing, e-mail and online communication, visual mapping, word processing, spreadsheets, databases, and presentations.

(2) Provide teachers with the ability to assess student digital literacy growth.

(3) Facilitate Project-Based Learning (PBL) and other research-based instructional frameworks to enable educators to integrate instruction on digital literacy into core and supplemental subjects, such as mathematics, English language arts, science, social studies, music, and art.

(4) Resources that provide teachers with instructional support and supplemental and extension options to address all students, including students with special needs and students who are English language learners.

(5) Accommodate English language learners with Spanish language instruction."

SECTION 7.2.(b) Subsection (c) of Section 7.23K of S.L. 2017-57, as amended by Section 7.7 of S.L. 2018-5 and Section 7.17 of S.L. 2023-134, reads as rewritten:

"**SECTION 7.23K.(c)** Of the funds appropriated to the Department of Public Instruction to accelerate implementation of the State's Digital Learning Plan, as set out in S.L. 2016-94, beginning with the 2023-2024 fiscal year, the Department shall use up to four million dollars ($4,000,000) to continue to contract with Learning.com to implement the requirements of this section. The Department shall take no action to impede public school units from accessing Learning.com."

REPEAL PLASMA GAMES PROGRAM

SECTION 7.3. Section 7.69 of S.L. 2023-134, as amended by Section 2.8F of S.L. 2024-1, is repealed.

BEGINNINGS FOR PARENTS OF CHILDREN WHO ARE DEAF OR HARD OF HEARING

SECTION 7.5.(a) Beginnings for Parents of Children Who are Deaf or Hard of Hearing, Inc., (Beginnings) shall submit reports to the Joint Legislative Education Oversight Committee and the Department of Public Instruction by December 31, 2025, and June 30, 2026, including at least the following information from the prior fiscal year:

(1) A detailed accounting of how State funds were spent by the program.

(2) An accounting of any other funding received from other sources.

(3) Any planned expenditures or future uses of received funds not reflected in the accounting required by subdivision (1) of this subsection.

(4) The number of students served by the program, including generalized data on the age, grade level, and location of students served.

(5) A description of how the program evaluates the effectiveness of the program or student success.

(6) Outcomes achieved by the program.

(7) Any other information the program deems relevant for the Committee to know.

SECTION 7.5.(b) The Department of Public Instruction shall not release funds to Beginnings unless Beginnings provides to the Department the report that was required to be submitted to the Joint Legislative Education Oversight Committee pursuant to Section 7.28(b) of S.L. 2023-134. Upon receipt of the report from Beginnings, the Department shall forward the report to the Joint Legislative Education Oversight Committee.

REPEAL SCHOOLS THAT LEAD PROGRAM

SECTION 7.6. Section 7.11 of S.L. 2021-180 is repealed.

STREAMLINE LIMITED ENGLISH PROFICIENT ALLOTMENT

SECTION 7.8.(a) The title of Article 32F of Chapter 115C of the General Statutes reads as rewritten:

"Supplemental School ~~Funding.~~Funding and Other Allotments."

SECTION 7.8.(b) Article 32F of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-472.30. Limited English proficient allotment.**

To the extent funds are made available for this purpose, the State Board of Education shall allocate funds to local school administrative units, charter schools, regional schools, and laboratory schools operated under Article 29A of Chapter 116 of the General Statutes to provide services to students with limited English proficiency. The State Board shall allocate these funds under a formula that takes into account the average number of students in the units, charters, regional schools, or laboratory schools over the past three years who have limited English proficiency. Local school administrative units shall use funds allocated to them to pay for classroom teachers, teacher assistants, tutors, textbooks, classroom materials/instructional supplies/equipment, transportation costs, and professional development of teachers for students with limited English proficiency. A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds."

SECTION 7.8.(c) When making adjustments to allocations to local school administrative units from the limited English proficient allotment for the 2025-2026 fiscal year, no local school administrative unit with an average daily membership of 20,000 or fewer students for the 2025-2026 school year shall receive a negative adjustment in excess of fifty thousand dollars ($50,000) when compared to the allocation received during the 2024-2025 fiscal year from that allotment.

REPEAL TEXTBOOK COMMISSION

SECTION 7.9.(a) G.S. 115C-86 through G.S. 115C-95 and G.S. 115C-97 are repealed.

SECTION 7.9.(b) Part 3 of Article 8 of Chapter 115C of the General Statutes reads as rewritten:

"Part 3. ~~Textbooks.~~Instructional Materials.

"**§ 115C-85. ~~Textbook~~ Instructional material needs are determined by course of study.**

~~When the State Board of Education has adopted, upon the recommendation of the Superintendent of Public Instruction, a standard course of study at each instructional level in the elementary school and the secondary school, setting forth what subjects shall be taught at each level, it shall proceed to select and adopt textbooks.~~

As used in this part, ~~"textbook"~~ "instructional materials" means systematically organized material comprehensive enough to cover the primary objectives outlined in the standard course of study for a grade or course. Formats for ~~textbooks~~ instructional materials may be print or

nonprint, including hardbound books, softbound books, activity-oriented programs, classroom kits, and ~~technology-based programs~~ digital resources that require the use of electronic equipment in order to be used in the learning process.

~~Textbooks adopted in accordance with the provisions of this Part shall be used by the public schools of the State except as provided in G.S. 115C-98(b1).~~

…

"**§ 115C-96. Powers and duties of the State Board of Education in regard to ~~textbooks.~~instructional materials.**

(a) The children of the public elementary and secondary schools of the State shall be provided with free basic ~~textbooks~~ instructional materials within the appropriation of the General Assembly for that purpose. To implement this directive, the State Board of Education shall evaluate annually the amount of money necessary to provide ~~textbooks~~ instructional materials based on the actual cost and availability of ~~textbooks~~ the instructional materials and shall request sufficient appropriations from the General Assembly.

(b) The State Board of Education shall administer a fund and ~~establish~~ adopt rules ~~and regulations necessary to:~~

~~(1) Acquire by contract such basic textbooks as are or may be on the adopted list of the State of North Carolina which the Board finds necessary to meet the needs of the State public school system and to carry out the provisions of this Part.~~

~~(2) Provide a system of distribution of these textbooks and distribute the books that are provided without using any depository or warehouse facilities other than those operated by the State Board of Education.~~

~~(3) Provide~~ for the free use, with proper care and return, of elementary and secondary basic ~~textbooks.~~ instructional materials. The title of ~~said books~~ the instructional materials shall be vested in the State.

…

"**§ 115C-98. Local ~~boards of education to provide for local operation of the textbook program, the selection and procurement of other instructional materials, and the use of nonadopted textbooks.~~selection of supplementary and instructional materials.**

(a) Local boards of education shall adopt ~~rules~~ policies not inconsistent with the ~~policies~~ rules of the State Board of Education concerning the local ~~operation of the textbook program.~~selection and procurement of instructional materials.

(b) Local boards of education shall adopt written policies concerning the procedures to be followed in their local school administrative units for the selection and procurement of ~~supplementary textbooks, library books, periodicals, audiovisual materials, and other~~ supplementary and instructional materials needed for instructional purposes in the public schools of their units.

Local boards of education shall have sole authority to select and procure supplementary and instructional materials, whether or not the materials contain commercial advertising, to determine if the materials are related to and within the limits of the prescribed curriculum, and to determine when the materials may be presented to students during the school day. ~~Supplementary materials and contracts for supplementary materials are not subject to approval by the State Board of Education.~~

Supplementary ~~books and other instructional~~ materials shall neither displace nor be used to the exclusion of basic ~~textbooks.~~instructional materials.

(b1) A local board of education may establish a community media advisory committee to investigate and evaluate challenges from parents, teachers, and members of the public to ~~textbooks and~~ supplementary and instructional materials on the grounds that they are educationally unsuitable, pervasively vulgar, or inappropriate to the age, maturity, or grade level

of the students. The State Board of Education shall review its rules and policies concerning these challenges and shall establish guidelines to be followed by community media advisory committees.

The local board, at all times, has sole authority and discretion to determine whether a challenge has merit and whether challenged material should be retained or removed.

(b2) Local boards of education may:

(1) Select, procure, and use ~~textbooks~~ instructional materials that have not been adopted by the State Board of Education for use throughout the local school administrative unit for selected grade levels and courses; and

(2) Approve school improvement plans developed under G.S. 115C-105.27 that include provisions for using ~~textbooks~~ instructional materials that have not been adopted by the State Board of Education for selected grade levels and courses.

All ~~textbook~~ instructional material contracts made under this subsection shall include a clause granting to the local board of education the license to produce braille, large print, ~~and~~ audiocassette ~~tape~~ tape, and other accessible copies of ~~the textbooks~~ instructional materials for use in the local school administrative unit.

…

"**§ 115C-99. Legal custodians of ~~textbooks~~ instructional materials furnished by State.**

Local boards of education are the custodians of all ~~textbooks~~ instructional materials purchased by the local boards with State funds. They shall provide adequate and safe storage facilities for the proper care of ~~these textbooks~~ the instructional materials and emphasize to all students the necessity for proper care of ~~textbooks.~~instructional materials.

"**§ 115C-100. Rental fees for ~~textbooks~~ instructional materials prohibited; damage fees authorized.**

No local board of education may charge any pupil a rental fee for the use of ~~textbooks.~~ instructional materials. A pupil's parents or legal guardians may be charged damage fees for abuse or loss of ~~textbooks~~ instructional materials under rules adopted by the State Board of Education. All money collected from the sale of ~~textbooks~~ instructional materials purchased with State funds under the provisions of this Part shall be paid annually as collected to the State Board of Education.

"**§ 115C-101. Duties and authority of superintendents of local school administrative units.**

The superintendent of each local school administrative unit, as an official agent of the State Board of Education, shall administer the provisions of this Part and the rules and regulations of the Board insofar as they apply to ~~his~~ the local school administrative unit. The superintendent of each local school administrative unit shall have authority to require the cooperation of principals and teachers so that the children may receive the best possible service, and so that all the ~~books~~ instructional materials and moneys may be accounted for properly. If any principal or teacher fails to comply with the provisions of this section, ~~his~~ the superintendent shall withhold ~~his~~ the salary ~~vouchers~~ of the principal until the duties imposed by this section have been performed.

If any superintendent fails to comply with the provisions of this section, the State Superintendent, as secretary to the State Board of Education, shall notify the State Board of Education and the State Treasurer. The State Board and the State Superintendent shall withhold the superintendent's ~~salary vouchers,~~ salary, and the State Treasurer shall make no payment until the State Superintendent ~~notifies him~~ confirms that the provisions of this section have been complied with.

"**§ 115C-102. Right to purchase; disposal of ~~textbooks and~~ instructional materials.**

(a) Any parent, guardian, or person in loco parentis may purchase any instructional material needed for any child in the public schools of the State from the board of education of the local school administrative unit in which the child is ~~enrolled or, in the case of basic textbooks, from the State Board of Education.~~enrolled.

(b) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4), or any other provision of law, the State Board of Education may adopt rules authorizing local boards of education to dispose of discontinued instructional ~~material, including State-adopted textbooks.~~material."

SECTION 7.9.(c) G.S. 115C-11(d) reads as rewritten:

"(d) Voting. – No voting by proxy shall be permitted. ~~Except in voting on textbook adoptions, a~~ A majority of those present and voting shall be necessary to carry a motion and a roll call vote shall be had on each motion. A record of all such votes shall be kept in the minute book."

SECTION 7.9.(d) G.S. 115C-11(e) is repealed.

SECTION 7.9.(e) G.S. 115C-12(9)b. is repealed.

SECTION 7.9.(f) G.S. 115C-12(18)d. reads as rewritten:

"d. The State Board of Education shall modify the Uniform Education Reporting System to provide clear, accurate, and standard information on the use of funds at the unit and school level. The plan shall provide information that will enable the General Assembly to determine State, local, and federal expenditures for personnel at the unit and school level. The plan also shall allow the tracking of expenditures for ~~textbooks,~~ instructional materials, educational supplies and equipment, capital outlay, at-risk students, and other purposes."

SECTION 7.9.(g) G.S. 115C-47 reads as rewritten:

"**§ 115C-47. Powers and duties generally.**

In addition to the powers and duties designated in G.S. 115C-36, local boards of education shall have the power or duty:

…

(6) To Regulate Fees, Charges and Solicitations. – Local boards of education shall adopt rules and regulations governing solicitations of, sales to, and fund-raising activities conducted by, the students and faculty members in schools under their jurisdiction, and no fees, charges, or costs shall be collected from students and school personnel without approval of the board of education as recorded in the minutes of ~~said~~ the board; provided, this subdivision shall not apply to such ~~textbooks~~ instructional material fees as are determined and established by the State Board of Education. The local board of education shall publish a schedule of fees, charges, and solicitations approved by the local board on the local school administrative unit's Web site by October 15 of each school year and, if the schedule is subsequently revised, within 30 days following the revision.

…

(33) To Approve and Use Supplemental Materials. – Local boards of education shall have sole authority to select and procure supplementary instructional materials, whether or not the materials contain commercial advertising, pursuant to the provisions of G.S. 115C-98(b).

(33a) To Approve and Use ~~Textbooks Not Adopted by State Board of Education.~~ Instructional Materials. – Local boards of education shall have the authority to select, procure, and use ~~textbooks not adopted by the State Board of Education~~ instructional materials as provided in ~~G.S. 115C-98(b1).~~G.S. 115C-98.

…."

SECTION 7.9.(h) G.S. 115C-76.55 reads as rewritten:

"**§ 115C-76.55. Age-appropriate instruction for grades kindergarten through fourth grade.**

Instruction on gender identity, sexual activity, or sexuality shall not be included in the curriculum provided in grades kindergarten through fourth grade, regardless of whether the information is provided by school personnel or third parties. For the purposes of this section, curriculum includes the standard course of study and support materials, locally developed curriculum, supplemental instruction, and ~~textbooks and~~ other supplementary materials, but does not include responses to student-initiated questions."

SECTION 7.9.(i) G.S. 115C-81.5(b)(3) is repealed.

SECTION 7.9.(j) G.S. 115C-81.25(b)(3) is repealed.

SECTION 7.9.(k) G.S. 115C-81.25(d) reads as rewritten:

"(d) Parental Review. – The State Board of Education shall make available to all local school administrative units for review by the parents and legal guardians of students enrolled at those units any State-developed objectives for instruction, ~~any approved textbooks,~~ the list of reviewed materials, and any other State-developed or approved materials that pertain to or are intended to impart information or promote discussion or understanding in regard to the prevention of sexually transmitted diseases, including HIV/AIDS, to the avoidance of out-of-wedlock pregnancy, or to the reproductive health and safety education curriculum. The review period shall extend for at least 60 days before use."

SECTION 7.9.(*l*) G.S. 115C-105.25(b)(12) reads as rewritten:

"(12) Funds allotted for ~~textbooks and digital resources~~ instructional materials may only be used ~~for the purchase of textbooks and digital resources.~~ to acquire instructional and supplemental materials as identified in Part 3 of Article 8 of this Chapter and to acquire software necessary for the use of the instructional or supplemental materials. These funds shall not be transferred out of the allotment for any other purpose."

SECTION 7.9.(m) G.S. 115C-242(3) reads as rewritten:

"(3) The board of education of any local school administrative unit may operate the school buses of such unit one day prior to the opening of the regular school term for the transportation of pupils and employees to and from the school to which such pupils are assigned or in which they are enrolled and such employees are employed, for the purposes of the registration of students, the organization of classes, the distribution of ~~textbooks,~~ instructional materials, and such other purposes as will, in the opinion of the superintendent of the schools of such unit, promote the efficient organization and operation of such public schools."

SECTION 7.9.(n) G.S. 115C-271(d)(2) reads as rewritten:

"(2) Local funds appropriated for teachers, ~~textbooks,~~ instructional materials, or classroom materials, supplies, and equipment are not transferred or used for this purpose."

SECTION 7.9.(o) G.S. 115C-384(c) reads as rewritten:

"(c) Rental Fees for ~~Textbooks~~ Instructional Materials Prohibited; Damage Fees Authorized. – No rental fees are permitted for the use of textbooks, but damage fees may be collected pursuant to the provisions of G.S. 115C-100."

SECTION 7.9.(p) G.S. 115C-390.2(*l*)(1) reads as rewritten:

"(1) The opportunity to take ~~textbooks~~ instructional materials and school-furnished digital devices home for the duration of the absence."

SECTION 7.9.(q) G.S. 115C-390.5(c)(1) reads as rewritten:

"(1) The opportunity to take ~~textbooks~~ instructional materials home for the duration of the suspension."

SECTION 7.9.(r) G.S. 115C-398 reads as rewritten:

"**§ 115C-398. Damage to school buildings, furnishings, ~~textbooks.~~instructional materials.**

Students and their parents or legal guardians may be liable for damage to school buildings, furnishings and ~~textbooks~~ instructional materials pursuant to the provisions of G.S. 115C-523, 115C-100 and 14-132."

SECTION 7.9.(s) G.S. 143A-48 is repealed.

SECTION 7.9.(t) No further funds shall be allocated into the State Textbook fund. The Department of Public Instruction, in coordination with the Office of State Budget and Management, shall ensure that the fund is dissolved once all funds are expended.

SECTION 7.9.(u) Effective July 1, 2025, there is established the Instructional Materials funding allotment within the State Public School Fund. The State Board of Education shall establish the purposes for which the funds within the Instructional Materials funding allotment may be used for the purchase and maintenance of instructional and supplemental materials as identified in Part 3 of Article 8 of Chapter 115C of the General Statutes.

SECTION 7.9.(v) This section becomes effective July 1, 2025, and applies beginning with the 2025-2026 school year.

STABILIZATION OF LOW-WEALTH ALLOTMENT

SECTION 7.10. Notwithstanding G.S. 115C-472.22, for each year of the 2025-2027 fiscal biennium, the Department of Public Instruction shall distribute supplemental funds for low-wealth counties in the same amount to each county as was distributed for the 2024-2025 fiscal year.

TECHNICAL ADJUSTMENT TO ADMINISTRATIVE LICENSURE REQUIREMENTS

SECTION 7.11.(a) G.S. 115C-270.20(b) reads as rewritten:

"(b) Administrator Licenses. – The State Board shall establish rules for the issuance of the following classes of administrator licenses, including required levels of preparation for each classification:

(1) Administrator license. – A five-year renewable license issued to an individual who meets all of the following requirements:

a. Holds a bachelor's degree.

b. Has successfully completed an approved administrator preparation program.

c. Has at least four years of experience as a licensed professional educator.

d. ~~Has~~ For individuals seeking a principal license, has submitted a portfolio to the State Board for approval that meets criteria adopted by the State Board.

…."

SECTION 7.11.(b) This section is effective when it becomes law and applies to applicants for licensure on or after that date.

VARIOUS EDUCATION REPORT CHANGES

SECTION 7.12.(a) G.S. 115C-12(25) is recodified as G.S. 115C-21(a)(10) and reads as rewritten:

"(10) Duty to Report to Joint Legislative Education Oversight Committee. – Upon the request of the Joint Legislative Education Oversight Committee, the ~~State Board~~ Superintendent of Public Instruction shall examine and evaluate issues, programs, policies, and fiscal information, and shall make reports to that Committee. Furthermore, by ~~November 15~~ March 15 of each year, the ~~State Board~~ Superintendent of Public Instruction shall submit reports to that Committee regarding schools identified as low-performing, school improvement plans found to significantly improve student performance,

personnel actions taken in low-performing schools, and recommendations for additional legislation to improve student performance and increase local flexibility."

SECTION 7.12.(b) Subdivision (4) of subsection (d) of G.S. 115C-81.45 is repealed.

SECTION 7.12.(c) Subsection (b) of Section 7.17 of S.L. 2018-5 is repealed.

SECTION 7.12.(d) Subsection (d) of Section 7.32 of S.L. 2017-57 is repealed.

SECTION 7.12.(e) G.S. 115C-12(48) reads as rewritten:

"(48) Computer Science Reporting. – The State Board of Education shall report annually by ~~November 15~~ March 15 to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, and the House Appropriations Committee on Education on the following data related to computer science participation. For each item, the report shall include (i) statewide data for the current school year, and the four years prior when data is available, to establish trends in computer science instruction and (ii) data for the current school year for each public school unit, disaggregated by school within that unit:
…."

SECTION 7.12.(f) G.S. 115C-316.2 is repealed.

SECTION 7.12.(g) G.S. 115C-316.5(a) reads as rewritten:

"(a) For the purposes of this section, the term "school health personnel" refers to ~~the same positions listed in G.S. 115C-316.2(a).~~school psychologists, school counselors, school nurses, and school social workers."

SECTION 7.12.(h) G.S. 115C-299.5 reads as rewritten:

"**§ 115C-299.5. Duty to monitor ~~the state of the teaching profession.~~teacher attrition and mobility.**

…

(b) ~~State of the Teaching Profession~~ Teacher Attrition and Mobility Report. – The State Board of Education shall monitor and compile an annual report to be submitted by the Department of Public Instruction by ~~December 15~~ February 15 annually on the ~~state of the~~ attrition and mobility of teachers in the teaching profession in North Carolina that includes data on the decisions of teachers to leave the teaching profession and vacancies in teaching positions as provided in subsections (c) and (e) of this section. The State Board shall adopt standard procedures for each local board of education to use in requesting information required by this report and shall require each local board of education to report the information to the State Board in a standard format adopted by the State Board."

SECTION 7.12.(i) G.S. 115C-12(22), as amended by S.L. 2023-134, reads as rewritten:

"(22) Duty to Monitor the ~~State of the Teaching~~ Attrition and Mobility of Teachers and the State of the School Administration ~~Professions~~ Profession in North Carolina. – The State Board of Education shall monitor and compile an annual report on the ~~state of the teaching~~ attrition and mobility of teachers and the state of the school administration ~~professions~~ profession in North Carolina, as provided in G.S. 115C-289.2 and G.S. 115C-299.5."

SECTION 7.12.(j) G.S. 115C-289.2(d) reads as rewritten:

"(d) Report Consolidation. – The report required by this section shall be consolidated with the ~~report on the State of the Teaching Profession~~ Teacher Attrition and Mobility Report required by G.S. 115C-299.5."

SECTION 7.12.(k) G.S. 115C-269.50 reads as rewritten:

"**§ 115C-269.50. EPP report cards.**

The State Board shall create an annual report card for each EPP that, at a minimum, summarizes the information collected in the annual performance reports, as set forth in

G.S. 115C-269.35(b). The report cards shall provide user-friendly access to the public, and shall provide the ability to easily compare annual report card information between EPPs, including performance and other data reported by each EPP, as provided in G.S. 115C-269.35(b). The State Board shall make the report cards available to the public through the State Board's Internet ~~Web site~~ website on an annual basis beginning ~~December 15, 2019,~~ February 15, 2026, and the Department of Public Instruction shall submit the report to the Joint Legislative Education Oversight Committee annually by that date."

SECTION 7.12.(*l*) Subsection (b) of Section 8.30 of S.L. 2015-241, as amended by Section 3.1(b) of S.L. 2019-165, is repealed.

SECTION 7.12.(m) G.S. 115C-450(d) reads as rewritten:

"(d) No later than ~~May 15, 2022, and every six months thereafter,~~ February 15 of each year, the Department of Public Instruction shall report all the following information to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, and the Fiscal Research Division:

…."

SECTION 7.12.(n) G.S. 115C-218.42(e) reads as rewritten:

"(e) Reporting. – No later than ~~March~~ August 15 of each year in which funds are awarded under the Program, the Department shall report to the Joint Legislative Education Oversight Committee, the Joint Legislative Transportation Oversight Committee, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, and the Fiscal Research Division on the administration of the Program, including at least the following information:

…."

SECTION 7.12.(o) G.S. 115C-218.110(b) reads as rewritten:

"(b) The State Board of Education shall review and evaluate the educational effectiveness of the charter schools authorized under this Article and the effect of charter schools on the public schools in the local school administrative unit in which the charter schools are located. The Board shall report annually no later than ~~June~~ August 15 to the Joint Legislative Education Oversight Committee on the following:

…."

SECTION 7.12.(p) G.S. 115C-107.5 reads as rewritten:

"**§ 115C-107.5. Annual reports.**

The State Board shall ~~report~~ send a copy of the annual report submitted as part of the State Performance Plan and Annual Performance Report that is submitted to the United States Department of Education and United States Office of Special Education Programs no later than October 15 of each year to the Joint Legislative Education Oversight Committee on the implementation of this Article and the educational performance of children with disabilities. The report may be filed electronically. ~~Each annual report shall include the following information:~~

~~(1) A copy of the following documents that were submitted, received, or made public during the year:~~

~~a. The most recent State performance plan and any amendments to that plan submitted to the Secretary of Education.~~

~~b. Compliance and monitoring reports submitted to the Secretary of Education.~~

~~c. The annual report submitted to the Secretary of Education on the performance of the State under its performance plan.~~

~~d. Any other information required under IDEA to be made available to the public.~~

~~(2) An analysis of the educational performance of children with disabilities in the State and a summary of disputes under Part 1D of this Chapter.~~

~~(3) Development and implementation of any policies related to improving outcomes for elementary and secondary school students with disabilities, including any changes related to the directives set forth in Section 8.30 of S.L. 2015-241 as follows:~~

~~a. Reforms related to IEP requirements.~~

~~b. Transition services for students with disabilities from elementary to middle school, middle to high school, and high school to postsecondary education, and for employment opportunities and adult living options.~~

~~c. Increased access to Future Ready Core Course of Study for students with disabilities.~~

~~d. Model programs for use by local school administrative units to improve graduation rates and school performance of students with disabilities.~~"

SECTION 7.12.(q) G.S. 115C-107.3 reads as rewritten:

"**§ 115C-107.3. Child find.**

(a) The Board shall require an annual census of all children with disabilities residing in the State, subdivided for "identified" and "suspected" children with disabilities, to be taken in each school year. Suspected children are those in the formal process of being evaluated or identified as children with disabilities. The census shall be conducted annually and shall be completed by October 15, submitted to the Governor and General Assembly and made available to the public by January 15 annually. The census submitted to the General Assembly may be a copy of any information or any report submitted to the federal government as part of compliance with the Individuals with Disabilities Education Act pursuant to 20 U.S.C. § 1418.

(b) In taking the census, the Board requires the cooperation, participation, and assistance of all local educational agencies. Therefore, each local educational agency shall cooperate and participate with and assist the Board in conducting the census.

(c) The census shall include the number of children identified and suspected with disabilities, their age, the nature of their disability, their county or city of residence, their local school administrative unit residence, whether they are being provided special educational or related services and if so by what local educational agency, the identity of each local educational agency having children with disabilities in its care, custody, management, jurisdiction, control, or programs, the number of children with disabilities being served by each local educational agency, and any other information or data that the Board requires. The census shall be of children with disabilities between the ages three through 21 but is not required to include children with disabilities that have graduated from high school."

ELEMENTARY AND MIDDLE SCHOOL LITERACY IMPROVEMENT

SECTION 7.13.(a) G.S. 115C-83.6 reads as rewritten:

"**§ 115C-83.6. Facilitating early grade reading proficiency.**

(a) ~~Kindergarten, first, second, and third~~ Kindergarten through fifth grade students shall be assessed with valid, reliable, formative, and diagnostic reading assessments made available to local school administrative units by the State Board of Education pursuant to G.S. 115C-174.11(a). Difficulty with reading development identified through administration of formative and diagnostic assessments shall be addressed with literacy interventions outlined in the student's Individual Reading Plan. Parents or guardians of first and second grade students offered a reading camp as a literacy intervention shall be encouraged to enroll their student in the reading camp provided by the local school administrative unit. Parents or guardians of a student identified as demonstrating reading comprehension below grade level shall make the final decision regarding a student's reading camp attendance.

(a1) Kindergarten through ~~third~~ fifth grade reading assessments shall yield data that can be used with the Education Value-Added Assessment System (EVAAS) to analyze student data to identify root causes for difficulty with reading development and to determine actions to address them.

(a2) The Department of Public Instruction shall provide for EVAAS analysis all formative and diagnostic assessment data collected pursuant to this section for kindergarten through ~~third~~ fifth grade. The Department shall use a uniform template for all data collected, and the template shall be used each time data is provided. The template shall include clear designations for each data component reported.

(b) Formative and diagnostic assessments and resultant literacy interventions shall address oral language, phonological and phonemic awareness, phonics, vocabulary, fluency, and comprehension using developmentally appropriate practices. These assessments may be administered by computer or other electronic device.

(c) Local school administrative units are encouraged to partner with community organizations, businesses, and other groups to provide volunteers, mentors, or tutors to assist with the provision of literacy interventions that enhance reading development and proficiency."

SECTION 7.13.(b) G.S. 115C-83.6B(a) reads as rewritten:

"(a) An Individual Reading Plan (IRP) shall be developed for any student in kindergarten through ~~third~~ fifth grade demonstrating difficulty with reading development based on the results of either (i) the first diagnostic or formative assessment of the school year or (ii) the first diagnostic or formative assessment of the second semester of the school year. The IRP shall be continually adjusted based on multiple data sources as prescribed by the Department of Public Instruction, indicating that the student is not progressing toward grade-level standards in one or more major reading areas. Based on the most recently collected data, the IRP shall include the following information, specific to the identified student:

(1) The specific reading skill deficiencies identified by assessment data.
(2) Goals and benchmarks for growth.
(3) The means by which progress will be monitored and evaluated.
(4) The specific additional literacy interventions the student will receive.
(5) The Science of Reading-based instructional programming the teacher will implement.
(6) Any additional services the teacher deems appropriate to accelerate the student's reading skill and development."

SECTION 7.13.(c) G.S. 115C-83.9(a) reads as rewritten:

"(a) Parents or guardians shall be notified in writing, and in a timely manner, that the student shall be retained, unless he or she is exempt from mandatory retention for good cause, if the student is not demonstrating reading proficiency by the end of third grade. Parents or guardians shall receive this notice when a kindergarten, first, second, or third grade student (i) is demonstrating difficulty with reading development; or (ii) is not reading at grade level. Additionally, parents or guardians shall receive notice when a fourth or fifth grade student is demonstrating difficulty with reading development or is not reading on grade level as determined by assessments given pursuant to G.S. 115C-83.6."

SECTION 7.13.(d) G.S. 115C-83.10(b) reads as rewritten:

"(b) Each local board of education shall report annually in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

(1) A description of all literacy interventions provided to students who have been retained under G.S. 115C-83.7(a).
(2) The number of first and second grade students attending a reading camp offered by the local board.

(3) The license area or areas, years of licensed teaching experience, grade level assignment, and any other specific subject-area assignments of each teacher providing instruction at a reading camp.

(4) The number and percentage of teachers providing instruction at a reading camp who were paid a reading performance bonus during the school year immediately preceding the reading camp and the grade level on which the bonus was based.

(5) The number of kindergarten through ~~third~~ fifth grade students with an Individual Reading Plan."

SECTION 7.13.(e) G.S. 115C-174.11(a) reads as rewritten:

"(a) Assessment Instruments for ~~Kindergarten, First, Second, and Third Grades.~~ Kindergarten Through Fifth Grade. – The State Board of Education shall develop, adopt, and provide to the local school administrative units developmentally appropriate individualized assessment instruments aligned with the standard course of study and Part 1A of Article 8 of this Chapter for ~~the kindergarten, first, second, and third grades.~~ kindergarten through fifth grade. Local school administrative units shall use these assessment instruments provided to them by the State Board for ~~kindergarten, first, second, and third~~ kindergarten through fifth grade students to assess progress, diagnose difficulties, and inform instruction and remediation needs. Local school administrative units shall not use standardized tests for summative assessment of kindergarten, first, and second grade students except as required as a condition of receiving federal grants."

SECTION 7.13.(f) The Department of Public Instruction shall use funds appropriated for this purpose in this act to contract with Lexia Learning Systems, LLC, to provide Lexia Aspire Professional Learning to all English Language Arts, math, science, social studies, teachers of students who are English language learners, and Exceptional Children teachers who teach students in grades six through eight and principals of schools who enroll students in grades six through eight. The Department shall develop a procedure for providing training to half of the teachers referenced in this subsection and all principals referenced in this subsection during the 2025-2026 school year with the remaining teachers and all new teachers teaching the subjects referenced in this subsection receiving training during the 2026-2027 school year. The Department shall develop a procedure for prioritizing participation by teachers whose students would receive the most benefit from the training, such as English Language Arts and Exceptional Children teachers. Teachers that complete training pursuant to this subsection shall receive stipends for the school year in which they complete the training. Any remaining funds appropriated for purposes of this section may be used to provide additional Lexia Aspire Professional Learning to teachers or other educational personnel at the State or local level.

SECTION 7.13.(g) The State Board of Education shall develop literacy standards for grades six through eight to align with the professional learning provided pursuant to subsection (f) of this section.

FISCAL RESPONSIBILITY AND K-12 TECH PLANNING

SECTION 7.14.(a) Part 3A of Article 8 of Chapter 115C of the General Statutes is amended by adding new sections to read:

"**§ 115C-102.10. Technology costs considerations.**

The State Board of Education shall adopt rules requiring all public school units to evaluate the following when acquiring technology, computer hardware, and software:

(1) The long-term cost of ownership, including costs of repairing the technology, computer hardware, or software.

(2) Any flexibility for innovation during the life of the technology, computer hardware, or software.

(3) Any anticipated resale or salvage value at the end of the target life cycle for the technology, computer hardware, or software based on the average resale

or salvage value of similar technology, computer hardware, or software as a percentage of the initial cost of purchase.

"**§ 115C-102.11 Break/fix rate reporting requirement.**

(a) Definitions. – The following definitions apply in this section:

(1) Break/fix rate. – The percentage obtained by dividing the number of school technology devices reported as malfunctioning or needing repair due to physical damage, hardware failure, or other breakage incidents prior to the stated life cycle period, not covered by insurance or a policy plan period, by the total number of school technology devices in operation during that period.

(2) School technology device. – Any electronic or computerized equipment provided for educational purposes in a public school unit, including computers, tablets, interactive whiteboards, and similar devices or anything considered a digital device for purposes of the digital learning dashboard pursuant to G.S. 115C-102.9.

(b) Each governing body of a public school unit shall submit a report on the following information to the State Board of Education by August 15 annually:

(1) The break/fix rate of the school technology devices in the public school unit for the previous school year.

(2) The total number of school technology devices currently in operation in the public school unit.

(3) The total number of school technology devices in the public school unit requiring repair that (i) underwent repair or (ii) were no longer in service during the previous school year.

(4) The total amount of funds spent to repair or replace school technology devices during the previous school year.

(c) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by November 15 annually on the break/fix rate of school technology devices across all public school units based on the reports submitted by the governing bodies in accordance with subsection (b) of this section. This report shall include a summary of the data reported by each governing body and recommendations to reduce break/fix rates in the future."

SECTION 7.14.(b) The first reports from governing bodies of public school units required by G.S. 115C-102.11(b), as enacted by this section, shall be submitted no later than August 15, 2026, based on data collected during the 2025-2026 school year. The first report from the State Board of Education required by G.S. 115C-102.11(c), as enacted by this section, shall be submitted no later than November 15, 2026.

SECTION 7.14.(c) G.S. 115C-12 is amended by adding a new subdivision to read:

"(50) To Require Evaluation of Technology Costs. – The State Board shall adopt rules governing public school units evaluating technology costs in accordance with G.S. 115C-102.10."

SECTION 7.14.(d) G.S. 115C-47 is amended by adding new subdivisions to read:

"(70) To Evaluate Technology Costs. – A local board of education shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(71) To Report on Break/Fix Rate. – A local board of education shall report annually to the State Board of Education on the break/fix rate of school technology devices in accordance with G.S. 115C-102.11."

SECTION 7.14.(e) G.S. 115C-150.12C is amended by adding new subdivisions to read:

"(37) Evaluate technology costs. – The board of trustees shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(38) Report on break/fix rate. – The board of trustees shall report annually to the State Board of Education on the break/fix rate of school technology devices used in the school in accordance with G.S. 115C-102.11."

SECTION 7.14.(f) Part 2 of Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-218.33. School technology.**

(a) A charter school shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(b) A charter school shall report annually to the State Board of Education on the break/fix rate of school technology devices used in the school in accordance with G.S. 115C-102.11."

SECTION 7.14.(g) G.S. 115C-238.66 is amended by adding new subdivisions to read:

"(18a) The board of directors shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(18b) The board of directors shall report annually to the State Board of Education on the break/fix rate of technology used in the school in accordance with G.S. 115C-102.11."

SECTION 7.14.(h) G.S. 116-239.8(b) is amended by adding new subdivisions to read:

"(21a) Evaluate technology costs. – The chancellor shall adopt a policy requiring the evaluation of technology costs considerations adopted by the State Board of Education pursuant to G.S. 115C-102.10.

(21b) Report on break/fix rate. – The chancellor shall report annually to the State Board of Education on the break/fix rate of technology used in the school in accordance with G.S. 115C-120.11."

SECTION 7.14.(i) This section is effective when it becomes law and applies beginning with the 2025-2026 academic year.

REPEAL CODING AND MOBILE APP DEVELOPMENT GRANT PROGRAM

SECTION 7.23. Section 7.23 of S.L. 2017-57 is repealed.

MAINTAIN COVERAGE OF COPAYS FOR REDUCED-PRICE SCHOOL MEALS

SECTION 7.24.(a) G.S. 115C-264 is amended by adding a new subsection to read:

"(a1) A local board of education that is operating a school nutrition program shall provide school lunches, and if provided, breakfasts, to students at no cost to the student for students in all grade levels that 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 costs to students for students that 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."

SECTION 7.24.(b) Section 7.58 of S.L. 2023-134 is repealed.

CHARTER SCHOOLS REVIEW BOARD AMENDMENTS

SECTION 7.25.(a) G.S. 115C-218 reads as rewritten:

"**§ 115C-218. Purpose of charter schools; role of State Board of Education; establishment of North Carolina Charter Schools Review Board and North Carolina Office of Charter Schools.**

…

(a1) State Board of Education. – The State Board of Education shall have the following duties regarding charter schools:

(1) Rulemaking. – To ~~establish~~ adopt all rules for the operation and approval of charter schools. Any rule or policy adopted by the State Board regarding charter schools shall first be ~~recommended~~ approved by the Charter Schools Review Board.
(2) Funding. – To allocate funds to charter schools.
(3) Appeals. – To hear appeals from decisions of the Charter Schools Review Board under G.S. 115C-218.9.
(4) Accountability. – To ensure accountability from charter schools for school finances and student performance.
(5) Review of financial assistance. – The State Board shall assign the Review Board to conduct any hearings pursuant to 20 U.S.C. § 1231b-2, including making findings and recommendations regarding those hearings.

(b) North Carolina Charter Schools Review Board. –

…

(10) Powers and duties. – The Review Board shall have the following duties:

a. To ~~make recommendations to the State Board of Education on the adoption of~~ propose, recommend, and approve rules and policies regarding all aspects of charter school operation, including time lines, processes, standards, and criteria for acceptance and approval of applications, monitoring of charter schools, and grounds for revocation of charters.

…

e. To conduct hearings and make findings and recommendations pursuant to subdivision (a1)(5) of this section.

f. To contract for and employ legal counsel, including private counsel, to advise, represent, and provide litigation services to the Review Board, without need to obtain permission or approval pursuant to G.S. 114-2.3 or G.S. 147-17.

…

(c) North Carolina Office of Charter Schools. –

…

(2) Executive Director. – The Executive Director shall report to and serve at the pleasure of the ~~Superintendent of Public Instruction~~ Review Board at a salary established by the ~~Superintendent~~ Review Board within the funds appropriated for this purpose. The duties of the Executive Director shall include presenting the recommendations and decisions of the Review Board at meetings of the State Board.

…."

SECTION 7.25.(b) G.S. 115C-218.15(c) reads as rewritten:

"(c) A charter school shall operate under the written charter signed by the State Superintendent and the applicant. The terms of the written charter shall be approved by the Review Board. A charter school is not required to enter into any other contract. The charter shall incorporate the information provided in the application, as modified during the charter approval process, and any terms and conditions imposed on the charter school by the Review Board, or if the approval is granted through an appeal pursuant to G.S. 115C-218.9, any conditions imposed by the State Board of Education. No other terms may be imposed on the charter school as a condition for receipt of local funds."

SECTION 7.25.(c) G.S. 115C-218.85 is amended by adding a new subsection to read:

"(d) Notwithstanding G.S. 116-11(10a) or any other provision of law to the contrary, a charter school shall not be required to list class rank on a student's official transcript or record."

SECTION 7.25.(d) G.S. 115C-218.90(a) is amended by adding a new subdivision to read:

"(7) A charter school may develop and use any evaluation for conducting evaluation of teachers provided that it includes standards and criteria similar to those used in the North Carolina Professional Teaching Standards and North Carolina Teacher Evaluation Process, or such other evaluation standard and process required to be used by local school administrative units."

SECTION 7.25.(e) G.S. 115C-218.94 is amended by adding a new subsection to read:

"(c) The Review Board shall require charter schools that are identified as low-performing or continually low-performing to prepare and report on plans to improve the performance of the school. The requirements of G.S. 115C-105.27 shall not apply to charter schools."

SECTION 7.25.(f) G.S. 115C-218.105 reads as rewritten:

"**§ 115C-218.105. State and local funds for a charter school.**

…

(a2) The State Board shall withhold or reduce distribution of funds to a charter school if any of the following applies:

(1) The change in funding is due to an annual adjustment based on enrollment or is a general adjustment to allocations that is not specific to the charter or actions of that charter school.

(2) The Review Board notifies the State Board that the charter school has materially violated a term of its charter, has violated a State statute or federal law, or has had its charter terminated or nonrenewed.

(3) The ~~Superintendent of Public Instruction~~ Review Board notifies the State Board that the charter school has failed to meet generally accepted standards of fiscal management or has violated a State or federal requirement for receipt of funds.

…

(c2) The ~~Superintendent of Public Instruction~~ Review Board shall, in consultation with charter schools and local school administrative units, create a standardized enrollment verification and transfer request document that each charter school shall use to request the per pupil share of the local current expense fund from the local school administrative units. Charter schools shall only be required to list the name, age, grade, address, date of charter enrollment, date of charter withdrawal, district of residence, and student identification number of each student as provided to the charter school by the student's parent or guardian in the enrollment verification and transfer request document that the charter school submits to the local school administrative units. A charter school, in its discretion, may take further steps to confirm the student's residence in a particular local school administrative unit.

(c3) The ~~Superintendent of Public Instruction~~ Review Board shall, in consultation with charter schools and local school administrative units, create a standardized procedure that local school administrative units shall use when transferring the per pupil share of the local current expense fund to charter schools. The standardized procedure for transfer of the per pupil share of the local current expense fund shall require, to the extent practicable, that the local school administrative units make the transfers by electronic transfer.

…."

SECTION 7.25.(g) G.S. 115C-218.123 is amended by adding a new subsection to read:

"(c) If a school is operating under a charter that allows for a remote academy as part of the charter, and the school enrolls or intends to enroll 250 or more students in the remote academy, the school may request that the Review Board grant the remote academy portion of the school a separate charter by submitting the information listed under subsection (a) of this section with the

request. Requests submitted pursuant to this section shall be reviewed through an expedited process to be established by the Review Board. The Review Board shall not require a planning year for remote academies granted a charter pursuant to this subsection."

SECTION 7.25.(h) G.S. 115C-218.125 reads as rewritten:

"**§ 115C-218.125. Evaluation.**

(a) The State Board of Education shall evaluate the success of remote charter academies approved under this Part. Success shall be measured by school performance scores and grades, retention rates, attendance rates, and, for grades nine through 12, high school completion and dropout rates. The Board shall report by November 15 of each year to the Joint Legislative Education Oversight Committee on the evaluation of these academies and on any recommended statutory changes.

(b) If a school is operating under a charter that includes in-person instruction and a remote charter academy, the remote charter academy shall receive a separate school performance grade and be treated as a separate school for the purposes of assessing the performance of the remote charter academy pursuant to G.S. 115C-12(9)c1., 115C-83.15, 115C-218.94, and 115C-218.95."

SECTION 7.25.(i) This section is effective when it becomes law and applies beginning with the 2025-2026 school year.

FORMALIZE THE DIAPER BANK OF NORTH CAROLINA'S ROLE AS PROVIDER OF FEMININE HYGIENE PRODUCTS FOR PUBLIC SCHOOLS

SECTION 7.28. G.S. 115C-377 reads as rewritten:

"**§ 115C-377. Feminine Hygiene Products ~~Grant~~ Program.**

(a) Program; Purpose. – The Department of Public Instruction shall establish the Feminine Hygiene Products ~~Grant~~ Program (Program) to ~~assist public school units participating in the Program in providing~~ provide students ~~with~~ feminine hygiene products at no charge to the student. The Department shall run the Program in accordance with this section in each year in which funds are made available for the purpose.

~~(b) Grants. To the extent funds are made available for the Program, the Department of Public Instruction shall award public school units grants of up to five thousand dollars ($5,000) on a first-come, first-served basis, and the Department shall prioritize awarding grants to public school units that did not receive an award pursuant to the Program in the previous fiscal year. No public school unit shall receive more than one grant per fiscal year.~~

(b1) Participation. – The Department of Public Instruction shall develop a process through which public school units can elect to participate in the Program for each school year.

(b2) Contract for Products. – The Department of Public Instruction shall contract with the Diaper Bank of North Carolina to provide feminine hygiene products to all public school units that elect to participate in the Program on a pro rata basis based on the number of female students in grades six through 12 in the participating public school unit.

(c) Reporting. – No later than March ~~15, 2023, and every year thereafter that funds are made available for~~ 15 of each year of the Program, the Department shall report to the Joint Legislative Education Oversight Committee on the public school units receiving ~~grants~~ products under the Program, the ~~specific~~ number of feminine hygiene products ~~purchased with the grant funds,~~ provided through the Program, the number of students served by the Program, and the impact of the Program on student health and well-being."

ALLOW CHARTER SCHOOL SATELLITES AND RELOCATION

SECTION 7.29. G.S. 115C-218.8 reads as rewritten:

"**§ 115C-218.8. Nonmaterial revisions of charters.**

It shall not be considered a material revision of a charter and shall not require prior approval of the Review Board for a charter school to do any of the following:

…

(4) Relocate a charter school, expand the campus of a charter school beyond the school's main location and facilities, or establish a satellite extension of a charter school, so long as the relocation, expansion, or satellite is within a 10-mile radius of the school's main location. The relocation, expansion, or satellite need not be located within the same local school administrative unit as the main location of the charter school."

NO ALTERNATE SCHOOL MEALS BASED ON STUDENT PAY STATUS

SECTION 7.31.(a) G.S. 115C-264 is amended by adding a new subsection to read:

"(e) Governing bodies of public school units shall offer the same meal selections to all students regardless of student pay status for the nutrition program. For purposes of this section, pay status includes students receiving free or reduced-price lunch or students that have unpaid meal debt. This policy does not require a governing body to provide a student any optional meal items that result in additional charges to the student."

SECTION 7.31.(b) G.S. 115C-218.75(n) reads as rewritten:

"(n) ~~Unpaid Meal Debt.~~ School Nutrition Program. – If a charter school ~~participates in the~~ offers a school nutrition program, the charter school shall comply with the following in offering the program:

(1) A charter school may not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d).

(2) A charter school shall not provide alternate meals based on student pay status in accordance with G.S. 115C-264(e)."

SECTION 7.31.(c) G.S. 115C-218.75(*l*) is recodified as subdivision (3) of G.S. 115C-218.75(n), as amended by subsection (b) of this section.

SECTION 7.31.(d) G.S. 115C-238.66(22) reads as rewritten:

"(22) ~~Unpaid meal debt.~~ School nutrition program. – If a regional school ~~participates in the~~ offers a school nutrition program, the regional school shall comply with the following in offering the program:

a. A regional school may not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d).

b. A regional school shall not provide alternate meals based on student pay status in accordance with G.S. 115C-264(e)."

SECTION 7.31.(e) G.S. 115C-238.66(20) is recodified as sub-subdivision c. of G.S. 115C-238.66(22), as amended by subsection (d) of this section.

SECTION 7.31.(f) This section applies beginning with the 2025-2026 school year.

CEP TIME LINE SHIFT AND CLARIFY BREAKFAST LOCATION

SECTION 7.32. Section 7.59 of S.L. 2023-134 reads as rewritten:

"**SECTION 7.59.(a)** Program; Purpose. – The Department of Public Instruction shall establish the CEP Meal Program Incentive ~~for the 2023-2025 fiscal biennium~~ to expand public school participation in the federal Community Eligibility Provision (CEP) program to increase the number of students with access to healthy, cost-free school breakfast and lunch. The incentive program shall be available to public school units for the 2024-2025 fiscal year. In each year where funds are made available for the purpose, the CEP program shall be run subject to the provisions of this section.

…

"**SECTION 7.59.(c)** Application. – By ~~January 15, 2024,~~ April 15 of each year of the program, the Department shall develop the application for the incentive program and make it available to public school units. Public school units or individual schools shall submit their

applications by ~~March 1, 2024.~~ June 1 of each year of the program. At a minimum, the application shall include the following information:

(1) The school or schools that will participate in the CEP program.

(2) The Identified Student Percentage (ISP) for the school or schools for the ~~2024-2025~~ current school year.

(3) The number of students enrolled in the school or schools for the ~~2024-2025~~ current school year.

(4) Participation rates in the National School Breakfast and Lunch programs for the 2023-2024 school year for the schools requesting to receive the incentive.

"**SECTION 7.59.(d)** Selection. – By ~~April 30, 2024,~~ July 15 of each year of the program, the Department shall determine whether each applicant is eligible to participate in the incentive program. The Department shall then award grants to all eligible public school units and schools. If there are insufficient funds to award grants to all eligible public school units or schools, the Department shall first prioritize awarding grants to public school units and schools with an Identified Student Percentage (ISP) of greater than or equal to fifty-five percent (55%) and then prioritize awarding grants to those schools that will draw the greatest federal match.

"**SECTION 7.59.(e)** Grants. – The Department shall issue State reimbursements to participating public school units and schools to supplement federal reimbursements of school meals. State reimbursement shall equal the difference between the federal free rate and the federal paid rate for the number of meals served at the participating schools equal to a 0.2 multiplier of the ISP for the participating schools. State and federal reimbursements shall not exceed one hundred percent (100%) of the federal free rate of meals served. Schools utilizing the incentive shall ~~offer breakfast after the bell and in the classroom.~~have an innovative breakfast option available where students have access to breakfast and are allowed to consume breakfast in the classroom.

…

"**SECTION 7.59.(g)** Report. – No later than January ~~1, 2025,~~ 1 of each year of the program, the Department shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division at least the following information:

…."

STUDENT USE OF WIRELESS COMMUNICATION DEVICES

SECTION 7.33.(a) Article 7B of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 7. Classroom Policies.

"**§ 115C-77.1. Cell phone-free education policy.**

(a) Governing bodies of public school units shall adopt a cell phone-free education policy to eliminate or severely restrict student access to cell phones during instructional time.

(b) The cell phone-free education policy shall allow student use of cell phones during instructional time as follows:

(1) If authorized by a teacher for educational purposes. The governing body may establish parameters to be followed by a teacher in granting authorizations.

(2) As required by the student's individualized education program or section 504 (29 U.S.C. § 794) plan.

(3) As required to manage a student's health care, in accordance with a documented medical condition.

(c) At the beginning of each school year, governing bodies of public school units shall notify parents of all students enrolled in the public school unit of the Cell Phone-Free Education Policy adopted under subsection (a) of this section.

(d) The requirements of this section shall not apply to the following:

(1) Remote charter academies as defined in G.S. 115C-218.120.

(2) Remote academies as defined in G.S. 115C-234."

SECTION 7.33.(b) G.S. 115C-77.1, as enacted by this section, shall not apply to virtual charter schools participating in the pilot program as authorized by Section 8.35 of S.L. 2014-100, as amended by Section 8.13 of S.L. 2016-94, Section 7.13 of S.L. 2018-5, Section 7.13 of S.L. 2022-74, and Section 7.26 of S.L. 2023-134.

PUBLIC SCHOOL ENROLLMENT STABILITY FOR MILITARY STUDENTS

SECTION 7.35. G.S. 115C-366(a9) reads as rewritten:

"(a9) A student who is not a domiciliary of a local school administrative unit shall be permitted to register to enroll in the public schools of that unit by remote means, including electronic means, prior to commencement of the student's residency in the local school administrative unit if all of the following apply:

(1) A parent or legal guardian is (i) on active military duty and is transferred or pending transfer pursuant to an official military order to a military installation or reservation in the ~~State.~~State or (ii) will be separating from active military duty within a 12-month period.

(2) Upon request by the local school administrative unit where the student seeks to register to enroll, a parent or legal guardian provides a copy of (i) the official military order transferring to a military installation or reservation located in the ~~State.~~State, (ii) the official separation orders, or (iii) an official military document showing the anticipated date of separation or date of projected Permanent Change of Station to the State.

(3) A parent or legal guardian completes and submits the local school administrative unit's required enrollment forms and documentation, ~~except that~~ other than proof of residency and documentation related to disciplinary actions pursuant to ~~G.S. 115C-366(a4) shall not be required until the student transfers into the local school administrative unit, at which time they shall be required prior to commencing attendance.~~subsection (a4) of this section.

(4) A parent or legal guardian shall submit proof of residency and documentation related to the disciplinary actions pursuant to subsection (a4) of this section upon the child commencing attendance. If the proof of residency has not yet become available because the parent or legal guardian and child are residing in temporary housing, the local school administrative unit shall do the following:

a. Allow the child to enroll and begin attending school in that unit of anticipated domicile for a period of up to one year (i) from the parent or legal guardian's reporting-for-duty date, separation date from active military duty, or anticipated separation date from active military duty or (ii) through the end of the school year before being considered a resident of another local school administrative unit.

b. Allow a child who is a high school junior or senior to enroll and begin attending school in that unit of anticipated domicile through high school graduation.

A local school administrative unit shall make available to a student who registers to enroll pursuant to this subsection the same opportunities available to a student enrolled contemporaneously with domicilia, such as requesting or applying for school assignment, registering for courses, and applying for any other programs that require additional request or application. ~~A student enrolled pursuant to this subsection may not attend school in the local school administrative unit until proof of residency is provided in accordance with the requirements of the local school administrative unit.~~Nothing in this subsection shall be construed

to curtail a local school administrative unit's authority pursuant to ~~G.S. 115C-366(a5).~~subsection (a5) of this section."

EXTENDED LEARNING AND INTEGRATED STUDENT SUPPORTS COMPETITIVE GRANT PROGRAM

SECTION 7.36. Article 16 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 7A. Extended Learning and Integrated Student Supports Grant Program.

"**§ 115C-238.35. Program; purpose.**

(a) Program; Purpose. – There is established the Extended Learning and Integrated Student Supports Grant Program (Program). Nonprofit corporations and nonprofit corporations working in collaboration with local school administrative units operating relevant programs may apply for the Program. The purpose of the Program is to fund high-quality, independently validated extended learning and integrated student support service programs for at-risk students that raise standards for student academic outcomes by focusing on the following:

(1) Use of an evidence-based model with a proven track record of success.

(2) Inclusion of rigorous, quantitative performance measures to confirm effectiveness of the program.

(3) Deployment of multiple tiered supports in schools to address student barriers to achievement, such as strategies to improve chronic absenteeism, antisocial behaviors, academic growth, and enhancement of parent and family engagement.

(4) Alignment with State performance measures, student academic goals, and the North Carolina Standard Course of Study.

(5) Prioritization in programs to integrate clear academic content, in particular, science, technology, engineering, and mathematics (STEM) learning opportunities or reading development and proficiency instruction.

(6) Minimization of student class size when providing instruction or instructional supports and interventions.

(7) Expansion of student access to high-quality learning activities and academic support that strengthen student engagement and leverage community-based resources, which may include organizations that provide mentoring services and private-sector employer involvement.

(8) Utilization of digital content to expand learning time, when appropriate.

(b) Program Requirements. – In each year in which sufficient funds are available, the Department of Public Instruction shall administer the Program in accordance with this Part.

(c) Program Funding. – The Department shall use up to seven million dollars ($7,000,000) from the At-Risk Student Services Alternative School Allotment each fiscal year to fund the Program. Of the funds used to fund the Program, the Department may use up to two hundred thousand dollars ($200,000) for each fiscal year for expenses of administering the Program.

"**§ 115C-238.36. Awards; eligible uses.**

(a) Eligible Uses. – Grants shall be used to award funds for new or existing eligible programs for at-risk students operated by nonprofit corporations and nonprofit corporations working in collaboration with local school administrative units. Programs should focus on serving (i) at-risk students not performing at grade level as demonstrated by statewide assessments, (ii) students at risk of dropout, and (iii) students at risk of school displacement due to suspension or expulsion as a result of antisocial behaviors. Priority consideration shall be given to applications demonstrating models that focus services and programs in schools that are identified as low-performing pursuant to G.S. 115C-105.37.

(b) Awards; Required Match. – Grant participants are eligible to receive grants for up to two years in an amount of up to five hundred thousand dollars ($500,000) each year. A grant participant shall provide certification to the Department of Public Instruction that the grants received under the Program shall be matched on the basis of three dollars ($3.00) in grant funds for every one dollar ($1.00) in nongrant funds. Matching funds shall not include other State funds. The Department shall also give priority consideration to an applicant that is a nonprofit corporation working in partnership with a local school administrative unit resulting in a match utilizing federal funds under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended, or Title IV of the Higher Education Act of 1965, as amended, and other federal or local funds. Matching funds may include in-kind contributions for up to fifty percent (50%) of the required match.

(c) A nonprofit corporation may act as its own fiscal agent for the purposes of this Program.

"**§ 115C-238.37. Reporting requirements.**

(a) Recipient Reporting. – No later than July 15 of each year in which a grant recipient is participating in the Program, the recipient shall report to the Department of Public Instruction on the expenditure of grant funds and the progress of the Program, including alignment with State academic standards, data collection for reporting student progress, the source and amount of matching funds, and other measures, before receiving funding for the next fiscal year. Grant recipients shall also submit a final report on key performance data, including statewide test results, attendance rates, graduation rates, and promotion rates, and financial sustainability of the Program.

(b) Department Reporting. – No later than September 15 of each year of the Program, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee on the Program, including recommendations regarding effective program models, standards, and performance measures based on student performance, leveraging of community-based resources to expand student access to learning activities, academic and behavioral support services, and potential opportunities for the State to invest in proven models for future grant programs."

TEACHER APPRENTICESHIP PROGRAM

SECTION 7.37.(a) Article 17D of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-269.33. Teacher Apprenticeship Program.**

(a) Definitions. – The following definitions shall apply in this section:

(1) Advanced Teaching Roles unit. – As defined in G.S. 115C-310.3(6).

(2) Apprentice. – A person who is employed as an apprentice by an apprenticeship employer and meets all of the following criteria:

a. Holds a bachelor's degree.

b. Is eligible to hold or holds one of the following:

1. An emergency license.

2. A residency license.

3. A permit to teach issued by the Department in accordance with rules adopted by the State Board of Education.

c. Submitted a Free Application for Federal Student Aid (FAFSA).

(3) Apprenticeship employer. – An Advanced Teaching Roles unit that meets all of the following criteria:

a. Has a registered apprenticeship program under requirements established by the United States Department of Labor.

b. Employs apprentices under the Program.

(4) Department. – The Department of Public Instruction.

(5) Program. – The Teacher Apprenticeship Program.
(6) RFP. – Request for proposals.

(b) Program Established; Purpose. – There is established the Teacher Apprenticeship Program as a competitive grant program for the purpose of increasing the number of professionally licensed teachers in the State and improving teacher competency, student outcomes, and teacher retention in the State. The Department of Public Instruction shall administer the Program in collaboration with ApprenticeshipNC as set forth in this section.

(c) Request for Proposals. – No later than November 1 of each year, ApprenticeshipNC shall issue an RFP for the Program. Advanced Teaching Roles units may submit proposals by January 1 of the following calendar year. Proposals shall include at least the following information:

(1) A plan to establish a registered teacher apprenticeship program in collaboration with ApprenticeshipNC, including at least the following information:
a. The number of apprentices the unit intends to employ using grant funds for State-funded salary supplements, State-funded enrollment expenses, or both.
b. Specific subject areas and grade levels in the local school administrative unit with teacher shortages.
(2) A system of supports that would be provided for apprentices, including qualifications of mentor teachers and a schedule of supervision.
(3) Alternative sources of funding to support apprenticeships that could be paired with State funds received under the Program, including federal workforce development funds.
(4) An explanation of how the unit would incorporate its registered teacher apprenticeship program with its advanced teaching roles program to enhance the learning environment for apprentices.
(5) Strategies to encourage candidates to accept an apprenticeship instead of directly entering the teacher profession on a Residency License, Emergency License, or permit to teach.

(d) Selection of Recipients. – By March 15 of each school year in which proposals are submitted, ApprenticeshipNC shall review the proposals and select local school administrative units to participate in the Program, beginning in the subsequent school year. ApprenticeshipNC shall notify the Department of its selections, and the Department shall allocate funds to the selected Advanced Teaching Roles units in accordance with subsection (e) of this section.

(e) Allocation of State Grant Funds. – To the extent funds are appropriated by the General Assembly for this purpose, the Department shall allocate the funds for grants to apprenticeship employers based on the number of apprentices the unit intends to employ receiving grant funds for State-funded salary supplements, State-funded enrollment expenses, or both, up to a maximum of 10 total apprentices per unit, as follows:

(1) Up to seven thousand five hundred dollars ($7,500) per apprentice per year, plus any additional funds necessary for benefits, to provide salary supplements for apprentices in accordance subdivision (3) of subsection (f) of this section.
(2) Up to five thousand dollars ($5,000) per apprentice per year for the costs of enrollment of an apprentice in an institution of higher education in accordance with subdivision (5) of subsection (f) of this section.

(f) Program Requirements. – The following minimum requirements shall apply to apprentices and apprenticeship employers under the Program:

(1) Number of apprentices. – An apprenticeship employer shall employ no more than a maximum of 10 total apprentices who receive grant funds for State-funded salary supplements, State-funded enrollment expenses, or both.

An apprenticeship employer may employ additional apprentices receiving funds for salary supplements or education expenses from other sources.

(2) Funds for positions. – An apprenticeship employer may employ apprentices using State funds allotted for teacher assistant positions, with roles and responsibilities modified to meet the requirements of the Program, or other available funds.

(3) Salary supplements. – As follows:

a. An apprenticeship employer shall provide the following salary supplements:

1. For each apprentice, up to a maximum of seven thousand five hundred dollars ($7,500) per apprentice.

2. For each mentor teacher, up to a maximum of five thousand dollars ($5,000) per mentor teacher.

b. An apprenticeship employer may provide a salary supplement for any other teacher employed by the local school administrative unit who agrees to become the teacher of record for additional students to facilitate the operation of the registered apprenticeship program in that unit, up to a maximum of three thousand dollars ($3,000).

(4) Mentors. – Each apprentice shall work full time in a classroom with a mentor teacher who is a member of a team of teachers that is led by a teacher with an advanced teaching role. For purposes of this subdivision, a mentor teacher may include a classroom excellence teacher as defined in G.S. 115C-310.3(7).

(5) Enrollment costs. – An apprentice shall enroll in or remain enrolled in a recognized educator preparation program. An apprenticeship employer may provide up to a maximum of five thousand dollars ($5,000) per apprentice per year for the costs of enrollment in an institution of higher education. These funds shall only be used after the apprentice has exhausted all other scholarships or grants covering the cost of attendance at an institution of higher education, including federal Pell grants.

(6) Limitations. – An apprentice shall not do any of the following:

a. Serve as the teacher of record for any students.

b. Engage in substitute teaching for more than eight hours per week.

c. Work as an apprentice for more than three years.

(g) Term. – The Department shall award grant funds to selected Advanced Teaching Roles units to serve as apprenticeship employers for one or more terms of three years. Prior to the conclusion of a term, ApprenticeshipNC shall evaluate the success of the Program at the unit and the compliance of the unit with the requirements of this section. At the conclusion of the evaluation, ApprenticeshipNC may, in its discretion, renew the apprenticeship employer for an additional term. Throughout the Program, an apprenticeship employer shall provide any information or access requested by ApprenticeshipNC to evaluate the registered apprenticeship program pursuant to this section.

(h) Emergency Position Conversion. – Notwithstanding G.S. 115C-105.25(b), an apprenticeship employer may convert one position allocated to the unit for classroom teachers to its dollar equivalent at the salary on the first step of the "A" Teachers Salary Schedule for every one apprentice employed by the unit who is receiving State grant funds if all of the following are met:

(1) The apprentice receiving State grant funds would have been eligible to fill the vacant position using a residency license, emergency license, or permit to teach but was instead hired into the apprentice position.

(2) The funds are only used for one or more of the following purposes in accordance with the requirements of the Program:

a. Salary supplements for apprentices.
b. Salary supplements for mentor teachers.
c. Costs of enrollment in an institution of higher education.
d. Salary supplements for teachers identified in sub-subdivision b. of subdivision (3) of subsection (f) of this section.

(i) Administration. – Of the funds appropriated to the Department of Public Instruction for the Program for each fiscal year, the Department shall allocate the greater of fifteen percent (15%) or three hundred thousand dollars ($300,000) to ApprenticeshipNC to do all of the following in consultation with the Department:

(1) Outline the duties and responsibilities of apprentices, including on-the-job training requirements.
(2) Collaborate with recognized educator preparation programs to establish education requirements for apprentices and revise curriculum requirements for student teaching to include apprenticeships under the Program.
(3) Create minimum competencies for apprentices that reflect the progressive acquisition of ability.
(4) Create resources that can be used by apprenticeship employers to select and train mentor teachers, including the responsibilities of a mentor teacher and background information on teacher apprenticeship programs.
(5) Develop a process to monitor apprentices in their first years of teaching after successful completion of the Program to evaluate the qualities of teacher candidates that correlate to successful outcomes and lower teacher turnover rates.
(6) Assist apprenticeship employers with the following:
a. Combining State and federal funds to maximize the number of apprentices in the Program.
b. Complying with applicable State and federal law.
(7) Develop a training module for mentor teachers that establishes standards for mentor teachers under the Program and incorporates, where applicable, any preexisting standards for mentor teachers.

(j) Report. – No later than March 15 of each year, ApprenticeshipNC shall report to the Joint Legislative Education Oversight Committee on the Program, including at least the following information:

(1) The impact of the Program for each apprenticeship employer on the following:
a. The number of teachers, disaggregated by licensure type.
b. Student outcomes.
c. Teacher retention.
(2) Successful strategies and best practices used by apprenticeship employers.
(3) Any barriers to expanding the Program."

SECTION 7.37.(b) G.S. 115C-269.32 is repealed.

SECTION 7.37.(c) Notwithstanding any other provision of law or a provision of the Committee Report described in Section 43.2 of S.L. 2023-134 to the contrary, of the one million dollars ($1,000,000) in recurring funds allocated for the Teacher Apprentice Grant Program pursuant to G.S. 115C-269.32, beginning in the 2025-2026 fiscal year, these funds shall instead be used for the Teacher Apprenticeship Program established pursuant to subsection (a) of this section.

SECTION 7.37.(d) This section becomes effective July 1, 2025. ApprenticeshipNC shall issue the initial request for proposals pursuant to G.S. 115C-269.33, as enacted by subsection (a) of this section, by November 1, 2025, for applications from local school administrative units to establish registered teacher apprenticeship programs beginning in the 2026-2027 school year. Notwithstanding G.S. 115C-269.33(j), as enacted by subsection (a) of

this section, ApprenticeshipNC shall provide its initial report on the impact of the Teacher Apprenticeship Program by March 15, 2027.

CTE MODERNIZATION

SECTION 7.38. Of the funds appropriated to the Department of Public Instruction in this act, up to two million dollars ($2,000,000) in nonrecurring funds for each year of the 2025-2027 fiscal biennium shall be used to create a grant program for modernization of Career and Technical Education (CTE) programming, materials, training, and professional development for courses conducted in grades six through 12. The Department shall establish a grant program for each school year of the 2025-2027 fiscal biennium to which a public school unit or regional partnership of more than one public school unit may apply to receive funds if a school within the unit or partnership has an existing CTE program. Grant recipients shall use the funds distributed to them under this section to procure and implement an online digital CTE learning platform containing comprehensive courses with lesson plans, media-rich content and activities, and interactive assessments that align with the North Carolina Career and Technical Education Standards. The platform shall have modules that assist teachers in preparing students for high-wage, high-growth career areas. By October 1, 2025, the Department shall select approved providers to guarantee consistency throughout the State. Any selected digital CTE learning platform shall include at least all of the following components:

(1) Instructional strategies and guided lesson plans to assist teachers with classroom implementation and instructional differentiation.
(2) Media-based instructional content for providing demonstrations and instruction on skills required for applicable career areas.
(3) Multiple methods of delivery of instruction, including at least face-to-face, self-paced, and distance or hybrid learning.
(4) Guided projects and activities to incorporate hands-on application of skills.
(5) A focus on mastery-based learning.
(6) Reporting features to provide data on student progress.
(7) Guidance for students to obtain industry-recognized certifications.
(8) Career connections to provide examples of career opportunities following graduation from high school.

K-5 PERFORMING AND VISUAL ARTS REQUIREMENT

SECTION 7.39.(a) Part 1 of Article 8 of Chapter 115C of the General Statutes is amended by adding the following new sections to read:

"**§ 115C-81.95. Elementary performing arts education.**

Each local school administrative unit shall provide all students in kindergarten through grade five instruction in music, dance, or theatre arts that aligns with the Standard Course of Study. The instruction shall meet at least the following criteria:

(1) Occur during at least one instructional day out of every five instructional days.
(2) Be taught by at least one licensed music, dance, or theatre arts education instructor.
(3) Instructional sessions shall last at least 30 consecutive minutes.
(4) Instructional sessions shall be given to classes no larger than the maximum classroom size per instructional session for each grade, as provided in G.S. 115C-301.

"**§ 115C-81.96. Elementary visual arts education.**

Each local school administrative unit shall provide all students in kindergarten through grade five instruction in the visual arts that aligns with the Standard Course of Study. The instruction shall meet at least the following criteria:

(1) Occur during at least one instructional day out of every five instructional days.

(2) Be taught by at least one licensed visual arts education instructor.
(3) Instructional sessions shall last at least 30 consecutive minutes.
(4) Instructional sessions shall be given to classes no larger than the maximum classroom size per instructional session for each grade, as provided in G.S. 115C-301."

SECTION 7.39.(b) This section is effective when it becomes law and applies beginning with the 2026-2027 school year.

EARLY LITERACY PROGRAM/DYSLEXIA

SECTION 7.40.(a) G.S. 115C-83.4B(b) reads as rewritten:

"(b) As part of the Early Literacy Program, the Department of Public Instruction shall focus on at least the following components:

(1) Provide a training program to educators and administrators working with children in the NC Pre-K program to ensure developmentally appropriate instruction grounded in the Science of Reading and outcomes promoting reading achievement in students. The Department of Public Instruction shall utilize a third-party independent teacher training program to deliver professional development that demonstrates evidence-based success with educators and administrators in establishing deep knowledge of literacy instruction.
(2) Provide integration of age-appropriate resources, including digital and technological resources, in the NC Pre-K program for children to meet reading achievement goals.
(3) Ensure administration of a formative assessment to children at the conclusion of their participation in the NC Pre-K program to determine their kindergarten readiness and the alignment of their literacy instruction with the Science of Reading. The Department shall also ensure that the results of each child's formative assessment are shared with the child's kindergarten teacher at the beginning of the next school year.
(4) Ensure administration of a dyslexia screening instrument to every student participating in the NC Pre-K program. The Department shall ensure that the results of each child's screening are shared with the child's kindergarten teacher at the beginning of the next school year.
(5) Provide training to educators and administrators working with children in the NC Pre-K program to ensure appropriate instruction and intervention strategies are used with students who exhibit potential indicators of dyslexia."

SECTION 7.40.(b) This section applies beginning with the 2025-2026 school year.

MODIFY CTE GRANTS FOR HOMEBUILDING PROGRAMS

SECTION 7.41.(a) Article 10 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 6. Grants for CTE Homebuilding Programs.

"**§ 115C-173.20. Grant program established; purpose; use of funds.**

There is established the CTE Homebuilding Grant Program to provide grants to assist public school units with curriculum costs associated with CTE programs related to the U.S. Department of Labor approved Pre-Apprenticeship Certificate Training (PACT) program developed by the Home Builders Institute. The Department of Public Instruction shall permit high schools within public school units to use the PACT program as an approved curriculum for CTE programs. A public school unit or a regional partnership of more than one public school unit may apply to receive funds. When awarding grants under this Part, the Department shall prioritize public school units (i) located, in whole or in part, in a county with at least one local school

administrative unit that received low-wealth supplemental funding in the previous fiscal year and (ii) that have a high population of at-risk students or students with disabilities.

"**§ 115C-173.21. Application.**

The Department shall create and make available to all public school units an application for grants under this Part no later than July 15 of each year that funds are made available for this purpose. Applicants shall submit their application to receive grant funds to the Department no later than 60 days after the application is made available. The Department shall approve or deny each application within 30 days of receipt by the Department.

"**§ 115C-173.24. Reporting.**

All recipients of grants under this Part shall submit a report to the Department on the outcomes of any programs funded by grants received pursuant to this Part no later than October 15 of each year that funds are received, including data collection methods for reporting on student outcomes, impacts of the program, and use of State funds. The Department shall then submit a report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the overall outcomes of the grant programs no later than December 15 of each year that funds are made available for this purpose."

SECTION 7.41.(b) Section 7.19 of S.L. 2023-134 is repealed.

USE OF LOCAL SCHOOL ADMINISTRATIVE UNIT MAINTAINED PROPERTIES FOR PUBLIC HEARINGS

SECTION 7.42.(a) Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.21. Use of schools and other public buildings for public hearings.**

(a) The governing authority having control over (i) public buildings or (ii) schools governed by a local board of education which have facilities for group meetings is hereby authorized and directed to permit the use of such buildings without charge, except custodial and utility fees, by the Department for public hearings. Provided, that the use of such buildings or schools by the Department for public hearings shall not be permitted at times during the school day or which would interfere with normal school activities or functions normally carried on in such school buildings, and such use shall be subject to reasonable rules and regulations of the governing body of the public school unit and other governing authorities.

(b) The Department of Environmental Quality shall be entitled to use any school governed by a local board of education or other State, county, or municipal building, or a part thereof, or any other building, or a part thereof, which is supported or maintained, in whole or in part, by or through tax revenues; provided, however, that this section shall not be construed to permit the Department to use any tax-exempt church property for such purposes without the express consent of the individual church involved for the purpose of conducting public hearings."

SECTION 7.42.(b) G.S. 115C-47 is amended by adding a new subdivision to read:

"(70) To Provide Access to School Facilities to the Department of Environmental Quality. – A local board of education shall adopt policies to allow the Department of Environmental Quality to have access to facilities that can facilitate group meetings on school property of a school governed by the local school board pursuant to G.S. 143B-279.21(a)."

SECTION 7.42.(c) This section is effective July 1, 2025, and applies beginning with the 2025-2026 school year.

RESIDENCY LICENSES FOR NONPUBLIC EC TEACHERS

SECTION 7.43.(a) G.S. 115C-270.20(a) reads as rewritten:

"(a) Teacher Licenses. – The State Board shall adopt rules for the issuance of the following classes of teacher licenses, including required levels of preparation for each classification:

…

(5) Residency License or RL. – A one-year license, renewable twice, that meets both of the following requirements:

a. Is requested by ~~the governing body of a public school unit and accompanied by a certification of supervision from the recognized educator preparation program in which the individual is enrolled.~~any of the following entities and is accompanied by a certification of supervision from the recognized educator preparation program in which the individual is enrolled:

1. The governing body of a public school unit.
2. A nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter.
3. A nonpublic school approved and monitored by the Department of Public Instruction that provides services for students with extraordinary costs. For the purposes of this subsection, extraordinary costs shall include costs directly attributable to providing the special education services on the student's IEP.

b. The individual for whom the license is requested meets all of the following requirements:

1. Holds at least one of the following:
   I. A bachelor's degree.
   II. An advanced degree.
2. Has either completed coursework relevant to the requested licensure area or passed the content area examination relevant to the requested licensure area that has been approved by the State Board.
3. Is enrolled in a recognized educator preparation program.
4. Meets all other requirements established by the State Board, including completing preservice requirements prior to teaching.

…."

SECTION 7.43.(b) This section is effective when it becomes law and applies to applications for residency licenses occurring on or after that date.

SOCIAL MEDIA LITERACY IN SCHOOLS

SECTION 7.44.(a) G.S. 115C-47 is amended by adding a new subdivision to read:

"(70) To Adopt an Internet Safety Policy. – Local boards of education shall adopt policies for student access to the internet provided by the local school administrative unit. The policies shall do at least the following:

a. Limit access by students to only age-appropriate subject matter and materials.
b. Protect the safety and security of students when accessing email, chat rooms, and other forms of electronic communication.
c. Prohibit access by students to data or information maintained by the local school administrative unit, including by "hacking" and other unlawful online activities.
d. Prevent access to websites, web applications, or software that does not protect against the disclosure, use, or dissemination of a student's personal information.
e. Prohibit and prevent students from accessing social media platforms through the use of internet access provided by the local school

administrative unit, except when expressly directed by a teacher solely for educational purposes."

SECTION 7.44.(b) Part 1 of Article 8 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-81.26. Social media and mental health.**

Each local board of education shall provide instruction on social media and its effects on health, including social, emotional, and physical effects. Instruction shall be provided once during elementary school, once during middle school, and twice during high school. Instruction may be included as part of the mental and emotional health instruction provided pursuant to G.S. 115C-81.25. Instruction on this topic shall include at least the following:

(1) Negative effects of social media on mental health, including addiction.
(2) The distribution of misinformation on social media.
(3) Methods of manipulating behavior using social media.
(4) The permanency of information shared online.
(5) How to maintain personal security.
(6) How to identify cyberbullying, predatory behavior, and human trafficking on the internet.
(7) How to report suspicious behavior encountered on the internet.
(8) Personal and interpersonal skills or character education that enhances individual level protective factors and mitigates or reduces risk-taking or harmful behavior."

SECTION 7.44.(c) This section is effective when it becomes law and applies beginning with the 2025-2026 school year.

CAREER DEVELOPMENT ADJUSTMENT

SECTION 7.45.(a) Pilot Program Established; Purpose. – The Superintendent of Public Instruction shall create an Annual Career Development Plan Pilot Program (Program) for students entering the seventh grade at select schools during the 2025-2026 and 2026-2027 school years and continuing through the students' graduation from high school. The purpose of the Program shall be to evaluate the efficacy of reviewing Career Development Plans (Plans) annually to better align students for on-time graduation and achievement of college and career goals and to ensure that all students graduate from high school college or career ready.

SECTION 7.45.(b) Definitions. – The following definitions apply to this section:

(1) Career Development Plan. – An individual plan created by each student that establishes the student's plan throughout middle and high school for graduation and career development pursuant to G.S. 115C-158.10.
(2) Local board of education. – A local board of education governing a partnered school.
(3) Parent. – Defined in G.S. 115C-76.1.
(4) Partnered school. – A middle school and high school governed by a local board of education where at least half of the student population of the middle school is assigned to attend the associated high school.

SECTION 7.45.(c) Partnered Schools. – The Superintendent shall select 12 partnered schools that are proportionally representative of the population size and geographic distribution of public high schools in the State. The Superintendent shall provide a process for schools to apply to participate in the Program as partnered schools. The Superintendent shall be responsible for the final selection of partnered schools. In the event that there are fewer than 12 applicants, the Superintendent shall collaborate with local superintendents to select schools to be partnered schools. Partnered schools shall have each student entering the seventh grade during the 2025-2026 and 2026-2027 school years complete an annual review of Plans.

SECTION 7.45.(d) Local Board of Education and IEP Support. – The local board of education shall ensure that students in partnered schools are provided assistance by a school counselor and planning time during the instructional day each school year to update their Plans. For students with disabilities, the student's IEP team, if applicable, may assist the student in completing and updating the Plan. Updates to Plans shall be made prior to student scheduling of courses for the next school year.

SECTION 7.45.(e) Parental Involvement. – Partnered schools shall encourage parents to participate in development of Plans with their students and to sign a form provided by the school acknowledging the annual revisions of the Plans. Local boards of education shall ensure that Plans are easily accessible to students and parents and shall provide parents annual written notice of the creation or revision of a Plan, information on how to access the Plan, a listing of course offerings for the next school year with a description of the content of each course, and high school graduation requirements where appropriate. Prior to creating or updating a student's Plan, a school counselor shall attempt to meet with the student's parent, either in person or virtually, to explain the possible effects that the Plan might have on the student's graduation requirements and career development planning. Beginning in the tenth grade and continuing throughout the student's high school enrollment, a school counselor shall provide each student and parent information regarding State and federal need-based and merit-based financial aid programs to support postsecondary education and training using information provided by the State Education Assistance Authority and College Foundation of North Carolina. The school counselor shall also provide information on the free application for federal student aid (FAFSA), its use, and notify the parent that information included in the FAFSA is confidential and not accessible by the school.

SECTION 7.45.(f) Initial Career Development Plans. – Students in seventh grade in partnered schools shall develop an initial career development plan which will provide guidance as students develop Plans.

SECTION 7.45.(g) Annual Career Development Plan Updates. – In partnered schools, Plans shall be updated annually in addition to the following information being provided to students:

(1) For eighth grade students, by the end of the school year, a list of the required core courses to be taken in ninth and tenth grades.

(2) For tenth grade students, an identification of the graduation requirements relevant to the student's chosen postsecondary goals based on the student's career development planning.

(3) For eleventh grade students not meeting the career and college readiness standards established by the State Board of Community Colleges, a plan for enrolling in remedial coursework for his or her senior year.

(4) Any other minimum requirements established by the Superintendent.

SECTION 7.45.(h) Reporting Requirement. – The Superintendent or a local board of education shall develop reporting requirements for partnered schools participating in the Program to provide information on the effectiveness of the annual review of the Plans. The Superintendent shall report to the Joint Legislative Education Oversight Committee by August 15, 2026, and each year thereafter on the progress of the Program, including any logistical issues that have arisen with the Program.

FAILURE FREE READING

SECTION 7.46. Notwithstanding G.S. 115C-83.12, 115C-150.12C(3a), 115C-218.85(5), 115C-269.20(a)(2), or 116-239.8, of the funds appropriated to the Department of Public Instruction, one million two hundred thousand dollars ($1,200,000) in nonrecurring funds for the 2025-2026 fiscal year shall be used to contract with JFL Enterprises, Inc., for a Failure Free Reading Program (Program) to improve middle school literacy. The Department

shall report to the Joint Legislative Education Oversight Committee by September 15, 2026, on the number of public school units that participated in the Program and comparing outcomes of students in public school units that participated in the Program against those public school units that did not. The report shall include any recommendations by the Department on changes to the Program.

STUDY HVAC SOLUTIONS FOR WAKE COUNTY PUBLIC SCHOOL SYSTEM PROPERTY

SECTION 7.47. Of the funds appropriated in this act to the Department of Public Instruction, the sum of five hundred thousand dollars ($500,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to conduct a study to identify high-efficiency, next generation heating, ventilation, and air conditioning systems (HVAC) and chiller solutions for property owned by the Wake County Public School System. The Department shall consult with the Wake County Board of Education and may consult with other boards of education in the State in conducting the study. Not later than February 15, 2027, the Department shall report the findings of the study, including any recommendations for legislation, to the Joint Legislative Education Oversight Committee and the Wake County Board of Education and shall post the findings and recommendations on its website so that they may be accessed by all local boards of education in the State and other interested stakeholders.

INTERSTATE COMPACT FOR SCHOOL PSYCHOLOGISTS

SECTION 7.48.(a) Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 17F.

"School Psychologist Interstate Licensure Compact.

"**§ 115C-270.40. Purpose.**

The purpose of this Compact is to facilitate the interstate practice of School Psychology in educational or school settings, and in so doing to improve the availability of School Psychological Services to the public. This Compact is intended to establish a pathway to allow School Psychologists to obtain equivalent licenses to provide School Psychological Services in any Member State. In this way, this Compact shall enable the Member States to ensure that safe and effective School Psychological Services are available and delivered by appropriately qualified professionals in their educational settings. To facilitate the objectives described above, this Compact does the following:

(1) Enables School Psychologists who qualify for receipt of an Equivalent License to practice in other Member States without first satisfying burdensome and duplicative requirements.

(2) Promotes the mobility of School Psychologists between and among the Member States in order to address workforce shortages and to ensure that safe and reliable School Psychological Services are available in each Member State.

(3) Enhances the public accessibility of School Psychological Services by increasing the availability of qualified, licensed School Psychologists through the establishment of an efficient and streamlined pathway for Licensees to practice in other Member States.

(4) Preserves and respects the authority of each Member State to protect the health and safety of its residents by ensuring that only qualified, licensed professionals are authorized to provide School Psychological Services within that state.

(5) Requires School Psychologists practicing within a Member State to comply with the Scope of Practice laws present in the state where the School Psychological Services are being provided.

(6) Promotes cooperation between the Member States in regulating the practice of School Psychology within those states.

(7) Facilitates the relocation of military members and their spouses who are licensed to provide School Psychological Services.

"**§ 115C-270.41. Definitions.**

The following definitions shall apply in this Article:

(1) Active Military Member. – Any person with full-time duty status in the Armed Forces of the United States, including members of the National Guard and Reserve.

(2) Adverse Action. – Disciplinary action or encumbrance imposed on a License by a State Licensing Authority.

(3) Alternative Program. – A nondisciplinary, prosecutorial diversion, monitoring, or practice remediation process entered into in lieu of an Adverse Action which is applicable to a School Psychologist and approved by the State Licensing Authority of a Member State in which the participating School Psychologist is licensed. This includes, but is not limited to, programs to which Licensees with substance abuse or addiction issues may be referred in lieu of an Adverse Action.

(4) Commissioner. – The individual appointed by a Member State to serve as the representative to the Commission for that Member State.

(5) Compact. – This School Psychologist Interstate Licensure Compact.

(6) Continuing Professional Education. – A requirement, imposed by a Member State as a condition of License renewal to provide evidence of successful participation in professional educational activities relevant to the provision of School Psychological Services.

(7) Criminal Background Check. – The submission of fingerprints or other biometric information for a License applicant for the purpose of obtaining that applicant's criminal history record information, as defined in 28 C.F.R. § 20.3(d), and the state's criminal history record repository, as defined in 28 C.F.R. § 20.3(f).

(8) Doctoral Level Degree. – A graduate degree program that consists of at least 90 graduate semester hours in the field of School Psychology, including a supervised internship.

(9) Encumbered License. – A License that a State Licensing Authority has limited in any way other than through an Alternative Program, including temporary or provisional licenses.

(10) Executive Committee. – The Commission's Chair, Vice-Chair, Secretary, and Treasurer and any other Commissioners as may be determined by Commission Rule or bylaw.

(11) Equivalent License. – A License to practice School Psychology which a Member State has identified as a License which may be provided to School Psychologists from other Member States pursuant to this Compact.

(12) Home State. – The Member State that issued the Home State License to the Licensee and is the Licensee's primary state of practice.

(13) Home State License. – The License that is not an Encumbered License issued by the Home State to provide School Psychological Services.

(14) License. – A current license, certification, or other authorization granted by a Member State's Licensing Authority that permits an individual to provide School Psychological Services.

(15) Licensee. – An individual who holds a License from a Member State to provide School Psychological Services.

(16) Member State. – A state that has enacted the Compact and been admitted to the Commission in accordance with the provisions herein and Commission Rules.

(17) Model Compact. – The model language for the School Psychologist Interstate Licensure Compact on file with the Council of State Governments or other entity as designated by the Commission.

(18) Practice of School Psychology. – The delivery of School Psychological Services.

(19) Qualifying National Exam. – A national licensing examination endorsed by the National Association of School Psychologists and any other exam as approved by the Rules of the Commission.

(20) Qualifying School Psychologist Education Program. – An education program which awards a Specialist-Level or Doctoral-Level degree or equivalent upon completion and is approved by the Rules of the Commission as meeting the necessary minimum educational standards to ensure that its graduates are ready, qualified, and able to engage in the Practice of School Psychology.

(21) Remote State. – A Member State other than the Home State where a Licensee holds a License through the Compact.

(22) Rule. – A regulation promulgated by an entity, including, but not limited to, the Commission and the State Licensing Authority of each Member State, that has the force of law.

(23) School Psychological Services. – Academic, mental, and behavioral health services, including assessment, prevention, consultation and collaboration, intervention, and evaluation provided by a School Psychologist in a school, as outlined in applicable professional standards as determined by Commission Rule.

(24) School Psychologist. – An individual who has met the requirements to obtain a Home State License that legally conveys the professional title of School Psychologist, or its equivalent, as determined by the Rules of the Commission.

(25) School Psychologist Interstate Licensure Compact Commission (Commission). – The joint government agency established by this Compact whose membership consists of representatives from each Member State that has enacted the Compact, and as further described in G.S. 115C-270.46.

(26) Scope of Practice. – The procedures, actions, and processes a School Psychologist licensed in a state is permitted to undertake in that state and the circumstances under which that Licensee is permitted to undertake those procedures, actions, and processes. Such procedures, actions, and processes, and the circumstances under which they may be undertaken, may be established through means, including, but not limited to, statute, regulations, case law, and other processes available to the State Licensing Authority or other government agency.

(27) Specialist-Level Degree. – A degree program that requires at least 60 graduate semester hours or equivalent in the field of School Psychology, including a supervised internship.

(28) State. – Any state, commonwealth, district, or territory of the United States of America.

(29) State Licensing Authority. – A Member State's regulatory body responsible for issuing Licenses or otherwise overseeing the Practice of School Psychology.

(30) State Specific Requirement. – A requirement for licensure covered in coursework or examination that includes content of unique interest to the state.

(31) Unencumbered License. – A License that authorizes a Licensee to engage in the full and unrestricted Practice of School Psychology.

"**§ 115C-270.42. State participation in the Compact.**

(a) To be eligible to join this Compact, and to maintain eligibility as a Member State, a state must do the following:

(1) Enact a Compact statute that is not materially different from the Model Compact as defined in the Commission's Rules.

(2) Participate in the sharing of information with other Member States as reasonably necessary to accomplish the objectives of this Compact, and as further defined in G.S. 115C-270.47.

(3) Identify and maintain with the Commission a list of Equivalent Licenses available to Licensees who hold a Home State License under this Compact.

(4) Have a mechanism in place for receiving and investigating complaints about Licensees.

(5) Notify the Commission, in compliance with the terms of the Compact and the Commission's Rules, of any Adverse Action taken against a Licensee, or of the availability of investigative information which relates to a Licensee or applicant for licensure.

(6) Require that applicants for a Home State License have done the following:

a. Taken and passed a Qualifying National Exam as defined by the Rules of the Commission.

b. Completed a minimum of 1200 hours of supervised internship, of which at least 600 must have been completed in a School, prior to being approved for licensure.

c. Graduated from a Qualifying School Psychologist Education Program.

(7) Comply with the terms of this Compact and the Rules of the Commission.

(b) Each Member State shall grant an Equivalent License to practice School Psychology in that state upon application by a Licensee who satisfies the criteria of G.S. 115C-270.43(a). Each Member State shall grant renewal of the Equivalent License to a Licensee who satisfies the criteria of G.S. 115C-270.43(b).

(c) Member States may set and collect a fee for granting an Equivalent License.

"**§ 115C-270.43. School psychologist participation in the Compact.**

(a) To obtain and maintain an Equivalent License from a Remote State under this Compact, a Licensee must satisfy the following:

(1) Hold and maintain an active Home State License.

(2) Satisfy any applicable State Specific Requirements established by the Member State after an Equivalent License is granted.

(3) Complete any administrative or application requirements which the Commission may establish by Rule and pay any associated fees.

(4) Complete any requirements for renewal in the Home State, including applicable Continuing Professional Education requirements.

(5) Upon their application to receive a license under this Compact, undergo a criminal background check in the Member State in which the Equivalent License is sought in accordance with the laws and regulations of such Member State.

(b) To renew an Equivalent License in a Member State other than the Home State, a Licensee must only apply for renewal, complete a background check, and pay renewal fees as determined by the Licensing Authority.

"**§ 115C-270.44. Active Military Members or their spouses.**

A Licensee who is an Active Military Member or is the spouse of an Active Military Member shall be deemed to hold a Home State License in any of the following locations:

(1) The Licensee's permanent residence.

(2) A Member State that is the Licensee's primary state of practice.

(3) A Member State where the Licensee has relocated pursuant to a Permanent Change of Station (PCS).

"**§ 115C-270.45. Discipline/adverse actions.**

(a) Nothing in this Compact shall be deemed or construed to limit the authority of a Member State to investigate or impose disciplinary measures on Licensees according to the State Practice Laws thereof.

(b) Member States shall be authorized to receive, and shall provide, files and information regarding the investigation and discipline, if any, of Licensees in other Member States upon request. Any Member State receiving such information or files shall protect and maintain the security and confidentiality thereof, in at least the same manner that it maintains its own investigatory or disciplinary files and information. Prior to disclosing any disciplinary or investigatory information received from another Member State, the disclosing state shall communicate its intention and purpose for such disclosure to the Member State which originally provided that information.

"**§ 115C-270.46. Establishment of the School Psychologist Interstate Licensure Compact Commission.**

(a) The Member States hereby create and establish a joint government agency whose membership consists of all Member States that have enacted the Compact, and this agency shall be known as the School Psychologist Interstate Licensure Compact Commission. The Commission is an instrumentality of the Member States acting jointly and not an instrumentality of any one state. The Commission shall come into existence on or after the effective date of the Compact as set forth in G.S. 115C-270.50.

(b) Membership, Voting, and Meetings.

(1) Each Member State shall have and be limited to one delegate selected by that Member State's State Licensing Authority.

(2) The delegate shall be the primary administrative officer of the Member State Licensing Authority or their designee who is an employee of the Member State Licensing Authority.

(3) The Commission shall by Rule or bylaw establish a term of office for delegates and may by Rule or bylaw establish term limits.

(4) The Commission may recommend removal or suspension of any delegate from office.

(5) A Member State's Licensing Authority shall fill any vacancy of its delegate occurring on the Commission within 60 days of the vacancy.

(6) Each delegate shall be entitled to one vote on all matters before the Commission requiring a vote by Commission delegates.

(7) A delegate shall vote in person or by such other means as provided in the bylaws. The bylaws may provide for delegates to meet by telecommunication, videoconference, or other means of communication.

(8) The Commission shall meet at least once during each calendar year. Additional meetings may be held as set forth in the bylaws. The Commission may meet by telecommunication, video conference, or other similar electronic means.

(c) The Commission shall have the following powers:

(1) Establish the fiscal year of the Commission.

(2) Establish code of conduct and conflict of interest policies.

(3) Establish and amend Rules and bylaws.

(4) Establish the procedure through which a Licensee may change their Home State.

(5) Maintain its financial records in accordance with the bylaws.

(6) Meet and take such actions as are consistent with the provisions of this Compact, the Commission's Rules, and the bylaws.

(7) Initiate and conclude legal proceedings or actions in the name of the Commission, provided that the standing of any Member State Licensing Authority to sue or be sued under applicable law shall not be affected.

(8) Maintain and certify records and information provided to a Member State as the authenticated business records of the Commission and designate an agent to do so on the Commission's behalf.

(9) Purchase and maintain insurance and bonds.

(10) Borrow, accept, or contract for services of personnel, including, but not limited to, employees of a Member State.

(11) Conduct an annual financial review.

(12) Hire employees, elect or appoint officers, fix compensation, define duties, grant such individuals appropriate authority to carry out the purposes of the Compact, and establish the Commission's personnel policies and programs relating to conflicts of interest, qualifications of personnel, and other related personnel matters.

(13) Assess and collect fees.

(14) Accept any and all appropriate gifts, donations, grants of money, other sources of revenue, equipment, supplies, materials, and services and receive, utilize, and dispose of the same; provided that at all times the Commission shall avoid any appearance of impropriety and/or conflict of interest.

(15) Lease, purchase, retain, own, hold, improve, or use any property, real, personal, or mixed, or any undivided interest therein.

(16) Sell, convey, mortgage, pledge, lease, exchange, abandon, or otherwise dispose of any property real, personal, or mixed.

(17) Establish a budget and make expenditures.

(18) Borrow money.

(19) Appoint committees, including standing committees, composed of members, state regulators, state legislators or their representatives, and consumer representatives, and such other interested persons as may be designated in this Compact and the bylaws.

(20) Provide and receive information from, and cooperate with, law enforcement agencies.

(21) Establish and elect an Executive Committee, including a Chair and a Vice-Chair.

(22) Determine whether a state's adopted language is materially different from the Model Compact language such that the state would not qualify for participation in the Compact.

(23) Perform such other functions as may be necessary or appropriate to achieve the purposes of this Compact.

(d) The Executive Committee.

(1) The Executive Committee shall have the power to act on behalf of the Commission according to the terms of this Compact. The powers, duties, and responsibilities of the Executive Committee shall include the following:
a. Oversee the day-to-day activities of the administration of the Compact, including enforcement and compliance with the provisions of the Compact, its Rules and bylaws, and other such duties as deemed necessary.
b. Recommend to the Commission changes to the Rules or bylaws, changes to this Compact legislation, fees charged to Member States, fees charged to Licensees, and other fees.
c. Ensure Compact administration services are appropriately provided, including by contract.
d. Prepare and recommend the budget.
e. Maintain financial records on behalf of the Commission.
f. Monitor Compact compliance of Member States and provide compliance reports to the Commission.
g. Establish additional committees as necessary.
h. Exercise the powers and duties of the Commission during the interim between Commission meetings, except for adopting or amending Rules, adopting or amending bylaws, and exercising any other powers and duties expressly reserved to the Commission by Rule or bylaw.
i. Other duties as provided in the Rules or bylaws of the Commission.

(2) The Executive Committee shall be composed of up to seven members as follows:
a. The Chair and Vice-Chair of the Commission shall be voting members of the Executive Committee.
b. The Commission shall elect five voting members from the current membership of the Commission.

(3) The Commission may remove any member of the Executive Committee as provided in the Commission's bylaws.

(4) The Executive Committee shall meet at least annually as follows:
a. Executive Committee meetings shall be open to the public, except that the Executive Committee may meet in a closed, nonpublic meeting as provided in subdivision (2) of subsection (f) of this section.
b. The Executive Committee shall give 30 days' notice of its meetings, posted on its website and as determined to provide notice to persons with an interest in the business of the Commission.
c. The Executive Committee may hold a special meeting in accordance with sub-subdivision b. of subdivision (1) of subsection (f) of this section.

(e) The Commission shall adopt and provide to the Member States an annual report.

(f) Meetings of the Commission.
(1) All meetings shall be open to the public as follows, except that the Commission may meet in a closed, nonpublic meeting as provided in subdivision (2) of this subsection.
a. Public notice for all meetings of the full Commission shall be given in the same manner as required under the Rulemaking provisions in G.S. 115C-270.48, except that the Commission may hold a special meeting as provided in sub-subdivision b. of this subdivision.
b. The Commission may hold a special meeting when it must meet to conduct emergency business by giving 48 hours' notice to all

commissioners, on the Commission's website, and other means as provided in the Commission's Rules. The Commission's legal counsel shall certify that the Commission's need to meet qualifies as an emergency.

(2) The Commission or the Executive Committee or other committees of the Commission may convene in a closed, nonpublic meeting for the Commission or Executive Committee or other committees of the Commission to receive legal advice or to discuss the following:

a. Noncompliance of a Member State with its obligations under the Compact.

b. The employment, compensation, discipline, or other matters, practices, or procedures related to specific employees.

c. Current or threatened discipline of a Licensee by the Commission or by a Member State's Licensing Authority.

d. Current, threatened, or reasonably anticipated litigation.

e. Negotiation of contracts for the purchase, lease, or sale of goods, services, or real estate.

f. Accusing any person of a crime or formally censuring any person.

g. Trade secrets or commercial or financial information that is privileged or confidential.

h. Information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy.

i. Investigative records compiled for law enforcement purposes.

j. Information related to any investigative reports prepared by or on behalf of or for use of the Commission or other committee charged with responsibility of investigation or determination of compliance issues pursuant to the Compact.

k. Matters specifically exempted from disclosure by federal or Member State law.

l. Other matters as promulgated by the Commission by Rule.

(3) If a meeting, or portion of a meeting, is closed, the presiding officer shall state that the meeting will be closed and reference each relevant exempting provision, and such reference shall be recorded in the minutes.

(4) The Commission shall keep minutes that fully and clearly describe all matters discussed in a meeting and shall provide a full and accurate summary of actions taken, and the reasons therefore, including a description of the views expressed. All documents considered in connection with an action shall be identified in such minutes. All minutes and documents of a closed meeting shall remain under seal, subject to release only by a majority vote of the Commission or order of a court of competent jurisdiction.

(g) Financing of the Commission.

(1) The Commission shall pay, or provide for the payment of, the reasonable expenses of its establishment, organization, and ongoing activities.

(2) The Commission may accept any and all appropriate revenue sources as provided in subdivision (13) of subsection (c) of this section.

(3) The Commission may levy on and collect an annual assessment from each Member State and impose fees on Licensees practicing in the Member States under an Equivalent License to cover the cost of the operations and activities of the Commission and its staff, which must be in a total amount sufficient to cover its annual budget as approved each year for which revenue is not provided by other sources. The aggregate annual assessment amount for

Member States shall be allocated based upon a formula that the Commission shall promulgate by Rule.

(4) The Commission shall not incur obligations of any kind prior to securing the funds adequate to meet the same, nor shall the Commission pledge the credit of any of the Member States, except by and with the authority of the Member State.

(5) The Commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the Commission shall be subject to the financial review and accounting procedures established under its bylaws. However, all receipts and disbursements of funds handled by the Commission shall be subject to an annual financial review by a certified or licensed public accountant, and the report of the financial review shall be included in and become part of the annual report of the Commission.

(h) Qualified Immunity, Defense, and Indemnification.

(1) The members, officers, executive director, employees, and representatives of the Commission shall be immune from suit and liability, both personally and in their official capacity, for any claim for damage to or loss of property or personal injury or other civil liability caused by or arising out of any actual or alleged act, error, or omission that occurred, or that the person against whom the claim is made had a reasonable basis for believing occurred within the scope of Commission employment, duties, or responsibilities; provided that nothing in this subdivision shall be construed to protect any such person from suit or liability for any damage, loss, injury, or liability caused by the intentional or willful or wanton misconduct of that person. The procurement of insurance of any type by the Commission shall not in any way compromise or limit the immunity granted hereunder.

(2) The Commission shall defend any member, officer, executive director, employee, and representative of the Commission in any civil action seeking to impose liability arising out of any actual or alleged act, error, or omission that occurred within the scope of Commission employment, duties, or responsibilities, or as determined by the Commission that the person against whom the claim is made had a reasonable basis for believing occurred within the scope of Commission employment, duties, or responsibilities; provided that nothing herein shall be construed to prohibit that person from retaining their own counsel at their own expense; and provided further, that the actual or alleged act, error, or omission did not result from that person's intentional or willful or wanton misconduct.

(3) The Commission shall indemnify and hold harmless any member, officer, executive director, employee, and representative of the Commission for the amount of any settlement or judgment obtained against that person arising out of any actual or alleged act, error, or omission that occurred within the scope of Commission employment, duties, or responsibilities, or that such person had a reasonable basis for believing occurred within the scope of Commission employment, duties, or responsibilities, provided that the actual or alleged act, error, or omission did not result from the intentional or willful or wanton misconduct of that person.

(4) Nothing herein shall be construed as a limitation on the liability of any licensee for professional malpractice or misconduct, which shall be governed solely by any other applicable state laws.

(5) Nothing in this Compact shall be interpreted to waive or otherwise abrogate a Member State's state action immunity or state action affirmative defense with

respect to antitrust claims under the Sherman Act, Clayton Act, or any other state or federal antitrust or anticompetitive law or regulation.

(6) Nothing in this Compact shall be construed to be a waiver of sovereign immunity by the Member States or by the Commission.

"**§ 115C-270.47. Facilitating information exchange.**

(a) The Commission shall provide for facilitating the exchange of information to administer and implement the provisions of this Compact in accordance with the Rules of the Commission, consistent with generally accepted data protection principles.

(b) Notwithstanding any other provision of state law to the contrary, a Member State shall agree to provide for the facilitation of the following Licensee information as required by the Rules of the Commission, including:

(1) Identifying information.

(2) Licensure data.

(3) Adverse Actions against a Licensee and information related thereto.

(4) Nonconfidential information related to Alternative Program participation, the beginning and ending dates of such participation, and other information related to such participation not made confidential under Member State law.

(5) Any denial of application for licensure, and the reason(s) for such denial.

(6) The presence of investigative information.

(7) Other information that may facilitate the administration of this Compact or the protection of the public, as determined by the Rules of the Commission.

(c) Nothing in this Compact shall be deemed or construed to alter, limit, or inhibit the power of a Member State to control and maintain ownership of its Licensee information or alter, limit, or inhibit the laws or regulations governing Licensee information in the Member State.

"**§ 115C-270.48. Rulemaking.**

(a) The Commission shall exercise its Rulemaking powers pursuant to the criteria set forth in this interstate compact and the Rules adopted thereunder. Rules and amendments shall become binding as of the date specified in each Rule or amendment.

(b) The Commission shall promulgate reasonable Rules to achieve the intent and purpose of this interstate compact. In the event the Commission exercises its Rulemaking authority in a manner that is beyond the purpose and intent of this interstate compact, or the powers granted hereunder, then such an action by the Commission shall be invalid and have no force and effect of law in the Member States.

(c) If a majority of the legislatures of the Member States reject a Rule, by enactment of a statute or resolution in the same manner used to adopt the Compact within four years of the date of adoption of the Rule, then such Rule shall have no further force and effect in any Member State.

(d) Rules or amendments to the Rules shall be adopted or ratified at a regular or special meeting of the Commission in accordance with Commission Rules and bylaws.

(e) Prior to promulgation and adoption of a final Rule or Rules by the Commission, and at least 30 days in advance of the meeting at which the Rule will be considered and voted upon, the Commission shall file a notice of proposed Rulemaking:

(1) On the website of the Commission or other publicly accessible platform; and

(2) On the website of each Member State Licensing Authority or other publicly accessible platform or the publication in which each state would otherwise publish proposed Rules.

(f) Upon determination that an emergency exists, the Commission may consider and adopt an emergency Rule with 48 hours' notice, with opportunity to comment, provided that the usual Rulemaking procedures shall be retroactively applied to the Rule as soon as reasonably possible, in no event later than 90 days after the effective date of the Rule. For the purposes of

this provision, an emergency Rule is one that must be adopted immediately in order to accomplish the following:

(1) Meet an imminent threat to public health, safety, or welfare.

(2) Prevent a loss of Commission or Member State funds.

(3) Meet a deadline for the promulgation of an administrative Rule that is established by federal law or Rule.

(4) Protect public health and safety.

"**§ 115C-270.49. Oversight, dispute resolution, and enforcement.**

(a) Oversight.

(1) The executive and judicial branches of the state government in each Member State shall enforce this Compact and take all actions necessary and appropriate to implement the Compact.

(2) Venue is proper and judicial proceedings by or against the Commission shall be brought solely and exclusively in a court of competent jurisdiction where the principal office of the Commission is located. The Commission may waive venue and jurisdictional defenses to the extent it adopts or consents to participate in alternative dispute resolution proceedings. Nothing herein shall affect or limit the selection or propriety of venue in any action against a Licensee for professional malpractice, misconduct, or any such similar matter.

(3) The Commission shall be entitled to receive service of process in any proceeding regarding the enforcement or interpretation of the Compact and shall have standing to intervene in such a proceeding for all purposes. Failure to provide the Commission service of process shall render a judgment or order void as to the Commission, this Compact, or promulgated Rules.

(b) Default, Technical Assistance, and Termination.

(1) If the Commission determines that a Member State has defaulted in the performance of its obligations or responsibilities under this Compact or the promulgated Rules, the Commission shall provide written notice to the defaulting state. The notice of default shall describe the default, the proposed means of curing the default, and any other action that the Commission may take and shall offer training and specific technical assistance regarding the default.

(2) The Commission shall provide a copy of the notice of default to the other Member States.

(c) If a state in default fails to cure the default, the defaulting state may be terminated from the Compact upon an affirmative vote of a supermajority of the delegates of the Member States, and all rights, privileges, and benefits conferred on that state by this Compact may be terminated on the effective date of termination. A cure of the default does not relieve the offending state of obligations or liabilities incurred during the period of default.

(d) Termination of membership in the Compact shall be imposed only after all other means of securing compliance have been exhausted. Notice of intent to suspend or terminate shall be given by the Commission to the governor, the majority and minority leaders of the defaulting state's legislature, the defaulting State's Licensing Authority, and each of the Member States' Licensing Authorities.

(e) A state that has been terminated is responsible for all assessments, obligations, and liabilities incurred through the effective date of termination, including obligations that extend beyond the effective date of termination.

(f) Upon the termination of a state's membership from this Compact, that state shall immediately provide notice to all Licensees within that state of such termination. The terminated state shall continue to recognize all Licenses granted pursuant to this Compact for a minimum of six months after the date of said notice of termination.

(g) The Commission shall not bear any costs related to a state that is found to be in default or that has been terminated from the Compact, unless agreed upon in writing between the Commission and the defaulting state.

(h) The defaulting state may appeal the action of the Commission by petitioning the U.S. District Court for the District of Columbia or the federal district where the Commission has its principal offices. The prevailing party shall be awarded all costs of such litigation, including reasonable attorneys' fees.

(i) Dispute Resolution.

(1) Upon request by a Member State, the Commission shall attempt to resolve disputes related to the Compact that arise among Member States and between Member and non-Member States.

(2) The Commission shall promulgate a Rule providing for both mediation and binding dispute resolution for disputes as appropriate.

(j) Enforcement.

(1) By majority vote as provided by Rule, the Commission may initiate legal action against a Member State in default in the U.S. District Court for the District of Columbia or the federal district where the Commission has its principal offices to enforce compliance with the provisions of the Compact and its promulgated Rules. The relief sought may include both injunctive relief and damages. In the event judicial enforcement is necessary, the prevailing party shall be awarded all costs of such litigation, including reasonable attorneys' fees. The remedies herein shall not be the exclusive remedies of the Commission. The Commission may pursue any other remedies available under federal or the defaulting Member State's law.

(2) A Member State may initiate legal action against the Commission in the U.S. District Court for the District of Columbia or the federal district where the Commission has its principal offices to enforce compliance with the provisions of the Compact and its promulgated Rules. The relief sought may include both injunctive relief and damages. In the event judicial enforcement is necessary, the prevailing party shall be awarded all costs of such litigation, including reasonable attorneys' fees.

(3) No person other than a Member State shall enforce this Compact against the Commission.

"**§ 115C-270.50. Effective date, withdrawal, and amendment.**

(a) The Compact shall come into effect on the date on which the Compact statute is enacted into law in the seventh Member State.

(1) On or after the effective date of the Compact indicated above, the Commission shall convene and review the enactment of each of the Charter Member States to determine if the statute enacted by each such Charter Member State is materially different than the model Compact statute.

a. A Charter Member State whose enactment is found to be materially different from the model Compact statute shall be entitled to the default process set forth in G.S. 115C-270.49.

b. If any Member State is later found to be in default, or is terminated or withdraws from the Compact, the Commission shall remain in existence and the Compact shall remain in effect even if the number of Member States should be less than seven.

(2) Member States enacting the Compact subsequent to the Charter Member States shall be subject to the process set forth in subdivision (22) of subsection (c) of G.S. 115C-470.46 to determine if their enactments are materially

different from the model Compact statute and whether they qualify for participation in the Compact.

(3) All actions taken for the benefit of the Commission or in furtherance of the purposes of the administration of the Compact prior to the effective date of the Compact or the Commission coming into existence shall be considered to be actions of the Commission unless specifically repudiated by the Commission.

a. Any state that joins the Compact subsequent to the Commission's initial adoption of the Rules and bylaws shall be subject to the Rules and bylaws as they exist on the date on which the Compact becomes law in that state. Any Rule that has been previously adopted by the Commission shall have the full force and effect of law on the day the Compact becomes law in that state.

b. Any Member State may withdraw from this Compact by enacting a statute repealing the same.

(b) A Member State's withdrawal shall not take effect until 180 days after enactment of the repealing statute.

(c) Withdrawal shall not affect the continuing requirement of the withdrawing State's Licensing Authority to comply with the investigative and Adverse Action reporting requirements of this Compact prior to the effective date of withdrawal.

(d) Upon the enactment of a statute withdrawing from this Compact, a state shall immediately provide notice of such withdrawal to all Licensees within that state. Notwithstanding any subsequent statutory enactment to the contrary, such withdrawing state shall continue to recognize all Licenses granted pursuant to this Compact for a minimum of six months after the date of such notice of withdrawal.

(1) Nothing contained in this Compact shall be construed to invalidate or prevent any licensure agreement or other cooperative arrangement between a Member State and a non-Member State that does not conflict with the provisions of this Compact.

(2) This Compact may be amended by the Member States. No amendment to this Compact shall become effective and binding upon any Member State until it is enacted into the laws of all Member States.

"**§ 115C-270.51. Construction and severability.**

(a) This Compact and the Commission's Rulemaking authority shall be liberally construed so as to effectuate the purposes and the implementation and administration of the Compact. Provisions of the Compact expressly authorizing or requiring the promulgation of Rules shall not be construed to limit the Commission's Rulemaking authority solely for those purposes.

(b) The provisions of this Compact shall be severable and if any phrase, clause, sentence, or provision of this Compact is held by a court of competent jurisdiction to be contrary to the constitution of any Member State, a state seeking participation in the Compact, or of the United States, or the applicability thereof to any government, agency, person, or circumstance is held to be unconstitutional by a court of competent jurisdiction, the validity of the remainder of this Compact and the applicability thereof to any other government, agency, person, or circumstance shall not be affected thereby.

(c) Notwithstanding subsection (b) of this section, the Commission may deny a state's participation in the Compact or, in accordance with the requirements of subsection (b) of G.S. 115C-270.49, terminate a Member State's participation in the Compact, if it determines that a constitutional requirement of a Member State is a material departure from the Compact. Otherwise, if this Compact shall be held to be contrary to the constitution of any Member State,

the Compact shall remain in full force and effect as to the remaining Member States and in full force and effect as to the Member State affected as to all severable matters.

"**§ 115C-270.52. Consistent effect and conflict with other state laws.**

(a) Nothing herein shall prevent or inhibit the enforcement of any other law of a Member State that is not inconsistent with the Compact.

(b) Any laws, statutes, regulations, or other legal requirements in a Member State in conflict with the Compact are superseded to the extent of the conflict. All permissible agreements between the Commission and the Member States are binding in accordance with their terms."

SECTION 7.48.(b) G.S. 115C-12 is amended by adding a new subdivision to read:

"(50) Duty to Fulfill Requirements Related to School Psychologist Interstate Licensure Compact. – The State Board of Education shall be the State Licensing Authority or Licensing Authority for purposes of Article 17F of this Chapter and shall fulfill any requirements, duties, or obligations of the State Licensing Authority or Licensing Authority pursuant to that Article."

SECTION 7.48.(c) The section is effective when it becomes law.

INCREASE TO EC FUNDING CAP

SECTION 7.49.(a) G.S. 115C-111.05 reads as rewritten:

"**§ 115C-111.05. Funding for children with disabilities.**

To the extent funds are made available for this purpose, the State Board shall allocate funds for children with disabilities to each local school administrative unit on a per child basis. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) thirteen and one-quarter percent ~~(13%)~~ (13.25%) of its allotted average daily membership in the local school administrative unit for the current school year."

SECTION 7.49.(b) This section is effective when it becomes law and applies beginning with funding allocated for the 2025-2026 school year.

CLASS SIZE EXEMPTIONS FOR GROWING COUNTIES

SECTION 7.50.(a) G.S. 115C-301 reads as rewritten:

"**§ 115C-301. Allocation of teachers; class size.**

…

(c) Maximum Class Size for Kindergarten Through Third Grade. – The ~~average~~ class size for kindergarten through third grade in a local school administrative unit shall be as follows:

(1) Growing local school administrative units. – If a local school administrative unit has an increase in student population of one-half percent (0.5%) of the average daily membership of the local school administrative unit for two consecutive years, then the unit shall be considered a growing local school administrative unit for the two years immediately following the second year of student population increase. Growing local school administrative units may exceed the allotment ratios listed in subdivision (2) of this subsection by up to three students.

(2) All other local school administrative units. – For any local school administrative unit not qualifying as growing under subdivision (1) of this subsection, the average class size for kindergarten through third grade in the local school administrative unit shall at no time exceed the funded allotment ratio of teachers to students in kindergarten through third grade. At the end of the second school month and for the remainder of the school year, the size of an individual class in kindergarten through third grade shall not exceed the allotment ratio by more than three students. The funded class size allotment ratio for kindergarten through third grade shall be as follows:

~~(1)~~a. For kindergarten, one teacher per 18 students.
~~(2)~~b. For first grade, one teacher per 16 students.
~~(3)~~c. For second grade, one teacher per 17 students.
~~(4)~~d. For third grade, one teacher per 17 students.

In grades four through 12, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement.

…

(g) Waivers and Allotment Adjustments. – Local boards of education shall report exceptions to the class size requirements set out for kindergarten through third grade and significant increases in class size at other grade levels to the State Board and shall request allotment adjustments at any grade level, waivers from the requirements for kindergarten through third grade, or both. Within 45 days of receipt of reports, the State Board of Education, within funds available, may allot additional positions at any grade level. The State Board shall not grant waivers for excess class size in kindergarten through third grade, except under the following circumstances:

(1) Emergencies or acts of God that impact the availability of classroom space or facilities.
(2) An unanticipated increase in student population of an individual school in excess of two percent (2%) of the average daily membership of that school. The State Board of Education shall allow waivers in consecutive years for schools located in growing local school administrative units that continue to qualify for a waiver under this subdivision.
(3) Organizational problems in geographically isolated local school administrative units in which the average daily membership is less than one and one-half per square mile.
(4) Classes organized for a solitary curricular area.
(5) A charter school closure.
(6) The performance grade of the school under G.S. 115C-12(9)c1 and G.S. 115C-83.15 is a B or better and the school is located in a growing local school administrative unit. Waivers granted pursuant to this subsection shall be for an additional two students per class, in addition to the three additional students allowed under subdivision (1) of subsection (c) of this section.

The State Board shall report on all waivers to the Joint Legislative Commission on Governmental Operations within 30 days of the grant of the waiver. The report shall include the local school administrative unit, school, and class or classes for which the waiver was granted, the statutory grounds for the waiver, and the terms of the waiver. A waiver for excess class size in kindergarten through third grade shall not become effective until the State Board submits the report to the Joint Legislative Commission on Governmental Operations.

Upon notification from the State Board that the reported exception does not qualify for an allotment adjustment or a waiver, the local board of education shall take action to correct the exception within 30 days. Within 60 days of notification by the State Board, the Superintendent of Public Instruction shall request an updated report from the local board of education on the size of each class in kindergarten through third grade for each school within the local school administrative unit. If the Superintendent of Public Instruction finds that a local board of education is continuing to exceed class size requirements, the State Board may impose the penalty set forth in subsection (j) of this section until such time the schools in the unit meet the class size requirements for kindergarten through third grade.

…."

SECTION 7.50.(b) G.S. 115C-301.7(a) reads as rewritten:

"(a) Class Size Flexibility. – Notwithstanding G.S. 115C-301, with the approval of the State Board of Education, ATR schools may exceed the maximum class size requirements for

kindergarten through third ~~grade during any term of up to three years in which State funds are awarded to the ATR unit where the school is located. At the conclusion of the term, any class size flexibility approved for an ATR school pursuant to this subsection shall expire.~~grade."

AFTER SCHOOL ROBOTICS GRANT PROGRAM

SECTION 7.51.(a) Program; Purpose. – To the extent funds are made available for the purpose, there is established the Educational and Competitive After-School Robotics Grant Program (Program) for each year of the 2025-2027 fiscal biennium. The purpose of the Program shall be to (i) promote evidence-based, after-school programs for robotics education and competition and (ii) motivate students to pursue education and career opportunities in science, technology, engineering, and mathematics while building critical life and work-related skills.

SECTION 7.51.(b) Eligibility. – Any public school unit is eligible to apply to the Department of Public Instruction for a grant to develop an educational and competitive after-school robotics program with a robotics partner in any high school within the public school unit. As used in this subsection, the term "robotics partner" shall refer to a third-party entity, such as a nonprofit organization or institution of higher education, approved by the Department of Public Instruction that is able to provide adequate support for an after-school robotics program. In order to provide adequate support, a robotics partner must meet at least all of the following criteria:

(1) Have a national presence in robotics education and competition.

(2) Provide adequate instruction and programming for students and adult volunteers in (i) robotics education, (ii) project-based learning, and (iii) competitive robotics.

(3) Promote a safe and equitable social environment.

SECTION 7.51.(c) Applications; Criteria and Guidelines. – No later than August 1 of each year that funds are made available for the Program, the Department shall develop and publish criteria and guidelines for the application process for the Program in the upcoming school year, including any documentation required to be submitted by the applicants. The Department shall accept applications until September 30 of each school year. Applications shall include, at a minimum, the following information:

(1) Evidence that the applicant has or will be able to establish a relationship with a robotics partner.

(2) A proposed budget for the educational and competitive after-school robotics program.

SECTION 7.51.(d) Award and Use of Funds. – The Department shall prioritize awarding grants to public school units that participated in the Program in the prior school year. Grant awards shall not exceed fifteen thousand dollars ($15,000) per participating high school in the public school unit. The Department shall award grants to the selected applicants by October 31 of each year of the Program. Funds may be used for any of the following purposes:

(1) Establishing a relationship with a robotics partner.

(2) Purchasing robotics kits.

(3) Providing stipends for coaches.

(4) Making payments associated with participation in a robotics league or robotics competition.

(5) Paying fees incurred as part of the administration of a robotics team.

SECTION 7.51.(e) Reporting. – No later than October 15 of each year in which funds are made available for the Program, the Department shall report the following information from the prior school year to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

(1) Number and amounts of grants awarded.

(2) Identities of the public school units receiving grants.

(3) Identities of public school units that applied for grants but did not receive one.
(4) The extent to which students participating in after-school robotics programs funded by the Program experienced measurable improvement in academic performance, if any.

FUNDS FOR ALL PRO DAD

SECTION 7.52. Of the funds appropriated to the Department of Public Instruction in this act, the Department shall allocate the sum of two million dollars ($2,000,000) in nonrecurring funds for the 2025-2026 fiscal year as a directed grant to Family First, Inc., the nonprofit corporation registered in the state of Florida, to expand its All Pro Dad fatherhood program in this State, provided that (i) the nonprofit registers as an entity with the Secretary of State to conduct business in the State and (ii) the nonprofit allocates the funds appropriated in this act to expand its All Pro Dad program in North Carolina, including increasing All Pro Dad chapters in schools, holding events that encourage father-child engagement and foster improved communication between children and fathers, and distributing resources to help fathers enhance their parenting skills and become more involved in their children's lives.

RESPONSIBLE FATHERHOOD NORTH CAROLINA ACT

SECTION 7.53.(a) The General Assembly recognizes that families are stronger when both parents act responsibly in caring for their children. It is the intent of the General Assembly to recognize and support the important and unique role that fathers play in ensuring the physical, emotional, and economic well-being of their children and families.

SECTION 7.53.(b) The Department shall contract for the development and implementation of the Responsible Fatherhood North Carolina program. The program shall provide an opportunity for every father in the State to be able to obtain information and inspiration that will motivate and enable him to enhance his abilities as a father, recognizing that some fathers have greater challenges than others and would benefit from greater support. The entity the Department contracts with to develop, implement, and manage the program, "Program Manager," shall be a nonprofit organization that satisfies all of the following criteria:

(1) Has a history of focusing on responsible fatherhood, including providing online resources to fathers, and engaging fathers, father figures, and children through community-based and school-based events to encourage responsible fatherhood.
(2) Has the organizational capacity to manage a statewide initiative and successfully carry out the requirements of this section.

SECTION 7.53.(c) The Program Manager shall be solely responsible for developing, implementing, and managing the program which shall include at least the following:

(1) A statewide media campaign that increases the awareness and importance of fathers being involved in their children's lives.
(2) Resources and information for fathers and father figures to increase engagement and involvement in their children's lives.
(3) Promotion of related fatherhood programs that are provided by the Department of Public Instruction, the Community College System, or The University of North Carolina System.

SECTION 7.53.(d) To most effectively use the funds appropriated to this program, the Program Manager shall identify and use other existing media assets, content, and online resources it deems appropriate, including any existing media assets, content, and online resources it has available, to implement and execute the items required by this section.

SECTION 7.53.(e) The Program Manager shall administer a grant program to award grants to nonprofit community-based organizations that address the needs of fathers in accordance with the following:

(1) The Program Manager shall award the following types of grants:
a. Grants that comprehensively address the needs of fathers, such as assisting them in finding employment, managing child support obligations, transitioning from a period of incarceration, accessing health care, understanding child development, and enhancing parenting skills. Services provided shall be tailored to the needs of the father being served. Case management services shall be provided to the fathers who are served by the grants under this subdivision.
b. Grants that provide evidence-based parenting education specifically for fathers. The grants under this subdivision do not require case management services.

(2) The Program Manager shall prioritize awarding grants according to the following:
a. Need in a geographic area and the population to be served by the grant as indicated by, at a minimum, all of the following:
1. Unemployment rates.
2. Incarceration rates.
3. Housing instability.
4. The number of single-parent households.
5. The number of public benefit recipients.
6. Graduation rates.
7. Levels of academic achievement.
b. If an applicant has a primary mission of, or a history of a significant focus on and effective work toward, addressing the needs of men in their role as fathers.
c. Applicant current and historical involvement in the community being served.
d. Applicant commitment and capability to employ competent staff who can effectively engage with the fathers being served, including, at a minimum, those individuals who share a similar background as the fathers being served.
e. The number of individuals the applicant plans to serve through the grant and the projected costs for the program.
f. Applicant organizational capacity to effectively meet the requirements of the grant and to deliver the programs proposed by the applicant. The Program Manager may offer technical assistance to applicants and grant recipients that have lower organizational capacity as long as such organizations have, or the organization's leadership has, significant experience serving fathers.

(3) Grant recipients shall submit reports to the Department in a format and at intervals prescribed by the Department.

SECTION 7.53.(f) Of the funds appropriated to the Department of Public Instruction in this act for the Responsible Fatherhood North Carolina program, the Department shall use up to two million dollars ($2,000,000) in nonrecurring funds for the 2025-2026 fiscal year to contract for the Program Manager as required in subsection (b) of this section. The remainder of the funds shall be used for the grants authorized in subsection (e) of this section.

COMPETITIVE SPEECH AND DEBATE GRANT PILOT

SECTION 7.54.(a) Program; Purpose. – To the extent funds are made available for the purpose, there is established the Competitive Speech and Debate Team Grant Pilot Program (Program). The purpose of the Program is to allow each public school serving students in grades

nine through 12 in North Carolina to form a speech and debate team and to allow the team to participate in speech and debate competitions. The Program shall begin in the 2025-2026 school year and conclude at the end of the 2028-2029 school year.

SECTION 7.54.(b) Eligibility. – Any public school unit that includes a school that serves students in grades nine through 12 is eligible to apply to the Department of Public Instruction for a grant to develop, maintain, or expand an educational and competitive speech and debate team.

SECTION 7.54.(c) Applications; Criteria and Guidelines. – No later than August 1 of each year that funds are made available for the Program, the Department shall develop and publish criteria and guidelines for the application process for the Program in the upcoming school year. The Department shall accept applications until September 30 of each school year. Applications shall include, at a minimum, a proposed budget for the speech and debate team.

SECTION 7.54.(d) Award; Use of Funds. – The Department shall award grants to selected applicants by October 31 of each year that funds are made available for the Program. The Department shall determine the amount of each award up to a maximum of ten thousand dollars ($10,000) per team per school year and may only include two stipends, one lead team coach stipend of up to two thousand five hundred dollars ($2,500) and one assistant team coach stipend of one thousand five hundred dollars ($1,500). Funds may be used for any of the following purposes:

(1) Provide stipends for coaches.
(2) Make payments associated with participation in a speech and debate league or competition.
(3) Travel to and from speech and debate competitions.

SECTION 7.54.(e) Speech and debate teams receiving funds through the Program shall participate in the Tarheel Forensic League and the National Speech and Debate Association.

SECTION 7.54.(f) Student Participation. – If a student is enrolled in a school that does not offer a speech and debate team, the student is eligible to participate on the speech and debate team at the school located geographically closest to where the student resides that does have a team. A student joining a team under the authority of this section shall be responsible for transportation to and from the school where the team meets. Nothing in this section prohibits a school from enforcing guidelines for student participation in extracurricular activities, such as academic performance requirements, nor does it prohibit a speech and debate team from conducting a selection process for the team, so long as the student is able to participate in the selection process as if the student were enrolled in that school.

SECTION 7.54.(g) Reporting. – No later than February 15 of each school year in which funds are made available for the Program, the Department shall report the following information to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

(1) The public school units receiving grants and the amount of the grant.
(2) A description of how the grants were used.
(3) The public school units that applied for grants but did not receive one.
(4) The extent to which students participating in speech and debate programs funded by the Program experienced measurable improvement in academic performance.

SECTION 7.54.(h) Of the funds appropriated to the Department of Public Instruction in this act, the Department shall use the sum of five hundred thousand dollars ($500,000) in recurring funds for the 2025-2026 fiscal year to establish and administer the Competitive Speech and Debate Team Grant Pilot Program, as established by this section. At the conclusion of the Program, when creating the base budget for the 2029-2031 fiscal biennium, the Director of the Budget shall not include these funds for the 2029-2030 fiscal year.

NORTHEAST REGIONAL SCHOOL OF BIOTECHNOLOGY AND AGRISCIENCE

SECTION 7.55.(a) Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 15A.

"Northeast Regional School of Biotechnology and Agriscience.

"**§ 115C-229.5. Purpose.**

(a) The purpose of this Article is to establish the Northeast Regional School of Biotechnology and Agriscience as a school of choice that will expand student opportunities for educational success through high quality instructional programming in the northeastern region of the State. The Northeast Regional School of Biotechnology and Agriscience may partner with other education partners, including local boards of education, institutions of higher education, or private businesses or organizations, and shall foster, encourage, and promote the development of knowledge and skills in career clusters of critical importance to the region.

(b) The Northeast Regional School of Biotechnology and Agriscience is a political subdivision of the State and shall operate as a public school unit with a board of directors as the governing body.

(c) Except as otherwise provided in this Article and Article 7B of this Chapter, the Northeast Regional School of Biotechnology and Agriscience is exempt from statutes and rules applicable to a local board of education or local school administrative unit.

"**§ 115C-229.10. Definitions.**

The following definitions apply in this Part:

(1) Regional school. – The Northeast Regional School of Biotechnology and Agriscience.

(2) Regional school board of directors or board of directors. – The governing board of the Northeast Regional School of Biotechnology and Agriscience.

(3) Regional school service area. – The counties of Beaufort, Bertie, Camden, Currituck, Dare, Edenton, Edgecombe, Gates, Halifax, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Pitt, Tyrrell, and Washington.

"**§ 115C-229.15. Board of directors; appointment; terms of office.**

(a) The board of directors of the regional school shall consist of the following members:

(1) The Superintendent of Public Instruction shall appoint three members who are either a local board of education member or superintendent of a local school administrative unit in a county where at least five percent (5%) of the students enrolled in the regional school reside.

(2) The State Board of Education shall appoint five members as representatives of the business community, upon the recommendation of the North Carolina Economic Developers Association, who reside in a county where at least five percent (5%) of the students enrolled in the regional school reside. At least one of the appointees shall be a resident of the county in which the regional school is located.

(3) The Parent Advisory Council established by G.S. 115C-229.20 shall appoint one member to the board of directors from among the Council membership. The seat shall be declared vacant if the child of the appointed parent no longer attends the regional school.

(4) Any institution of higher education partner may appoint a representative of the institution of higher education to serve as an ex officio member of the board of directors.

(b) Members shall serve four-year terms of office. Appointed members of the board of directors shall be selected for their interest in and commitment to the importance of public education to regional economic development and to the purposes of the regional school.

(c) Whenever an appointed member of the board of directors ceases to meet the qualifications for appointment or for any reason other than ill health or service in the interest of the State or nation to be present at three successive regular meetings of the board of directors, his or her place as a member of the board of directors shall be deemed vacant. Any member of the board of directors may be removed from office by the appointing authority for misfeasance, malfeasance, or nonfeasance in office. All vacancies shall be filled by the appointing authority for the remainder of the term of office by an individual meeting the qualifications for the vacated seat.

"**§ 115C-229.20. Parent Advisory Council; purpose; appointments.**

(a) Purpose. – There shall be a Parent Advisory Council to serve as a resource and provide input to the board of directors as to the operation of the regional school. The board of directors shall consult the Parent Advisory Council when considering changes to the regional school's operations that may significantly impact students attending the regional school.

(b) Appointment. – The Superintendent of Public Instruction shall appoint one member from each county where at least five percent (5%) of the students enrolled in the regional school reside to the Parent Advisory Council for a term of four years or until the member's child no longer attends the regional school. Appointees shall be parents or guardians of students attending the regional school and shall, to the extent possible, reflect the demographic composition of the regional school.

"**§ 115C-229.25. Board of directors; meetings; rules of procedure; officers.**

(a) The board of directors shall meet at least four times a year and may hold special meetings at any time at the call of the chair or upon petition addressed to the chair by a majority of the members of the board of directors. All meetings of the board of directors shall be subject to the requirements of Article 33C of Chapter 143 of the General Statutes.

(b) The board of directors shall elect a chair and a vice-chair from among its members, who shall serve a two-year term.

(c) All members of the board of directors shall be voting members except for the chair, who may vote only on matters to break a tie.

(d) The board of directors shall determine its own rules of procedure and may delegate to such committees as it may create such of its powers as it deems appropriate.

(e) Members of the board of directors shall receive such per diem compensation and necessary travel and subsistence expenses while engaged in the discharge of their official duties as is provided by law for members of State boards and commissions.

"**§ 115C-229.30. Board of directors; corporate powers.**

(a) The board of directors of the regional school shall be known and distinguished by the name of "The Northeast Regional School of Biotechnology and Agriscience Board of Directors" and shall continue as a body politic and corporate and by that name shall have perpetual succession and a common seal. It shall be able and capable in law to take, demand, receive, and possess all moneys, goods, and chattels that shall be given for the use of the regional school, and to apply to same according to the will of the donors; and by gift, purchase, or devise to receive, possess, enjoy, and retain forever any and all real and personal estate and funds, of whatsoever kind, nature, or quality the same may be, in special trust and confidence that the same, or the profits thereof, shall be applied to and for the use and purpose of establishing and endowing the regional school, and shall have power to receive donations from any source whatsoever, to be devoted exclusively to the purposes of the maintenance of the regional school, or according to the terms of the donation.

(b) The board of directors shall be able and capable in law to bargain, sell, grant, alien, or dispose of and convey and assure to the purchasers any and all such real and personal estate and funds as it may lawfully acquire when the condition of the grant to it or the will of the devisor does not forbid it; and shall be able and capable in law to sue and be sued in all courts whatsoever; and shall have power to open and receive subscriptions; and in general may do all such things as

are usually done by bodies corporate and politic, or such as may be necessary for the promotion of learning and virtue.

"**§ 115C-229.35. Board of directors; powers and duties.**

The board of directors shall have the following powers and duties:

(1) The board of directors shall establish the regional school's academic program in accordance with the following:

a. The board of directors shall establish the standard course of study for the regional school. This course of study shall set forth the subjects to be taught in each grade and the texts and other educational materials on each subject to be used in each grade. The board of directors shall design its programs to meet at least the student performance standards adopted by the State Board of Education and the student performance standards contained in this Chapter.

b. The board of directors shall conduct student assessments required by the State Board of Education.

c. The board of directors shall provide the opportunity to earn or obtain credit toward degrees from a community college subject to Chapter 115D of the General Statutes or a constituent institution of The University of North Carolina.

d. The board of directors shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.

e. The board of directors shall ensure that financial literacy instruction is provided as required by the State Board of Education pursuant to G.S. 115C-81.65, including required professional development for teachers of the EPF course.

(2) The board of directors shall establish policies and standards for academic performance, attendance, and conduct for students of the regional school. The policies of the board of directors shall comply with Article 27 of this Chapter.

(3) Every parent, guardian, or other person in this State having charge or control of a child who is enrolled in the regional school and who is less than 16 years of age shall cause the child to attend school continuously for a period equal to the time that the regional school shall be in session. No person shall encourage, entice, or counsel any child to be unlawfully absent from the regional school. Any person who aids or abets a student's unlawful absence from the regional school shall, upon conviction, be guilty of a Class 1 misdemeanor. The principal shall be responsible for implementing such additional policies concerning compulsory attendance as shall be adopted by the board of directors, including regulations concerning lawful and unlawful absences, permissible excuses for temporary absences, maintenance of attendance records, and attendance counseling.

(4) The board of directors shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System.

(5) The board of directors shall require compliance with laws and policies relating to the education of children with disabilities. The school is subject to and shall comply with Article 9 of this Chapter and The Individuals with Disabilities Education Improvements Act, 20 U.S.C. § 1400.

(6) The board of directors shall require that the regional school meet the same health and safety standards required of a local school administrative unit.

(7) The board of directors shall require the regional school to comply with G.S. 115C-375.2A and shall provide the school with a supply of emergency epinephrine auto-injectors necessary to carry out the provisions of that section.

(8) The regional school shall comply with the requirements for public school units in Part 2 of Article 8C of this Chapter.

(9) The regional school shall implement the rule addressing student awareness of child abuse and neglect, including sexual abuse, adopted by the State Board of Education under G.S. 115C-12(47).

(10) The board of directors shall apply the rules and policies established by the State Board of Education for issuance of driving eligibility certificates.

(11) The regional school shall comply with G.S. 115C-407.40 regarding cultural expression at all graduation ceremonies.

(12) The regional school shall strive to ensure that one hundred percent (100%) muscadine grape juice is made available to students as a part of the school's nutrition program or through the operation of the school's vending facilities.

(13) If the regional school organizes athletic teams for middle or high school students to participate in interscholastic or intramural athletic activities, those teams shall be organized in accordance with G.S. 115C-12(23).

(14) The board of directors shall comply with the purchasing and contract statutes and regulations applicable to local school administrative units.

(15) The board of directors shall be exempt from Chapter 150B of the General Statutes, except final decisions of the board of directors in a contested case shall be subject to judicial review in accordance with Article 4 of Chapter 150B of the General Statutes.

(16) The regional school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A regional school shall ensure that the overall school performance score and grade earned by the regional school for the current and previous four school years is prominently displayed on the school website. If a regional school earned an overall school performance grade of D or F, the regional school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school.

(17) The board of directors is encouraged to adopt a policy against bullying or harassing behavior, including cyber-bullying, for the regional school that is consistent with the provisions of Article 29C of this Chapter. If the board of directors adopts a policy to prohibit bullying and harassing behavior, the regional school shall, at the beginning of each school year, provide the policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8).

(18) The regional school is encouraged to facilitate access for students to participate in activities provided by any youth group listed in Title 36 of the United States Code as a patriotic society, such as the Boy Scouts of America, and its affiliated North Carolina groups and councils, and the Girl Scouts of the United States of America, and its affiliated North Carolina groups and councils. Student participation in any activities offered by these organizations shall not interfere with instructional time during the school day for the purposes of encouraging civic education.

(19) The board of directors shall comply with the requirements of G.S. 115C-523.1 and G.S. 115C-523.2 for any regional school building owned by the board of directors.

(20) The board of directors shall adopt and implement a child sexual abuse and sex trafficking training program in accordance with G.S. 115C-375.20.

(21) The regional school shall adopt a school-based mental health plan, including a mental health training program and suicide risk referral protocol, in accordance with G.S. 115C-376.5.

(22) The regional school shall annually report the information required by G.S. 115C-12(48) to the State Board of Education, the Senate Appropriations Committee on Education/Higher Education, and the House Appropriations Committee on Education no later than September 15.

(23) The regional school shall annually update information to the digital learning dashboard, as required by G.S. 115C-102.9.

(24) The board of directors shall develop a plan to provide transportation to the students enrolled in the regional school, which may include entering into interlocal agreements with local school administrative units.

(25) The board of directors, to the extent practicable, shall provide school food services to the regional school. School food services may be provided by entering into an interlocal agreement with a local school administrative unit. For purposes of federal funding through the National School Lunch Program or other federally supported food service programs, a local school administrative unit that has entered into an interlocal agreement with the regional school for the purpose of providing school food services shall be permitted to include eligible students enrolled in the regional school.

"**§ 115C-229.40. Student admissions and assignment.**

(a) The regional school may serve grades seven through 12.

(b) A student domiciled in a county within the regional school service area is eligible to attend the regional school. A student's eligibility to remain enrolled in the regional school shall terminate at the end of any school year during which a student ceases to satisfy the residency requirements.

(c) The board of directors shall establish criteria, standards, and procedures for admission of students. The admission criteria may give priority to students with no parent that has completed a two- or four-year degree and shall include the following:

(1) Demonstrated academic achievement.

(2) Demonstrated student interest in attendance.

(3) Documented parental support for student attendance.

(d) If the number of eligible students meeting the board of directors' admission criteria exceeds the seats available, students shall be accepted by lot.

"**§ 115C-229.45. Employees.**

The board of directors shall appoint all certified and noncertified staff.

(1) The board of directors shall employ and contract with a principal for a term not to exceed three years. The principal shall meet the requirements for certification set out in G.S. 115C-284, unless waived by the State Board of Education upon submission of a request by the board of directors. The principal shall be responsible for school operations and shall exercise those duties and powers delegated by the board of directors.

(2) The board of directors shall employ and contract with necessary teachers to perform the particular service for which they are employed in the school. At least fifty percent (50%) of teachers employed by the board of directors shall hold teacher licensure, unless waived by the State Board of Education upon submission of a request by the board of directors.

(3) If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at the regional school, the local school administrative unit shall grant the leave for one year. For the initial year of the regional school's operation, the local school administrative unit may require

that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has received a leave of absence to teach at a regional school may return to a public school in the local school administrative unit at the end of the leave of absence or upon the end of employment at the regional school if an appropriate position is available. If a teacher has career status under G.S. 115C-325 prior to receiving a leave of absence to teach at the regional school, the teacher may return to a public school in the local school administrative unit with career status at the end of the leave of absence or upon the end of employment at the regional school if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2).

(4) The board of directors also may employ necessary employees who are not required to hold teacher licensure to perform duties other than teaching and may contract for other services.

(5) An employee of the board of directors is not an employee of the local school administrative unit in which the regional school is located. The board of directors may discharge certified and noncertified employees according to the terms of the employment contract.

(6) Employees of the board of directors shall participate in the Teachers' and State Employees' Retirement System and the State Health Plan on the same terms as employees employed by local boards of education.

(7) Employees of the board of directors shall be exempt from Chapter 126 of the General Statutes, except for Articles 6 and 7 and G.S. 126-8.6.

(8) Teachers employed by the board of directors shall be eligible for paid parental leave as provided in G.S. 126-8.6. The board of directors shall be eligible to receive funds as provided in G.S. 115C-336.1(b).

"**§ 115C-229.50. Criminal history record checks.**

(a) As used in this section:

(1) "Criminal history" means a county, state, or federal criminal history of conviction of a crime, whether a misdemeanor or a felony, that indicates an individual (i) poses a threat to the physical safety of students or personnel or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel. These crimes include the following North Carolina crimes contained in any of the following Articles of Chapter 14 of the General Statutes: Article 5A, Endangering Executive and Legislative, and Court Officers; Article 6, Homicide; Article 7B, Rape and Other Sex Offenses; Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material; Article 14, Burglary and Other Housebreakings; Article 15, Arson and Other Burnings; Article 16, Larceny; Article 17, Robbery; Article 18, Embezzlement; Article 19, False Pretense and Cheats; Article 19A, Obtaining Property or Services by False or Fraudulent Use of Credit Device or Other Means; Article 20, Frauds; Article 21, Forgery; Article 26, Offenses Against Public Morality and Decency; Article 26A, Adult

Establishments; Article 27, Prostitution; Article 28, Perjury; Article 29, Bribery; Article 31, Misconduct in Public Office; Article 35, Offenses Against the Public Peace; Article 36A, Riots, Civil Disorders, and Emergencies; Article 39, Protection of Minors; and Article 60, Computer-Related Crime. These crimes also include possession or sale of drugs in violation of the North Carolina Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North Carolina crimes listed in this subdivision, such crimes also include similar crimes under federal law or under the laws of other states.

(2) "School personnel" means any of the following:

a. Member of the board of directors.

b. Employee of the regional school.

c. Independent contractor or employee of an independent contractor of the regional school if the independent contractor carries out duties customarily performed by school personnel, whether paid with federal, State, local, or other funds, who has significant access to students or who has responsibility for the fiscal management of the regional school.

(b) The board of directors shall adopt a policy on whether and under what circumstances school personnel shall be required to be checked for a criminal history. The board of directors shall apply its policy uniformly in requiring school personnel to be checked for a criminal history. The board of directors may grant conditional approval of an application while the board of directors is checking a person's criminal history and making a decision based on the results of the check. The board of directors shall not require school personnel to pay for the criminal history record check authorized under this section.

(c) The board of directors shall require the person to be checked by the Department of Public Safety (i) to be fingerprinted and to provide any additional information required by the Department of Public Safety to a person designated by the board of directors or to the local sheriff or the municipal police, whichever is more convenient for the person, and (ii) to sign a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories. The board of directors shall consider refusal to consent when making employment decisions and decisions with regard to independent contractors. The fingerprints of the individual shall be forwarded to the State Bureau of Investigation for a search of the State criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department of Public Safety shall provide to the board of directors the criminal history from the State and National Repositories of Criminal Histories of any school personnel for which the board of directors requires a criminal history record check. The board of directors shall not require school personnel to pay for the fingerprints authorized under this section.

(d) The board of directors shall review the criminal history it receives on an individual. The board of directors shall determine whether the results of the review indicate that the individual (i) poses a threat to the physical safety of students or personnel or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel and shall use the information when making employment decisions and decisions with regard to independent contractors. The board of directors shall make written findings with regard to how it used the information when making employment decisions and decisions with regard to independent contractors. The board of directors may delegate any of the duties in this subsection to the principal.

(e) The board of directors, or the principal if designated by the board of directors, shall provide to the State Board of Education the criminal history it receives on a person who is certificated, certified, or licensed by the State Board of Education. The State Board of Education shall review the criminal history and determine whether the person's certificate or license should be revoked in accordance with State laws and rules regarding revocation.

(f) All the information received by the board of directors through the checking of the criminal history or by the State Board of Education in accordance with this section is privileged information and is not a public record but is for the exclusive use of the board of directors or the State Board of Education. The board of directors or the State Board of Education may destroy the information after it is used for the purposes authorized by this section after one calendar year.

(g) There shall be no liability for negligence on the part of the board of directors, or its employees, or the State Board of Education, the Superintendent of Public Instruction, or any of their members or employees, individually or collectively, arising from any act taken or omission by any of them in carrying out the provisions of this section. The immunity established by this subsection shall not extend to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be actionable. The immunity established by this subsection shall be deemed to have been waived to the extent of indemnification by insurance, indemnification under Articles 31A and 31B of Chapter 143 of the General Statutes, and to the extent sovereign immunity is waived under the Tort Claims Act, as set forth in Article 31 of Chapter 143 of the General Statutes.

(h) Any applicant for employment who willfully furnishes, supplies, or otherwise gives false information on an employment application that is the basis for a criminal history record check under this section shall be guilty of a Class A1 misdemeanor.

(i) The board of directors may adopt a policy providing for uniform periodic checks of criminal history of employees. Boards of directors shall not require employees to pay for the criminal history check authorized under this subsection. A board of directors shall indicate, upon inquiry by any other local board of education, charter school, or regional school in the State as to the reason for an employee's resignation or dismissal. If a teacher's criminal history is relevant to a teacher's resignation, the board of directors shall report to the State Board of Education the reason for an employee's resignation.

"**§ 115C-229.55. Finance and budget.**

(a) The board of directors shall have all the rights, duties, and obligations for receipt, accounting, and dispersing of funds for the school, including all the rights, duties, and obligations specified in Article 31 of this Chapter. The board may contract with a local school administrative unit to serve as the finance agent for the board and shall provide reasonable compensation to the local school administrative unit for this service. Upon such agreement, that local school administrative unit shall act as agent for the board in all receipt, accounting, and dispersing functions, but the board shall retain liability for compliance with Article 31 of this Chapter.

(b) A regional school may request appropriations directly from a city, as authorized by G.S. 160A-700.

(c) With respect to the receipt, deposit, and disbursement of moneys (i) required by law to be deposited with the State Treasurer or (ii) made available for expenditure by warrants drawn on the State Treasurer, regional schools are subject to Article 6A of Chapter 147 of the General Statutes.

(d) The State Board of Education shall allocate to the regional school:

(1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the regional school is located for each child attending the regional school except for the allocation for children with disabilities and for the allocation for children with limited English proficiency.

(2) An additional amount for each child attending the regional school who is a child with disabilities. In the event a child with disabilities leaves the regional school and enrolls in a local school administrative unit during the first 60 school days in the school year, the regional school shall return a pro rata amount of funds allocated for that child to the State Board, and the State Board shall reallocate those funds to the local school administrative unit in which the public school is located. In the event a child with disabilities enrolls in a regional school during the first 60 school days in the school year, the State Board shall allocate to the regional school the pro rata amount of additional funds for children with disabilities.

(3) An additional amount for children with limited English proficiency attending the regional school, based on a formula adopted by the State Board.

(4) An additional amount equal to the average per pupil share of the local current expense fund of all of the local school administrative units in the regional school service area for the prior fiscal year."

SECTION 7.55.(b) G.S. 58-31A-1(2) reads as rewritten:

"(2) Public education board. – A local board of education of a local school administrative unit, as defined in G.S. 115C-5(5), ~~a board of trustees of a regional school, as defined in G.S. 115C-238.63,~~ the board of directors of the regional school established by G.S. 115C-229.5, or a board of trustees of a community college, as defined in G.S. 115D-12."

SECTION 7.55.(c) G.S. 115B-2(a)(6) reads as rewritten:

"(6) Any child enrolled in a regional school established pursuant to ~~Part 10 of Article 16~~ Article 15A of Chapter 115C of the General Statutes who enrolls in classes at a constituent institution or community college which has a written agreement with the regional school."

SECTION 7.55.(d) G.S. 115C-238.50A(1a)c. reads as rewritten:

"c. It is located on the campus of the partner institution of higher education, unless the governing Board or the local board of trustees for a private North Carolina college specifically waives the requirement through adoption of a formal resolution. This criterion shall not apply to a regional school established as provided in ~~Part 10 of this Article.~~Article 15A of this Chapter."

SECTION 7.55.(e) Part 10 of Article 16 of Chapter 115C of the General Statutes is repealed.

SECTION 7.55.(f) G.S. 126-5(c1)(8a) reads as rewritten:

"(8a) Employees of a regional school established pursuant to ~~Part 10 of Article 16~~ Article 15A of Chapter 115C of the General Statutes."

SECTION 7.55.(g) G.S. 143B-931(b) reads as rewritten:

"(b) The Department of Public Safety may provide a criminal history record check to the board of directors of a regional school of a person who is employed at ~~a~~ the regional school or of a person who has applied for employment at ~~a~~ the regional school if the employee or applicant consents to the record check. ~~The~~ In accordance with G.S. 115C-229.50, the Department may also provide a criminal history record check of school personnel ~~as defined in G.S. 115C-238.73~~ by fingerprint card to the board of directors of the regional school from the National Repositories of Criminal Histories, ~~in accordance with G.S. 115C-238.73. The~~ and the information shall be kept confidential by the board of directors of the regional ~~school as provided in G.S. 115C-238.73.~~school."

SECTION 7.55.(h) G.S. 160A-700(d)(5) reads as rewritten:

"(5) A regional school ~~created under Part 10 of Article 16~~ established by Article 15A of Chapter 115C of the General Statutes."

SECTION 7.55.(i) Notwithstanding G.S. 115C-229.15, as enacted by this section, the terms of members serving on the board of directors as of the date this act becomes law shall terminate on June 30, 2026. Initial appointments to the board of directors in accordance with G.S. 115C-229.15 shall be made for terms beginning July 1, 2026. The Superintendent of Public Instruction shall appoint two members to two-year terms and one member to a four-year term beginning July 1, 2026. The State Board of Education shall appoint two members to two-year terms and three members to four-year terms beginning July 1, 2026. Thereafter, all appointees shall serve four-year terms.

SECTION 7.55.(j) The title to and ownership of all property of the Northeast Regional School of Biotechnology and Agriscience, established as provided in Part 10 of Article 16 of Chapter 115C of the General Statutes, both real and personal of every kind and description, shall be vested in the Northeast Regional School of Biotechnology and Agriscience as established by Article 15A of Chapter 115C of the General Statutes, as enacted by this act, by July 1, 2025. All claims and demands of every kind related to the Northeast Regional School of Biotechnology and Agriscience, established as provided in Part 10 of Article 16 of Chapter 115C of the General Statutes, shall pass and be transferred to the Northeast Regional School of Biotechnology and Agriscience as established by Article 15A of Chapter 115C of the General Statutes, as enacted by this act by July 1, 2025, and the board of directors of the Northeast Regional School of Biotechnology and Agriscience shall have the same powers and authority to enforce said claims and demands. Any obligations and liabilities related to the Northeast Regional School of Biotechnology and Agriscience, established as provided in Part 10 of Article 16 of Chapter 115C of the General Statutes, shall become the obligations of the Northeast Regional School of Biotechnology and Agriscience as established by Article 15A of Chapter 115C of the General Statutes, as enacted by this act by July 1, 2025, and such obligations and liabilities may be enforced against the board of directors of the Northeast Regional School of Biotechnology and Agriscience thereafter to the same extent that they might have otherwise been enforced.

SECTION 7.55.(k) Subsections (a) through (h) of this section are effective July 1, 2025. The remainder of this section is effective when it becomes law.

HIGH-INTENSITY TUTORING PROGRAM

SECTION 7.56. No later than April 1, 2026, Union County Public Schools, with assistance from the Department of Public Instruction, shall report to the Joint Legislative Education Oversight Committee on Union County Public Schools' high-intensity tutoring program. At a minimum, the report shall include the following:

(1) A detailed description of the tutoring plan, including the number of students that participate in each tutoring session and the frequency of tutoring sessions.
(2) An overview of the cost of the high-intensity tutoring program, including identifying all funding sources.
(3) A detailed description on the impacts of the high-intensity tutoring program on student performance.
(4) Lessons Union County Public Schools has learned or challenges overcome in developing the high-intensity tutoring program.
(5) Recommendations on how the high-intensity tutoring program could be replicated in other districts.
(6) Any other information Union County Public Schools or the Department deems relevant related to high-intensity tutoring programs.

DIABETES EDUCATION FOR PARENTS

SECTION 7.57. G.S. 115C-375.3 reads as rewritten:

"**§ 115C-375.3. Guidelines to support and assist students with diabetes.**

(a) ~~Local boards of education and boards of directors of charter schools~~ Governing bodies of public school units shall ensure that the guidelines adopted by the State Board of Education under G.S. 115C-12(31) are implemented in schools in which students with diabetes are enrolled. In particular, the boards shall require the implementation of the procedures set forth in those guidelines for the development and implementation of individual diabetes care plans. The boards also shall make available necessary information and staff development to teachers and school personnel in order to appropriately support and assist students with diabetes in accordance with their individual diabetes care plans.

(b) Governing bodies of public school units shall ensure that each school provides parents and legal guardians with information about type 1 and type 2 diabetes at the beginning of every school year. This information shall include all of the following:

(1) A description of type 1 and type 2 diabetes.

(2) A description of the risk factors and warning signs associated with type 1 and type 2 diabetes.

(3) A recommendation that if a student is displaying warning signs associated with diabetes, the parent or guardian of the student consult with the primary care provider of the student to determine if immediate screening for diabetes is appropriate.

(4) A description of the screening process for and stages of diabetes.

(5) A recommendation that if a student receives a diabetes diagnosis, the parent or guardian of the student consult with the primary care provider of the student to develop an appropriate treatment plan.

(6) Notification that the school is required to assist students with diabetes in accordance with the rules adopted by the State Board of Education pursuant to G.S. 115C-12(31)."

MEDICAL CONDITION ACTION PLANS

SECTION 7.58.(a) G.S. 115C-12 is amended by adding the following new subdivisions to read:

"(50) Medical Condition Action Plan. – The State Board of Education shall adopt a rule establishing a medical condition action plan as provided in G.S. 115C-375.1 to be implemented by each public school unit for each student at risk for a medical emergency as diagnosed by a doctor.

(51) Medical Emergency Plan. – The State Board of Education, in consultation with the Department of Public Instruction and the Department of Health and Human Services, shall adopt a rule establishing the required response of public school unit employees when a student has a medical emergency not otherwise covered by a medical condition action plan implemented in accordance with G.S. 115C-375.1. The Department of Public Instruction shall provide each public school unit with a copy of the rule, and each public school unit shall implement the rule."

SECTION 7.58.(b) G.S. 115C-375.1 reads as rewritten:

"**§ 115C-375.1. To provide some medical care to ~~students.~~students and implement medical condition action plans.**

(a) Notwithstanding G.S. 90-21.10B, it is within the scope of duty of teachers, including substitute teachers, teacher assistants, student teachers, or any other public school employee when authorized by the ~~board of education~~ governing body of a public school unit or its designee, (i) to administer any drugs or medication prescribed by a doctor upon written request of the parents, or as described in the medical condition action plan required by subsection (b) of this section, (ii) to give emergency health care when reasonably apparent circumstances indicate that any delay would seriously worsen the physical condition or endanger the life of the ~~pupil,~~ student,

and (iii) to perform any other first aid or lifesaving techniques in which the employee has been trained in a program approved by the State Board of Education. At least one public school unit employee per school shall be trained in first aid and lifesaving techniques, including seizure recognition. No public school unit employee, ~~however,~~ other than a school administrator, shall be required to administer drugs or medication or attend lifesaving techniques programs.

(b) Each governing body of a public school unit shall implement the medical condition action plan adopted by the State Board of Education pursuant to G.S. 115C-12(50) for each student at risk of a medical emergency as diagnosed by a doctor. The medical condition action plan adopted by the State Board of Education shall include all of the following:

(1) A standard medical condition action plan form.

(2) Detailed instructions in the medical condition action plan form to ensure that all individuals designated by the principal, or, if there is no principal, the staff member with the highest decision-making authority, to provide medical care for a student at risk for a medical emergency as diagnosed by a doctor, know how to address the medical emergency.

(3) Information detailing the method by which and by whom any medical emergency will be handled when the student is at a school-sponsored activity that is not on the campus of the public school unit, including field trips and interscholastic athletic activities.

(c) Any public school unit employee, authorized by the ~~board of education~~ governing body of a public school unit or its designee to act under ~~(i), (ii), or (iii) above,~~ subsections (a) and (b) of this section, shall not be liable in civil damages for any authorized act or for any omission relating to that act unless the act or omission amounts to gross negligence, wanton conduct, or intentional wrongdoing. Any person, serving in a voluntary position at the request of or with the permission or consent of the ~~board of education~~ governing body of a public school unit or its designee, who has been given the authority by the ~~board of education~~ governing body of a public school unit or its designee to ~~act under (ii) above~~ give emergency health care when reasonably apparent circumstances indicate that any delay would seriously worsen the physical condition or endanger the life of the student shall not be liable in civil damages for any authorized act or for any omission relating to the act unless the act amounts to gross negligence, wanton conduct, or intentional wrongdoing.

(d) At the commencement of each school year, but before the beginning of classes, and thereafter as circumstances require, the principal of each ~~school~~ school, or, if there is no principal, the staff member with the highest decision-making authority, shall determine which persons will participate in the medical care program."

SECTION 7.58.(c) The State Board of Education may adopt temporary rules to implement this section.

SECTION 7.58.(d) G.S. 115C-47 is amended by adding the following new subdivisions to read:

"(70) To Implement a Medical Condition Action Plan. – Local boards of education shall implement the medical condition action plan adopted by the State Board of Education under G.S. 115C-12(50) and as provided in G.S. 115C-375.1.

(71) To Implement a Medical Emergency Plan. – Local boards of education shall implement the medical emergency plan adopted by the State Board of Education under G.S. 115C-12(51)."

SECTION 7.58.(e) G.S. 115C-218.75 is amended by adding the following new subsections to read:

"(e3) Medical Condition Action Plan. – A charter school shall implement the medical condition action plan adopted by the State Board of Education under G.S. 115C-12(50) and as provided in G.S. 115C-375.1.

(e4) Medical Emergency Plan. – A charter school shall implement the medical emergency plan adopted by the State Board of Education under G.S. 115C-12(51)."

SECTION 7.58.(f) G.S. 115C-238.66 is amended by adding the following new subdivisions to read:

"(7h) Medical condition action plan. – A regional school shall implement the medical condition action plan adopted by the State Board of Education under G.S. 115C-12(50) and as provided in G.S. 115C-375.1.

(7i) Medical emergency plan. – A regional school shall implement the medical emergency plan adopted by the State Board of Education under G.S. 115C-12(51)."

SECTION 7.58.(g) G.S. 116-239.8(b) is amended by adding the following new subdivisions to read:

"(26) Medical condition action plan. – A laboratory school shall implement the medical condition action plan adopted by the State Board of Education under G.S. 115C-12(50) and as provided in G.S. 115C-375.1.

(27) Medical emergency plan. – A laboratory school shall implement the medical emergency plan adopted by the State Board of Education under G.S. 115C-12(51)."

SECTION 7.58.(h) Subdivision (2) of Section 6(d) of S.L. 2018-32 is amended by adding the following new sub-subdivisions to read:

"p. (70) [To Implement a Medical Condition Action Plan].

q. (71) [To Implement a Medical Emergency Plan]."

NORTH CAROLINA STUDENT LIFELINE INFORMATION

SECTION 7.59.(a) G.S. 115C-47 is amended by adding the following new subdivision to read:

"(70) To Provide Students the Suicide and Crisis Lifeline Phone Number and the NC Peer Warmline Phone Number. – A local board of education shall adopt a policy to ensure all schools in the local school administrative unit provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The board shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, schools shall use the updated phone number. Unless an updated phone number exists, the schools shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

a. On any new student identification (student ID) issued to a student in grades six through 12. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this subdivision requires a school to issue a student ID.

b. On the school website.

c. On the home screen of any electronic device issued to students.

d. On any school agenda or calendar, whether digital or printed.

e. On a document during any suicide awareness activity.

f. On a document when the student registers to attend the school."

SECTION 7.59.(b) G.S. 115C-150.12C is amended by adding a new subdivision to read:

"(37) To provide students the Suicide and Crisis Lifeline phone number and the NC Peer Warmline phone number. – The board of trustees shall provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The board shall verify that the phone numbers for the Lifeline and

the Warmline are current and accurate annually. If either phone number has changed, the board shall use the updated phone number. Unless an updated phone number exists, the board shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

a. On any new student identification (student ID) issued to a student in grades six through 12. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this subdivision requires a school to issue a student ID.

b. On the school website.

c. On the home screen of any electronic device issued to students.

d. On any school agenda or calendar, whether digital or printed.

e. On a document during any suicide awareness activity.

f. On a document when the student registers to attend the school."

SECTION 7.59.(c) G.S. 115C-218.75 is amended by adding a new subsection to read:

"(p) To Provide Students the Suicide and Crisis Lifeline Phone Number and the NC Peer Warmline Phone Number. – A charter school shall provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The school shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, the school shall use the updated phone number. Unless an updated phone number exists, the school shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

(1) On any new student identification (student ID) issued to a student in grades six through 12. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this subsection requires a school to issue a student ID.

(2) On the school website.

(3) On the home screen of any electronic device issued to students.

(4) On any school agenda or calendar, whether digital or printed.

(5) On a document during any suicide awareness activity.

(6) On a document when the student registers to attend the school."

SECTION 7.59.(d) G.S. 115C-238.66 is amended by adding a new subdivision to read:

"(23) To provide students the Suicide and Crisis Lifeline phone number and the NC Peer Warmline phone number. – A regional school shall provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The school shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, the school shall use the updated phone number. Unless an updated phone number exists, the school shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

a. On any new student identification (student ID) issued to a student in grades six through 12. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this subdivision requires a school to issue a student ID.

b. On the school website.

c. On the home screen of any electronic device issued to students.

d. On any school agenda or calendar, whether digital or printed.

e. On a document during any suicide awareness activity.
f. On a document when the student registers to attend the school."

SECTION 7.59.(e) G.S. 116-239.8(b) is amended by adding a new subdivision to read:

"(26) To provide students the Suicide and Crisis Lifeline phone number and the NC Peer Warmline phone number. – A laboratory school shall provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The school shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, the school shall use the updated phone number. Unless an updated phone number exists, the school shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:
a. On any new student identification (student ID) issued to a student in grades six through 12. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this subdivision requires a school to issue a student ID.
b. On the school website.
c. On the home screen of any electronic device issued to students.
d. On any school agenda or calendar, whether digital or printed.
e. On a document during any suicide awareness activity.
f. On a document when the student registers to attend the school."

SECTION 7.59.(f) Part 1 of Article 39 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-550.2. Provide students the Suicide and Crisis Lifeline phone number and the NC Peer Warmline phone number.**

Each private church school or school of religious charter shall provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The school shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, the school shall use the updated phone number. Unless an updated phone number exists, the school shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

(1) On any new student identification (student ID) issued to a student in grades six through 12. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this section requires a school to issue a student ID.
(2) On the school website.
(3) On the home screen of any electronic device issued to students.
(4) On any school agenda or calendar, whether digital or printed.
(5) On a document during any suicide awareness activity.
(6) On a document when the student registers to attend the school."

SECTION 7.59.(g) Part 2 of Article 39 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-558.2. Provide students the Suicide and Crisis Lifeline phone number and the NC Peer Warmline phone number.**

Each qualified nonpublic school shall provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The school shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, the school shall use the updated phone number. Unless an updated phone number exists,

the school shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

(1) On any new student identification (student ID) issued to a student in grades six through 12. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this section requires a school to issue a student ID.

(2) On the school website.

(3) On the home screen of any electronic device issued to students.

(4) On any school agenda or calendar, whether digital or printed.

(5) On a document during any suicide awareness activity.

(6) On a document when the student registers to attend the school."

SECTION 7.59.(h) Part 2 of Article 1 of Chapter 115D, as enacted by Section 6.5 of this act, is amended by adding a new section to read:

"**§ 115D-9.40. Provide students the Suicide and Crisis Lifeline phone number and the NC Peer Warmline phone number.**

"The State Board of Community Colleges shall adopt a policy requiring all community colleges to provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The State Board shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, the community colleges shall use the updated phone number. Unless an updated phone number exists, the community colleges shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

(1) On any new student identification (student ID) issued. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this subdivision requires a school to issue a student ID.

(2) On the school website.

(3) On the home screen of any electronic device issued to students.

(4) On any school agenda or calendar, whether digital or printed.

(5) On a document during any suicide awareness activity.

(6) On a document when the student registers to attend the school."

SECTION 7.59.(i) G.S. 116-11 is amended by adding a new subdivision to read:

"(3d) The Board of Governors shall adopt a policy requiring all constituent institutions to provide students the phone numbers for the Suicide and Crisis Lifeline and the NC Peer Warmline. The Board of Governors shall verify that the phone numbers for the Lifeline and the Warmline are current and accurate annually. If either phone number has changed, the constituent institutions shall use the updated phone number. Unless an updated phone number exists, the constituent institutions shall have the phrases "To reach the Suicide and Crisis Lifeline, call 988 or text HOME to 741741" and "To reach the NC Peer Warmline, call 855-733-7762" in the following places:

a. On any new student identification (student ID) issued. The text shall be in a conspicuous location on the student ID. The text may be printed on the ID or affixed by sticker. Nothing in this subdivision requires a school to issue a student ID.

b. On the school website.

c. On the home screen of any electronic device issued to students.

d. On any school agenda or calendar, whether digital or printed.

e. On a document during any suicide awareness activity.

f. On a document when the student registers to attend the school."

DPI TO CONTINUE PROVIDING FINANCIAL DATA REPORTING PLATFORM TO CHARTERS FOR INITIAL YEAR OF OPERATION

SECTION 7.60. Part 4 of Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-218.106. Initial financial data reporting expenses.**

The Department of Public Instruction shall provide a charter school access to any required financial data reporting platforms during the charter school's first year of operation at no cost to the charter school."

SCHOOLS FOR THE DEAF AND BLIND AMENDMENTS

SECTION 7.61.(a) G.S. 115C-150.11(c), as enacted by Section 3J.1(a) of S.L. 2024-57, reads as rewritten:

"(c) Administrative Support. – The Department of Administration shall provide support to each school in matters related to finance, human resources, and procurement, ~~including~~ excluding support for information technology. Each school shall enter into a memorandum of understanding with the Department of Administration with regard to this support. No civil liability shall attach to the Department of Administration, or to any of its employees, individually or collectively, for any acts or omissions of a school."

SECTION 7.61.(b) G.S. 115C-150.11 reads as rewritten:

"**§ 115C-150.11. Establishment of the schools for the deaf and blind.**

(a) Establishment. – The following are created as separate State agencies governed respectively by boards of trustees:

(1) The Governor Morehead School for the Blind of the Department of Public Instruction for the function, purpose, and duty of serving students who are blind or visually impaired from birth to age 22. The Governor Morehead School for the Blind shall include the Governor Morehead ~~Preschool.~~Preschool and the Early Learning Sensory Support Program for Vision.

(2) The Eastern North Carolina School for the Deaf of the Department of Public Instruction for the function, purpose, and duty of serving students who are deaf or hard of ~~hearing.~~hearing from birth to age 22. The Eastern North Carolina School for the Deaf shall include the Early Learning Sensory Support Program for Hearing.

(3) The North Carolina School for the Deaf of the Department of Public Instruction for the function, purpose, and duty of serving students who are deaf or hard of ~~hearing.~~hearing from birth to age 22. The North Carolina School for the Deaf shall include the Early Learning Sensory Support Program for Hearing.

…."

SECTION 7.61.(c) Effective December 1, 2025, the Governor Morehead Preschool and the Early Learning Sensory Program for Vision is transferred from the Department of Instruction to the Governor Morehead School for the Blind.

SECTION 7.61.(d) Effective December 1, 2025, the Early Learning Sensory Support Program for Hearing is transferred from the Department of Public Instruction to the North Carolina School for the Deaf and the Eastern North Carolina School for the Deaf. Upon transfer, the North Carolina School of the Deaf and the Eastern North Carolina School for the Deaf shall agree on a geographical boundary to divide the administrative responsibility for the Early Learning Sensory Support Program for Hearing between the two schools.

SECTION 7.61.(e) The transfers made in this section shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6. Upon transfer, teachers and instructional support

personnel in the Preschool and the Early Learning Sensory Program for Vision and the Early Learning Sensory Support Program for Hearing shall receive a salary, including any supplement, equivalent to those teachers and instructional support personnel that work on the campus of their respective residential schools. Nothing in this section shall be construed to result in the loss of salary by any employee in the Preschool or Early Learning Sensory Support Programs.

SECTION 7.61.(f) G.S. 115C-150.12A(f) reads as rewritten:

"(f) Meetings. – A board of trustees shall meet at least four times a year and also at such other times as it may deem necessary. A majority of the voting members of the board shall constitute a quorum for the transaction of business. All meetings shall be subject to Article 33C of Chapter 143 of the General Statutes. A board of trustees may conduct remote meetings in accordance with Article 33C of Chapter 143 of the General Statutes, so long as the board of trustees complies with the provisions of G.S. 166A-19.24, except that a declaration of emergency is not needed. The members shall receive per diem compensation and necessary travel and subsistence expenses while engaged in the discharge of their official duties, in accordance with the provisions of G.S. 138-5."

SECTION 7.61.(g) G.S. 115C-150.12B(a) reads as rewritten:

"(a) Superintendent. – Each board of trustees of a school shall appoint a superintendent for that school who meets the requirements of G.S. 115C-271 for employment. The superintendent shall act as secretary to the board of trustees in accordance with G.S. 115C-150.12A. All acts of the boards of trustees, not in conflict with State law, shall be binding on the superintendent, and the superintendent shall carry out all rules and regulations of the board and other duties as prescribed by the board of trustees. For purposes of application to other statutes in this Chapter, the superintendent shall be the equivalent of a superintendent of a local school administrative unit and shall fulfill the duties of a superintendent as provided in Article 18 of this Chapter. Unless otherwise required by the board of trustees, the superintendent shall not be required to reside in the county in which the residential school is located."

SECTION 7.61.(h) Subsections (b) and (c) of Section 8 of S.L. 2023-10 read as rewritten:

"**SECTION 8.(b)** Notwithstanding current employment classifications of administrators for the schools for the deaf and blind and G.S. 115C-150.12B, as enacted by this act, those employed as administrators of each school for the deaf and blind shall remain in employment, subject to dismissal for cause as provided in Article 8 of Chapter 126 of the General Statutes, until June 30, ~~2025.~~ 2025, at which point the administrator's employment shall terminate unless the administrator has already been separated from employment prior to that date or is appointed superintendent or employed in some other capacity by the respective board of trustees pursuant to G.S. 115C-150.12B. Notwithstanding Article 18 of Chapter 115C of the General Statutes, the State Board of Education shall waive superintendent licensure requirements for those employed as administrators of each school for the deaf and blind until June 30, 2025.

"**SECTION 8.(c)** Notwithstanding G.S. 115C-150.12B, as enacted by this act, Chapter 126 of the General Statutes shall apply to any employee of the schools for the deaf and blind employed on June 30, 2024, for as long as that employee remains employed at that ~~school.~~school, except those employed on that date as an administrator of the school."

REPEAL ECONOMICALLY DISADVANTAGED PUBLIC SCHOOLS SUPPORT PROGRAM AND ESTABLISH ECONOMICALLY DISADVANTAGED CHARTER SCHOOLS SUPPORT PROGRAM

SECTION 7.62.(a) G.S. 115C-105.34 is repealed.

SECTION 7.62.(b) Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-218.108. Economically disadvantaged charter school support funds.**

(a) For purposes of this section, the following definitions shall apply:

(1) Curriculum. – Materials or programs related to courses offered by an economically disadvantaged charter school.

(2) Economically disadvantaged charter school. – A charter school with a student population that is composed of at least eighty percent (80%) of students identified by the Department of Public Instruction as economically disadvantaged students.

(3) Eligible employee. – Any full-time or part-time employee of a qualifying economically disadvantaged charter school.

(4) Qualifying economically disadvantaged charter school. – An economically disadvantaged charter school that met or exceeded expected growth in the prior school year, as determined by the State Board of Education pursuant to Part 1B of Article 8 of this Chapter.

(b) The Department of Public Instruction shall establish the Economically Disadvantaged Charter Schools Support Program (Program) to provide funds to support the efforts of qualifying economically disadvantaged charter schools to continue to meet or exceed growth in subsequent school years. To the extent funds are provided to the Department for this purpose, the Department shall allocate these funds annually to each governing body of an economically disadvantaged charter school based on the relative proportion of students in each qualifying economically disadvantaged charter school governed by that body. The governing body shall allocate those funds to each qualifying economically disadvantaged charter school based on the relative proportion of students in each school. The funds shall be used for curriculum, activities necessary to support students and instructional support personnel, and bonuses and retention programs for eligible employees in the discretion of the governing body of the charter school, as appropriate.

(c) It is the intent of the General Assembly that funds provided pursuant to this section will supplement and not supplant local funds."

REQUIRE LOCAL BOARDS OF EDUCATION TO PUBLISH TOTAL COMPENSATION AND POSITION INFORMATION FOR CENTRAL OFFICE EMPLOYEES

SECTION 7.63.(a) G.S. 115C-320 reads as rewritten:

"**§ 115C-320. ~~Certain records open to inspection.~~Publication and inspection of certain records.**

(a) Each local board of education shall maintain a record of each of its employees, showing the following information with respect to each employee:

(1) Name.

(2) Age.

(3) Date of original employment or appointment.

(4) The terms of any contract by which the employee is employed whether written or oral, past and current, to the extent that the board has the written contract or a record of the oral contract in its possession.

(5) Current position.

(6) Title.

(7) Current ~~salary.~~total compensation, as defined in sub-subdivision a. of subdivision (1) of subsection (b1) of this section.

(8) Date and amount of each increase or decrease in ~~salary~~ total compensation, as defined in sub-subdivision a. of subdivision (1) of subsection (b1) of this section, with that local board of education.

(9) Date and type of each promotion, demotion, transfer, suspension, separation, or other change in position classification with that local board of education.

(10) Date and general description of the reasons for each promotion with that local board of education.

(11) Date and type of each dismissal, suspension, or demotion for disciplinary reasons taken by the local board of education. If the disciplinary action was a dismissal, a copy of the written notice of the final decision of the local board education setting forth the specific acts or omissions that are the basis of the dismissal.

(12) The office or station to which the employee is currently assigned.

(b) For the purposes of this section, the term "central office employees" refers to superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, finance officers, all personnel categorized as central office employees by the Department of Public Instruction or the local school administrative unit, and any permanent employee of the local school administrative unit or employee of a third-party contractor with the local school administrative unit that is not assigned to a school campus. The term "salary" includes pay, benefits, incentives, supplements, bonuses, and deferred and all other forms of compensation paid by the employing entity.

(b1) No later than August 15, 2025, and annually thereafter, each local board of education shall publish and maintain on its website all of the following information:

(1) For each central office employee:

a. Total compensation from all funding sources, including at least the following:

1. Salary.

2. Reimbursements and allowances, including reimbursements and allowances related to travel.

b. Position title.

c. Position description.

d. The date the position was created.

e. The department, unit, or office of the local school administrative unit in which the position is located.

(2) The title of each central office employee position in the local school administrative unit and the number of positions associated with that title.

(3) For each department, unit, or office of the local school administrative unit:

a. The number of central office employees located in that department, unit, or office.

b. The number of central office employees for each position title.

(c) Subject only to rules and regulations for the safekeeping of records adopted by the local board of education, every person having custody of the records shall permit them to be inspected and examined and copies made by any person during regular business hours. The name of a participant in the Address Confidentiality Program established pursuant to Chapter 15C of the General Statutes shall not be open to inspection and shall be redacted from any record released pursuant to this section. Any person who is denied access to any record for the purpose of inspecting, examining or copying the record shall have a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief."

SECTION 7.63.(b) The title of Article 21A of Chapter 115C of the General Statutes reads as rewritten:

"Article 21A.

"~~Privacy of~~ Employee Personnel Records."

SECTION 7.63.(c) This section is effective when it becomes law.

WORKFORCE REPORT FOR OCCUPATIONAL THERAPISTS AND PHYSICAL THERAPISTS

SECTION 7.64. Article 21 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-316.3. Occupational therapist and physical therapist workforce report.**

(a) Definition. – For purposes of this section, the term "therapist" refers to a person working in a local school administrative unit who is an occupational therapist or a physical therapist.

(b) Local Report. – No later than February 15 of each year, every local board of education shall report the following information to the Department of Public Instruction regarding therapists in the unit, disaggregated by type of therapist:

(1) Number of employees of the local school administrative unit.

(2) Number of employees of a third-party contractor.

(3) Number of vacant positions.

(c) State Report. – No later than April 15 of each year, the Department of Public Instruction shall report the information received pursuant to subsection (b) of this section to the Joint Legislative Education Oversight Committee."

PART VII-A. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 7A.1.(a) The following monthly teacher salary schedules shall apply for the 2025-2026 fiscal year and the 2026-2027 fiscal year, respectively, to licensed personnel of the public schools who are classified as teachers. The salary schedules are based on years of teaching experience.

2025-2026 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	$4,800
1	$4,825
2	$4,850
3	$4,875
4	$4,900
5	$4,950
6	$5,000
7	$5,050
8	$5,100
9	$5,150
10	$5,200
11	$5,250
12	$5,300
13	$5,350
14	$5,403
15	$5,496
16	$5,521
17	$5,546
18	$5,571
19	$5,591
20	$5,611
21	$5,631
22	$5,651
23	$5,671
24	$5,691
25+	$5,711

2026-2027 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	$5,000
1	$5,020
2	$5,040
3	$5,060
4	$5,080
5	$5,100
6	$5,120
7	$5,140
8	$5,164
9	$5,214
10	$5,265
11	$5,316
12	$5,366
13	$5,417
14	$5,470
15	$5,565
16	$5,590
17	$5,615
18	$5,641
19	$5,661
20	$5,681
21	$5,701
22	$5,722
23	$5,742
24	$5,762
25+	$5,782

SECTION 7A.1.(b) Salary Supplements for Teachers Paid on These Salary Schedules. –

(1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.

(2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

(3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the supplement provided to them as "M" teachers.

(4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the supplement provided to them as "M" teachers.

(5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

(6) School counselors who are licensed as counselors at the master's degree level or higher shall receive a salary supplement each month of one hundred dollars ($100.00).

SECTION 7A.1.(c) For school psychologists, school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and school audiologists who are licensed as audiologists at the master's degree level or higher, the following shall apply:

(1) The first step of the salary schedule shall be equivalent to the sixth step of the "A" salary schedule.

(2) These employees shall receive the following salary supplements each month:

a. Ten percent (10%) of their monthly salary, excluding the supplement provided pursuant to sub-subdivision b. of this subdivision.

b. Three hundred fifty dollars ($350.00).

(3) These employees are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.

(4) The twenty-sixth step of the salary schedule shall be seven and one-half percent (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

SECTION 7A.1.(d) Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

SECTION 7A.1.(e) A teacher compensated in accordance with these salary schedules in the 2025-2027 fiscal biennium shall receive an amount equal to the greater of the following:

(1) The applicable amount on the applicable salary schedule for the applicable school year.

(2) For teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:

a. The salary the teacher received in the 2013-2014 school year pursuant to Section 35.11 of S.L. 2013-360.

b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in Section 35.11 of S.L. 2013-360 based on the teacher's current years of service.

c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.

(3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the salary and annual bonus the teacher received in the 2014-2015 school year pursuant to Section 9.1 of S.L. 2014-100.

SECTION 7A.1.(f) As used in this section, the term "teacher" shall also include instructional support personnel.

REINSTATE EDUCATION-BASED SALARY SUPPLEMENTS FOR TEACHERS AND INSTRUCTIONAL SUPPORT PERSONNEL

SECTION 7A.1A.(a) G.S. 115C-302.10 is repealed.

SECTION 7A.1A.(b) Notwithstanding any other provision of law, for the 2025-2026 fiscal year, State Board of Education policy TCP-A-006, as it was in effect on June 30, 2013, shall be used to determine (i) whether teachers and instructional support personnel are paid on the "M" salary schedule and (ii) whether they receive a salary supplement for academic preparation at the six-year or doctoral degree level.

CONSOLIDATED TEACHER BONUS PROGRAM

SECTION 7A.2.(a) Article 20 of Chapter 115C of the General Statutes is amended by adding the following new section to read:

"**§ 115C-302.9. Teacher bonuses.**

(a) Program. – The State Board of Education shall establish a consolidated teacher bonus program to reward teacher performance and encourage student learning and improvement. To attain this goal, to the extent funds are made available for this purpose, the Department of Public Instruction shall administer bonus pay to qualifying teachers whose salaries are supported from State funds in January of each year, based on data from the prior school year, in accordance with this section.

(b) Definitions. – For purposes of this section, the following definitions shall apply:

(1) Eligible advanced course teacher. – A teacher of Advanced Placement courses, International Baccalaureate Diploma Programme courses, or the Cambridge Advanced International Certificate of Education (AICE) program who meets the following criteria:

a. Is employed by, or retired having last held a position at, one or more of the following:

1. A qualifying public school unit.

2. The North Carolina Virtual Public School program.

b. Taught one or more students who received a score listed in subsection (c) of this section.

(2) Eligible career and technical education (CTE) teacher. – A teacher who meets the following criteria:

a. Is employed by, or retired having last held a position at, a qualifying public school unit.

b. Taught one or more students who attained approved industry certifications or credentials consistent with G.S. 115C-156.2.

(3) Eligible growth teacher. – A teacher who meets at least one of the following criteria:

a. Is employed by, or retired having last held a position at, a qualifying public school unit and meets one of the following criteria:

1. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for third grade reading from the previous school year.

2. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for fourth or fifth grade reading from the previous school year.

3. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for fourth, fifth, sixth, seventh, or eighth grade mathematics from the previous school year.

b. Is employed by, or retired having last held a position at, a local school administrative unit and meets one of the following criteria:

1. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for third grade reading from the previous school year.

2. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for fourth or fifth grade reading from the previous school year.

3. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for fourth, fifth,

sixth, seventh, or eighth grade mathematics from the previous school year.

c. Was employed by a local school administrative unit that employed in the previous school year three or fewer total teachers in that teacher's grade level as long as the teacher has an EVAAS student growth index score from the previous school year of exceeded expected growth in one of the following subject areas:

1. Third grade reading.
2. Fourth or fifth grade reading.
3. Fourth, fifth, sixth, seventh, or eighth grade mathematics.

(4) EVAAS. – The Education Value-Added Assessment System.

(5) Predecessor bonus programs. – All of the following:

a. The Advanced Placement/International Baccalaureate/Cambridge AICE Teacher Bonus Program provided in Section 8.8 of S.L. 2016-94, as amended by Section 8.8B of S.L. 2017-57, Section 2.10 of S.L. 2017-197, and Section 8.10 of S.L. 2018-5.

b. The Industry Certifications and Credentials Teacher Bonus Program provided in Section 8.9 of S.L. 2016-94, as amended by Section 8.8B of S.L. 2017-57, Section 2.10 of S.L. 2017-197, and Section 8.10 of S.L. 2018-5.

c. The Third Grade Read to Achieve Teacher Bonus Program provided in Section 8.8C of S.L. 2017-57, as amended by Section 2.10 of S.L. 2017-197 and Section 8.10 of S.L. 2018-5.

d. The Fourth and Fifth Grade Reading Teacher Bonus Program provided in Section 8.8D of S.L. 2017-57, as amended by Section 8.11 of S.L. 2018-5.

e. The Fourth to Eighth Grade Math Teacher Bonus Program provided in Section 8.8E of S.L. 2017-57, as amended by Section 8.12 of S.L. 2018-5.

f. Advanced course and CTE Teacher bonuses provided in Section 7A.4 of S.L. 2021-180.

g. Bonuses for Teachers Based on Student Growth provided in Section 7A.2 of S.L. 2022-74.

h. The Consolidated Teacher Bonus Program provided in Section 7A.3 of S.L. 2023-134.

(6) Qualifying public school unit. – Any of the following:

a. A local school administrative unit.

b. A charter school.

c. A regional school.

d. A school providing elementary or secondary instruction operated by The University of North Carolina under Article 29A of Chapter 116 of the General Statutes.

(7) Qualifying teacher. – An eligible teacher who meets one of the following criteria:

a. Remains employed teaching in the same qualifying public school unit or, if an eligible advanced course teacher is only employed by the North Carolina Virtual Public School program, remains employed teaching in that program, at least from the school year the data is collected until January 1 of the corresponding school year that the bonus is paid.

b. Retired, between the last day of the school year in which the data is collected and January 1 of the corresponding school year in which the bonus is paid, after attaining one of the following:
1. The age of at least 65 with five years of creditable service.
2. The age of at least 60 with 25 years of creditable service.
3. Thirty years of creditable service.

(c) Advanced Course Bonuses. – A bonus in the amount of fifty dollars ($50.00) shall be provided to qualifying advanced course teachers for each student taught in each advanced course who receives the following score:

(1) For Advanced Placement courses, a score of three or higher on the College Board Advanced Placement Examination.

(2) For International Baccalaureate Diploma Programme courses, a score of four or higher on the International Baccalaureate course examination.

(3) For the Cambridge AICE program, a score of "E" or higher on the Cambridge AICE program examinations.

(d) CTE Bonuses. – For qualifying career and technical education teachers, bonuses shall be provided in the following amounts:

(1) A bonus in the amount of twenty-five dollars ($25.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification or credential with a twenty-five dollar ($25.00) value ranking as determined under subsection (e) of this section.

(2) A bonus in the amount of fifty dollars ($50.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification or credential with a fifty dollar ($50.00) value ranking as determined under subsection (e) of this section.

(e) CTE Course Value Ranking. – The Department of Commerce, in consultation with the State Board, shall assign a value ranking for each industry certification and credential based on academic rigor and employment value in accordance with this subsection. Fifty percent (50%) of the ranking shall be based on academic rigor and the remaining fifty percent (50%) on employment value. Academic rigor and employment value shall be based on the following elements:

(1) Academic rigor shall be based on the number of instructional hours, including work experience or internship hours, required to earn the industry certification or credential, with extra weight given for coursework that also provides community college credit.

(2) Employment value shall be based on the entry wage, growth rate in employment for each occupational category, and average annual openings for the primary occupation linked with the industry certification or credential.

(f) Statewide Growth Bonuses. – The Department shall provide bonuses to qualifying teachers who are eligible teachers under sub-subdivision a. of subdivision (3) of subsection (b) of this section, as follows:

(1) The sum of five million dollars ($5,000,000) shall be allocated for bonuses to eligible teachers under sub-sub-subdivision a.1. of subdivision (3) of subsection (b) of this section. These funds shall be distributed equally among qualifying teachers.

(2) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.2. of subdivision (3) of subsection (b) of this section.

(3) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.3. of subdivision (3) of subsection (b) of this section.

(g) Local Growth Bonuses. – The Department shall provide bonuses to eligible teachers under sub-subdivisions b. and c. of subdivision (3) of subsection (b) of this section, as follows:

(1) The sum of five million dollars ($5,000,000) shall be allocated for bonuses to eligible EVAAS teachers under sub-sub-subdivisions b.1. and c.1. of subdivision (3) of subsection (b) of this section. These funds shall be divided proportionally based on average daily membership in third grade for each local school administrative unit and then distributed equally among qualifying third grade reading teachers in each local school administrative unit.

(2) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision b.2. or c.2. of subdivision (3) of subsection (b) of this section.

(3) A bonus in the amount of two thousand dollars ($2,000) shall be awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision b.3. or c.3. of subdivision (3) of subsection (b) of this section.

(h) Limitations and Other Criteria. – The following additional limitations and other criteria shall apply to the program:

(1) Bonus funds awarded to a teacher pursuant to subsection (c), subsection (d), subdivision (1) of subsection (f), and subdivision (1) of subsection (g) of this section shall not exceed three thousand five hundred dollars ($3,500) per subsection or subdivision in any given school year.

(2) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section but shall not receive more than seven thousand dollars ($7,000) pursuant to subdivision (1) of subsection (f) and subdivision (1) of subsection (g) of this section in any given school year.

(3) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.2., b.2., or c.2. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section but shall not receive more than two bonuses pursuant to subdivision (2) of subsection (f) and subdivision (2) of subsection (g) of this section in any given school year.

(4) A qualifying teacher who is an eligible teacher under sub-sub-subdivision a.3., b.3., or c.3. of subdivision (3) of subsection (b) of this section may receive a bonus under both subdivision (3) of subsection (f) and subdivision (3) of subsection (g) of this section but shall not receive more than two bonuses pursuant to subdivision (3) of subsection (f) and subdivision (3) of subsection (g) of this section in any given school year.

(i) Bonuses Not Compensation. – Bonuses awarded to a teacher pursuant to this section shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive. Notwithstanding G.S. 135-1(7a), the bonuses awarded under this section are not compensation under Article 1 of Chapter 135 of the General Statutes, Retirement System for Teachers and State Employees.

(j) Study and Report. – The State Board of Education shall study the effect of the program on teacher performance and retention. The State Board shall report the results of its findings and the amount of bonuses awarded to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division by March 15 of each year. The report shall include, at a minimum, the following information:

(1) Number of students enrolled and taking examinations in each of the following categories of courses:

a. Advanced Placement.
b. International Baccalaureate Diploma Programme.
c. Cambridge AICE program.
d. Courses needed for the attainment of an industry certification or credential.

(2) Number of students receiving outcomes on examinations resulting in the award of a bonus for a teacher in each category of courses identified in subdivision (1) of this subsection.

(3) Number of teachers receiving a bonus in each category of courses identified in subdivision (1) of this subsection.

(4) The amounts awarded to teachers for each category of courses identified in subdivision (1) of this subsection.

(5) The type of industry certifications and credentials earned by the students, the value ranking for each certification and credential, the number of bonuses earned for each certification or credential, and the total bonus amount awarded for each certification or credential.

(6) Average bonus amount awarded to each qualifying teacher who is an eligible teacher under sub-sub-subdivision a.1., b.1., or c.1. of subdivision (3) of subsection (b) of this section.

(7) The percentage of teachers who received a bonus pursuant to this section and were eligible to receive a bonus for teaching in the same grade level or course in either or both of the prior two school years pursuant to this section or a predecessor bonus program.

(8) The percentage of teachers who received a bonus pursuant to this section and received a bonus for teaching in the same grade level or course in either or both of the prior two school years pursuant to this section or a predecessor bonus program.

(9) The statistical relationship between a teacher receiving a bonus pursuant to this section and receiving a bonus for teaching in the same grade level or course in one or more prior school years pursuant to this section or a predecessor bonus program.

(10) The distribution of statewide and local growth bonuses awarded pursuant to this section as among qualifying public school units and, where applicable, schools within those units."

SECTION 7A.2.(b) This section applies beginning with bonuses awarded in January of 2026 based on data from the 2024-2025 school year.

SUPPLEMENTAL FUNDS FOR TEACHER COMPENSATION

SECTION 7A.3.(a) Use of Funds. – For each year of the 2025-2027 fiscal biennium, except as provided in subsection (g) of this section, the State Board of Education shall allocate funds pursuant to this section to eligible local school administrative units to provide salary supplements to teachers and qualifying school administrators in those units. Allocation of salary supplements among teachers and qualifying school administrators within each eligible local school administrative unit, including whether a teacher or qualifying school administrator receives a salary supplement and the amount of the supplement provided to that person, shall be determined in the discretion of the local board of education of the eligible unit, except that no individual salary supplement shall exceed the per teacher funding amount awarded to that unit pursuant to subdivision (4) of subsection (c) of this section.

SECTION 7A.3.(b) Definitions. – As used in this section, the following definitions shall apply:

(1) Adjusted market value of taxable real property. – A county's assessed taxable real property value, using the latest available data published by the Department of Revenue, divided by the county's sales assessment ratio determined under G.S. 105-289(h).

(2) Composite value. – For each eligible county, the sum of the following:
   a. The taxable real property factor multiplied by sixty-five percent (65%).
   b. The median household income factor multiplied by twenty-five percent (25%).
   c. The effective tax rate factor multiplied by ten percent (10%).

(3) County allocation factor. – For each eligible county, the supplement factor for that county divided by the sum of all supplement factors for the State.

(4) Effective tax rate. – The actual county tax rate multiplied by the most recent annual sales assessment ratio for that county.

(5) Effective tax rate factor. – For each eligible county, the effective tax rate for that county divided by the median effective tax rate in the State.

(6) Eligible county. – A county that has an adjusted market value of taxable real property of less than sixty-three billion dollars ($63,000,000,000).

(7) Eligible local school administrative unit. – A local school administrative unit located in whole or in part in an eligible county.

(8) Eligible school. – A public school that is located in an eligible county and governed by a local school administrative unit.

(9) Maintenance of effort amount. – For each local school administrative unit in each fiscal year, the supplant factor multiplied by the total State and non-State funds expended for salaries for teachers from the fiscal year for which the most recent salary data are available.

(10) Median household income. – A county's median household income for the most recent 12 months for which data are available, as that term is used in G.S. 143B-437.08.

(11) Median household income factor. – For each eligible county, the median household income in the State divided by the median household income for that county.

(12) Non-State funds. – Any funds held by a local school administrative unit, other than nonrecurring federal funds received as a result of legislation enacted by Congress in response to COVID-19, that are not State funds.

(13) Qualifying school administrator. – Any of the following:
   a. Assistant principals paid pursuant to G.S. 115C-285(a)(8).
   b. Principals paid pursuant to G.S. 115C-285(a)(8a).

(14) Supplant factor. – For each local school administrative unit in each fiscal year of the fiscal biennium, the total non-State funds expended for salary supplements for teachers in the 2020-2021 fiscal year divided by the total State and non-State funds expended for salaries for teachers in the 2020-2021 fiscal year.

(15) Supplement factor. – For each eligible county, the composite value multiplied by the number of State-funded teachers employed in a school in the county that is governed by a local school administrative unit.

(16) Taxable real property factor. – For each eligible county, the median adjusted market value of taxable real property in the State divided by the adjusted market value of taxable real property for that county.

(17) Teacher. – Teachers and instructional support personnel.

SECTION 7A.3.(c) Allocation of Funds. – The State Board of Education shall allocate funds for salary supplements to eligible local school administrative units according to the following procedure:

(1) County allocation. – For each eligible county, the State Board shall determine a county allocation by multiplying the county allocation factor for that county by the funding amount appropriated pursuant to this section for the applicable fiscal year.

(2) Per teacher funding amount. – For each eligible county, the State Board shall determine a per teacher funding amount by dividing the county allocation amounts determined pursuant to subdivision (1) of this subsection by the total number of State-funded teachers employed in all eligible schools in that county.

(3) Unit funding amount. – For each eligible local school administrative unit, the State Board shall determine the funding amount for that unit based on the per teacher funding amount or amounts for the eligible county or counties where the unit is located. For each county with an eligible school governed by the unit, the State Board shall multiply the applicable per teacher funding amount for that county determined pursuant to subdivision (2) of this subsection by the number of State-funded teachers employed in the eligible school in that county. If the unit is located in multiple eligible counties, the State Board shall aggregate those amounts.

(4) Allocation and funding cap. – The State Board shall allocate the amount determined pursuant to subdivision (3) of this subsection to each eligible local school administrative unit for each applicable fiscal year, up to a maximum of five thousand dollars ($5,000) per State-funded teacher.

SECTION 7A.3.(d) Charter Schools. – Funds appropriated to the Department of Public Instruction pursuant to this section shall be subject to the allocation of funds for charter schools described in G.S. 115C-218.105. The General Assembly encourages charter schools receiving funds pursuant to this section to provide salary supplements to teachers and qualifying school administrators in the charter school in accordance with the requirements of this section.

SECTION 7A.3.(e) Formula for Distribution of Supplemental Funding Pursuant to this Section Only. – The formula in this section is solely a basis for distribution of supplemental funding to eligible local school administrative units and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for eligible local school administrative units.

SECTION 7A.3.(f) Nonsupplant Requirement. – A local school administrative unit that receives funds under this section shall use those funds to supplement non-State funds provided for salary supplements for teachers and qualifying school administrators and shall not use any State funds, including funds received under this section, Section 7A.4 of S.L. 2023-134, or Section 7A.12 of S.L. 2021-180, to supplant non-State funds provided for salary supplements for teachers and qualifying school administrators. For purposes of this section, a local school administrative unit has supplanted non-State funds if the State Board finds that the amount of non-State funds expended by the unit for salary supplements was less than ninety-five percent (95%) of the maintenance of effort amount for the local school administrative unit.

SECTION 7A.3.(g) Nonsupplant Enforcement. – The State Board of Education shall not allocate any funds under this section to a local school administrative unit if it determines that the unit has supplanted non-State funds in violation of subsection (f) of this section.

SECTION 7A.3.(h) Reports. – No later than April 15 of each year of the 2025-2027 fiscal biennium, the State Board of Education shall report the following information for the

applicable fiscal year to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

(1) A list of all eligible counties and eligible local school administrative units.
(2) Funds allocated to each eligible local school administrative unit.
(3) The percentage and amount of teachers and qualifying school administrators in each eligible local school administrative unit receiving salary supplements.
(4) The average salary supplement amount in each eligible local school administrative unit.
(5) The range of salary supplement amounts in each eligible local school administrative unit.
(6) The effect of the salary supplements on the retention of teachers and qualifying school administrators in eligible local school administrative units.
(7) The identity of any local school administrative unit that the State Board determines has supplanted funds.

PRINCIPAL SALARY SCHEDULE

SECTION 7A.4.(a) The following annual salary schedule for principals shall apply for each year of the 2025-2027 fiscal biennium, beginning July 1, 2025:

2025-2027 Principal Annual Salary Schedule

Avg. Daily Membership	Base	Met Growth	Exceeded Growth
0-200	$79,737	$87,709	$95,684
201-400	$83,723	$92,095	$100,467
401-700	$87,709	$96,481	$105,252
701-1,000	$91,698	$100,866	$110,037
1,001-1,600	$95,684	$105,252	$114,821
1,601+	$99,670	$109,637	$119,604

A principal's placement on the applicable salary schedule shall be determined according to the average daily membership of the school supervised by the principal, as described in subsection (b) of this section, and the school growth scores, calculated pursuant to G.S. 115C-83.15(c), for each school the principal supervised in at least two of the prior three school years, as described in subsection (c) of this section, regardless of a break in service, and provided the principal supervised each school as a principal for at least a majority of the school year, as follows:

(1) A principal shall be paid according to the Exceeded Growth column of the schedule if the school growth scores show the school or schools exceeded expected growth in at least two of the prior three school years.
(2) A principal shall be paid according to the Met Growth column of the schedule if any of the following apply:
    a. The school growth scores show the school or schools met expected growth in at least two of the prior three school years.
    b. The school growth scores show the school or schools met expected growth in at least one of the prior three school years and exceeded expected growth in one of the prior three school years.
    c. The principal supervised a school in at least two of the prior three school years that was not eligible to receive a school growth score.
(3) A principal shall be paid according to the Base column if any of the following apply:
    a. The school growth scores show the school or schools did not meet expected growth in at least two of the prior three school years.

b. The principal has not supervised any school as a principal for a majority of the school year in at least two of the prior three school years.

SECTION 7A.4.(b) For purposes of determining the average daily membership of a principal's school, the allotted average daily membership for the school for the applicable school year shall be used. For purposes of this section, the allotted average daily membership of a principal's school shall include any prekindergarten students in membership at that school.

SECTION 7A.4.(c) For purposes of determining the school growth scores for each school the principal supervised in one or more prior school years, the following school growth scores shall be used during the following time periods:

(1) For the first six months of the applicable fiscal year, the school growth scores from the first, second, and third years.

(2) For the second six months of the applicable fiscal year, the school growth scores from the second, third, and fourth years.

(3) If a principal does not have a school growth score from any of the school years identified in this subsection, the most recent available growth scores, up to the fourth year, shall be used.

SECTION 7A.4.(d) Beginning with the 2017-2018 fiscal year, in lieu of providing annual longevity payments to principals paid on the principal salary schedule, the amounts of those longevity payments are included in the annual amounts under the principal salary schedule.

SECTION 7A.4.(e) A principal compensated in accordance with this section for the 2025-2027 fiscal biennium shall receive an amount equal to the greater of the following:

(1) The applicable amount on the principal salary schedule for the applicable fiscal year.

(2) For principals who were eligible for longevity in the 2016-2017 fiscal year, the sum of the following:

a. The salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

b. The longevity that the principal would have received as provided for State employees under the North Carolina Human Resources Act for the 2016-2017 fiscal year based on the principal's current years of service.

(3) For principals who were not eligible for longevity in the 2016-2017 fiscal year, the salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

SECTION 7A.4.(f) For purposes of this section, the following definitions apply:

(1) First year. – The school year immediately preceding the second year.

(2) Fourth year. – The school year immediately preceding the applicable school year.

(3) Second year. – The school year immediately preceding the third year.

(4) The applicable fiscal year. – The fiscal year of the 2025-2027 fiscal biennium in which the principal is employed.

(5) The applicable school year. – The school year of the 2025-2027 fiscal biennium in which the principal is employed.

(6) Third year. – The school year immediately preceding the fourth year.

BONUSES FOR PRINCIPALS

SECTION 7A.5. Article 19 of Chapter 115C of the General Statutes is amended by adding the following new section to read:

"**§ 115C-285.5. Bonuses for principals.**

(a) To the extent funds are made available for this purpose, the Department of Public Instruction shall administer a bonus in each fiscal year to any principal who supervised a school as a principal for a majority of the previous school year if that school was in the top fifty percent (50%) of school growth in the State during the previous school year, calculated by the State Board pursuant to G.S. 115C-83.15(c), as follows:

Principal Bonus Schedule

Statewide Growth Percentage	Bonus
Top 5%	$15,000
Top 10%	$10,000
Top 15%	$5,000
Top 20%	$2,500
Top 50%	$1,000

A principal shall receive no more than one bonus pursuant to this section. The bonus shall be paid at the highest amount for which the principal qualifies.

(b) The bonus awarded pursuant to this section shall be in addition to any regular wage or other bonus the principal receives or is scheduled to receive.

(c) Notwithstanding G.S. 135-1(7a), the bonuses awarded pursuant to this section are not compensation under Article 1 of Chapter 135 of the General Statutes, Retirement System for Teachers and State Employees.

(d) It is the intent of the General Assembly that funds provided pursuant to this section will supplement principal compensation and not supplant local funds.

(e) The bonus provided pursuant to this section shall be paid no later than October 31 of each year to qualifying principals employed as of October 1 of that year."

ASSISTANT PRINCIPAL SALARIES

SECTION 7A.6.(a) For each year of the 2025-2027 fiscal biennium, beginning July 1, 2025, assistant principals shall receive a monthly salary based on the salary schedule for teachers who are classified as "A" teachers plus nineteen percent (19%). An assistant principal shall be placed on the step on the salary schedule that reflects the total number of years of experience as a certified employee of the public schools. For purposes of this section, an administrator with a one-year provisional assistant principal's certificate shall be considered equivalent to an assistant principal.

SECTION 7A.6.(b) Assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars ($126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars ($253.00) per month.

SECTION 7A.6.(c) Participants in an approved full-time master's in school administration program shall receive up to a 10-month stipend during the internship period of the master's program. The stipend shall be at the beginning salary of an assistant principal or, for a teacher who becomes an intern, at least as much as that person would earn as a teacher on the teacher salary schedule. The North Carolina Principal Fellows Program or the school of education where the intern participates in a full-time master's in school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 7A.6.(d) Beginning with the 2017-2018 fiscal year, in lieu of providing annual longevity payments to assistant principals on the assistant principal salary schedule, the amounts of those longevity payments are included in the monthly amounts provided to assistant principals pursuant to subsection (a) of this section.

SECTION 7A.6.(e) An assistant principal compensated in accordance with this section for the 2025-2027 fiscal biennium shall receive an amount equal to the greater of the following:

(1) The applicable amount on the salary schedule for the applicable year.

(2) For assistant principals who were eligible for longevity in the 2016-2017 fiscal year, the sum of the following:
a. The salary the assistant principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
b. The longevity that the assistant principal would have received as provided for State employees under the North Carolina Human Resources Act for the 2016-2017 fiscal year based on the assistant principal's current years of service.

(3) For assistant principals who were not eligible for longevity in the 2016-2017 fiscal year, the salary the assistant principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

CENTRAL OFFICE SALARIES

SECTION 7A.7.(a) For the 2025-2027 fiscal biennium, beginning July 1, 2025, the annual salary for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers whose salaries are supported from State funds shall be increased by two and one-half percent (2.5%).

SECTION 7A.7.(b) The monthly salary maximums that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2025-2027 fiscal biennium, beginning July 1, 2025:

	2025-2027 Fiscal Biennium Maximum
School Administrator I	$7,762
School Administrator II	$8,225
School Administrator III	$8,715
School Administrator IV	$9,055
School Administrator V	$9,417
School Administrator VI	$9,974
School Administrator VII	$10,373

The local board of education shall determine the appropriate category and placement for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or finance officer within the maximums and within funds appropriated by the General Assembly for central office administrators and superintendents. The category in which an employee is placed shall be included in the contract of any employee.

SECTION 7A.7.(c) The monthly salary maximums that follow apply to superintendents for each year of the 2025-2027 fiscal biennium, beginning July 1, 2025:

	2025-2027 Fiscal Biennium Maximum
Superintendent I	$10,995
Superintendent II	$11,650
Superintendent III	$12,350
Superintendent IV	$13,092
Superintendent V	$13,880

The local board of education shall determine the appropriate category and placement for the superintendent based on the average daily membership of the local school administrative unit and within funds appropriated by the General Assembly for central office administrators and superintendents.

SECTION 7A.7.(d) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the North Carolina Human Resources Act.

SECTION 7A.7.(e) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.

SECTION 7A.7.(f) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

NONCERTIFIED PERSONNEL SALARIES

SECTION 7A.8. For the 2025-2027 fiscal biennium, beginning July 1, 2025, the annual salary for noncertified public school employees whose salaries are supported from State funds shall be increased as follows:

(1) For permanent, full-time employees on a 12-month contract, by two and one-half percent (2.5%).

(2) For the following employees, by an equitable amount based on the amount specified in subdivision (1) of this section:

a. Permanent, full-time employees on a contract for fewer than 12 months.

b. Permanent, part-time employees.

c. Temporary and permanent hourly employees.

PART VIII. THE UNIVERSITY OF NORTH CAROLINA SYSTEM

UNC/ESCHEAT FUND FOR STUDENT FINANCIAL AID PROGRAMS

SECTION 8.1.(a) The funds appropriated by this act from the Escheat Fund for the 2025-2027 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat Fund by this act for student financial aid remain uncommitted as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 8.1.(b) The State Education Assistance Authority (Authority) shall conduct periodic evaluations of expenditures of the student financial aid programs administered by the Authority to determine if allocations are utilized to ensure access to institutions of higher education and to meet the goals of the respective programs. The Authority may make recommendations for redistribution of funds to the President of The University of North Carolina and the President of the Community College System regarding their respective student financial aid programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

ESTABLISH SCHOOL OF CIVIC LIFE AND LEADERSHIP

SECTION 8.2.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 31B.

"The School of Civic Life and Leadership.

"**§ 116-258.1. The School of Civic Life and Leadership established.**

(a) For purposes of this Article, the term "the School" refers to the School of Civic Life and Leadership established pursuant to subsection (b) of this section.

(b) The Board of Trustees of the University of North Carolina at Chapel Hill, in consultation with the Board of Governors of The University of North Carolina, the Provost of the University of North Carolina at Chapel Hill, and faculty and administration officials at the University of North Carolina at Chapel Hill, shall establish the School of Civic Life and Leadership as a separate reporting unit of the University of North Carolina at Chapel Hill.

"**§ 116-258.2. Scope.**

The School shall do at least the following:

(1) Provide course opportunities for students. Courses may focus on the development of democratic competencies informed by American history, the American political tradition, and the study of the great texts and traditions of Western civilization that form the foundation of the American republic. The purpose of these courses is to foster public discourse and civil engagement necessary to promote democracy and benefit society.

(2) Develop programming to address the topics identified in subdivision (1) of this section and provide resources to students, faculty, and the general public, as needed.

"**§ 116-258.3. Faculty.**

(a) The Dean of the School shall be appointed by the Chancellor of the University of North Carolina at Chapel Hill, with the consent of the Board of Trustees of the University of North Carolina at Chapel Hill. Neither the Chancellor nor the Board of Trustees shall delegate this responsibility to another party.

(b) All faculty hired by or appointed to the School shall be subject to the approval of the Dean of the School.

(c) Faculty members may hold joint or courtesy appointments with other reporting units of the University of North Carolina at Chapel Hill. All joint and courtesy appointments shall be made at the discretion of the Dean of the School.

"**§ 116-258.4. Report.**

No later than November 15 of each year, the Board of Trustees of the University of North Carolina at Chapel Hill shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the School, including at least the following information:

(1) Courses and other programming provided by the School.

(2) Faculty hired by the School, including the number of faculty members hired from outside of the University of North Carolina at Chapel Hill.

(3) Uses of funds appropriated to the School pursuant to this section.

(4) Any other matter the Board deems relevant to the progress of establishing the School."

SECTION 8.2.(b) For the 2025-2026 academic year, the following shall occur:

(1) The School of Civic Life and Leadership (the School) shall employ at least 20 faculty members hired from outside the University of North Carolina at Chapel Hill. These faculty members shall be hired with permanent tenure or be eligible to receive permanent tenure in accordance with policies adopted by The Board of Governors of The University of North Carolina and the University of North Carolina at Chapel Hill.

(2) The School shall not employ any additional faculty by joint or courtesy appointment with other reporting units of the University of North Carolina at Chapel Hill unless the school has employed at least 20 faculty members hired

from outside the University of North Carolina at Chapel Hill in accordance with this subsection.

SECTION 8.2.(c) Notwithstanding G.S. 116-30.2, the recurring funds allocated to the School of Civic Life and Leadership (the School) by this section beginning in the 2025-2026 fiscal year shall be used only to support the School and shall not be redirected for any other purpose. In addition, these funds shall be used to supplement and not supplant any funds the School would otherwise receive, including funds received by the School based on enrollment.

REPEAL FUTURE TEACHERS OF NORTH CAROLINA PROGRAM

SECTION 8.4. Part 4B of Article 1 of Chapter 116 of the General Statutes is repealed.

ESTABLISH STANDARDS FOR AGREEMENTS BETWEEN CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA AND LOCAL SCHOOL ADMINISTRATIVE UNITS FOR THE OPERATION AND MAINTENANCE OF LABORATORY SCHOOLS

SECTION 8.6. G.S. 116-239.8(b) reads as rewritten:

"(b) The chancellor shall be the administrative head of a laboratory school approved by the Subcommittee and shall provide general direction for the establishment and operation of a laboratory school. The chancellor, with advice and input from the advisory board established in subdivision (1) of this subsection, shall adopt policies, operating procedures, and the courses of study to govern the operation of the laboratory school. The chancellor may designate the duties required by this Article to other personnel as necessary. The chancellor shall also have the following powers and duties:

…

(4) ~~Operation and maintenance of laboratory schools.~~ Cost standards for laboratory schools. – The Board of Governors and the State Board of Education shall jointly determine standards for establishing the costs to local school administrative units for providing the facilities and services identified in ~~this subdivision~~ subdivision (4b) of this subsection for the operation and maintenance of a laboratory school. The standards shall include at least the lease amount by square foot for facility leases, which shall incorporate the cost of the outstanding debt service for the facility.

(4a) Memorandum of understanding. – The chancellor and the local school administrative unit shall adopt a memorandum of understanding for the operation and maintenance of the laboratory school that includes the facilities and services identified in subdivision (4b) of this subsection. The chancellor and the local school administrative unit shall review and update the memorandum at least every three years and any updated memorandum shall take effect no earlier than the next school year. For any proposal to amend a term of the memorandum regarding facilities, services, or operations of the laboratory school, the proposing party shall provide at least six months' notice, and the amendment shall take effect no earlier than the next school year.

(4b) Facilities and services. – A local school administrative unit shall provide, at the laboratory school's request, any of the following facilities and services to the laboratory ~~school, but the costs of those facilities and services charged to the laboratory school shall not exceed the established standards for determination of costs. The following shall be determined in a memorandum of understanding between the chancellor and the local school administrative unit for the operation and maintenance of the laboratory school as needed:~~school:

a. Facilities and leases. – Upon request, the local school administrative unit in which the laboratory school is located shall lease adequate facilities to the constituent institution for use as a laboratory school. Unless the laboratory school requests not to include any of the following, the lease shall include use of or access to any existing buildings, parking areas, playgrounds, driveways required for ingress and egress, furniture, classroom space, a cafeteria or multipurpose room, moveable equipment, appliances, playground materials, including a library collection, instructional materials, and classroom and other technology equipment necessary to operate the laboratory school. The lease term shall be terminated if the laboratory school ceases operation. Upon request, the local school administrative unit shall maintain the facilities and premises of the laboratory school and keep them in good repair and tenantable condition by providing all routine custodial services and routine facilities maintenance services, including routine indoor maintenance, routine mowing, trimming, and maintenance of exterior landscaping and snow removal, and timely repair of the facilities and premises. The chancellor is authorized to execute the lease agreement and memoranda of agreement for the operation of a laboratory school.

b. Transportation services. – Upon request, the local school administrative unit in which the laboratory school is located shall provide transportation to students who reside in the local school administrative unit and attend the laboratory school, including any students who are homeless and require assistance pursuant to 42 U.S.C. § 11301, et seq., the McKinney-Vento Homeless Assistance Act. The requirement to provide transportation to students residing in the local school administrative unit shall (i) apply regardless of where a laboratory school student resides in the unit or how the unit's transportation policies and practices are applied to other students and (ii) upon request, include providing transportation of students and personnel for laboratory school extracurricular activities and educational trips in the same manner as other schools in the unit for that school year.

c. Food services. – ~~The laboratory school shall strive to ensure that one hundred percent (100%) muscadine grape juice is made available to students as a part of the school's nutrition program or through the operation of the school's vending facilities. Upon request,~~ Food services shall be provided to students of the laboratory school as follows:

1. Unless the laboratory school agrees in the memorandum of understanding to administer the National School Lunch Program as the school food authority for its own students, the local school administrative unit in which the laboratory school is located shall administer the National School Lunch Program as the school food authority for the laboratory school in accordance with G.S. 115C-264. As part of that process, the local school administrative unit shall do at least the following:

I. Purchase, prepare, deliver, and serve food and drink for students in the laboratory school.

II. Engage in any contracts or other actions necessary to provide these services, including procuring federal reimbursement funds.

2. The laboratory school shall strive to ensure that one hundred percent (100%) muscadine grape juice is made available to students as part of the school's nutrition program or through the operation of the school's vending facilities.

d. Student support services. – Upon request, the local school administrative unit in which the laboratory school is located shall provide any of the following student support services for the operation of the laboratory school, including:

1. Services required by the Department of Public Instruction for children with disabilities.
2. Children and family support services, including social worker and school nurse services.
3. Other health services, including dental screenings, vision screenings, and similar health services that apply to other students enrolled in the local school administrative unit.
4. Parent involvement coordinator services.
5. School counselor services.

(4c) Costs of services; reimbursement. – The local school administrative unit may charge the costs of the facilities and services provided pursuant to subdivision (4b) of this subsection to the laboratory school. These charges shall not exceed the standards for determination of costs established pursuant to subdivision (4) of this subsection. If a local school administrative unit fails to provide any of the services listed in subdivision (4b) of this subsection, the laboratory school may provide those services without the support of the local school administrative unit. In the event a laboratory school provides its own services pursuant to this subdivision, the laboratory school may charge the local school administrative unit for the actual costs of those services, even if those services exceed the standards for determination of costs established pursuant to subdivision (4) of this subsection, and the local school administrative unit shall reimburse the laboratory school for those services from non-State funds.

…."

BROADEN TEACHING FELLOWS AWARD PARAMETERS

SECTION 8.7.(a) G.S. 116-209.60 reads as rewritten:

"**§ 116-209.60. Definitions.**

The following definitions apply in this Part:

(1) Commission. – The North Carolina Teaching Fellows Commission.
(2) Director. – The Director of the North Carolina Teaching Fellows Program.
(3) Forgivable loan. – A forgivable loan made under the Program.
(4) Program. – The North Carolina Teaching Fellows Program.
(5) Public school. – An elementary or secondary school located in North Carolina that is governed by a local board of education, charter school board of directors, regional school board of directors, or University of North Carolina laboratory school board of trustees.
(5a) Qualifying licensure area. – A teacher licensure area in one of the following subjects:
a. Either of the following, as identified pursuant to G.S. 116-209.62(h):
1. Special education.

2. ~~Stem.~~STEM.
3. Career and technical education.

b. Elementary education (K-6).
c. Middle Grades Language Arts.
d. English (9-12).

(5b) Qualifying special education teacher. – A qualifying teacher who is licensed in special education and spends at least eighty percent (80%) of his or her work time on activities related to special education.

~~(5b)~~(5c) Qualifying teacher. – A teacher in a North Carolina public school who meets the following criteria:

a. Received a forgivable loan under the Program.
b. Graduated within 10 years from an educator preparation program leading to teacher licensure, excluding any authorized deferment for extenuating circumstances.
c. Serves as a teacher in a qualifying licensure area.

(6) STEM. – Science, technology, engineering, and mathematics.
(7) Trust Fund. – The North Carolina Teaching Fellows Program Trust Fund."

SECTION 8.7.(b) G.S. 116-209.62 reads as rewritten:

"**§ 116-209.62. North Carolina Teaching Fellows Program established; administration.**

…

(f) Program Selection Criteria. – The Authority shall administer the Program in cooperation with up to ~~10~~ 13 institutions of higher education with approved educator preparation ~~programs~~ programs, including all historically black colleges and universities (HBCUs) and historically minority-serving institutions in North Carolina that are constituent institutions of The University of North Carolina, selected by the Commission that represent a diverse selection of both postsecondary constituent institutions of The University of North Carolina and private postsecondary institutions operating in the State. The Commission shall adopt stringent standards for selection of the most effective educator preparation programs, including the following:

…

(g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to selected students to be used at up to ~~10~~ 13 selected institutions for completion of a program leading to initial teacher licensure as follows:

(1) North Carolina high school seniors. – Forgivable loans of up to ~~five thousand dollars ($5,000) per semester for up to eight semesters.~~ten thousand dollars ($10,000) per academic year for up to four academic years.
(2) Students applying for transfer to a selected educator preparation program at an institution of higher education. – Forgivable loans of up to ~~five thousand dollars ($5,000) per semester for up to six semesters.~~ten thousand dollars ($10,000) per academic year for up to four academic years.
(3) Individuals currently holding a bachelor's degree seeking preparation for teacher licensure. – Forgivable loans of up to ~~five thousand dollars ($5,000) per semester for up to four semesters.~~ten thousand dollars ($10,000) per academic year for up to two academic years.
(4) Students matriculating at institutions of higher education who are changing to an approved program of study at a selected educator preparation program. – Forgivable loans of up to ~~five thousand dollars ($5,000) per semester for up to four semesters.~~ten thousand dollars ($10,000) per academic year for up to four academic years.

Forgivable loans may be used for ~~tuition, fees, the cost of books, and expenses related to obtaining licensure.~~all expenses related to enrollment in an approved educator preparation program and obtaining licensure, including tuition, fees, and the cost of books.

(h) Identification of ~~STEM and Special Education~~ Certain Qualifying Licensure ~~Areas.~~ Areas; Report on Need. – The Superintendent of Public Instruction shall identify and provide to the Commission and the Authority a list of ~~STEM and special education~~ STEM, special education, and career and technical education licensure areas and shall annually provide to the Commission the number of available positions in ~~each qualifying licensure area~~ all qualifying licensure areas relative to the number of current and anticipated teachers in ~~that~~ each area of licensure. The Commission shall make the list of ~~STEM and special education~~ STEM, special education, and career and technical education licensure areas readily available to applicants.

…."

SECTION 8.7.(c) G.S. 116-209.63 reads as rewritten:

"**§ 116-209.63. Terms of forgivable loans; receipt and disbursement of funds.**

…

(b) Forgiveness. – ~~For~~ The Authority shall forgive the loan amount provided pursuant to this Part as follows:

(1) Except as provided in subdivision (2) of this subsection, for every year a qualifying teacher remains a qualifying teacher, the Authority shall forgive the loan amount received over one year of enrollment in an educator preparation program and any interest accrued on that amount.

(2) For every six months that a qualifying special education teacher remains a qualifying special education teacher, the Authority shall forgive the loan amount received over one year of enrollment in an educator preparation program and any interest accrued on that amount.

(3) The Authority shall also forgive the loan if it finds that it is impossible for the recipient to work for up to eight years, within 10 years after completion of the program leading to teacher licensure, at a North Carolina public school because of the death or permanent disability of the recipient. If the recipient repays the forgivable loan by cash payments, all indebtedness shall be repaid within 10 years after completion of the program leading to teacher licensure supported by the forgivable loan. If the recipient completes a program leading to teacher licensure, payment of principal and interest shall begin no later than the first day of September after the completion of the program. Should a recipient present extenuating circumstances, the Authority may extend the period to repay the loan in cash to no more than a total of 12 years."

SECTION 8.7.(d) This section becomes effective July 1, 2025, and applies beginning in the 2025-2026 academic year.

REQUIRE UNC TO INCORPORATE POSITION INFORMATION INTO BEACON/HR PAYROLL SYSTEM

SECTION 8.8. No later than April 15, 2026, the Board of Governors of The University of North Carolina, in collaboration with the Office of State Controller and the State Chief Information Officer, shall incorporate all position and salary information for employees of constituent institutions of The University of North Carolina, The University of North Carolina System Office, the State Education Assistance Authority, and any other entity under the purview of the Board of Governors of The University of North Carolina into the Building Enterprise Access for North Carolina's Core Operation Needs (BEACON) human resources payroll system. The Board of Governors shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the results of this process by May 15, 2026.

PERMIT CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA TO PROVIDE DISCOUNTED TUITION TO PERSONS RECEIVING

MILITARY TUITION ASSISTANCE OR PERSONS ENROLLED IN AN EMPLOYER-SPONSORED FINANCIAL SUPPORT PROGRAM

SECTION 8.10.(a) G.S. 116-143 reads as rewritten:

"**§ 116-143. State-supported institutions of higher education required to charge tuition and fees.**

…

(c) Inasmuch as the giving of tuition and fee waivers, or especially reduced rates, represent in effect a variety of scholarship awards, the said practice is hereby prohibited except when expressly authorized by statute.

~~(d) Notwithstanding the above provision relating to the abolition of free tuition, the Board of Governors of The University of North Carolina may, in its discretion, provide regulations under which personnel may during the period of normal employment enroll in The University of North Carolina free of charge for tuition and fees, provided such enrollment does not interfere with normal employment obligations and further provided that such enrollments are not counted for the purpose of receiving General Fund appropriations as follows:~~

~~(1) Except as provided in subdivision (2) of this subsection, a full-time faculty member of the rank of full-time instructor or above and any full-time staff member of The University of North Carolina may enroll in not more than three courses per year.~~

~~(2) A full-time or part-time campus law enforcement officer may enroll in the number of courses per year determined by regulation.~~

(d1) Notwithstanding subsection (c) of this section, the Board of Governors of The University of North Carolina may do any of the following:

(1) Personnel. – Provide regulations under which personnel may enroll in The University of North Carolina free of charge for tuition and fees during the period of normal employment if the (i) enrollment does not interfere with normal employment obligations and (ii) enrollments are not counted for the purpose of receiving General Fund appropriations. Personnel may enroll free of charge for tuition and fees as follows:

a. A full-time faculty member of the rank of full-time instructor or above of The University of North Carolina may enroll in not more than three courses per year.

b. A full-time staff member of The University of North Carolina may enroll in more than three courses per year.

c. A full-time or part-time campus law enforcement officer may enroll in the number of courses per year determined by regulation.

(2) Military students. – Allow constituent institutions, in their discretion, to discount tuition to qualifying military students by an amount of up to the difference in the maximum amount of military tuition assistance funds the student receives and the applicable tuition. For purposes of this subdivision, a qualifying military student is a student who meets the following criteria:

a. Is a resident for tuition purposes under G.S. 116-143.1.

b. Receives either (i) federal military tuition assistance funds or (ii) military tuition assistance funds for members of the North Carolina National Guard under Article 15 of Chapter 127A of the General Statutes.

(3) Employer sponsorships. – Allow constituent institutions, in their discretion, to discount tuition to students who are enrolled in an employer-sponsored financial support program which has been approved by the Board of Governors of The University of North Carolina. The discount may be up to the difference in the maximum amount provided by the employer and the

applicable tuition. For purposes of this subdivision, an employer-sponsored financial support program is a program in which the employer of a student has committed to provide financial support to the student to offset the costs of tuition or fees in the student's degree or credential program.

(d2) No later than February 15 of each year, the Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the discounted tuition provided in the previous academic year pursuant to subdivisions (2) and (3) of subsection (d1) of this section, including at least the following information:

(1) The number of students that receive a discount under subdivisions (2) and (3) of subsection (d1) of this section.

(2) The annual financial impact on each constituent institution resulting from the discounted tuition provided.

…."

SECTION 8.10.(b) This section is effective when it becomes law and applies beginning with the 2025-2026 academic year.

ESTABLISH OFFICE OF LEARNING RESEARCH

SECTION 8.13.(a) Article 31A of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-257. Office of Learning Research.**

(a) Office of Learning Research Established. – There is established the Office of Learning Research (OLR) to identify and evaluate the efficacy and efficiency of programs, activities, initiatives, procedures, and any other factors related to elementary and secondary education in the State. The OLR shall be housed within the Collaboratory.

(b) Funding and Duties of the OLR. – Funding allocated to the Collaboratory for the OLR shall be administered by the Collaboratory pursuant to the provisions of G.S. 116-255(c). These funds shall be used to do at least the following:

(1) Provide information and support needed by elementary and secondary public schools, university leaders, and elected officials to make evidence-based decisions.

(2) Collaborate with constituent institutions of The University of North Carolina and other stakeholders to implement innovative policies and programs to accelerate learning for all students.

(3) Work with external research resources and partners to evaluate local, State, and federal programs in order to establish metrics and assess return on investment.

(4) Support the operations of the OLR.

(c) Access to Information. – All units of State and local government, including the State Board of Education, the Department of Public Instruction, and public school units, shall provide access to the OLR to records, data, processes, personnel, and any other information deemed relevant by the Collaboratory to carry out its duties pursuant to G.S. 116-255(b). The access provided to the Collaboratory pursuant to this subsection shall be in addition to any access provided related to funding received by the Collaboratory under G.S. 116-255(c)."

SECTION 8.13.(b) Section 2A.8 of S.L. 2024-57 reads as rewritten:

"**SECTION 2A.8.(a)** ~~OLR Established.~~ OLR Funds. – There is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of one million five hundred thousand dollars ($1,500,000) in recurring funds for the 2024-2025 fiscal year to be allocated to the North Carolina Collaboratory to ~~establish and~~ operate the Office of Learning Research (OLR), beginning in the 2024-2025 fiscal year. ~~The purpose of OLR is to~~

~~identify and evaluate the efficacy and efficiency of programs, activities, initiatives, procedures, and any other factors related to elementary and secondary education in the State.~~

"~~**SECTION 2A.8.(b)** Funding and Duties of OLR. – Funding allocated to the Collaboratory for OLR shall be administered by the Collaboratory pursuant to the provisions of G.S. 116-255(c). These funds shall be used to do at least the following:~~

~~(1) Provide information and support needed by elementary and secondary public schools, university leaders, and elected officials to make evidence-based decisions.~~

~~(2) Collaborate with constituent institutions of The University of North Carolina and other stakeholders to implement innovative policies and programs to accelerate learning for all students.~~

~~(3) Work with external research resources and partners to evaluate local, State, and federal programs in order to establish metrics and assess return on investment.~~

~~(4) Support the operations of OLR.~~

"~~**SECTION 2A.8.(c)** Collaboratory May Relocate OLR. – After the Collaboratory establishes OLR, the Collaboratory may, in consultation with The University of North Carolina System Office and the Provost at the University of North Carolina at Chapel Hill, relocate OLR within the University of North Carolina at Chapel Hill. If the Collaboratory relocates OLR pursuant to this section, the Collaboratory shall do the following:~~

~~(1) Continue to administer funds appropriated in this act for OLR for the operations of OLR, as described in subsection (b) of this section.~~

~~(2) Continue to determine, fund, manage, and oversee the research portfolio of OLR. The entity to which OLR is relocated shall otherwise oversee the operations of OLR.~~

~~(3) Within 60 days of the relocation, report to the Joint Legislative Education Oversight Committee on where OLR was relocated and any other information the Collaboratory deems relevant to the relocation.~~

"~~**SECTION 2A.8.(d)** Access to Information. – All units of State and local government, including the State Board of Education, the Department of Public Instruction, and public school units, shall provide reasonable access to records, data, processes, personnel, and any other information deemed relevant by the Office or the Collaboratory, to the extent otherwise permitted under State and federal law, to carry out the provisions of this section.~~

"**SECTION 2A.8.(e)** Report. – No later than July 1, 2025, the Collaboratory shall report to the Joint Legislative Education Oversight Committee on the progress made in establishing and operating the OLR pursuant to this section. ~~For each fiscal year OLR is in operation, the Collaboratory shall include in the annual report required by G.S. 116-256 information on the activities of OLR from the prior fiscal year.~~"

SECTION 8.13.(c) This section is effective when it becomes law.

REVISE DEADLINE FOR UNC REPORT ON STATE BUDGET ALLOCATIONS AND POLICIES

SECTION 8.16. G.S. 116-11(9b) reads as rewritten:

"(9b) The Board of Governors shall report by ~~February 1~~ March 1 of each year to the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division on the actions and adjustments necessary to its budgetary policies, regulations, and standards resulting from the Current Operations Appropriations Act for the administration and operation of The University of North Carolina and the distribution of State and federal funds to constituent

institutions. The report shall include at least the following information for each constituent institution:

a. Guidelines related to State salaries of University of North Carolina employees, including range, median, and mean of faculty salaries at the institution.
b. Budget allocations and reductions, including for operating expenses and specific programs.
c. Distribution of additional State allocations for enrollment funding.
d. Use of State funds and budget flexibility.
e. Availability of federal funds.
f. Tuition and fees.
g. Composition of the student population at the institution, including headcount enrollment and full-time student enrollment for both undergraduate and graduate students, and aggregate data on residency status, median household income, gender, race, and ethnicity.
h. Student retention and graduation rates.
i. Postsecondary educational attainment rate at the institution, including comparison to statewide data.
j. A comparison to prior fiscal year expenditures and appropriations.
k. The total amount of mandatory student fee revenue collected by institution and fee type.
l. Any source of student auxiliary revenue that represents greater than ten percent (10%) of the overall student auxiliary revenue by institution and revenue type.
m. Any source of sales revenue that represents greater than ten percent (10%) of the overall sales revenue by institution and sales revenue type."

CARRYFORWARD UNC ENROLLMENT LOSS MITIGATION FUNDS

SECTION 8.18.(a) Section 2A.4 of S.L. 2024-57 reads as rewritten:

"~~**SECTION 2A.4.**~~ **SECTION 2A.4.(a)** There is appropriated from the General Fund to the Board of Governors of The University of North Carolina for the 2024-2025 fiscal year the sum of seven million eight hundred thirty-seven thousand six hundred forty-six dollars ($7,837,646) in nonrecurring funds to be allocated to offset enrollment-related funding losses experienced by certain constituent institutions of The University of North Carolina, as follows:

Allocation	Constituent Institution
$1,364,971	East Carolina University
$1,500,000	University of North Carolina at Asheville
$19,687	University of North Carolina at Greensboro
$3,701,653	University of North Carolina at Pembroke
$1,251,335	Winston-Salem State University

"**SECTION 2A.4.(b)** These funds shall not revert at the end of the 2024-2025 fiscal year but shall remain available until the end of the 2025-2026 fiscal year."

SECTION 8.18.(b) This section becomes effective June 30, 2025.

INCREASE NC PROMISE TUITION FOR NONRESIDENTS

SECTION 8.19.(a) G.S. 116-143.11(a) reads as rewritten:

"(a) The NC Promise Tuition Plan shall be established and implemented as provided by this section. Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina shall set the rate of undergraduate tuition for Elizabeth City State University, the University of North Carolina at Pembroke, Fayetteville State University, and

Western Carolina University as follows: the rate of tuition for students deemed to be North Carolina residents for purposes of tuition shall be five hundred dollars ($500.00) per academic semester and the rate of tuition for nonresident students shall be ~~two thousand five hundred dollars ($2,500)~~ three thousand five hundred dollars ($3,500) per academic semester."

SECTION 8.19.(b) This section applies beginning in the 2026-2027 academic year to nonresident students matriculating at NC Promise institutions. Any nonresident student enrolled in the 2025-2026 academic year at an NC Promise institution who remains continuously enrolled in that institution shall continue to receive a rate of tuition of two thousand five hundred dollars ($2,500) per academic semester.

SECTION 8.19.(c) For purposes of this section, the term "NC Promise institution" refers to Elizabeth City State University, the University of North Carolina at Pembroke, Fayetteville State University, and Western Carolina University.

INSTITUTIONAL PERFORMANCE ACCOUNTABILITY AND FUNDING

SECTION 8.20. Part 2A of Article 1 of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-30.10. Institutional performance accountability.**

(a) Implementation of Accountability Measures and Performance Standards. – To the extent funds are available to the Board of Governors pursuant to the provisions of this Chapter or otherwise made available for this purpose, the Board of Governors may adopt and implement a system of accountability measures and performance standards to be used to allocate those funds to constituent institutions of The University of North Carolina.

(b) Recognition of Successful Institutional Performance. – The Board may allocate available funds among constituent institutions based on an evaluation of the performance of each institution conducted in accordance with the system of accountability measures and performance standards adopted pursuant to subsection (a) of this section. The evaluation shall include at least the following components:

(1) Performance change, based on the rate of student success at a constituent institution as compared to the baseline or goal rate of student success for that constituent institution.

(2) Institutional impact, based on the number of students at a constituent institution who graduate with a degree.

(c) Institutional Support. – In addition to any funds allocated pursuant to subsection (b) of this section, the Board of Governors may allocate available funds to specific constituent institutions that require targeted support to increase performance or adapt to significant enrollment changes. Funds allocated to an institution pursuant to this subsection may be used to support strategies at the constituent institution to improve institutional performance."

UNC STUDY INCREASING NCSSM MORGANTON SIZE

SECTION 8.22.(a) No later than February 15, 2026, the Board of Governors of The University of North Carolina, in consultation with the Chancellor of the North Carolina School of Science and Mathematics, shall study the feasibility of increasing the size of the Morganton campus of the North Carolina School of Science and Mathematics (NCSSM-Morganton), develop a plan to accommodate at least twice as many enrolled students at NCSSM-Morganton, and report the plan to the Joint Legislative Education Oversight Committee. At a minimum, the plan shall include the following information:

(1) An analysis of the number of students with excellent academic records who apply to the North Carolina School of Science and Mathematics but are not accepted because of lack of physical space or other resources.

(2) Resources needed to accommodate additional students and associated costs, including at least the following:

a. Improvements to physical spaces, including residence halls.
b. Additional faculty and staff.
c. Instructional materials.
d. Other costs, as determined by the Board of Governors.

(3) The extent to which increased enrollment could be accomplished through remote instruction, whether synchronously or asynchronously.

SECTION 8.22.(b) This section is effective when it becomes law.

FISCAL RESPONSIBILITY AND UNIVERSITY TECH PLANNING

SECTION 8.24. G.S. 116-11 is amended by adding a new subdivision to read:

"(9c) The Board shall adopt a policy that requires all constituent institutions to evaluate the following when acquiring the technology, computer hardware, and software:

a. The long-term cost of ownership, including costs of repairing the technology, computer hardware, or software.
b. Any flexibility for innovation during the life of the technology, computer hardware, or software.
c. Any anticipated resale or salvage value at the end of the target life cycle for the technology, computer hardware, or software based on the average resale or salvage value of similar technology, computer hardware, or software as a percentage of the initial cost of purchase."

COLLABORATORY OLR MATH INITIATIVE

SECTION 8.25.(a) The Office of Learning Research (OLR), as established by this act, shall develop a series of pilot initiatives using various mathematics support programs for all grade levels. OLR shall then compare results gathered from the initiatives, including existing high-intensity tutoring programs operating in the State, to evaluate the efficacy of the various initiatives and programs. OLR shall contract with at least the following entities for programs to be used in the initiatives developed pursuant to this section:

(1) Zearn.
(2) Curriculum Associates, LLC.

SECTION 8.25.(a1) OLR shall also consider for inclusion in initiatives developed pursuant to subsection (a) of this section math programs developed by the following entities:

(1) MIND Education.
(2) Carnegie Learning, Inc.

SECTION 8.25.(b) OLR shall develop guidelines for initiatives developed pursuant to this section. Guidelines shall include at least the following:

(1) Acceptable uses for any funds provided to public school units from funds appropriated to OLR for the purposes of this section.
(2) Application and approval processes for public school units interested in participating in an initiative.
(3) Reporting requirements for public school units participating in each initiative so that OLR will have necessary data to evaluate the efficacy of each initiative.

SECTION 8.25.(c) OLR may conduct as many different initiatives as OLR deems feasible with funds available for this purpose. OLR shall attempt to control for varying demographics of public school units when evaluating data collected pursuant to this section.

SECTION 8.25.(d) OLR shall develop procedures for enabling public school units participating in an initiative to have access to the programs referenced in subsection (b) of this section. Procedures may include OLR contracting with an entity for access to a program, providing grant funds to participating public school units, or other methods of procuring the programs.

SECTION 8.25.(e) OLR shall report to the Joint Legislative Education Oversight Committee on the efficacy of each initiative developed pursuant to this section by October 15, 2026, and each year thereafter that funds are received for this purpose. The report shall include evaluations of which programs are most effective at improving mathematics outcomes and recommendations on programs to continue use in the public schools of the State.

SECTION 8.25.(f) Notwithstanding Article 31A of Chapter 116 of the General Statutes, funds appropriated for the purposes of this section shall only be used to develop and implement the initiatives developed pursuant to this section.

OLR TO STUDY 9-12 LITERACY PROFESSIONAL DEVELOPMENT

SECTION 8.26. The Office of Learning Research (OLR), as established by this act, shall evaluate providers of literacy professional development for teachers teaching students in grades nine through 12 that are not reading at grade level. OLR shall evaluate various providers of literacy professional development, including those already used by the State for teachers teaching students in kindergarten through grade eight. OLR shall provide recommendations for any professional development providers that align with existing literacy standards of the State to be used for these purposes to the Joint Legislative Education Oversight Committee by April 15, 2026.

SCHOOL BUSINESS SYSTEMS MODERNIZATION STUDY

SECTION 8.27. The North Carolina Collaboratory shall conduct a study to determine the feasibility of having all public school units universally implement one Enterprise Resource Planning (ERP) platform. The ERP platform must interface with the Uniform Education Reporting System and integrate finance, human resources, and payroll functions. No later than November 1, 2026, the Collaboratory shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division at least the following information:

(1) An analysis of the positive and negative impacts of universal implementation.
(2) Any ERP platforms feasibly capable of being universally implemented by all public school units.
(3) The cost of universal implementation of each identified ERP platform.
(4) A time line for universal implementation.
(5) Challenges to universal implementation, including recommendations for any legislative changes needed to facilitate implementation.
(6) Any other information the Collaboratory deems relevant.

UNC FUNDING REDUCTION

SECTION 8.28.(a) The Board of Governors of The University of North Carolina and the constituent institutions of The University of North Carolina shall allocate the funding reduction provided for in this act in each fiscal year of the 2025-2027 fiscal biennium as follows:

(1) In a manner that recognizes the importance of the academic missions and differences among the entities of The University of North Carolina and not by using an across-the-board method.
(2) In making reductions in accordance with this act, the Board of Governors and the constituent institutions shall first prioritize reductions to the following:
    a. Budget Code 16010, UNC System Office.
    b. Budget Code 16011, UNC BOG – Institutional Programs.
    c. Project Kitty Hawk.
(3) The Board of Governors and the constituent institutions shall review the institutional trust funds and the special funds held by or on behalf of The University of North Carolina and its constituent institutions to determine

whether there are monies available in those funds that can be used to assist with operating costs.

(4) The Board of Governors and the constituent institutions shall not take a reduction in State funds allocated in either fiscal year of the 2025-2027 fiscal biennium for any of the following:

a. Budget Code 16012, UNC BOG Related Ed. Programs.
b. Budget Code 16015, UNC BOG Aid to Private Institutions.
c. Budget Code 16022, UNC at Chapel Hill – Area Health Ed.
d. Agricultural research and extension programs.
e. North Carolina School of Science and Mathematics.
f. University of North Carolina School of the Arts.
g. Any budget expansion item funded by an appropriation to the Board of Governors of The University of North Carolina in this act for the 2025-2027 fiscal biennium.

SECTION 8.28.(b) No later than April 1 of each year of the 2025-2027 fiscal biennium, the Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division on the implementation of the funding reduction provided in this act for that fiscal year. The report shall identify at least the following by constituent institution:

(1) The total number of positions eliminated by type (faculty/nonfaculty).
(2) The programs that were eliminated.

COLLEGE OF EDUCATIONAL OPPORTUNITIES PROGRAM ONE-TIME CARRYFORWARD

SECTION 8.29.(a) The recurring funds appropriated to the Board of Governors of The University of North Carolina for the 2024-2025 fiscal year and allocated to North Carolina State University and North Carolina Central University for the College of Educational Opportunities Program at each of those institutions shall not revert at the end of the 2024-2025 fiscal year, but shall remain available until the end of the 2025-2026 fiscal year.

SECTION 8.29.(b) This section becomes effective June 30, 2025.

AUTHORIZE THE NORTH CAROLINA COLLABORATORY TO STUDY THE INCLUSION OF THE CLASSIC LEARNING TEST AMONG STANDARDIZED TESTS CONSIDERED FOR UNDERGRADUATE ADMISSION AND THE AWARD OF SCHOLARSHIPS AT CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA

SECTION 8.30.(a) The North Carolina Collaboratory shall study the viability of including Classic Learning Test scores as a part of an application for admission or award of scholarship to a constituent institution of The University of North Carolina. In conducting this study, the Collaboratory shall seek input from The University of North Carolina and the James G. Martin Center for Academic Renewal. As a part of the study, the Collaboratory shall determine:

(1) Whether an applicant's score on the Classic Learning Test serves the purpose of aiding constituent institutions in determining (i) an applicant's qualifications for undergraduate admission and (ii) an applicant's qualifications for award of scholarships funded in whole or in part with State funds and administered by an entity of The University of North Carolina.
(2) Whether an applicant's performance on the Classic Learning Test is predictive of college success.
(3) Whether a score on the Classic Learning Test can be deemed concordant with a score on the SAT or ACT such that The University of North Carolina could

use an applicant's score on the Classic Learning Test interchangeably with a score on the SAT or ACT for the purposes of setting minimum requirements for admission and awarding scholarships.

(4) The financial, operational, and administrative cost to The University of North Carolina and constituent institutions associated with accepting an applicant's score on the Classic Learning Test in addition to accepting an applicant's score on the SAT or ACT.

(5) The financial, operational, and administrative cost to the State of adding the CLT10 to the list of standardized tests offered one time and at no cost to the student for every student in the eighth through tenth grades who has completed Algebra I or who is in the last month of Algebra I pursuant to G.S. 115C-174.18.

SECTION 8.30.(b) The Collaboratory shall make a final report on its study to the Joint Legislative Education Oversight Committee no later than December 15, 2025.

SECTION 8.30.(c) This section is effective when it becomes law.

REVISE TUITION GRANTS FOR NCSSM AND UNCSA GRADUATES

SECTION 8.31.(a) Part 6 of Article 23 of Chapter 116 of the General Statutes reads as rewritten:

"Part 6. Tuition Grant for High School Graduates of the North Carolina School of Science and Mathematics and the University of North Carolina School of the Arts.

"**§ 116-209.89. ~~Definitions.~~Definitions; purpose.**

(a) Definitions. – The following definitions apply in this Part:

(1) Academic term. – Any of the following:

a. One fall semester.

b. One spring semester.

c. One summer term.

(1a) Eligible graduate. – A graduate of either of the following:

a. The North Carolina School of Science and Mathematics.

b. The University of North Carolina School of the Arts.

(1b) Eligible student. – A student who meets the requirements of subsection (a) of G.S. 116-209.90.

(1c) Program. – The program established in this Part to provide tuition grants to high school graduates of the North Carolina School of Science and Mathematics and the University of North Carolina School of the Arts.

(2) Summer term. – All instruction received in one summer between academic years.

(b) Purpose. – The purpose of the Program is to provide financial assistance to eligible students who graduated from the North Carolina School of Science and Mathematics and the University of North Carolina School of the Arts to promote the retention of those high-performing students in this State.

"**§ 116-209.90. Tuition grants for graduates to attend a constituent institution.**

(a) Within the funds available, an eligible graduate in each school year who meets the following conditions shall qualify for a tuition grant awarded under this Part:

(1) Is at the time of application for the initial tuition grant a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.

(2) Enrolls as a full-time student in a constituent institution of The University of North Carolina in the next academic year after graduation. The Authority shall have the discretion to postpone this requirement for up to one academic year

after graduation if the student is able to demonstrate that any of the following have substantially disrupted or interrupted the student's ability to enroll as a full-time student:

a. A military service obligation.
b. Serious medical debilitation.
c. A short-term or long-term disability.
d. Other extraordinary hardship.

~~(3) Submits a completed Free Application for Federal Student Aid (FAFSA) form.~~

(b) Students who receive initial tuition grants as a cohort of a high school graduating class of NCSSM or UNCSA shall also be eligible to apply for tuition grants for subsequent academic terms for up to a total of eight academic terms, provided that tuition grants are only used for undergraduate tuition.

(b1) ~~A student~~ An eligible student must be continuously enrolled full time in an undergraduate program at a constituent institution of The University of North Carolina after the award of the initial tuition grant to be eligible for tuition grants in subsequent academic terms. The Authority shall have the discretion to waive this requirement if the student is able to demonstrate that any of the following have substantially disrupted or interrupted the student's pursuit of a degree:

(1) A military service obligation.
(2) Serious medical debilitation.
(3) A short-term or long-term disability.
(4) Other extraordinary hardship.

(c) The amount of the tuition grant to each graduate shall be determined and distributed as provided in G.S. 116-209.91.

"**§ 116-209.91. Administration of tuition grants.**

(a) ~~The~~ Except as otherwise provided in this subsection, the Authority shall administer the tuition grants provided for in this Part pursuant to guidelines and procedures established by the Authority consistent with its practices for administering State-funded financial aid. The guidelines and procedures shall include an application process and schedule, notification and disbursement procedures, standards for reporting, and standards for return of tuition grants when a student withdraws. The Authority shall also require students to submit (i) a completed Free Application for Federal Student Aid (FAFSA) form or (ii) other documentation, as necessary, to administer and award the tuition grant. The Authority shall not approve any grant until it receives proper certification from the appropriate constituent institution that the student applying for the grant is an eligible student. Upon receipt of the certification, the Authority shall remit, at the times it prescribes, the tuition grant to the constituent institution on behalf, and to the credit, of the eligible student. In the event a student on whose behalf a tuition grant has been paid is not enrolled in an undergraduate program and carrying a minimum academic load as of the tenth classroom day following the beginning of the school term for which the tuition grant was paid, the constituent institution shall refund the full amount of the tuition grant to the Authority.

(b) Except as otherwise provided in this section, the amount of the grant awarded to ~~a~~ an eligible student under the Program shall cover the tuition cost at the constituent institution in which the eligible student is enrolled. No tuition grant awarded to ~~a~~ an eligible student under this section shall exceed the cost of attendance at a constituent institution for which the eligible student is enrolled.

(c) If ~~a student, who is eligible for a tuition grant under this section,~~ an eligible student also receives a scholarship or other grant covering the cost of attendance at the constituent institution for which the tuition grant is awarded, then the amount of the tuition grant shall be reduced by an appropriate amount determined by the Authority so that the total amount of scholarships and grants received by the eligible student does not exceed the cost of attendance

for the institution. The cost of attendance shall be determined by the Authority for each constituent institution.

(c1) The Authority shall place all funds appropriated to, or otherwise received by, the Authority for the award of tuition grants under this Part into an institutional trust fund established in accordance with the provisions of G.S. 116-36.1. All interest earned on these funds shall also be placed in the institutional trust fund established pursuant to this subsection. The monies in the institutional trust fund may be used only for the purposes set forth in this Part.

(d) In the event there are not sufficient funds to provide each eligible student who has applied in accordance with the application process and the schedule established by the Authority with a full tuition grant as provided by this Part, each eligible student shall receive a pro rata share of funds available for the academic term covered by the appropriation in the preceding fiscal year.

(e) The Authority may use up to five percent (5%) of the funds appropriated each year for tuition grants under this Part for the administrative ~~costs.~~costs of the Program."

SECTION 8.31.(b) This section is effective when this act becomes law. Subsection (a) of this section applies beginning with the award of tuition grants in the 2025-2026 academic year.

PRESERVATION OF STUDENT RECORDS HELD BY LICENSED NONPUBLIC POSTSECONDARY EDUCATIONAL INSTITUTIONS

SECTION 8.32. G.S. 116-15 reads as rewritten:

"**§ 116-15. Licensing of certain nonpublic post-secondary educational institutions.**

…

(f) Standards for Licensure. – To receive a license to conduct post-secondary degree activity in this State, an institution shall satisfy the Board that the institution has met all of the following standards:

(1) ~~That the~~ The institution is State-chartered. If chartered by a state or sovereignty other than North Carolina, the institution shall also obtain a Certificate of Authority to Transact Business or to Conduct Affairs in North Carolina issued by the Secretary of State of North ~~Carolina;~~Carolina.

(2) ~~That the~~ The institution has been conducting post-secondary degree activity in a state or sovereignty other than North Carolina during consecutive, regular-term, academic semesters, exclusive of summer sessions, for at least the two years immediately prior to submitting an application for licensure under this section, or has been conducting with enrolled students, for a like period in this State or some other state or sovereignty, post-secondary educational activity not related to a post-secondary degree; provided, that an institution may be temporarily relieved of this standard under the conditions set forth in ~~subsection (i), below;~~subsection (i) of this section.

(3) ~~That the~~ The substance of each course or program of study, equivalent experience, or achievement test is such as may reasonably and adequately achieve the stated objective for which the study, experience, or test is offered or to be certified as successfully ~~completed;~~completed.

(4) ~~That the~~ The institution has adequate space, equipment, instructional materials, and personnel available to it to provide education of good ~~quality;~~quality.

(5) ~~That the~~ The education, experience, and other qualifications of directors, administrators, supervisors, and instructors are such as may reasonably insure that the students will receive, or will be reliably certified to have received, education consistent with the stated objectives of any course or program of

study, equivalent experience, or achievement test offered by the ~~institution;~~institution.

(6) ~~That the~~ The institution provides students and other interested persons with a catalog or brochure containing information describing the substance, objectives, and duration of the study, equivalent experience, and achievement testing offered, a schedule of related tuition, fees, and all other necessary charges and expenses, cancellation and refund policies, and such other material facts concerning the institution and the program or course of study, equivalent experience, and achievement testing as are reasonably likely to affect the decision of the student to enroll therein, together with any other disclosures that may be specified by the Board; and that such information is provided to prospective students prior to ~~enrollment;~~enrollment.

(7) ~~That upon~~ Upon satisfactory completion of study, equivalent experience, or achievement test, the student is given appropriate educational credentials by the institution, indicating that the relevant study, equivalent experience, or achievement testing has been satisfactorily completed by the ~~students;~~students.

(8) ~~That records~~ Records are maintained by the institution adequate to reflect the application of relevant performance or grading standards to each enrolled ~~student;~~student. If the institution ceases to operate in this State, the owner of the institution shall ensure that these records are transferred to the North Carolina State Archives.

(9) ~~That the~~ The institution is maintained and operated in compliance with all pertinent ordinances and laws, including rules and regulations adopted pursuant thereto, relative to the safety and health of all persons upon the premises of the ~~institution;~~institution.

(10) ~~That the~~ The institution is financially sound and capable of fulfilling its commitments to students and that the institution has provided a bond as provided in subsection (f1) of this ~~section;~~section.

(11) ~~That the~~ The institution, through itself or those with whom it may contract, does not engage in promotion, sales, collection, credit, or other practices of any type which are false, deceptive, misleading, or ~~unfair;~~unfair.

(12) ~~That the~~ The chief executive officer, trustees, directors, owners, administrators, supervisors, staff, instructors, and employees of the institution have no record of unprofessional conduct or incompetence that would reasonably call into question the overall quality of the ~~institution;~~institution.

(13) ~~That the~~ The student housing owned, maintained, or approved by the institution, if any, is appropriate, safe, and ~~adequate;~~adequate.

(14) ~~That the~~ The institution has a fair and equitable cancellation and refund ~~policy; and~~policy.

(15) ~~That no~~ No person or agency with whom the institution contracts has a record of unprofessional conduct or incompetence that would reasonably call into question the overall quality of the institution.

…

(j) Enforcement Authority in the Attorney General. – The Board shall call to the attention of the Attorney General, for such action as he may deem appropriate, any institution failing to comply with the requirements of this section. In addition, if the Board determines that the student academic records identified in subdivision (8) of subsection (f) of this section are in danger of being made unavailable to the North Carolina State Archives for any reason, including refusal by the institution to transfer those records, the Board shall notify the Attorney General and the

Attorney General shall take appropriate action to ensure the records are retrieved and preserved at the North Carolina State Archives.

…."

ESTABLISH SEPARATE BUDGET CODE FOR NORTH CAROLINA COLLABORATORY

SECTION 8.33. Notwithstanding any other provision of law to the contrary, as a part of the certification of the budget of The University of North Carolina for the 2025-2026 fiscal year, the Director of the Budget, in consultation with The University of North Carolina and the North Carolina Collaboratory (Collaboratory), shall establish a separate budget code and make the necessary permanent adjustments to ensure that State appropriations for the Collaboratory are clearly accounted for in the new budget code. The adjustments shall include establishing one or more budget funds to account for each project funded with State appropriations as well as a separate budget fund or funds to account for administration of the Collaboratory.

UNC HEALTH SCIENCES PROVIDER EDUCATION TRAINING FUNDS/CAROLINA NORTH SITE PLAN

SECTION 8.34.(a) No later than March 15, 2026, the Board of Trustees of the University of North Carolina at Chapel Hill (UNC-CH) shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the specific uses by UNC-CH of the two million dollars ($2,000,000) in nonrecurring funds appropriated from the ARPA Temporary Savings Fund to the Board of Governors of The University of North Carolina for the 2023-2024 fiscal year and allocated to UNC-CH for its Department of Health Sciences at the University of North Carolina School of Medicine to support an expansion of health care provider education and training.

SECTION 8.34.(b) Notwithstanding any provision of law or the Committee Report described in Section 43.2 of S.L. 2023-134, the unencumbered balance of the two million dollars ($2,000,000) in nonrecurring funds appropriated from the ARPA Temporary Savings Fund to the Board of Governors of The University of North Carolina for the 2023-2024 fiscal year in S.L. 2023-134 and allocated to the University of North Carolina at Chapel Hill (UNC-CH) for its Department of Health Sciences at the University of North Carolina School of Medicine to support an expansion of health care provider education and training shall instead be used to develop a conceptual site plan for Carolina North. The site plan shall not consider medical buildings receiving funds through this act.

SECTION 8.34.(c) This section is effective when it becomes law.

COLLABORATORY FERRYMON WATER MONITORING AND MODMON RIVER MONITORING

SECTION 8.35. Of the funds available to the North Carolina Collaboratory, the Collaboratory shall use the following amounts as follows in each year of the 2025-2027 fiscal biennium:

(1) One hundred seventy thousand dollars ($170,000) in nonrecurring funds for the continuation of its ferry-based water quality monitoring system.

(2) One hundred sixty thousand dollars ($160,000) in nonrecurring funds for the continuation of its water quality modeling and monitoring program in the Neuse River and Neuse River estuary.

PART VIII-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

REVISE CERTAIN OPPORTUNITY SCHOLARSHIP DOMICILE VERIFICATION REQUIREMENTS

SECTION 8A.2.(a) G.S. 115C-562.3 reads as rewritten:

"**§ 115C-562.3. Verification of eligibility; information from other State agencies.**

(a) To verify that the domicile requirements of G.S. 115C-366 are met for State ~~residency,~~ residency for the award of scholarship grants pursuant to this Part, the Authority shall establish a domicile determination system and shall establish rules for determination of domicile within the State in accordance with this subsection. The Division of Motor Vehicles of the Department of Transportation, the Department of Public Instruction, the Department of Commerce, the Department of Health and Human Services, the Department of Revenue, the State Board of Elections, and the State Chief Information Officer each shall expeditiously cooperate with the Authority in verifying electronically, or by other similarly effective and efficient means, evidence submitted to the Authority for the purposes of establishing the domicile required by G.S. 115C-366 for State residency. The Authority shall accept any of the following as evidence of domicile within the State:

…

(b) Household members of applicants for scholarship grants shall authorize the Authority to access ~~information~~ certain information, including social security numbers and other unique identifiers, needed for verification efforts conducted under this section that is held by other State agencies, including the Department of Revenue, the Department of Health and Human Services, and the Department of Public Instruction.

(b1) The Authority may adopt in its rules a process for contracting with a third-party vendor to facilitate the verification of domicile or other application information in accordance with this section.

(c) By December 1 of each year, the Department of Public Instruction shall provide the Authority the average State per pupil allocation for that fiscal year to determine the maximum scholarship amount for eligible students to be awarded in the following fiscal year in accordance with G.S. 115C-562.2(b2)."

SECTION 8A.2.(b) G.S. 115C-594 reads as rewritten:

"**§ 115C-594. Verification of eligibility; information from other State agencies.**

(a) Verification of Information. – The Authority may seek verification of information on any application for the award of scholarship funds for a personal education student account. The Authority shall establish rules for the verification process. If a household fails to cooperate with verification efforts, the Authority shall revoke the award of scholarship funds for a PESA for the eligible student.

(b) Access to Information. – Applicants for the award of scholarship funds for a PESA shall authorize the Authority to access information needed for verification efforts held by other State agencies, including the Department of Health and Human Services and the Department of Public Instruction. The provisions of G.S. 115C-562.3 shall apply to this section."

CLARIFY APPLICATION DATE FOR OPPORTUNITY SCHOLARSHIP AND PESA PROGRAMS

SECTION 8A.3.(a) G.S. 115C-562.2(a) reads as rewritten:

"(a) The Authority shall make available no later than ~~February 1 annually~~ the first Monday in February of each year applications to eligible students for the award of scholarship grants to attend any nonpublic school on a full- or part-time basis. Information about scholarship grants and the application process shall be made available on the Authority's Web site. Beginning March 15, the Authority shall begin awarding scholarship grants to students who have applied by ~~March 1~~ the first Monday in March in the following order:

…."

SECTION 8A.3.(b) G.S. 115C-592(a) reads as rewritten:

"(a) Application Selection. – The Authority shall make available no later than ~~February 1~~ the first Monday in February of each year applications to eligible students for the award of scholarship funds for a personal education student account to be used for qualifying education expenses to attend a nonpublic school. Information about scholarship funds and the application process shall be made available on the Authority's website. Applications shall be submitted electronically. The Authority shall award scholarships according to the following criteria for applications received by ~~March 1~~ the first Monday in March of each year:

…."

PERMIT SEAA TO PROVIDE PAYMENTS FOR TESTS FOR OPPORTUNITY SCHOLARSHIP RECIPIENTS USING ALTERNATIVE METHODS

SECTION 8A.4. G.S. 115C-562.2(b5) reads as rewritten:

"(b5) In addition to the amount of the scholarship grant, for any student receiving a scholarship grant in grades three, eight, or 11, the Authority shall provide ~~to the nonpublic school~~ for the student an amount equal to the cost of the nationally standardized test required to be administered as provided in G.S. 115C-562.5."

CLARIFY OPPORTUNITY SCHOLARSHIP RESIDENCY REQUIREMENTS

SECTION 8A.5.(a) Part 2A of Article 39 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-562.2A. Residency required; qualified exemption for military families.**

(a) Definitions. – For purposes of this section, the following definitions shall apply:

(1) Documentation of military orders. – A copy of the official military order transferring to a military installation or reservation located in the State.

(2) Military-connected student. – An eligible student who is the child of a military family, as defined in G.S. 115C-407.5.

(b) Residency Required. – Except as otherwise provided in this section, a student shall be a resident of North Carolina that is eligible to attend a North Carolina public school pursuant to Article 25 of this Chapter in both of the following circumstances:

(1) At the time the student applies to receive a scholarship grant under this Part.

(2) At the beginning of each school year in which the student is eligible to receive scholarship grant funds.

(c) Qualified Residency Exemptions for Military-Connected Students. – A military-connected student who is not a resident solely because of military orders impacting the residency of that student and who provides applicable documentation of military orders shall receive the following qualified exemptions related to the residency requirements in this section:

(1) If the military-connected student is not a resident during the application period established by the Authority, the Authority shall nevertheless accept the application and award a scholarship grant in accordance with this Part.

(2) If the military-connected student is not a resident upon initial enrollment in a nonpublic school, the military-connected student may nevertheless receive grant funds in the first semester of the school year. Thereafter, the student shall not receive a scholarship award until proof of residency is provided in accordance with the requirements of the Authority.

(d) Funds and Reports. – Notwithstanding G.S. 115C-562.8, if the funds required to award scholarship grants for military-connected students pursuant to subdivision (c)(1) of this section exceed the funds available for the distribution of those awards, the Authority may allocate the necessary funds from the unencumbered cash balance in the Opportunity Scholarship Grant Fund Reserve. If the Authority expends funds in excess of those available in the Reserve, the Authority shall submit the report required in G.S. 115C-562.7(d) as it relates to the awards provided under this section."

SECTION 8A.5.(b) This section is effective when it becomes law and applies beginning with applications for the award of scholarship grants in the 2025-2026 school year.

REVISE SCHOLARSHIPS FOR CHILDREN OF WARTIME VETERANS AND TRANSFER ADMINISTRATION FROM THE DEPARTMENT OF MILITARY AND VETERANS AFFAIRS TO THE STATE EDUCATION ASSISTANCE AUTHORITY

SECTION 8A.6.(a) For purposes of subsection (b) of this section, the following definitions shall apply:

(1) Authority. – The State Education Assistance Authority.
(2) Commission. – The Veterans' Affairs Commission of the Department.
(3) Department. – The Department of Military and Veterans Affairs.
(4) Program. – The program administered by the Department to award scholarship funds that is referred to as Scholarships for Children of Wartime Veterans.
(5) Scholarship funds. – Scholarship funds awarded to the child of a North Carolina veteran under Part 2 of Article 14 of Chapter 143B of the General Statutes.

SECTION 8A.6.(b) Notwithstanding Part 2 of Article 14 of Chapter 143B of the General Statutes, for the 2025-2026 academic year, the following shall occur relating to the administration of scholarship funds under the Program:

(1) After the selection of persons by the Commission to receive scholarship funds, and in no event later than May 15, 2026, the Commission shall notify the Authority of all selections, and the Department shall notify the Authority of any determinations that a student qualifies for a scholarship funded with monies from the Escheat Fund.
(2) The Authority shall determine whether additional recipients of scholarship funds qualify for scholarships funded with monies from the Escheat Fund based on a determination of need consistent with other financial assistance programs administered by the Authority and the unique needs and challenges of the children of wartime veterans to ensure they have opportunities to reach their higher education attainment goals.
(3) To the extent funds made available for the award of scholarship funds are insufficient to provide scholarships to all selected persons, the Authority may adjust and standardize award amounts as necessary, including providing pro rata scholarship awards for room and board, to ensure the efficient administration of the scholarship funds.
(4) The Authority may notify all recipients of their selection to receive scholarship funds in accordance with Part 2 of Article 14 of Chapter 143B of the General Statutes. If the Department notifies any student that the student is eligible to receive scholarship funds, the Department shall inform the student that the award amount is subject to the availability of funds and may be prorated, if necessary.
(5) The Authority shall disburse scholarship funds in accordance with G.S. 116-204(11a).
(6) From the total amount of funding appropriated to the Board of Governors of The University of North Carolina and allocated to the Authority in the 2025-2026 fiscal year to support the award of scholarship funds under the Program in that fiscal year, the Authority may use up to two and one-half percent (2.5%) for administration costs related to the Program.

SECTION 8A.6.(c) The following are repealed:

(1) G.S. 143B-1211(11).
(2) G.S. 143B-1220(3).

(3) G.S. 143B-1223 through G.S. 143B-1228.

SECTION 8A.6.(d) Article 23 of Chapter 116 of the General Statutes is amended by adding the following new Part to read:

"Part 8. Children of Wartime Veterans Scholarship.

"**§ 116-209.110. Purpose.**

In appreciation for the service and sacrifices of North Carolina's war veterans and as evidence of this State's concern for their children, there is established the Children of Wartime Veterans Scholarship Program to be administered by the State Education Assistance Authority. The General Assembly finds that the establishment of the Program is necessary to provide financial assistance from the State to address the unique needs and challenges of the children of wartime veterans to ensure they have opportunities to reach their higher education attainment goals.

"**§ 116-209.112. Definitions.**

The following definitions shall apply in this Part:

(1) Active federal service. – One of the following:
  a. Full-time duty in the Armed Forces other than active duty for training.
  b. Active duty for training, if disability or death occurs (i) as a direct result of armed conflict or (ii) while engaged in extra-hazardous service, including such service under conditions simulating war.

(2) Armed Forces. – The United States Army, Navy, Marine Corps, Air Force, Space Force, and Coast Guard, including their reserve components.

(3) Authority. – The State Education Assistance Authority established pursuant to this Article.

(4) Disability. – A disability of a veteran that qualifies the veteran to receive compensation under 38 U.S.C. § 101.

(5) Eligible child. – A person who meets all of the following criteria:
  a. Is under 25 years of age at the time of application for a scholarship.
  b. Qualifies as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.
  c. Holds a high school diploma or its equivalent.
  d. Is the child of a veteran who meets one of the following criteria:
    1. Is a resident of North Carolina at the time of completion of the application documentation for the Program.
    2. Was a resident of North Carolina at the time of entrance into service in the Armed Forces.
    3. Was permanently stationed in North Carolina at the time of his or her death.
    4. Is an active duty service member permanently stationed in North Carolina at the time of completion of the application documentation for the Program.
  e. Submits a completed Free Application for Federal Student Aid (FAFSA) to the Authority.

(6) Eligible institution. – A State educational institution or a private educational institution.

(7) Period of war or wartime. – Any of the periods or circumstances described below:
  a. Any period of war as defined in 38 U.S.C. § 101.
  b. Any period of service in the Armed Forces during which the veteran parent of an applicant for a scholarship under this Part suffered death or disability (i) as a direct result of armed conflict or (ii) while engaged

in extra-hazardous service, including such service under conditions simulating war.

(8) Private educational institution. – An eligible private postsecondary institution as defined in G.S. 116-280(3).

(9) Program. – The Children of Wartime Veterans Scholarship Program established by this Part.

(10) State educational institution. – Any constituent institution of The University of North Carolina, or any community college operated under the provisions of Chapter 115D of the General Statutes of North Carolina.

(11) Veteran. – Either of the following:

a. A person who served as a member of the Armed Forces in active federal service during a period of war and who was either separated from the Armed Forces under honorable conditions or who is currently serving in a second or subsequent enlistment.

b. A person who was separated from the Armed Forces under honorable conditions and whose death or disability was incurred (i) as a direct result of armed conflict or (ii) while engaged in extra-hazardous service, including such service under conditions simulating war.

"**§ 116-209.114. Scholarship.**

(a) Scholarship Benefits. – To the extent funds are made available for this purpose, scholarship granted pursuant to this Part shall consist of the following benefits and other requirements and limitations for eligible children enrolled as undergraduate students at eligible institutions:

(1) Scholarship funds may be used for any of the following purposes:

a. The cost of attendance at an eligible institution, including tuition, fees, room, and board.

b. The cost of short-term workforce training courses leading to industry credentials.

(2) An eligible child may only receive scholarship funds for a total of four academic years. The eligible child is not required to be continuously enrolled to receive subsequent awards in a term, quarter, or semester. However, the eligible child shall not receive an award after the end of a six-year period beginning on the date a scholarship is first awarded. Whenever an eligible child is enrolled in an eligible institution and the period for a scholarship ends while enrolled in a term, quarter, or semester, such period shall be extended to the end of such term, quarter, or semester, but not beyond the eligibility limitation of four academic years.

(3) No scholarship awarded to an eligible child pursuant to this Part shall exceed an amount equal to the highest cost of attendance for attendance at a State educational institution for that academic year.

(4) As necessary, the Authority shall reduce a scholarship provided pursuant to this Part so that the sum of all grants and scholarship aid covering the cost of attendance received by the student, including the scholarship under this section, shall not exceed the cost of attendance for the eligible institution at which the student is enrolled.

(5) A student who has been awarded a scholarship under this section shall maintain satisfactory academic progress according to the standards of the eligible institution throughout the four academic years for which the student is eligible for a scholarship under this section.

(b) Selection of Recipients. – The Authority shall select recipients for scholarships and disburse the scholarships in accordance with the provisions of G.S. 116-209.116. The Authority

may contract with another State agency or a third-party entity to determine eligibility and select recipients as required by G.S. 116-209.116(a)(1). In the event there are not sufficient funds to provide each eligible child who has properly applied with a full scholarship as provided by this Part, the Authority shall determine the necessary adjustment of awards consistent with the priority requirements set forth in subsection (c) of this section, including establishing a lottery, awarding scholarships on a pro rata share basis, or both, for the academic year.

(c) Award of Funds; Priority. – Beginning May 1 of the year in which the recipient enrolls in an eligible institution, the Authority shall award scholarship funds to students who have properly applied and are otherwise eligible under the Program in the following order:

(1) Students who received scholarship funds under Part 2 of Article 14 of Chapter 143B of the General Statutes in the previous academic year.

(2) Students who received scholarship funds under Part 2 of Article 14 of Chapter 143B of the General Statutes in any previous academic year.

(3) All other students.

"**§ 116-209.116. Administration and funding.**

(a) Responsibilities of the Authority. – The Authority shall administer the award of scholarships under this Part and have all of the following associated responsibilities:

(1) Determining the eligibility of applicants and selecting recipients.

(2) Awarding funds to scholarship recipients.

(3) Suspending or revoking scholarships if the Authority is notified and finds that a recipient does any of the following:

a. Fails to maintain satisfactory academic progress.

b. Engages in riots, unlawful demonstrations, the seizure of educational buildings, or otherwise engages in disorderly conduct, breaches of the peace, or unlawful assemblies.

(4) Promulgating such rules and regulations not inconsistent with the other provisions of this Part as the Authority deems necessary for the orderly administration of the Program. These rules may require eligible institutions to provide such reports and other information as are necessary to carry out the provisions of this Part, including whether a recipient is failing to maintain satisfactory academic progress or engaging in any of the actions described in sub-subdivision b. of subdivision (3) of this subsection.

(b) Funding. – Funds for the support of the Program shall be appropriated to the Board of Governors of The University of North Carolina to be allocated to the Authority as a reserve for payment of approved expenses for the cost of attendance. Funds to support the Program shall be supported by receipts from the Escheat Fund, as provided by G.S. 116B-7, to the extent those funds are used for worthy and needy residents of this State who are enrolled in public institutions of higher education of this State.

(c) Withdrawal from Enrollment. – Irrespective of any other provision of this Part, the Authority may prescribe special procedures for adjusting the accounts of scholarship recipients who, for reasons of illness, physical inability to attend class, or for other valid reason satisfactory to the Authority may withdraw from eligible institutions prior to the completion of the term, semester, quarter, or other academic period being attended at the time of withdrawal. Such procedures may include, but shall not be limited to, permitting an eligible institution to pay the recipient the dollar value of his or her unused scholarship for the academic period being attended, with a corresponding deduction of this period from his or her remaining scholarship eligibility time.

(d) Administrative Costs. – Of the funds available each fiscal year to support the Program, the following shall occur:

(1) The Authority may use up to two and one-half percent (2.5%) of the total funds appropriated for that fiscal year from the allocation of monies from the General Fund for administrative costs related to the Program.

(2) Up to five million dollars ($5,000,000) that are unexpended at the end of each fiscal year shall not revert but shall remain available for future scholarships to be awarded under this Part.

"**§ 116-209.118. Report on scholarships.**

By January 1 of each year, the Authority shall report the following information related to scholarships awarded under this Part to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

(1) The number of scholarships awarded in the prior academic year, disaggregated on the basis of at least the following:

a. Number of full-time students receiving scholarships, grouped by State educational institutions and private educational institutions.

b. Number of new applicants for scholarships.

c. Number of new scholarship awards offered, denied, and accepted.

d. Range and average amount of scholarships awarded.

e. Actual amount of award provided by eligible institution.

f. Total expenditures for scholarship awards classified by source, including State funds and Escheat Fund.

g. Total costs of administering the Program.

(2) The amount of funds held in reserve by the Authority for the award of scholarships under the Program at the end of the prior fiscal year."

SECTION 8A.6.(e) G.S. 116-204 reads as rewritten:

"**§ 116-204. Powers of Authority.**

The Authority is hereby authorized and empowered:

…

(11a) To ~~be responsible for the disbursement and accounting of funds for the State's Scholarships for Children of Wartime Veterans established by Part 2 of Article 14 of Chapter 143B of the General Statutes.~~administer the Children of Wartime Veterans Scholarship established by Part 8 of Article 23 of this Chapter.

…."

SECTION 8A.6.(f) G.S. 116-209.23 reads as rewritten:

"**§ 116-209.23. Inconsistent laws inapplicable.**

Insofar as the provisions of this Article are inconsistent with the provisions of any general or special laws, or parts thereof, the provisions of this Article shall be ~~controlling, except that no provision of the 1971 amendments to this Article shall apply to scholarships for children of war veterans as set forth in Part 2 of Article 14 of Chapter 143B of the General Statutes, as amended.~~controlling."

SECTION 8A.6.(g) G.S. 116B-7(b) reads as rewritten:

"(b) An amount specified in the Current Operations Appropriations Act shall be transferred annually from the Escheat Fund to the Board of Governors of The University of North Carolina to be allocated to the State Education Assistance Authority to partially fund the ~~program of Scholarships for Children of War Veterans established by Part 2 of Article 14 of Chapter 143B of the General Statutes.~~ Children of Wartime Veterans Scholarship established by Part 8 of Article 23 of Chapter 116 of the General Statutes. Those funds may be used only for residents of this State who (i) are worthy and needy as determined by the ~~Department of Military and Veterans Affairs~~ Authority and (ii) are enrolled in public institutions of higher education of this State."

SECTION 8A.6.(h) G.S. 116-209.124(4)c.5.I., as enacted by Section 8A.9 of this act, reads as rewritten:

"I. Is ~~a private educational institution, as defined in G.S. 143B-1224.~~an eligible private postsecondary institution as defined in G.S. 116-280(3)."

SECTION 8A.6.(i) Notwithstanding Part 8 of Article 23 of Chapter 116 of the General Statutes, as enacted by this section, the following shall apply for any student who received an award of scholarship funds under Part 2 of Article 14 of Chapter 143B of the General Statutes in a previous academic year who would be eligible to receive funds under Part 2 of Article 14 of Chapter 143B of the General Statutes, as that Part existed immediately prior to its repeal, beginning in the 2026-2027 academic year:

(1) The student shall be considered an "eligible child" under G.S. 116-209.112.

(2) To the extent funds are made available for this purpose, the student shall receive up to the amount of scholarship funds the student received under Part 2 of Article 14 of Chapter 143B of the General Statutes for up to four academic years occurring within the eight-year period after the date the student's first scholarship was awarded. In the event there are not sufficient funds to provide each eligible child who has properly applied with a full scholarship in a fiscal year, the Authority may adjust awards as necessary under G.S. 116-209.114(b).

SECTION 8A.6.(j) The nonrecurring funds appropriated in this act to the Board of Governors of The University of North Carolina for the 2025-2026 fiscal year and allocated to the State Education Assistance Authority for the award of scholarships for the children of wartime veterans pursuant this section shall not revert at the end of the 2025-2026 fiscal year, but shall remain available until the end of the 2027-2028 fiscal year.

SECTION 8A.6.(k) Subsections (c), (d), (e), (f), (g), (h), and (i) of this section become effective July 1, 2026, and apply beginning with the award of scholarship funds in the 2026-2027 academic year. Except as otherwise provided, this section becomes effective July 1, 2025.

SEAA MAY REALLOCATE UNENCUMBERED FUNDS FROM PRIVATE NEED-BASED SCHOLARSHIPS TO PROVIDE FUNDS FOR SPRING 2025 AWARDS FOR CHILDREN OF WARTIME VETERANS SCHOLARSHIPS

SECTION 8A.7. Notwithstanding G.S. 116-283(c), of the funds appropriated to the Board of Governors of The University of North Carolina and allocated to the State Education Assistance Authority for need-based scholarships for students attending private institutions of higher education in accordance with Article 34 of Chapter 116 of the General Statutes that are unexpended at the end of the 2024-2025 fiscal year, the Authority may reallocate up to two million one hundred thousand dollars ($2,100,000) in nonrecurring funds for the 2025-2026 fiscal year to instead support scholarships for children of wartime veterans that were awarded in the spring 2025 academic semester in accordance with Part 2 of Article 14 of Chapter 143B of the General Statutes.

REQUIRE SEAA TO PROVIDE TESTING COSTS FOR PESA RECIPIENTS

SECTION 8A.8.(a) G.S. 115C-592 is amended by adding a new subsection to read:

"(c1) Test Costs. – In addition to the amount of the scholarship award and except as otherwise provided in this subsection, for any student receiving a scholarship award in grades three, eight, or 11, the Authority shall provide for the student an amount equal to the cost of the nationally standardized test required to be administered as provided in G.S. 115C-562.5."

SECTION 8A.8.(b) G.S. 115C-562.5 is amended by adding a new subsection to read:

"(b2) The parent of a student receiving scholarship funds under Article 41 of this Chapter may opt that student out of any testing required by this section in accordance with rules adopted by the Authority pursuant to G.S. 115C-592(c1)."

CODIFY NORTH CAROLINA PATRIOT STAR FAMILY SCHOLARSHIP PROGRAM

SECTION 8A.9.(a) Article 23 of Chapter 116 of the General Statutes is amended by adding the following new Part to read:

"Part 9. North Carolina Patriot Star Family Scholarship Program.

"**§ 116-209.120. Program established.**

The Board of Governors of The University of North Carolina shall establish the North Carolina Patriot Star Family Scholarship Program. To the extent funds are made available for the Program, the Board shall award funds for the purpose of administering scholarships under the Program to (i) the Patriot Foundation, a nonprofit corporation, and (ii) the Marine Corps Scholarship Foundation, Inc., a nonprofit corporation.

"**§ 116-209.122. Purpose of the Program.**

The Patriot Foundation and the Marine Corps Scholarship Foundation, Inc., respectively, shall provide for scholarships to eligible children and eligible spouses of certain veterans, eligible children of certain currently serving members of the Armed Forces, and eligible disabled veterans to attend eligible postsecondary institutions in accordance with the requirements of this Part.

"**§ 116-209.124. Definitions.**

For the purposes of this Part, the following definitions shall apply:

(1) Armed Forces. – A component of the United States Army, Navy, Marine Corps, Air Force, Space Force, and Coast Guard, including their reserve components.

(2) Eligible child or eligible children. – Any person who meets all of the following requirements:

a. Is attending or has been accepted to enroll in an eligible postsecondary institution.

b. Is a legal resident of North Carolina when scholarship documentation is completed, provided that if a child is claimed as a dependent by the child's parent, residency may be established based on a parent meeting the requirements of sub-sub-sub-subdivision IV. of sub-sub-subdivision 1. of sub-subdivision d. of this subdivision.

c. Has complied with the requirements of the Selective Service System, if applicable.

d. The parent of the person is a veteran or a currently serving member of the Armed Forces that meets all of the following criteria:

1. One of the following residency conditions:

I. Is a resident of North Carolina at the time of scholarship documentation completion.

II. Was a resident of North Carolina at the time of entrance into service in the Armed Forces.

III. Was permanently stationed in North Carolina at the time of his or her death.

IV. Is an active duty service member permanently stationed in North Carolina at the time of documentation completion.

2. One of the following service conditions:

I. Was a member of the Armed Forces who was killed in action or in the line of duty or died of wounds or other causes not due to the service member's willful

misconduct during a period of war, national emergency, or training in preparation for future conflicts and is a direct result of service in the line of duty.

II. Was a member of the Armed Forces who died of service-connected injuries, wounds, illness, or other causes incurred or aggravated while a member of the Armed Forces during a period of war, national emergency, or training in preparation for future conflicts and is a direct result of service in the line of duty. Standard documentation of the parent's death, wounds, injury, or illness shall be supplied by a scholarship recipient at the time of scholarship request.

III. Is a veteran of the Armed Forces who meets both of the following criteria:

A. Incurred traumatic injuries or wounds or sustained a major illness while a member of the Armed Forces during a period of war, national emergency, or training in preparation for future conflicts, and the injuries, wounds, or illness are a direct result of service in the line of duty.

B. Is receiving compensation of at least fifty percent (50%) as rated by the U.S. Department of Veterans Affairs for a disability connected to the injuries, wounds, or illness identified in accordance with sub-sub-sub-sub-subdivision A. of this sub-sub-sub-subdivision.

IV. Is a current member of the Armed Forces who incurred traumatic injuries or wounds or sustained a major illness while a member of the Armed Forces during a period of war, national emergency, or training in preparation for future conflicts, and the injuries, wounds, or illness are a direct result of service in the line of duty. The parent's traumatic wounds, injury, or major illness must be documented by the member's Unit Commander.

(3) Eligible disabled veteran. – Any person who is a veteran who meets all of the following criteria:

a. Incurred traumatic injuries or wounds or sustained a major illness while a member of the Armed Forces during a period of war, national emergency, or training in preparation for future conflicts, and the injuries, wounds, or illness are a direct result of service in the line of duty.

b. Is receiving compensation of at least fifty percent (50%) as rated by the U.S. Department of Veterans Affairs for a disability connected to the injuries, wounds, or illness identified in accordance with sub-subdivision a. of this subdivision.

c. Is a resident of North Carolina when scholarship documentation is completed.

d. Is attending or has been accepted to enroll in an eligible postsecondary institution.

(4) Eligible postsecondary institution. – Any of the following postsecondary educational institutions:
a. A constituent institution of The University of North Carolina.
b. A community college under the jurisdiction of the State Board of Community Colleges.
c. A junior college, senior college, or university that meets all of the following requirements:
1. Is operated and governed by private interests not under the control of the federal government, the State, or any local government.
2. Has a main permanent campus, as defined in G.S. 116-280(4), located within the State of North Carolina.
3. Does not operate for profit.
4. The curriculum is primarily directed toward the awarding of associate, baccalaureate, or graduate degrees.
5. Meets one of the following requirements:
I. Is a private educational institution, as defined in G.S. 143B-1224.
II. Is accredited by an accrediting agency that is recognized by the United States Department of Education as a reliable authority concerning the quality of education or training offered by institutions of higher education.
d. A private vocational institution, including Federal Aviation Administration certificated aviation training programs.
(5) Eligible spouse. – Any person who meets all of the following criteria:
a. Is attending or has been accepted to enroll in an eligible postsecondary institution.
b. Is a legal resident of North Carolina when scholarship documentation is completed.
c. Has complied with the requirements of the Selective Service System, if applicable.
d. Meets one of the conditions set forth in sub-sub-sub-subdivisions I. through III. of sub-sub-subdivision 2. of sub-subdivision d. of subdivision (2) of this section.
(6) Program. – The North Carolina Patriot Star Family Scholarship Program established pursuant to this Part.
(7) Veteran. – An individual who has served and is no longer serving in the Armed Forces of the United States. For the purposes of this subdivision, the veteran shall have separated from the Armed Forces under honorable conditions or whose death or disability of at least fifty percent (50%) or more was incurred as a direct result of service in the line of duty.

"**§ 116-209.126. Administration; awards.**

(a) To the extent funds are made available for the Program, the Patriot Foundation and the Marine Corps Scholarship Foundation, Inc., shall each separately administer and award scholarships to eligible applicants in accordance with the requirements of the Program. To account for the demand for scholarships, the Board of Governors of The University of North Carolina may reallocate funds appropriated for the Program between the Patriot Foundation and the Marine Corps Scholarship Foundation, Inc., in each fiscal year funds are made available for the Program as long as each nonprofit corporation agrees to the reallocation in that year. In administering the Program, each nonprofit corporation shall be responsible for oversight for the

scholarships awarded through its organization under the Program to ensure compliance with the provisions of this Part.

(b) Each nonprofit corporation shall, at a minimum, establish criteria and procedures related to scholarship documentation completion, the amount of individual scholarships, the permissible uses of scholarship funds, the period of eligibility for award of a scholarship, the conditions for a revocation of a scholarship, and any other procedures it deems necessary for its administration of the Program.

(c) If an eligible child or eligible spouse receives a scholarship or other grant covering the costs of attendance at an eligible postsecondary institution for which the scholarship is awarded, then the amount of a scholarship awarded under this Part shall be reduced so that the sum of all grants and scholarships covering the costs of attendance received by the eligible child or eligible spouse does not exceed the costs of attendance for the institution. For the purposes of this section, costs of attendance shall include monies for tuition, fees, books, supplies, and school-related expenses, including laptops, equipment, tutoring support, as well as room and board, as long as the scholarship recipient is enrolled as at least a half-time student at the institution. Off-campus housing costs for room and board are also included to the extent the eligible postsecondary institution includes it in its costs of attendance.

"**§ 116-209.128. Reporting.**

(a) The Patriot Foundation shall submit a report by April 1 of each year in which the Patriot Foundation spends State funds made available for the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the activities related to the Program and the use of the State funds.

(b) The Marine Corps Scholarship Foundation, Inc., shall submit a report by April 1 of each year in which the Marine Corps Scholarship Foundation, Inc., spends State funds made available for the Program to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the activities related to the Program and the use of the State funds."

SECTION 8A.9.(b) Notwithstanding any other provision of law or the Committee Report described in Section 43.2 of S.L. 2021-180, the recurring funds appropriated to the Board of Governors of The University of North Carolina and allocated to the Patriot Foundation and the Marine Corps Scholarship Foundation, Inc., to administer the North Carolina Patriot Star Family Scholarship Program pursuant to Section 8.3 of S.L. 2021-180, as amended by Section 2.8 of S.L. 2022-6, Section 3.6 of S.L. 2022-71, Section 8.22 of S.L. 2023-134, and Section 2.13 of S.L. 2024-1, shall instead be used to administer the North Carolina Patriot Star Family Scholarship Program pursuant to Part 9 of Article 23 of Chapter 116 of the General Statutes, as enacted by this section.

SECTION 8A.9.(c) Section 8.3 of S.L. 2021-180, as amended by Section 2.8(a) of S.L. 2022-6, Section 3.6 of S.L. 2022-71, Section 8.22 of S.L. 2023-134, and Section 2.13 of S.L. 2024-1, is repealed.

SECTION 8A.9.(d) This section is effective when it becomes law.

NURSING FELLOWS PILOT PROGRAM AT WINSTON-SALEM STATE UNIVERSITY

SECTION 8A.10.(a) Definitions. – The following definitions apply in this section:

(1) Academic term. – A semester or summer session.

(2) Authority. – The State Education Assistance Authority.

(3) Dean. – The Dean of the School of Health Sciences at WSSU.

(4) Eligible nurse. – A nurse who meets all of the following criteria:

a. Enrolled at WSSU beginning in the 2026-2027 or 2027-2028 academic year.

b. Received a forgivable loan under the Program.

c. Graduated within 10 years from at least one of the following at WSSU, excluding any authorized deferment for extenuating circumstances:
1. A Bachelor of Science in Nursing program.
2. A Master of Science in Nursing Education program.
d. Is licensed as a registered nurse in this State.

(5) Forgivable loan. – A forgivable loan made under the Program.

(6) Program. – The Nursing Fellows Pilot Program.

(7) Qualifying nurse. – An eligible nurse who meets all of the following criteria:
a. Holds a Bachelor of Science degree in Nursing from WSSU.
b. Is employed as a nurse in this State.

(8) Qualifying nurse instructor. – An eligible nurse who meets all of the following criteria:
a. Holds a Bachelor of Science degree in Nursing from WSSU and a Master of Science degree in Nursing Education from WSSU.
b. Is employed as an instructor in a qualifying nursing program.

(9) Qualifying nursing program. – A nursing program at one of the following that prepares students to earn a degree in nursing and become a licensed practical nurse as defined in Article 9A of Chapter 90 of the General Statutes:
a. A community college.
b. A university or private postsecondary institution.

(10) Trust Fund. – The Nursing Fellows Program Trust Fund.

(11) University or private postsecondary institution. – Either of the following:
a. A postsecondary constituent institution of The University of North Carolina as defined in G.S. 116-2(4).
b. An eligible private postsecondary educational institution as defined in G.S. 116-280(3).

(12) WSSU. – Winston-Salem State University.

SECTION 8A.10.(b) Program. – There is established the Nursing Fellows Pilot Program. The purpose of the Program is to recruit, prepare, and support eligible nursing students enrolling at WSSU beginning in the 2026-2027 and 2027-2028 academic years for preparation as highly effective nurses and instructors in qualifying nursing programs. The Program shall be used to provide forgivable loans to nursing students who are (i) enrolled in degree programs at WSSU to receive a Bachelor of Science in Nursing or a Master of Science in Nursing Education and (ii) interested in preparing to become nurses in the State or instructors in qualifying nursing programs.

SECTION 8A.10.(c) Program Administration; Dean. – The Authority shall administer the Program in cooperation with the Dean. The Dean shall determine forgivable loan recipient selection criteria and selection procedures and shall select the recipients to receive forgivable loans under the Program in accordance with the requirements of this section. The Dean shall appoint any needed staff of the Program and shall be responsible for recruitment and coordination of the Program, including proactive, aggressive, and strategic recruitment of potential recipients. Recruitment activities shall include (i) targeting regions of the State with the greatest need for nurses and nursing instructors in qualifying nursing programs, (ii) actively engaging with registered nurses, business leaders, experts in human resources, elected officials, and other community leaders throughout the State, and (iii) attracting candidates to the Program. WSSU shall provide office space and clerical support staff, as necessary, to the Dean for the Program.

SECTION 8A.10.(d) Trust Fund. – There is established the Nursing Fellows Program Trust Fund to be administered by the Authority, in conjunction with the Dean. All funds (i) appropriated to, or otherwise received by, the Program for forgivable loans and other Program purposes, (ii) received as repayment of forgivable loans, and (iii) earned as interest on these funds

shall be placed in the Trust Fund. The purpose of the Trust Fund is to provide financial assistance to qualified students to fill needed positions for nurses in the State and instructors in qualifying nursing programs through completion of a Bachelor of Science degree in Nursing or both a Bachelor of Science degree in Nursing and a Master of Science degree in Nursing Education.

SECTION 8A.10.(e) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only for forgivable loans granted under the Program, administrative costs associated with the Program, including recruitment and recovery of funds advanced under the Program, mentoring and coaching support to forgivable loan recipients, and extracurricular enhancement activities of the Program in accordance with the following:

(1) The Authority shall transfer six percent (6%) of the available funds from the Trust Fund to WSSU at the beginning of each fiscal year for the following purposes:
   a. The Program's administrative costs.
   b. Extracurricular enhancement activities of the Program.
   c. Mentoring and coaching support to forgivable loan recipients.

(2) The Authority may use up to four percent (4%) of the funds appropriated to the Trust Fund each fiscal year for administrative costs associated with the Program.

SECTION 8A.10.(f) Student Selection Criteria for Forgivable Loans. – The Dean, in consultation with the Associate Dean of Nursing at WSSU, shall adopt stringent standards for awarding forgivable loans based on multiple measures to ensure that only the strongest applicants receive them, including the following:

(1) Grade point averages.

(2) Performance on relevant assessments.

(3) Experience, accomplishments, and other criteria demonstrating qualities positively correlated with highly effective nurses and instructors in qualifying nursing programs, including excellent verbal and communication skills.

(4) Demonstrated commitment to serve in North Carolina.

SECTION 8A.10.(g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to selected students who are initially enrolled in a Bachelor of Science in Nursing degree program at WSSU. Loan payments shall be provided each year for completion of the Bachelor of Science in Nursing program and, if a loan recipient seeks to become a qualifying nurse instructor, for a Master of Science in Nursing Education program. The student shall be eligible to receive loan payments for the Master of Science in Nursing Education program as long as the student enrolls within two years of graduation from the Bachelor of Science in Nursing program. Forgivable loans may be used for tuition, fees, the cost of books, and expenses related to completing a Bachelor of Science degree in Nursing and a Master of Science degree in Nursing Education. Forgivable loans shall be awarded per academic term in amounts of up to five thousand dollars ($5,000) per semester or two thousand five hundred dollars ($2,500) per summer session, as follows:

(1) For students pursuing careers as qualifying nurses, for up to five semesters.

(2) For persons pursuing careers as qualifying nurse instructors, for up to nine semesters.

SECTION 8A.10.(h) Administration of Forgivable Loan Awards. – Upon the naming of recipients of the forgivable loans by the Dean, the Dean shall transfer to the Authority its decisions. The Authority, in coordination with the Dean, shall perform all of the administrative functions necessary to implement this section, which functions shall include rulemaking, disseminating information, acting as a liaison with participating institutions of higher education, implementing forgivable loan agreements, loan monitoring, loan canceling through service and collection, determining the acceptability of service repayment agreements, enforcing the

agreements, and all other functions necessary for the execution, payment, and enforcement of promissory notes required under this section.

SECTION 8A.10.(i) Annual Report. – The Dean, in coordination with the Authority, shall report no later than January 1, 2027, and annually thereafter while forgivable loans are being serviced under the Program, to the Joint Legislative Education Oversight Committee regarding the following:

(1) Forgivable loans awarded from the Trust Fund, including the following:
   a. Demographic information regarding recipients.
   b. Number of recipients by institution of higher education.

(2) Placement and repayment rates, including the following:
   a. Number of graduates who have been employed as qualifying nurses in the State and qualifying nurse instructors in qualifying nursing programs within two years of graduation.
   b. Number of graduates who have elected to do loan repayment and their years of service, if any, prior to beginning loan repayment.
   c. Graduation rates of associate degree students taught by instructors in qualifying nursing programs who are recipients of loans under the Program.

(3) Mentoring and coaching support, including the number of forgivable loan recipients who received mentoring and coaching support.

(4) Selected nurse employer outcomes by degree program, including the following:
   a. Turnover rate for forgivable loan graduates, including the turnover rate for graduates who also received mentoring and coaching support.
   b. Fulfillment rate of forgivable loan graduates.

SECTION 8A.10.(j) Terms of Forgivable Loans. – All forgivable loans shall be evidenced by notes made payable to the Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the Authority and beginning on the first day of September after completion of the applicable degree program or 90 days after graduation, whichever is later. If a forgivable loan is terminated, the note shall be made payable to the Authority 90 days after termination of the forgivable loan. The forgivable loan may be terminated upon the recipient's withdrawal from the Program or by the recipient's failure to meet the standards set by the Dean.

SECTION 8A.10.(k) Forgiveness. – For every year a qualifying nurse remains a qualifying nurse or a qualifying nurse instructor remains a qualifying nurse instructor, the Authority shall forgive one-third of the total loan amount received over the course of enrollment in the applicable degree program and any interest accrued on that amount. The Authority shall also forgive the loan if it finds that it is impossible for the recipient to work for up to three years, within 10 years after completion of the Bachelor of Science in Nursing degree program for persons pursuing forgiveness as qualifying nurses or of the Master of Science in Nursing Education degree program for persons pursuing forgiveness as qualifying nurse instructors, because of the death or permanent disability of the recipient. If the recipient repays the forgivable loan by cash payments, all indebtedness shall be repaid within 10 years after completion of the latest applicable degree program supported by the forgivable loan. If the recipient completes the applicable degree program, payment of principal and interest shall begin no later than the first day of September after the completion of the program. Should a recipient present extenuating circumstances, the Authority may extend the period to repay the loan in cash to no more than a total of 12 years.

SECTION 8A.10.(*l*) Notwithstanding G.S. 116-209.45(h), beginning in the 2026-2027 fiscal year, to the extent funds remain available in the Forgivable Education Loans for Service Fund at the end of each fiscal year, the Authority may use those funds to administer the Nursing Fellows Pilot Program in accordance with this section.

SECTION 8A.10.(m) The Dean of the School of Health Sciences at Winston-Salem State University shall establish initial selection criteria for recipients no later than November 15, 2025, and shall make available applications to prospective students no later than December 31, 2025.

SECTION 8A.10.(n) The Dean of the School of Health Sciences at Winston-Salem State University shall select recipients and award the initial forgivable loans for the 2026-2027 academic year no later than April 1, 2026.

SECTION 8A.10.(o) This section applies beginning with applications for enrollment in the Nursing Fellows Program in the 2026-2027 academic year.

INCREASE CARRYFORWARD AUTHORITY FOR PERSONAL EDUCATION STUDENT ACCOUNTS

SECTION 8A.11.(a) G.S. 115C-600(b) reads as rewritten:

"(b) The Authority shall make reasonable efforts to ensure the amount of scholarship funds awarded for a school year do not exceed the funds that are available for awards to eligible students in each fiscal year. However, to ensure that as many eligible students receive scholarship funds in a timely manner as possible, at the end of each fiscal year, the Authority shall place any unexpended funds appropriated for the Program into an institutional trust fund established in accordance with the provisions of G.S. 116-36.1 to accrue a cash balance in the institutional trust fund of up to ~~ten million dollars ($10,000,000).~~ fifteen million dollars ($15,000,000). The Authority shall use these funds to award scholarship funds in any fiscal year that the funds required to award scholarships to eligible students for a school year exceed the funds available for the distribution of those awards. All interest earned on these funds shall also be placed in the institutional trust fund established pursuant to this subsection. For any fiscal year in which funds are expended from the institutional trust fund, the Authority shall submit a report as required by G.S. 115C-598(b). In any fiscal year in which the cash balance of the institutional trust fund is greater than ~~ten million dollars ($10,000,000),~~ fifteen million dollars ($15,000,000) any funds above ~~ten million dollars ($10,000,000)~~ fifteen million dollars ($15,000,000) remaining at the end of the fiscal year from the funds appropriated for the Program shall revert to the General Fund."

SECTION 8A.11.(b) This section becomes effective June 30, 2025.

MAKE VARIOUS CHANGES TO THE PRINCIPAL FELLOWS PROGRAM

SECTION 8A.12.(a) Article 5C of Chapter 116 of the General Statutes reads as rewritten:

"Article 5C.
"North Carolina Principal Fellows Program.

…

"**§ 116-74.44. North Carolina Principal Fellows Program established; administration.**

(a) Established. – There is established the North Carolina Principal Fellows Program as a competitive grant program for eligible entities for the purpose of elevating educators in North Carolina public schools by transforming the preparation of principals across the State and providing for (i) forgivable scholarship loans to the participants of those school leader preparation ~~programs.~~ programs and (ii) grants to school leader preparation programs to develop innovative ways of training principals. The Authority shall administer the North Carolina Principal Fellows Program in collaboration with the Commission as set forth in this Article to provide funds for the preparation and support of highly effective future school principals in North Carolina.

…

(c) Administration of Forgivable Scholarship Loans. – Upon the ~~grant recipients' selection~~ selection by grant recipients for forgivable scholarship loans of the program participants

for the school leader preparation programs, the Commission shall transfer the names of all program participants to the Authority. The Authority shall perform all of the administrative functions necessary to implement the forgivable scholarship loans to the school leader preparation program participants, which functions shall include rule making, disseminating information, acting as a liaison with participating eligible entities, implementing forgivable loan agreements in the form of promissory notes, monitoring loan repayment through service and cash, and performing all other functions necessary for the execution, payment, and enforcement of promissory notes required under this Article.

…

"**§ 116-74.45. Grant applications; priority.**

(a) Application Requirements. – Subject to the availability of funds for this purpose, the Commission shall issue a request for proposal with guidelines and criteria for applying for ~~a grant.~~ grants to provide forgivable scholarship loans and develop innovative ways of training principals. An eligible entity that seeks a grant shall submit to the Commission an application at such time, in such manner, and accompanied by such information as the Commission may require. Eligible entities may create partnerships to develop and establish school leader preparation programs and apply jointly to be a grant recipient. An applicant shall include at least the following information in its application for consideration by the Commission:

…

"**§ 116-74.46. Recipient selection; use of grant funds; duration and conditions of grants; reporting requirements.**

(a) Selection. – After evaluation of grant applications pursuant to G.S. 116-74.45, the Commission shall notify the Authority of its selection of the recipients of grants for each fiscal year. The Commission shall select up to eight grant recipients to ~~be operating~~ operate a school leader preparation program with grant funds for forgivable scholarship loans in any fiscal ~~year.~~year and up to two recipients for a grant of up to two hundred fifty thousand dollars ($250,000) per recipient per fiscal year to develop innovative ways of training principals.

(b) Use of ~~Funds.~~ Grant Funds for Forgivable Scholarship Loans. – Each eligible entity that receives grant funds for forgivable scholarship loans shall use those funds to carry out the following:

…

(c) Duration and Conditions of Grants. – The Commission shall also notify the Authority of its decisions on the duration and renewal of grants to eligible entities made in accordance with the following:

(1) The duration of grants for forgivable scholarship loans shall be as follows:

a. Grants shall be no more than six years and no fewer than two years in duration, unless the Commission finds early termination of a grant is necessary due to noncompliance with grant terms.

b. The Commission may renew a grant based on compliance with the grant terms and performance, including allowing the grantee to scale up or replicate the successful program as provided in subdivision (3) of this subsection.

(1a) The duration of grants for training development shall be for one year. The Commission may renew a grant for training development, in its discretion, on an annual basis.

…

(3) In evaluating performance for purposes of grant renewal and making its renewal decisions to provide to the ~~Authority,~~ Authority pursuant to subdivision (1) of this subsection, the Commission shall consider at least the following:

…

(d) Reporting Requirements for Grant Recipients. – Recipients of grants shall participate in all evaluation activities required by the Commission and submit an annual report to the Commission with any information requested by the Commission. The recipients shall comply with additional report requests made by the Commission. Whenever practicable and within a reasonable amount of time, grant recipients shall also make all materials developed as part of the program and with grant funds publicly available to contribute to the broader sharing of promising practices. Materials shall not include personally identifiable information regarding individuals involved or associated with the program, including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff, without their prior written consent. The Commission shall work with recipients, local school administrative units, and public schools, as needed, to enable the collection, analysis, and evaluation of at least the following ~~relevant data,~~ data related to grants for forgivable scholarship loans, within necessary privacy constraints:

(1) Student achievement in eligible schools.

(2) The percentage of program completers who are placed as school leaders within three years in the State.

(3) The percentage of program completers who are placed as school leaders within three years in high-need schools in the State.

(4) The percentage of program completers rated proficient or above on school leader evaluation and support systems.

(5) The percentage of program completers that are school leaders who have remained employed in a North Carolina public school for two or more years of initial placement.

…."

SECTION 8A.12.(b) G.S. 116-74.41B reads as rewritten:

"**§ 116-74.41B. The North Carolina Principal Fellows Trust Fund.**

…

(b) Use of Monies in the Trust Fund. – The monies in the Trust Fund may be used only for the purposes set forth in this subsection, including the award of grants pursuant to G.S. 116-74.44, administrative costs, and costs associated with Program operations in accordance with this Article. The Authority may use up to two percent (2%) of the funds appropriated for the Program or one hundred sixty thousand dollars ($160,000) from the Trust Fund, whichever is greater, each fiscal year for administrative costs, including recovery of funds advanced under the Program, and may allocate to the Commission up to eight hundred thousand dollars ($800,000) from the Trust Fund each fiscal year for the following:

(1) The salary and benefits of the director and staff of the Program.

(2) The expenses of the Commission to administer the Program.

(3) Program monitoring and evaluation.

(4) Extracurricular enhancement activities for the Program.

(5) Repealed by Session Laws 2019-60, s. 1(y), effective July 1, 2021.

(6) Programming on research-based school leadership practices to be shared with eligible entities in order to improve principal preparation throughout the State.

(c) Remaining Funds. – If at the end of each fiscal year there are funds remaining in the Trust Fund that are not obligated or otherwise encumbered for another purpose, upon the request of the Commission, the Authority shall allocate the funds to the Commission for any of the purposes identified in subdivisions (3) through (6) of subsection (b) of this section."

REQUIRE NONPUBLIC SCHOOLS RECEIVING OPPORTUNITY SCHOLARSHIP FUNDS TO RETAIN CERTAIN TESTING RECORDS AND VERIFY COMPLIANCE

SECTION 8A.13.(a) G.S. 115C-562.5 reads as rewritten:

"**§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving scholarship grants.**

(a) A nonpublic school that accepts eligible students receiving scholarship grants shall comply with the following:

…

(4) Administer, at least once in each school year, tests as provided in this subdivision. Test performance data shall be submitted to the Authority by July 15 of each year. Test performance data reported to the Authority under this subdivision is not a public record under Chapter 132 of the General Statutes. Tests shall be administered to all eligible students enrolled in grades three and higher whose tuition and fees are paid in whole or in part with a scholarship grant as follows:

a. The nationally standardized test designated by the Authority in grades three and eight.

b. The ACT in grade 11.

c. A nationally standardized test or other nationally standardized equivalent measurement selected by the chief administrative officer of the nonpublic school in all other grades four and higher. For grades four through seven, the nationally standardized test or other equivalent measurement selected must measure achievement in the areas of English grammar, reading, spelling, and mathematics. For grades nine, 10, and 12, the nationally standardized test or other equivalent measurement selected must measure either (i) achievement in the areas of English grammar, reading, spelling, and mathematics or (ii) competencies in the verbal and quantitative areas.

…

(b1) A nonpublic school that accepts eligible students receiving scholarship grants shall annually certify compliance with subdivision (4) of subsection (a) of this section and shall retain records of the test administration for a period of four years. Each year the Authority shall select at least four percent (4%) of nonpublic schools to verify testing administration in accordance with subdivision (4) of subsection (a) of this section.

…."

SECTION 8A.13.(b) This section applies beginning with the 2025-2026 school year.

REDUCE TOTAL INDIVIDUAL CARRYFORWARD FOR PERSONAL EDUCATION STUDENT ACCOUNTS

SECTION 8A.14.(a) G.S. 115C-592(b1) reads as rewritten:

"(b1) Scholarship Awards for Students with Certain Disabilities. – A student who has one or more of the following disabilities listed as a primary or secondary disability on the student's eligibility determination form submitted as required by subsection (e) of this section at the time of application for scholarship funds may be awarded scholarship funds for each school year in an amount of up to (i) seventeen thousand dollars ($17,000) for an eligible student or (ii) eight thousand five hundred dollars ($8,500) for an eligible part-time student:

(1) Autism.

(2) Hearing impairment.

(3) Moderate or severe intellectual disability.

(4) Orthopedic impairment.

(5) Visual impairment.

For eligible students who qualify for scholarship funds under this subsection, no more than four thousand five hundred dollars ($4,500) of funds remaining in an electronic account at the end of a school year shall be carried forward until expended for each school year upon renewal

of the account under subsection (b2) of this section. In no event shall the total amount of funds carried forward for an eligible student in a personal education student account exceed ~~thirty thousand dollars ($30,000).~~ fifteen thousand dollars ($15,000). Any funds remaining in the electronic account if an agreement is not renewed under G.S. 115C-595 shall be returned to the Authority."

SECTION 8A.14.(b) This section becomes effective June 30, 2028.

PART IX. HEALTH AND HUMAN SERVICES

PART IX-A. AGING

STRENGTHEN LONG-TERM CARE OMBUDSMAN PROGRAM

SECTION 9A.1. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Aging, the sum of three hundred eighty thousand dollars ($380,000) in recurring funds for each year of the 2025-2027 fiscal biennium shall be used to fund four full-time regional ombudsman positions to move North Carolina toward national standards for long-term care ombudsman programs. These four positions shall be dedicated to the Regional Ombudsman Programs within the Area Agencies on Aging most in need of additional ombudsman support, as determined by the Office of the State Long-Term Care Ombudsman.

PART IX-B. CENTRAL MANAGEMENT AND SUPPORT

REPORTS BY NON-STATE ENTITIES ON THE USE OF DIRECTED GRANT FUNDS

SECTION 9B.1. The Department of Health and Human Services shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division all reports received under 9 NCAC 03M .0205 from non-State entities, as defined in G.S. 143C-1-1, that are recipients of nonrecurring funds allocated in this Part as a directed grant according to the following schedule:

(1) By November 1, 2026, all reports on the use of directed grant funds received under this Part for the 2025-2026 fiscal year.

(2) By November 1, 2027, all reports on the use of directed grant funds received under this Part for the 2026-2027 fiscal year.

COMMUNITY HEALTH GRANT PROGRAM

SECTION 9B.2.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Central Management, Office of Rural Health, for each year of the 2025-2027 fiscal biennium for the Community Health Grant Program shall be used to continue to administer the Community Health Grant Program as modified by Section 11A.8 of S.L. 2017-57.

SECTION 9B.2.(b) The Office of Rural Health shall make the final decision about awarding grants under this Program, but no single grant award shall exceed one hundred fifty thousand dollars ($150,000) during the fiscal year. In awarding grants, the Office of Rural Health shall consider the availability of other funds for the applicant; the incidence of poverty in the area served by the applicant or the number of indigent clients served by the applicant; the availability of, or arrangements for, after-hours care; and collaboration between the applicant and a community hospital or other safety net organizations.

SECTION 9B.2.(c) Grant recipients shall not use these funds to do any of the following:

(1) Enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other persons receiving funds for

program administration; provided, however, funds may be used to hire or retain health care providers. The use of grant funds for this purpose does not obligate the Department of Health and Human Services to continue to fund compensation beyond the grant period.

(2) Supplant existing funds, including federal funds traditionally received by federally qualified community health centers. However, grant funds may be used to supplement existing programs that serve the purposes described in subsection (a) of this section.

(3) Finance or satisfy any existing debt.

SECTION 9B.2.(d) The Office of Rural Health may use up to two hundred thousand dollars ($200,000) of these recurring funds for each year of the 2025-2027 fiscal biennium for administrative purposes.

SECTION 9B.2.(e) By September 1 of each year, the Office of Rural Health shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on community health grants that includes at least all of the following information:

(1) The identity and a brief description of each grantee and each program or service offered by the grantee.

(2) The amount of funding awarded to each grantee.

(3) The number of individuals served by each grantee and, for the individuals served, the types of services provided to each.

(4) Any other information requested by the Office of Rural Health as necessary for evaluating the success of the Community Health Grant Program.

CLARIFICATION RELATED TO EXPANSION OF THE NC LOAN REPAYMENT PROGRAM

SECTION 9B.4. Section 9B.4(b)(1) of S.L. 2023-134 reads as rewritten:

"(1) For eligible providers with educational loan debt, the total amount of loan repayment incentives awarded shall not exceed the ~~maximum amounts otherwise allowed under the current NC LRP.~~following amounts:

a. For the primary care physicians initiative, the total amount of loan repayment incentives awarded to each eligible primary care physician shall not exceed the maximum amount otherwise allowed under the current NC LRP.

b. For the behavioral health providers initiative, the total amount of loan repayment incentives awarded to each eligible provider shall not exceed fifty thousand dollars ($50,000).

c. For the nurse initiative, the total amount of loan repayment incentives awarded to each eligible provider shall not exceed fifty thousand dollars ($50,000)."

MANAGEMENT FLEXIBILITY FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO EXPEND CERTAIN ARPA TEMPORARY SAVINGS FUND APPROPRIATIONS FOR PURPOSES RELATED TO CHILD AND FAMILY WELL-BEING

SECTION 9B.5. The Department of Health and Human Services (DHHS) may allocate any unexpended funds remaining from the appropriations described in Section 9B.9(a) of S.L. 2023-134 to the Division of Child Welfare and Family Well-Being; the Division of Mental Health, Developmental Disabilities, and Substance Use Services; and the Division of Social Services in the amounts and for the programs and initiatives the DHHS deems necessary, as long as the programs and initiatives are consistent with the purposes described in subdivisions (a)(1) and (a)(2) of Section 9B.9 of S.L. 2023-134.

MANAGEMENT FLEXIBILITY REGARDING MANDATORY VACANT POSITION ELIMINATIONS

SECTION 9B.6. The Department of Health and Human Services (Department) shall achieve net General Fund savings in the amount of at least ten million dollars ($10,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium through the elimination of vacant positions. To achieve the savings required by this section, the Department may eliminate any vacant position that is not under the jurisdiction of the following divisions:

(1) The Division of Aging.
(2) The Division of Public Health.
(3) The Division of State-Operated Health Care Facilities.

ADMINISTRATIVE REORGANIZATION OF THE FUNCTIONS, POWERS, DUTIES, AND PERSONNEL OF THE OFFICE OF HEALTH EQUITY

SECTION 9B.7.(a) All statutory authority, functions, powers, and duties, including rulemaking, budgeting, purchasing, records, personnel, personnel positions, salaries, property, and unexpended balances of appropriations, allocations, reserves, support costs, and other funds allocated to the Department of Health and Human Services, Division of Central Management and Support, Office of Health Equity (Office of Heath Equity), for the elimination of health disparities, the improvement of health access issues, and the performance of any other functions, powers, and duties under the jurisdiction of the Office of Health Equity prior to July 1, 2025, are transferred to, vested in, and consolidated within the Department of Health and Human Services, Division of Public Health (Division of Public Health).

SECTION 9B.7.(b) All equipment, supplies, or other properties rented or controlled by the Office of Health Equity prior to July 1, 2025, shall be administered by the Division of Public Health.

SECTION 9B.7.(c) In accordance with Article III, Section 5(10) of the North Carolina Constitution, which authorizes the General Assembly to "prescribe the functions, powers, and duties of the administrative departments and agencies of the State" and to "alter them from time to time," the Governor and the Department of Health and Human Services shall refrain from creating a separate division, office, or section within the Department to perform any of the functions, powers, or duties under the jurisdiction of the Office of Health Equity prior to July 1, 2025.

SECTION 9B.7.(d) G.S. 143B-138.1(c)(6) is repealed.

EXPANSION OF LAPSED SALARY REPORT PROVIDED BY DHHS TO THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES

SECTION 9B.8. G.S. 120-208.4(b) reads as rewritten:

"(b) Beginning no later than November 1, 2012, and annually thereafter, the Department of Health and Human Services shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the use of lapsed salary funds by each Division within the Department. For each Division, the report shall include the following information about the preceding State fiscal year:

(1) The total amount of lapsed salary funds.
(2) The number of full-time equivalent positions comprising the lapsed salary funds.
(3) The Fund Code for each full-time equivalent position included in the number reported pursuant to subdivision (2) of this section.
(4) The purposes for which the Department expended lapsed salary funds.

(5) The amount of any lapsed salary funds expended by the Department, broken down by the original source of funds. For the purpose of this subdivision, "the original source of funds" means (i) the General Fund, (ii) federal funds, or (iii) other departmental receipts as defined in G.S. 143C-1-1, excluding federal funds."

PART IX-C. CHILD AND FAMILY WELL-BEING [RESERVED]

PART IX-D. CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K PROGRAMS/STANDARDS FOR FOUR- AND FIVE-STAR RATED FACILITIES

SECTION 9D.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are 4 years of age on or before August 31 of the program year. In determining eligibility, the Division shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if those children have other designated risk factors. Furthermore, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months, or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was injured or killed while serving on active duty. Eligibility determinations for NC Pre-K participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

Other than developmental disabilities or other chronic health issues, the Division shall not consider the health of a child as a factor in determining eligibility for participation in the NC Pre-K program.

SECTION 9D.1.(a1) Staff-To-Child Ratio and Class Size. – The classroom shall not exceed a maximum staff-to-child ratio of one to 10 with a maximum class size of 20 children, with at least one teacher and one teacher assistant per classroom. A classroom of 10 children or less shall have at least one teacher. The Child Care Commission shall adopt any rules and the Division of Child Development and Early Education shall revise any rules or policies necessary to implement the provisions of this subsection.

SECTION 9D.1.(b) Multiyear Contracts. – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 9D.1.(c) Building Standards. – Notwithstanding G.S. 110-91(4), private child care facilities and public schools operating NC Pre-K classrooms shall meet the building standards for preschool students as provided in G.S. 115C-521.1.

SECTION 9D.1.(d) Programmatic Standards. – Except as provided in subsection (c) of this section, entities operating NC Pre-K classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 9D.1.(e) NC Pre-K Committees. – Local NC Pre-K committees shall use the standard decision-making process developed by the Division of Child Development and Early Education in awarding NC Pre-K classroom slots and student selection.

SECTION 9D.1.(f) Reporting. – The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Oversight Committee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

(1) The number of children participating in the NC Pre-K program by county.

(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.

(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.

(4) The results of an annual evaluation of the NC Pre-K program.

SECTION 9D.1.(g) Audits. – The administration of the NC Pre-K program by local partnerships shall be subject to the financial and compliance audits authorized under G.S. 143B-168.14(b).

NC PRE-K/REPORT ON REALLOCATION OF UNUSED SLOTS

SECTION 9D.2. The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 1, 2026, on how unused slots are reallocated in the NC Prekindergarten (NC Pre-K) program. The report shall include, at a minimum, the following:

(1) A description of the number of unused slots following the 2022-2023 program year.

(2) Options for changes to the administration of the program that would allow unused slots to be used by counties that have waiting lists of eligible children and sufficient providers to use those slots that program year.

(3) Any other information the Division deems relevant to the issue of chronically unused NC Pre-K slots.

CHILD CARE SUBSIDY RATES

SECTION 9D.3.(a) The maximum gross annual income for initial eligibility, adjusted annually, for subsidized child care services shall be determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0 – 5	200%
6 – 12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

SECTION 9D.3.(b) The fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. Effective August 1, 2026, the fees for families who are required to share in the cost of care are established based on seven percent (7%) of gross family income. When care is received at the blended rate, the copayment shall be eighty-three percent (83%) of the full-time copayment. Copayments for part-time care shall be seventy-five percent (75%) of the full-time copayment.

SECTION 9D.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be

paid the one-star county market rate or the rate they charge privately paying parents unless prohibited by subsection (f) of this section.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group unless prohibited by subsection (g) of this section.

(3) No payments shall be made for transportation services charged by child care facilities.

(4) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment. This shall not be determined before a family's annual recertification period.

(5) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

SECTION 9D.3.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 9D.3.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

SECTION 9D.3.(f) The Division of Child Development and Early Education shall continue implementing policies that improve the quality of child care for subsidized children, including a policy in which child care subsidies are paid, to the extent possible, for child care in the higher quality centers and homes only. The Division shall define higher quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For those counties with an inadequate number of four- and five-star-rated facilities, the Division shall continue a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The Division may allow exemptions in counties where there is an inadequate number of four- and five-star-rated facilities for non-star-rated programs, such as religious programs.

SECTION 9D.3.(g) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. Except as authorized by subsection (f) of this section, no separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 9D.3.(h) Payment for subsidized child care services provided with Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations

and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 9D.3.(i) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. Noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if all other conditions of eligibility are met and the child for whom child care subsidy is sought is a citizen of the United States.

SECTION 9D.3.(j) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

SECTION 9D.3.(k) Department of Defense-certified child care facilities licensed pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that provides for the purchase of care in child care facilities for minor children in needy families, provided that funds allocated from the State-subsidized child care program to Department of Defense-certified child care facilities shall supplement and not supplant funds allocated in accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose Department of Defense-certified child care facilities and who are eligible to receive subsidized child care shall be as set forth in this section.

CHILD CARE ALLOCATION FORMULA

SECTION 9D.4.(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 9D.3(a) of this act.

(2) The Division may withhold up to two percent (2%) of available funds from the allocation formula for (i) preventing termination of services throughout the fiscal year and (ii) repayment of any federal funds identified by counties as overpayments, including overpayments due to fraud. The Division shall allocate to counties any funds withheld before the end of the fiscal year when the Division determines the funds are not needed for the purposes described in this subdivision. The Division shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, which report shall include each of the following:

a. The amount of funds used for preventing termination of services and the repayment of any federal funds.

b. The date the remaining funds were distributed to counties.

c. As a result of funds withheld under this subdivision and after funds have been distributed, any counties that did not receive at least the amount the counties received the previous year and the amount by which funds were decreased.

The Division shall submit a report in each year of the 2025-2027 fiscal biennium 30 days after the funds withheld pursuant to this subdivision are distributed but no later than April 1 of each respective year.

(3) The Division shall set aside four percent (4%) of child care subsidy allocations for vulnerable populations, which include a child identified as having special needs and a child whose application for assistance indicates that the child and the child's family is experiencing homelessness or is in a temporary living situation. A child identified by this subdivision shall be given priority for receiving services until such time as set-aside allocations for vulnerable populations are exhausted.

SECTION 9D.4.(b) The Division may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county. Counties shall manage service levels within the funds allocated to the counties. A county with a spending coefficient over one hundred percent (100%) shall submit a plan to the Division for managing the county's allocation before receiving any reallocated funds.

SECTION 9D.4.(c) When implementing the formula under subsection (a) of this section, the Division shall include the market rate increase in the formula process rather than calculate the increases outside of the formula process. Additionally, the Department shall do the following:

(1) Deem a county's initial allocation as the county's expenditure in the previous fiscal year or a prorated share of the county's previous fiscal year expenditures if sufficient funds are not available.

(2) Effective immediately following the next new decennial census data release, implement (i) one-third of the change in a county's allocation in the year following the data release, (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision, and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

SMART START INITIATIVES

SECTION 9D.5.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s, mission of improving child care quality in North Carolina for children from birth to 5 years of age. North Carolina Partnership for Children, Inc., funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star-rated facilities increase their star ratings, and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to 5 years of age that do the following:

(1) Increase children's literacy.

(2) Increase the parents' ability to raise healthy, successful children.

(3) Improve children's health.

(4) Assist four- and five-star-rated facilities in improving and maintaining quality.

SECTION 9D.5.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than ten percent (10%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall continue using a single statewide contract management system that incorporates features of the

required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract management system and, directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 9D.5.(c) Salaries. – The salary schedule developed and implemented by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

(1) The population of the area serviced by a local partnership.
(2) The amount of State funds administered.
(3) The amount of total funds administered.
(4) The professional experience of the individual to be compensated.
(5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection.

SECTION 9D.5.(d) Match Requirements. – The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to apply the match percentages specified in this section to the total amount budgeted for the program in each fiscal year of the 2025-2027 biennium. Of the funds that the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall be equal to at least thirteen percent (13%) and in-kind donated resources shall be equal to no more than six percent (6%) for a total match requirement of nineteen percent (19%) for each year of the 2025-2027 fiscal biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Division of Employment Security of the Department of Commerce in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records.
(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
(3) Not include expenses funded by State funds.
(4) Be supplemental to and not supplant preexisting resources for related program activities.
(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
(6) Be otherwise allowable under federal or State law.

(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.

(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a nineteen-percent (19%) match by June 30 of each year of the 2025-2027 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report, to be included in its annual report as required under G.S. 143B-168.12(d), in a format that allows verification by the Department of Revenue. The North Carolina Partnership for Children, Inc., shall provide a copy of the annual report to the Department of Health and Human Services, Division of Child Development and Early Education. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 9D.5.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy as developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars ($5,000) but less than fifteen thousand dollars ($15,000), three written quotes.

(3) For amounts of fifteen thousand dollars ($15,000) or more but less than forty thousand dollars ($40,000), a request for proposal process.

(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 9D.5.(f) Allocations. – The North Carolina Partnership for Children, Inc., shall not reduce the allocation for counties with less than 35,000 in population below the 2012-2013 funding level.

SECTION 9D.5.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 9D.5.(h) Expenditure Restrictions. – Except as provided in subsection (i) of this section, the Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for the 2025-2027 fiscal biennium shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for the 2025-2027 fiscal biennium. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for the 2025-2027 fiscal biennium.

For the 2025-2027 fiscal biennium, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SECTION 9D.5.(i) Notwithstanding subsection (h) of this section, the North Carolina Partnership for Children, Inc., and local partnerships may use up to one percent (1%) of State funds for fundraising activities. The North Carolina Partnership for Children, Inc., shall include in its annual report required under G.S. 143B-168.12(d) a report on the use of State funds for fundraising. The report shall include the following:

(1) The amount of funds expended on fundraising.

(2) Any return on fundraising investments.

(3) Any other information deemed relevant.

SMART START LITERACY INITIATIVE/DOLLY PARTON'S IMAGINATION LIBRARY

SECTION 9D.6.(a) A portion of the funds allocated in this act to the North Carolina Partnership for Children, Inc., from the Department of Health and Human Services, shall continue to be used to increase access to Dolly Parton's Imagination Library, an early literacy program that mails age-appropriate books on a monthly basis to children registered for the program.

SECTION 9D.6.(b) The North Carolina Partnership for Children, Inc., may use up to one percent (1%) of the funds for statewide program management and up to one percent (1%) of the funds for program evaluation. Funds allocated under this section shall not be subject to administrative costs requirements under Section 9D.5(b) of this act, nor shall these funds be subject to the child care services funding requirements under G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g), or the match requirements under Section 9D.5(d) of this act.

SECTION 9D.6.(c) The North Carolina Partnership for Children, Inc., shall submit a report based on its evaluation of the program pursuant to subsection (b) of this section by December 1 of each even-numbered year to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall include, at a minimum, each of the following:

(1) How the program impacts a child's reading skills and literacy development.

(2) The program's overall success regarding participation rates, book distribution, and community involvement.

(3) An analysis of the program's long-term sustainability, including any recommendations for program improvement.

INCREASE CHILD CARE SUBSIDY REIMBURSEMENT RATES

SECTION 9D.7. Beginning October 1, 2025, the Department of Health and Human Services, Division of Child Development and Early Education, shall increase the child care subsidy market rates to the seventy-fifth percentile as recommended by the 2023 Child Care Market Rate Study for children in three-, four-, and five-star-rated child care centers and homes.

EXEMPT CERTAIN DEPARTMENT OF DEFENSE FAMILY CHILD CARE HOMES FROM CHILD CARE LICENSURE

SECTION 9D.8. Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"**§ 110-106.3. Exemption for certain Department of Defense family child care homes from child care licensure requirements.**

(a) The provisions of this Article shall not apply to a family child care home operating in this State and located outside of the boundaries of a military installation if the family child care home has a certificate issued by the United States Department of Defense (DOD) or the United States Coast Guard to provide child care and has completed background screening by the DOD pursuant to 34 U.S.C. § 20351 and 32 C.F.R. Part 86 and received a favorable suitability and fitness determination. This exemption applies to DOD family child care home operators providing child care exclusively to children eligible for care under the DOD Instruction 6060.02.

(b) A family child care home seeking to operate pursuant to this section shall register with the Department. The individual at each military installation who provides oversight of family child care homes shall be responsible for registering the family child care home operating under this section with the Department. The Department shall establish and maintain a registry in accordance with this section and the registry shall be used for the following limited purposes:

(1) Ensuring the DOD family child care home is fully compliant with all DOD requirements to operate the family child care home.
(2) Certifying that the following State safety provisions are met for the dwelling unit in which the DOD family child care home is located:
a. Rooms and areas within a family child care home where occupants receive care are located on the same level of exit discharge.
b. Rooms and areas within a family child care home where occupants receive care are located on the same level with, and within a maximum of 40 feet travel distance to, at least one 2A:10B:C fire extinguisher.
c. The family child care home has and maintains a Fire Safety, Evacuation, and Lockdown Plan compliant with Section 404 of the North Carolina Fire Code.
d. The family child care home has carbon monoxide alarm and detection systems compliant with Section R315 of the North Carolina Residential Code.
e. The family child care home has smoke alarms compliant with Section 51 R314 of the North Carolina Residential Code.
(3) Receiving confirmation from the person operating the DOD family child care home that the family child care home is within the same dwelling unit occupied by the operator.
(4) Confirming inquiries regarding a DOD family child care home are directed to the appropriate regulatory authority having oversight of family child care homes for the respective military installation.

(c) The regulatory authority having oversight of family child care homes for the respective military installation shall provide the Department with any updates to the registry on a quarterly basis. The regulatory authority having oversight of family child care homes for the respective military installation shall immediately notify the Department when the DOD adds or removes a family child care home operating under this section from the registry or closes a family child care home for cause.

(d) A DOD family child care home that meets the requirements of this section shall be exempt from all other requirements of this Article and shall not be subject to licensure."

CHILD CARE REGULATORY REFORMS

SECTION 9D.9.(a) The General Assembly recognizes the need to balance maintaining critical health, safety, and welfare standards for child care, as well as a well-established rating system used for informational purposes, with the need to move toward maximizing State funds for child care and increasing the supply of child care from State-funded sources. The General Assembly further recognizes the importance of weighing the need to decrease the cost of child care through deregulatory actions and at the same time maintain child care subsidy reimbursement rates. The purpose of this provision, in part, is to encourage the business community to partner with the State in achieving this goal.

SECTION 9D.9.(b) To that end, by May 1, 2026, the Department of Health and Human Services, Division of Child Development and Early Education (Division), shall develop a proposed plan to separate the quality rating improvement system (QRIS) from the requirements and payments for participation in the State-subsidized child care program using the market rate study required by subsection (c) of this section and make recommendations on implementation of the plan while meeting the federal Child Care and Development Fund requirements. The Division shall submit the proposed plan to the chairs of the House and Senate Appropriations Committees, the chairs of the House and Senate Appropriations Committees on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division by May 1, 2026. The current plan will stay in full force and effect

until such time as the General Assembly first approves and adopts the proposed plan and any amendments to that plan and then the federal government approves the proposed plan and any amendments.

SECTION 9D.9.(c) The Division shall complete a new market rate study by May 1, 2026. This market rate study shall be made available to the public by May 1, 2026. The Division shall ensure that the market rate study includes potential rates that are not segmented by star-rating and new market rates for the QRIS system. The Division shall not implement new reimbursement rates unless approved by the federal Administration of Children and Families and authorized to do so by the General Assembly.

SECTION 9D.9.(d) Nothing in subsections (a) through (c) of this section shall be construed as impacting the star-rating requirements for the NC Prekindergarten (NC Pre-K) program.

SECTION 9D.9.(e) G.S. 110-86(5a) reads as rewritten:

"(5a) Lead teacher. – An individual who is responsible for planning and implementing the daily program of activities for ~~a group~~ no more than two groups of children in a child care facility."

SECTION 9D.9.(f) G.S. 110-91 reads as rewritten:

"**§ 110-91. Mandatory standards for a license.**

All child care facilities shall comply with all State laws and federal laws and local ordinances that pertain to child health, safety, and welfare. Except as otherwise provided in this Article, the standards in this section shall be complied with by all child care facilities. ~~However, none~~ Notwithstanding any provision of law or rule to the contrary, any building and grounds which are currently approved for school occupancy and which house a public or private elementary or middle school shall be deemed to have met the space and equipment, sanitation, fire, and building code requirements for a licensed child care facility when the building and grounds are serving the same, or a subset of the same, school-age children in an out-of-school child care program. None of the standards in this section apply to the school-age children of the operator of a child care facility but do apply to the preschool-age children of the operator. Children 13 years of age or older may receive child care on a voluntary basis provided all applicable required standards are met. The standards in this section, along with any other applicable State laws and federal laws or local ordinances, shall be the required standards for the issuance of a license by the Secretary under the policies and procedures of the Commission except that the Commission may, in its discretion, adopt less stringent standards for the licensing of facilities which provide care on a temporary, part-time, drop-in, seasonal, after-school or other than a full-time basis.

…

(6) Space and Equipment Requirements. – There shall be no less than 25 square feet of indoor space for each child for which a child care center is licensed, exclusive of closets, passageways, kitchens, and bathrooms, and this floor space shall provide during rest periods 200 cubic feet of airspace per child for which the center is licensed. There shall be adequate outdoor play area for each child under rules adopted by the Commission which shall be related to the size of center and the availability and location of outside land area. In no event shall the minimum required exceed 75 square feet per child. The outdoor area shall be protected to assure the safety of the children receiving child care by an adequate fence or other protection. A center operated in a public school shall be deemed to have adequate fencing protection. A center operating exclusively during the evening and early morning hours, between 6:00 P.M. and 6:00 A.M., need not meet the outdoor play area requirements mandated by this subdivision.

Each child care facility shall provide indoor area equipment and furnishings that are child size, sturdy, safe, and in good repair. Each child care

facility that provides outdoor area equipment and furnishings shall provide outdoor area equipment and furnishings that are child size, sturdy, free of hazards that pose a threat of serious injury to children while engaged in normal play activities, and in good repair. The Commission shall adopt standards to establish minimum requirements for equipment appropriate for the size of child care facility. Space shall be available for proper storage of beds, cribs, mats, cots, sleeping garments, and linens as well as designated space for each child's personal belongings.

The Division of Child Development of the Department of Health and Human Services shall establish and implement a policy that defines any building which is currently approved for school occupancy and which houses a public or private elementary or middle school to include the playgrounds and athletic fields as part of the school building when that building is used to serve school-age children in ~~after-school~~ out-of-school child care programs. ~~Playgrounds and athletic fields referenced in this section that do not meet licensure standards promulgated by the North Carolina Child Care Commission shall be noted on the program's licensure and rating information.~~

…."

SECTION 9D.9.(g) The Child Care Commission shall adopt or amend any rules to ensure uniformity and consistency in application of the exemptions for school-age children in out-of-school child care programs as provided in subsections (e) and (f) of this section.

SECTION 9D.9.(h) G.S. 110-91(7)a. reads as rewritten:

"a. The Commission shall adopt rules for child care centers regarding staff-child ratios, group sizes and multi-age groupings other than for infants and toddlers, provided that these rules shall be no less stringent than those currently required for staff-child ratios as enacted in Section 156(e) of Chapter 757 of the 1985 Session Laws. Each lead teacher shall support no more than two groups.

1. Except as otherwise provided in this subdivision, the staff-child ratios and group sizes for infants and toddlers in child care centers shall be no more than as follows:

Age	Ratio Staff/Children	Group Size
0 to 12 months	1/5	~~10~~15
12 to 24 months	1/6	~~12~~18
2 to 3 years	1/10	20.

No child care center shall care for more than 25 children in one group. Child care centers providing care for 26 or more children shall provide for two or more groups according to the ages of children and shall provide separate supervisory personnel and separate identifiable space for each group.

1a. If a child care center is operating under voluntary enhanced requirements, the maximum group size for toddlers aged 2 to 3 years may be increased from 18 to 20 children when the child care center maintains a 1/9 staff-child ratio.

1b. If a child care center is operating under the highest voluntary enhanced requirements, the child care center may use the following maximum group sizes for infants and toddlers when the child care center maintains staff-child ratios as provided herein:

Age	Ratio Staff/Children	Group Size
0 to 12 months	1/4	12

12 to 24 months	1/5	15
2 to 3 years	1/8	20.

…."

SECTION 9D.9.(i) G.S. 110-91(8) reads as rewritten:

"(8) Qualifications for Staff. – Qualifications for child care staff are as follows:

a. All child care center administrators shall be at least 21 years of age. All child care center administrators shall have the North Carolina Early Childhood Administration Credential or its equivalent as determined by the Department. All child care administrators performing administrative duties as of the date this act becomes law and child care administrators who assume administrative duties at any time after this act becomes law and until September 1, 1998, shall obtain the required credential by September 1, 2000. Child care administrators who assume administrative duties after September 1, 1998, shall begin working toward the completion of the North Carolina Early Childhood Administration Credential or its equivalent within six months after assuming administrative duties and shall complete the credential or its equivalent within two years after beginning work to complete the credential. Each child care center shall be under the direction or supervision of a person meeting these requirements. All staff counted toward meeting the required staff-child ratio shall be at least 16 years of age, provided that persons younger than 18 years of age work under the direct supervision of a credentialed staff person who is at least 21 years of age.

b. All lead teachers in a child care center shall have at least a North Carolina Early Childhood Credential or its equivalent as determined by the Department. Lead teachers shall either (i) be enrolled in the North Carolina Early Childhood Credential coursework or its equivalent as determined by the Department within six months after becoming employed as a lead teacher or within six months after this act becomes law, whichever is later, and shall complete the credential or its equivalent within 18 months after ~~enrollment.~~enrollment or (ii) have a minimum of five years of documented experience teaching in a licensed child care facility in this State which shall be deemed equivalent to the North Carolina Early Childhood Credential.

c. Only administrators and lead teachers in licensed child care centers are required to have a North Carolina Early Childhood Credential or its equivalent as determined by the Department. All other staff shall meet the standards established by the Commission for their positions that do not include a North Carolina Early Childhood Credential or its equivalent as determined by the Department.

d. For child care centers licensed to care for 200 or more children, the Department, in collaboration with the North Carolina Institute for Early Childhood Professional Development, shall establish categories to recognize the levels of education achieved by child care center administrators and teachers who perform administrative functions. The Department shall use these categories to establish appropriate staffing based on the size of the center and the individual staff responsibilities.

e. Effective January 1, 1998, an operator of a licensed family child care home shall be at least 21 years old and have a high school diploma or

its equivalent. Operators of a family child care home licensed prior to January 1, 1998, shall be at least 18 years of age and literate. Literate is defined as understanding licensing requirements and having the ability to communicate with the family and relevant emergency personnel. Any operator of a licensed family child care home shall be the person on-site providing child care.

f. The Commission shall adopt standards to establish appropriate qualifications for all staff in child care centers. These standards shall reflect training, experience, education and credentialing and shall be appropriate for the size center and the level of individual staff responsibilities. It is the intent of this provision to guarantee that all children in child care are cared for by qualified people. Pursuant to G.S. 110-106, no requirements may interfere with the teachings or doctrine of any established religious organization. The staff qualification requirements of this subdivision do not apply to religious-sponsored child care facilities pursuant to G.S. 110-106."

SECTION 9D.9.(j) Caregivers for children aged 0 to 24 months shall meet the Federal Child Care and Development Block Grant health and safety standards as well as the provisions contained in the following North Carolina Child Care Commission rules:

(1) 10A NCAC 09 .0511 – "Daily Routines for Children Under Two Years of Age."

(2) 10A NCAC 09 .1801 – "Supervision in Child Care Centers."

(3) 10A NCAC 09 .1802 – "Staff/Child Interactions."

For the care of children aged 0-24 months, child care center operators shall have the option to either employ a lead teacher or a caregiver meeting the standards set forth in this subsection.

SECTION 9D.9.(k) Section 8 of S.L. 2024-34 is amended by adding a new subsection to read:

"**SECTION 8.(a1)** In modifying the quality rating improvement system (QRIS), the Division of Child Development and Early Education shall ensure a North Carolina Early Childhood Credential based on five years of work experience in a licensed child care facility in this State is treated as equivalent to when that credential is earned through other pathways for purposes of awarding a star-rating."

SECTION 9D.9.(*l*) The Weikart Youth Program Quality Assessment ("Weikart Program") shall be added as an assessment tool for evaluating out-of-school child care programs and awarding of a star-rating. The Department of Health and Human Services, Division of Child Development and Early Education, shall complete the necessary crosswalk evaluation of the Weikart Program and have it available for applicants to use not later than one year after the date this section becomes law.

SECTION 9D.9.(m) Notwithstanding any other provision of law, rule, or regulation, the Department of Health and Human Services, Division of Child Development and Early Education (Division), shall, for courses offered by a community college in the North Carolina Community Colleges System (NCCCS), assign credit for continuing education courses on the same basis as curriculum courses designated by NCCCS as equivalent to the continuing education courses for the purpose of providing any credential offered by the Division.

SECTION 9D.9.(n) The Division of Child Development and Early Education shall:

(1) Not later than December 1, 2025, and in consultation with the North Carolina Community Colleges System, create a North Carolina School Age/Out-of-School Care Credential that aligns with a new curriculum course and continuing education course entitled "Introduction to School Age Care and Education."

(2) Award the North Carolina Early Childhood Administration Credential or the North Carolina Family Child Care Credential to individuals who have successfully completed continuing education courses that are equivalent to child care curriculum courses, as determined by the Community Colleges System. The Community Colleges System shall ensure that the continuing education courses are comparable to the corresponding curriculum courses in course descriptions, competencies, and hour requirements and shall state the credential that is to be awarded for each continuing education course.

SECTION 9D.9.(o) The Commissioner of the Department of Insurance shall establish a workgroup to examine the potential for developing group liability insurance plan opportunities for all child care providers. The workgroup shall consist of representatives from all of the following:

(1) The Department of Insurance.
(2) The insurance industry.
(3) The child care industry, including foster family homes and out-of-school providers.
(4) The Department of Health and Human Services, Division of Child Development and Early Education.
(5) The American Tort Reform Association.

The workgroup shall develop findings and recommendations related to at least the following:

(1) Potential methods for creating group liability insurance plan opportunities for all child care providers.
(2) Reforms that could reduce group liability insurance plan premiums.
(3) Tort reforms that could reduce the liability damages of child care providers.

By January 1, 2026, the Department of Insurance shall report the findings and recommendations of the workgroup to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division.

SECTION 9D.9.(p) The Child Care Commission shall adopt or amend any rules to ensure uniformity and consistency in application of the provisions of this section.

SECTION 9D.9.(q) This section is effective when it becomes law.

FUNDS TO EXPAND MENTAL AND BEHAVIORAL HEALTH SERVICES FOR CHILDREN, FAMILIES, AND STAFF IN CHILD CARE SETTINGS

SECTION 9D.10.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of seven million five hundred thousand dollars ($7,500,000) in nonrecurring funds for the 2025-2026 fiscal year shall be allocated to the North Carolina Partnership for Children, Inc. (NCPC), to expand mental and behavioral health services for children, families, and staff in child care facility settings and out-of-school programs. The NCPC shall spend the funds provided in this section in the following budget codes: PSC 5415 Health Care Access and Support, PSC 5505 Parent Education, PSC 3125 Quality Child Care, and PSC 5509 Parents as Teachers. The NCPC shall distribute these funds to local partnerships, as determined by the NCPC. These funds shall supplement and not supplant existing Smart Start partnership behavioral health spending. Funds provided in this subsection shall not revert at the end of the 2025-2026 fiscal year but shall remain available for costs associated with mental and behavioral health initiatives described in this subsection until expended.

SECTION 9D.10.(b) The NCPC shall submit a progress report on the mental and behavioral health initiatives described in subsection (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services, the Secretary of the Department of Health

and Human Services, and the Fiscal Research Division by March 15, 2026, and a final report by November 15, 2027. The progress report and final report shall include all of the following:

(1) The name of each local partnership that received funds.
(2) The number of children served by each local partnership.
(3) The types of mental and behavioral health services provided by each local partnership.
(4) Recommendations for continuing and/or expanding mental and behavioral health initiatives for children, families, and staff in child care facility settings.

SECTION 9D.10.(c) Additional funds allocated in this section to the NCPC from the Division of Child Development and Early Education for the 2025-2026 fiscal year are not subject to the administrative cost requirements under Section 9D.5(b) of S.L. 2023-134, child care services funding requirements under G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g), or match requirements under Section 9D.5(d) of S.L. 2023-134.

SECTION 9D.10.(d) G.S. 143B-168.15(h) reads as rewritten:

"(h) The North Carolina Partnership for Children, Inc., Special Fund is hereby established as an interest-bearing, nonreverting special fund in the Department of Health and Human Services. Funds appropriated from the General Fund to the Department for Smart Start and the North Carolina Partnership for Children, Inc. (NCPC), shall be deposited in the Fund and shall be used by the NCPC and local partnerships exclusively for the purposes authorized in this section, unless otherwise expressly provided by law. State funds allocated to local partnerships that are unexpended at the end of a fiscal year shall not revert but shall remain available to the North Carolina Partnership for Children, Inc., to reallocate to local partnerships. Notwithstanding G.S. 147-86.11 or any other provision of law to the contrary, the NCPC shall be allowed to hold cash in excess of incurred expenditures at the end of each fiscal year up to five million dollars ($5,000,000). Not later than August 1 of each year, the NCPC shall provide to the Department of Health and Human Services, Division of Child Development and Early Education, a financial status report for the preceding fiscal year that includes all actual expenditures and remaining cash on hand."

CHILD CARE WORKFORCE PILOT PROGRAM

SECTION 9D.11.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of one million four hundred seventy-six thousand dollars ($1,476,000) in nonrecurring funds for the 2025-2026 fiscal year shall be allocated to the North Carolina Partnership for Children, Inc., to provide the State match for implementing the pilot program described in this section as follows:

(1) The sum of nine hundred seventy-two thousand dollars ($972,000) for the 2025-2026 fiscal year for the State portion of tuition costs.
(2) The sum of five hundred four thousand dollars ($504,000) for the 2025-2026 fiscal year for the stipends provided with State funds in accordance with subsection (f) of this section.

SECTION 9D.11.(b) Funds described in subsection (a) of this section shall be allocated equally among the local partnerships selected to participate in the pilot program. Local partnerships shall provide documentation of a twenty-five percent (25%) local match as a condition of receiving State funds. Any unexpended and unencumbered funds at the end of the fiscal year from the funds provided under this section shall not revert to the General Fund but shall remain available for use in accordance with this section. Funds provided under this section shall not be used for administrative costs.

SECTION 9D.11.(c) The North Carolina Partnership for Children, Inc., in collaboration with the North Carolina Community Colleges System Office, shall develop and implement a two-year pilot program that expands the child care workforce academies currently

operating in Johnston and Wayne Counties. The pilot program shall establish child care workforce academies across the State designed to provide free, comprehensive training and support to individuals, with no experience or education in child care, who are interested in pursuing a career in child care.

SECTION 9D.11.(d) Local partnerships in the following counties shall participate in the pilot program described under this section: Johnston and Wayne. The North Carolina Partnership for Children, Inc., (NCPC), in collaboration with the Community Colleges System Office, shall select 10 additional local partnerships to participate in the pilot program from the four local partnership regions of the statewide NCPC network, which regions are the West, Mid-West, Mid-East, and East.

SECTION 9D.11.(e) The Community Colleges System Office and local community colleges shall coordinate to ensure that graduates of the child care workforce academies meet all requirements to be credentialed with the North Carolina Early Childhood Credential as lead teachers in child care in this State.

SECTION 9D.11.(f) Each child care workforce academy (academy) shall seek to enroll no less than 10 students, with a goal of enrolling 15 students in each course. The academy shall operate up to eight hours per day over a two- to three-week period. A participating community college shall strive to offer an academy up to three times per year, with at least one of the three academies occurring at the end of the traditional public school calendar year to allow participation by interested high school and college students. The academy shall be offered free-of-charge to applicants. Students participating in the academy shall receive the knowledge, skills, and training, including the necessary health screenings, background checks, and fingerprinting, required for employment as a lead teacher in a licensed child care program in this State. Upon successful completion of the academy, each student shall receive a North Carolina Early Childhood Credential that will enable the student to begin teaching in a licensed child care program immediately upon graduation. A local partnership may provide each graduate with a one-time stipend. If a one-time stipend for completing the course is provided, the amount shall be at the discretion of the local partnership but shall not be less than one hundred fifty dollars ($150.00). Students shall be eligible to receive an additional one-time stipend in the amount of five hundred dollars ($500.00) in State funds after completing one year of employment as a lead teacher in a licensed child care program in this State.

SECTION 9D.11.(g) The North Carolina Partnership for Children, Inc., and local partnerships shall (i) collaborate with the community college in the county or counties in which the local partnership is located, as practicable, to implement the child care workforce academy and (ii) ensure information about the child care workforce academy in the respective county is made available to the public.

SECTION 9D.11.(h) The North Carolina Partnership for Children, Inc., (NCPC), in collaboration with the local partnerships and community colleges participating in the pilot program, shall submit a progress report on the pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by March 31, 2026, with any concerns or recommendations for program expansion. A final report shall be submitted by December 31, 2026, and shall include, at a minimum, the following:

(1) The local partnerships and community colleges participating in the pilot program.
(2) The number of students enrolled in each academy, by county.
(3) The number of students who successfully completed the academy, by county.
(4) The number of newly credentialed graduates employed as lead teachers in licensed child care programs, by county.
(5) The outcomes achieved from the pilot program, including any recommendations for expanding the program statewide.

(6) The number of new child care slots available as a result of adding the new lead teachers.
(7) Total program costs, including any administrative costs borne by the county.
(8) The amount of funds needed to expand the program statewide.
(9) Recommendations on developing and implementing a similar academy for child care directors.

PART IX-E. HEALTH BENEFITS

CONTINUE MEDICAID ANNUAL REPORT

SECTION 9E.1. The Department of Health and Human Services, Division of Health Benefits (DHB), shall continue the publication of the Medicaid Annual Report and accompanying tables. DHB shall publish the report and tables on its website no later than December 31 following each State fiscal year.

VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT

SECTION 9E.2. The Department of Health and Human Services, Division of Health Benefits, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

DURATION OF MEDICAID PROGRAM MODIFICATIONS

SECTION 9E.3.(a) Except for statutory changes or where otherwise specified, the Department of Health and Human Services shall not be required to maintain, after June 30, 2027, any modifications to the Medicaid program required by this Subpart.

SECTION 9E.3.(b) Consistent with the duration of Medicaid program modifications established in subsection (a) of this section, the Department of Health and Human Services shall not be required to maintain, after June 30, 2027, any modifications to the Medicaid program required by Section 15 of S.L. 2023-129.

ADMINISTRATIVE HEARINGS FUNDING

SECTION 9E.4. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Health Benefits, for administrative contracts and interagency transfers, the Department of Health and Human Services (DHHS) shall transfer the sum of one million dollars ($1,000,000) for the 2025-2026 fiscal year and the sum of one million dollars ($1,000,000) for the 2026-2027 fiscal year to the Office of Administrative Hearings (OAH). These funds shall be allocated by OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with DHHS for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, DHHS shall transfer the federal share of Medicaid funds drawn down for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 9E.5.(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 9E.5.(b) For the 2025-2026 fiscal year, the Department of Health and Human Services shall deposit from its revenue one hundred seven million seven hundred thousand dollars ($107,700,000) 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.

LME/MCO INTERGOVERNMENTAL TRANSFERS

SECTION 9E.6.(a) The local management entities/managed care organizations (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human Services, Division of Health Benefits (DHB), in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars ($18,028,217) in the 2025-2026 fiscal year and in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars ($18,028,217) for the 2026-2027 fiscal year. The due date and frequency of the intergovernmental transfer required by this section shall be determined by DHB. The amount of the intergovernmental transfer that each individual LME/MCO is required to make in each fiscal year shall be as follows:

	2025-2026	**2026-2027**
Alliance Behavioral Healthcare	$4,508,857	$4,508,857
Partners Health Management	$3,544,348	$3,544,348
Trillium Health Resources	$6,448,693	$6,448,693
Vaya Health	$3,526,319	$3,526,319

SECTION 9E.6.(b) In the event that a county disengages from an LME/MCO and realigns with another LME/MCO during the 2025-2027 fiscal biennium, DHB shall have the authority to reallocate the amount of the intergovernmental transfer that each affected LME/MCO is required to make under subsection (a) of this section, taking into consideration the change in catchment area and covered population, provided that the aggregate amount of the transfers received from all LME/MCOs in each year of the fiscal biennium is achieved.

CHILDREN AND FAMILIES SPECIALTY PLAN

SECTION 9E.7.(a) Section 9E.22(a) of S.L. 2023-134 reads as rewritten:

"**SECTION 9E.22.(a)** The Department of Health and Human Services (DHHS) shall issue an initial request for proposals (RFP) to procure a single statewide children and families (CAF) specialty plan contract with services to begin to individuals described in G.S. 108D-40(a)(14) no later than December 1, ~~2024.~~ 2025. The RFP shall be subject to the requirements in G.S. 108D-62, as enacted by subsection (k) of this section. DHHS shall define the services

available under the CAF specialty plan and the Medicaid beneficiaries who are eligible to enroll in the CAF specialty plan, except as otherwise specified in this act or in law. For the purposes of this section, the CAF specialty plan shall be as defined under G.S. 108D-1, as amended by subsection (c) of this section."

SECTION 9E.7.(b) G.S. 108D-40(a)(14) reads as rewritten:

"(14) Until the CAF specialty plan becomes operational, recipients who are (i) children enrolled in foster care in this State, (ii) receiving adoption assistance, or (iii) former foster care youth ~~until they reach the age of 26.~~ who are eligible for Medicaid under G.S. 108A-54.3A(a)(8). When the CAF specialty plan becomes operational, recipients described in this subdivision will be enrolled in accordance with G.S. 108D-62."

SECTION 9E.7.(c) This section is effective when it becomes law.

MEDICAID WORK REQUIREMENTS

SECTION 9E.8.(a) Section 2.4 of S.L. 2023-7 reads as rewritten:

"**SECTION 2.4.** If there is any indication that work requirements as a condition of participation in the Medicaid program may be authorized by the Centers for Medicare and Medicaid Services (CMS), then the Department of Health and Human Services, Division of Health Benefits (DHB), shall enter into negotiations with CMS to develop a plan for those work requirements and to obtain approval of that plan. Within 30 days of entering into negotiations with CMS pursuant to this section, DHB shall notify, in writing, the Joint Legislative Oversight Committee on Medicaid (JLOC) and the Fiscal Research Division (FRD) of these negotiations. Within 30 days of approval by CMS of a plan for work requirements as a condition of participation in the Medicaid program, DHB shall submit a report to JLOC and FRD containing the full details of the approved work requirements, including the approved date of implementation of the requirements and any funding necessary to implement or maintain the requirements. Notwithstanding any provision of G.S. 108A-54.3A to the contrary, the Department of Health and Human Services shall implement any work requirements as a condition of participation in the Medicaid program approved by the Centers for Medicare and Medicaid Services in accordance with this section."

SECTION 9E.8.(b) This section is effective when it becomes law.

TEMPORARILY EXTEND OPTION TO DECREASE MEDICAID ENROLLMENT BURDEN ON COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 9E.9.(a) Section 1.8(a) of S.L. 2023-7, as amended by Section 9(a) of S.L. 2024-34, reads as rewritten:

"**SECTION 1.8.(a)** Notwithstanding G.S. 108A-54(d) and in accordance with G.S. 143B-24(b), the Department of Health and Human Services (DHHS) is authorized, on a temporary basis to conclude by June 30, ~~2025,~~ 2028, to utilize the federally facilitated marketplace (Marketplace), also known as the federal health benefit exchange, to make Medicaid eligibility determinations. In accordance with ~~G.S. 108A-54(b),~~ G.S. 108A-54(f), these eligibility determinations shall be in compliance with all eligibility categories, resource limits, and income thresholds set by the General Assembly."

SECTION 9E.9.(b) This section is effective when it becomes law.

STUDY TO CENTRALIZE MEDICAID ELIGIBILITY DETERMINATIONS

SECTION 9E.9A.(a) The Department of Health and Human Services (DHHS) shall examine the short- and long-term opportunities to improve the efficiency, accuracy, and cost-effectiveness of Medicaid eligibility determinations and enrollment processes and work with stakeholders, including county departments of social services and other partners involved in eligibility and enrollment operations, to provide a report to the Joint Legislative Oversight

Committee on Medicaid and the Fiscal Research Division by April 1, 2026. The report required by this section shall include, at a minimum, the following information:

(1) An overview of the State's current Medicaid eligibility determination and enrollment structure, including a review of DHHS's current administrative and operational practices, compliance reports submitted to the Centers for Medicare and Medicaid Services (CMS), relevant audit findings, and other oversight materials.

(2) An assessment of how Medicaid applications and renewals are processed.

(3) An analysis of workforce capacity and performance.

(4) Identification of best practices, including research on how other states have improved their Medicaid eligibility determination systems.

(5) An outline of known risks.

(6) Any recommendations for improvement, including a phased implementation time line, estimated costs, any necessary procurements, and considerations of the State's current and projected budget constraints.

SECTION 9E.9A.(b) This section is effective when it becomes law.

EXTEND PHARMACY REIMBURSEMENT RATES IN MEDICAID MANAGED CARE

SECTION 9E.10. Section 9D.19A of S.L. 2021-180, as amended by Section 9D.8 of S.L. 2022-74, reads as rewritten:

"**SECTION 9D.19A.(a)** Notwithstanding G.S. 108D-65(6)b., for the prepaid health plan capitated contracts required under Article 4 of Chapter 108D of the General Statutes, the reimbursement for the ingredient cost for covered outpatient drugs and the professional drug dispensing fee shall be set at one hundred percent (100%) of the Medicaid pharmacy fee-for-service reimbursement methodologies in Attachment 4.19-B of section 12 of the Medicaid State Plan under Title XIX of the Social Security Act Medicaid Assistance Program, as filed with, and approved by, the Centers for Medicare and Medicaid Services. The National Average Drug Acquisition Cost (NADAC), when applicable and as allowed under the Medicaid State Plan, plus a professional dispensing fee based on the cost of the dispensing study conducted on behalf of the North Carolina Department of Health and Human Services, Division of Health Benefits, will serve as the primary method utilized for reimbursement for retail community pharmacy claims not dispensed utilizing covered outpatient drugs acquired through the 340B drug discount program established under 42 U.S.C. § 256b. All claims utilizing drugs acquired through the 340B drug discount program shall be reimbursed in accordance with the CMS-approved Medicaid State Plan.

"**SECTION 9D.19A.(b)** This section is effective when it becomes law and expires June 30, ~~2026.~~2031."

MODIFY HOSPITAL HEALTH ADVANCEMENT ASSESSMENTS TO REMOVE GROSS PREMIUMS TAX OFFSET COMPONENT

SECTION 9E.11.(a) G.S. 108A-147.12 is repealed.

SECTION 9E.11.(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).~~

(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 9E.11.(c) G.S. 143C-9-10 reads as rewritten:

"**§ 143C-9-10. Health Advancement Receipts Special Fund.**

…

(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,~~ 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.

…."

SECTION 9E.11.(d) Section 1.6(d) of S.L. 2023-7 expires on June 30, 2025.

SECTION 9E.11.(e) Subsections (a) through (c) of this section are effective on the first day of the next assessment quarter after this act becomes law, and subsections (a) and (b) of this section apply to assessments imposed on or after that date. The remainder of this section is effective when it becomes law.

CONTINUE MEDICAID COVERAGE FOR PREGNANT WOMEN FOR TWELVE MONTHS POSTPARTUM

SECTION 9E.12.(a) Section 9D.13(c) of S.L. 2021-180 is repealed.

SECTION 9E.12.(b) G.S. 108A-146.5 reads as rewritten:

"**§ 108A-146.5. Aggregate modernized assessment collection amount.**

(a) The aggregate modernized assessment collection amount is an amount of money that is calculated by subtracting the modernized intergovernmental transfer adjustment component under G.S. 108A-146.13 from the total modernized nonfederal receipts under subsection (b) of this section and then adding the positive or negative amount of the modernized IGT actual receipts adjustment component under G.S. 108A-146.14.

(b) The total modernized nonfederal receipts is the sum of all of the following:

(1) One-fourth of the State's annual Medicaid payment.

(2) The managed care component under G.S. 108A-146.7.

(3) The fee-for-service component under G.S. 108A-146.9.

(3a) The modernized HASP component under G.S. 108A-146.10.

(4) The GME component under G.S. 108A-146.11.

(5) Beginning April 1, 2022, ~~and ending March 31, 2027,~~ the postpartum coverage component under G.S. 108A-146.12.

(6) Beginning April 1, 2024, the home and community-based services component under G.S. 108A-146.12A."

SECTION 9E.12.(c) This section is effective when it becomes law.

ENSURE MEDICAID RECEIPTS FOR NC HEALTH WORKS IMPLEMENTATION COSTS

SECTION 9E.13.(a) For purposes of calculating the public hospital health advancement assessments and the private hospital health advancement assessments under Part 3 of Article 7B of Chapter 108A of the General Statutes, for the assessment quarter in which this subsection becomes effective, any reference to "total nonfederal receipts for health advancement" in that Part shall be to the calculation in this subsection, notwithstanding the calculation under G.S. 108A-147.3(b). The amount of the total nonfederal receipts for health advancement shall be calculated by adding all of the following:

(1) The presumptive service cost component calculated under G.S. 108A-147.5.

(2) The HASP health advancement component calculated under G.S. 108A-147.6.
(3) The administration component calculated under G.S. 108A-147.7.
(4) The State retention component under G.S. 108A-147.9.
(5) The positive or negative health advancement reconciliation adjustment component calculated under G.S. 108A-147.11(a).
(6) Twelve million eight hundred thousand dollars ($12,800,000).

SECTION 9E.13.(b) Notwithstanding the limitation on the use of funds under G.S. 108A-147.13(a), DHHS may use twelve million eight hundred thousand dollars ($12,800,000) of the receipts collected under Part 3 of Article 7B of Chapter 108A of the General Statutes during the 2026-2027 fiscal year for the Medicaid program.

SECTION 9E.13.(c) No later than September 1, 2025, DHHS shall submit to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division a report that details the amount of funds that DHHS provided to each county department of social services from funding sources other than the proceeds of the health advancement assessments during the 2023-2024 fiscal year and the 2024-2025 fiscal year for the implementation of NC Health Works under Section 1.1 of S.L. 2023-7 and the date that those amounts were provided to each county department of social services.

SECTION 9E.13.(d) Subsections (a) and (b) of this section are effective on July 1, 2026.

ENSURE CERTAIN MEDICAID RECEIPTS

SECTION 9E.14.(a) For purposes of calculating the public hospital modernized assessments and the private hospital modernized assessments under Part 2 of Article 7B of Chapter 108A of the General Statutes, for the assessment quarter in which this subsection becomes effective, any reference to "total modernized nonfederal receipts" in that Part shall be to the calculation in this subsection, notwithstanding the calculation under G.S. 108A-146.5(b). The amount of the total modernized nonfederal receipts shall be calculated by adding all of the following:

(1) One-fourth of the State's annual Medicaid payment as defined in G.S. 108A-145.3.
(2) The managed care component under G.S. 108A-146.7.
(3) The fee-for-service component under G.S. 108A-146.9.
(4) The modernized HASP component under G.S. 108A-146.10.
(5) The GME component under G.S. 108A-146.11.
(6) The postpartum coverage component under G.S. 108A-146.12.
(7) The home and community-based services component under G.S. 108A-146.12A.
(8) Ten million seven hundred fifty thousand dollars ($10,750,000).

SECTION 9E.14.(b) Notwithstanding the limitation on the use of funds under G.S. 108A-146.15, the Department of Health and Human Services may use up to ten million seven hundred fifty thousand dollars ($10,750,000) of the receipts collected under Part 2 of Article 7B of Chapter 108A of the General Statutes during the 2026-2027 fiscal year for the Medicaid program.

SECTION 9E.14.(c) Subsections (a) and (b) of this section are effective on July 1, 2026.

MEDICAID HASP REIMBURSEMENT FOR PSYCHIATRIC HOSPITALS

SECTION 9E.16.(a) G.S. 108A-148.1(a) reads as rewritten:

"(a) The healthcare access and stabilization program is a directed payment program that provides acute care hospitals with increased reimbursements funded through hospital

assessments in accordance with this section. Upon the approval of CMS, the healthcare access and stabilization program directed payment program shall additionally provide qualifying freestanding psychiatric hospitals with increased reimbursements funded through hospital assessments. A qualifying freestanding psychiatric hospital is a freestanding psychiatric hospital as defined in G.S. 108A-145.3 that is Medicare-certified and submits Hospital Cost Report Information System cost report data to CMS."

SECTION 9E.16.(b) The Department of Health and Human Services shall submit a 42 C.F.R. § 438.6(c) preprint requesting approval to include freestanding psychiatric hospitals in the healthcare access and stabilization program (HASP) authorized under G.S. 108A-148.1, as amended by subsection (a) of this section.

SECTION 9E.16.(c) G.S. 108A-145.3 reads as rewritten:

"**§ 108A-145.3. Definitions.**

The following definitions apply in this Article:

…

(6c) Freestanding psychiatric hospital. – A hospital facility that is (i) licensed under Article 2 of Chapter 122C of the General Statutes, (ii) primarily engaged in providing to inpatients, by or under the supervision of a physician, psychiatric services for the diagnosis and treatment of individuals with mental illnesses, and (iii) not State-owned and State-operated.

(6d) HASP directed payments. – Payments made by the Department to prepaid health plans to be used for (i) increased reimbursements to hospitals under the HASP program and (ii) the costs to prepaid health plans from the gross premiums tax under G.S. 105-228.5 and the insurance regulatory charge under G.S. 58-6-25 associated with those hospital reimbursements.

~~(6d)~~(6e) Healthcare access and stabilization program (HASP). – The directed payment program providing increased reimbursements to acute care hospitals and freestanding psychiatric hospitals as approved by CMS and authorized by G.S. 108A-148.1.

…."

SECTION 9E.16.(d) G.S. 108A-146.1 reads as rewritten:

"**§ 108A-146.1. Public hospital modernized assessment.**

(a) The public hospital modernized assessment imposed under this Part shall apply to all public acute care hospitals.

(b) The public hospital modernized assessment shall be assessed as a percentage of each public acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department of Health and Human Services in accordance with this Part. The percentage for each quarter shall equal the aggregate acute care hospital modernized assessment collection amount under G.S. 108A-146.5 multiplied by the public hospital historical assessment share and divided by the total hospital costs for all public acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(e) G.S. 108A-146.3 reads as rewritten:

"**§ 108A-146.3. Private hospital modernized assessment.**

(a) The private hospital modernized assessment imposed under this Part shall apply to all private acute care hospitals.

(b) The private hospital modernized assessment shall be assessed as a percentage of each private acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department of Health and Human Services in accordance with this Part. The percentage for each quarter shall equal the aggregate acute care hospital modernized assessment collection amount under G.S. 108A-146.5 multiplied by the private hospital historical assessment share and divided by the total hospital costs for all private acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(f) Part 2 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-146.4. Freestanding psychiatric hospital modernized assessment.**

(a) The freestanding psychiatric hospital modernized assessment imposed under this Part shall apply to all freestanding psychiatric hospitals.

(b) The freestanding psychiatric hospital modernized assessment shall be assessed as a percentage of each freestanding psychiatric hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department of Health and Human Services in accordance with this Part. The percentage for each quarter shall equal the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A divided by the total hospital costs for all freestanding psychiatric hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(g) G.S. 108A-146.5 reads as rewritten:

"**§ 108A-146.5. Aggregate acute care hospital modernized assessment collection amount.**

(a) The aggregate modernized assessment collection amount is an amount of money that is calculated by subtracting the modernized intergovernmental transfer adjustment component under G.S. 108A-146.13 from the total modernized nonfederal receipts under subsection (b) of this section and then adding the positive or negative amount of the modernized IGT actual receipts adjustment component under G.S. 108A-146.14.

(b) The total modernized nonfederal receipts is the sum of all of the following:

(1) One-fourth of the State's annual Medicaid payment.

(2) The managed care component under G.S. 108A-146.7.

(3) The fee-for-service component under G.S. 108A-146.9.

(3a) The modernized acute care hospital HASP component under G.S. 108A-146.10.

(3b) The modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A.

(4) The GME component under G.S. 108A-146.11.

(5) Beginning April 1, 2022, and ending March 31, 2027, the postpartum coverage component under G.S. 108A-146.12.

(6) Beginning April 1, 2024, the home and community-based services component under G.S. 108A-146.12A.

(c) The aggregate acute care hospital modernized assessment collection amount is an amount of money equal to the aggregate modernized assessment collection amount under subsection (a) of this section minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A."

SECTION 9E.16.(h) G.S. 108A-146.10 reads as rewritten:

"**§ 108A-146.10. Modernized acute care hospital HASP component.**

The modernized acute care hospital HASP component is an amount of money that is calculated each quarter by multiplying the aggregate amount of HASP directed payments due to PHPs in the current quarter for ~~hospital~~ reimbursements to acute care hospitals that are not attributable to newly eligible individuals by the nonfederal share for not newly eligible individuals."

SECTION 9E.16.(i) Part 2 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-146.10A. Modernized freestanding psychiatric hospital HASP component.**

The modernized freestanding psychiatric hospital HASP component is an amount of money that is calculated each quarter by multiplying the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals that are not attributable to newly eligible individuals by the nonfederal share for not newly eligible individuals."

SECTION 9E.16.(j) G.S. 108A-146.13 reads as rewritten:

"**§ 108A-146.13. Modernized presumptive IGT adjustment component.**

…

(c) The modernized presumptive IGT adjustment component is an amount of money equal to the sum of all of the following subcomponents:

(1) The public hospital IGT subcomponent is the total of the following amounts:

a. Sixteen and forty-three hundredths percent (16.43%) of the amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under G.S. 108A-146.10 for the current quarter and minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A for the current quarter.

b. Sixty percent (60%) of the nonfederal share for not newly eligible individuals of the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to public acute care hospitals and that are not attributable to newly eligible individuals.

(2) The UNC Health Care System IGT subcomponent is the total of the following amounts:

a. Four and sixty-two hundredths percent (4.62%) of the ~~difference of~~ amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under G.S. 108A-146.10 for the current quarter and minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A for the current quarter.

b. The nonfederal share for not newly eligible individuals of the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to UNC Health Care System hospitals that are not attributable to newly eligible individuals.

(3) The East Carolina University IGT subcomponent is the total of the following amounts:

a. One and four hundredths percent (1.04%) of the ~~difference of~~ amount of money that is equal to the total modernized nonfederal receipts under G.S. 108A-146.5(b) for the current quarter minus the modernized acute care hospital HASP component under G.S. 108A-146.10 for the current quarter and minus the modernized freestanding psychiatric hospital HASP component under G.S. 108A-146.10A for the current quarter.

b. The nonfederal share for not newly eligible individuals of the aggregate amount of HASP directed payments due to PHPs in the current quarter for reimbursements to the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine that are not attributable to newly eligible individuals."

SECTION 9E.16.(k) G.S. 108A-147.1 reads as rewritten:

"**§ 108A-147.1. Public hospital health advancement assessment.**

(a) The public hospital health advancement assessment imposed under this Part shall apply to all public acute care hospitals.

(b) The public hospital health advancement assessment shall be assessed as a percentage of each public acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. The percentage for each quarter shall

equal the aggregate acute care hospital health advancement assessment collection amount calculated under G.S. 108A-147.3 multiplied by the public hospital historical assessment share and divided by the total hospital costs for all public acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(*l*) G.S. 108A-147.2 reads as rewritten:

"**§ 108A-147.2. Private hospital health advancement assessment.**

(a) The private hospital health advancement assessment imposed under this Part shall apply to all private acute care hospitals.

(b) The private hospital health advancement assessment shall be assessed as a percentage of each private acute care hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. The percentage for each quarter shall equal the aggregate acute care hospital health advancement assessment collection amount calculated under G.S. 108A-147.3 multiplied by the private hospital historical assessment share and divided by the total hospital costs for all private acute care hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(m) Part 3 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-147.2A. Freestanding psychiatric hospital health advancement assessment.**

(a) The freestanding psychiatric hospital health advancement assessment imposed under this Part shall apply to all freestanding psychiatric hospitals.

(b) The freestanding psychiatric hospital health advancement assessment shall be assessed as a percentage of each freestanding psychiatric hospital's hospital costs. The assessment percentage shall be calculated quarterly by the Department in accordance with this Part. The percentage for each quarter shall equal the health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A divided by the total hospital costs for all freestanding psychiatric hospitals holding a license on the first day of the assessment quarter."

SECTION 9E.16.(n) G.S. 108A-147.3 reads as rewritten:

"**§ 108A-147.3. Aggregate acute care hospital health advancement assessment collection amount.**

(a) The aggregate health advancement assessment collection amount is an amount of money that is calculated quarterly by adjusting the total nonfederal receipts for health advancement calculated under subsection (b) of this section by (i) subtracting the health advancement presumptive IGT adjustment component calculated under G.S. 108A-147.9, (ii) adding the positive or negative health advancement IGT actual receipts adjustment component calculated under G.S. 108A-147.10, and (iii) subtracting the positive or negative IGT share of the reconciliation adjustment component calculated under G.S. 108A-147.11(b).

(b) The total nonfederal receipts for health advancement is an amount of money that is calculated quarterly by adding all of the following:

(1) The presumptive service cost component calculated under G.S. 108A-147.5.

(2) The ~~HASP~~ health advancement acute care hospital HASP component calculated under G.S. 108A-147.6.

(2a) The health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A.

(3) The administration component calculated under G.S. 108A-147.7.

(4) The State retention component under G.S. 108A-147.9.

(5) The positive or negative health advancement reconciliation adjustment component calculated under G.S. 108A-147.11(a).

(c) The aggregate acute care hospital health advancement assessment collection amount is an amount of money equal to the aggregate health advancement assessment collection amount under subsection (a) of this section minus the health advancement freestanding psychiatric hospital HASP component under G.S. 108A-147.6A."

SECTION 9E.16.(o) G.S. 108A-147.5 reads as rewritten:

"**§ 108A-147.5. Presumptive service cost component.**

(a) For every State fiscal quarter prior to the fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is zero.

(b) For the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is the product of forty-eight million seven hundred fifty thousand dollars ($48,750,000) multiplied by the number of months in that State fiscal quarter in which G.S. 108A-54.3A(24) is effective during any part of the month.

(c) For the first State fiscal quarter after the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, the presumptive service cost component is one hundred forty-six million two hundred fifty thousand dollars ($146,250,000).

(d) For the second State fiscal quarter after the State fiscal quarter in which G.S. 108A-54.3A(24) becomes effective, and for each State fiscal quarter thereafter, the presumptive service cost component is an amount of money that is the greatest of the following:

(1) The prior quarter's presumptive service cost component amount.

(2) The prior quarter's presumptive service cost component amount increased by a percentage that is the sum of each monthly percentage change in the Consumer Price Index: Medical Care for the most recent three months available on the first day of the current quarter.

(3) The prior quarter's presumptive service cost component amount increased by the percentage change in the weighted average of the base capitation rates for standard benefit plans for all rating groups associated with newly eligible individuals compared to the prior quarter. The weight for each rating group shall be calculated using member months documented in the Medicaid managed care capitation rate certification for standard benefit plans.

(4) The prior quarter's presumptive service cost component amount increased by the percentage change in the weighted average of the base capitation rates for BH IDD tailored plans for all rating groups associated with newly eligible individuals compared to the prior quarter. The weight for each rating group shall be calculated using member months documented in the Medicaid managed care capitation rate certification for BH IDD tailored plans.

(5) The amount produced from multiplying 1.15 by the highest amount produced when calculating, for each quarter that is at least two and not more than five quarters prior to the current quarter, the actual nonfederal expenditures for the applicable quarter minus the ~~HASP~~ health advancement acute care hospital HASP component calculated under G.S. 108A-147.6 for the applicable quarter and minus the health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A for the applicable quarter."

SECTION 9E.16.(p) G.S. 108A-147.6 reads as rewritten:

"**§ 108A-147.6. ~~HASP health~~ Health advancement acute care hospital HASP component.**

The ~~HASP~~ health advancement acute care hospital HASP component is an amount of money that is calculated by multiplying the aggregate amount of HASP directed payments due to PHPs in the current quarter for ~~hospital~~ reimbursements to acute care hospitals attributable to newly eligible individuals by the nonfederal share for newly eligible individuals."

SECTION 9E.16.(q) Part 3 of Article 7B of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-147.6A. Health advancement freestanding psychiatric hospital HASP component.**

The health advancement freestanding psychiatric hospital HASP component is an amount of money that is calculated by multiplying the aggregate amount of HASP directed payments due

to PHPs in the current quarter for reimbursements to freestanding psychiatric hospitals attributable to newly eligible individuals by the nonfederal share for newly eligible individuals."

SECTION 9E.16.(r) 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).

(3) The ~~HASP~~ health advancement acute care hospital HASP component calculated under G.S. 108A-147.6 for the quarter that is two quarters prior to the current quarter.

(4) The health advancement freestanding psychiatric hospital HASP component calculated under G.S. 108A-147.6A for the quarter that is two quarters prior to the current quarter.

(b) The IGT share of the reconciliation adjustment component is a positive or negative dollar amount that is calculated by multiplying the health advancement reconciliation adjustment component calculated under subsection (a) of this section by the share of public hospital costs calculated under subsection (c) of this section.

(c) The share of public hospital costs is calculated by adding total hospital costs for the UNC Health Care System, total hospital costs for the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine, and sixty percent (60%) of the total hospital costs for all public acute care hospitals and dividing that sum by the total hospital costs for all acute care hospitals except for critical access hospitals."

SECTION 9E.16.(s) Subsections (c) through (r) of this section are effective on the first day of the third assessment quarter after the date this act becomes law and apply to assessments imposed on or after that date. The remainder of this section is effective when it becomes law.

EXTEND PRIMARY CARE TASK FORCE

SECTION 9E.17.(a) Section 9E.28 of S.L. 2023-134 reads as rewritten:

"**SECTION 9E.28.(a)** There is established the North Carolina Primary Care Payment Reform Task Force (Task Force) within the Department of Health and Human Services, Division of Health Benefits, for budgetary purposes only.

…

"**SECTION 9E.28.(b)** The Task Force established under subsection (a) of this section shall have the following duties:

(1) Establish a definition of primary care to be utilized by the Task Force. This term should be applicable to services and care provided under the NC Medicaid program, the State Health Plan, and commercial insurance.

(2) Conduct an actuarial evaluation of the current healthcare spend on primary care services, both as it relates to the NC Medicaid program and the commercial market, including Medicare Advantage plans.

(3) Determine the adequacy of the primary care delivery system in North Carolina, including the impact this system has on the supply of the primary care providers in this State.

(4) Study the primary care payment landscape in other states, specifically considering states that have implemented a minimum primary care spend.

(5) Identify data collection and measurement systems to inform creation of a primary care investment target for the NC Medicaid program, the State Health Plan, and commercial insurance. This includes a method by which to measure improvements made toward that target.

(5a) Collect and compile data and other information related to healthcare spend on primary care services in a manner that is compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Within 45 days of a request for data or information from the Task Force, all entities shall comply with the Task Force's request.

(6) Evaluate the need for a permanent Primary Care Payment Reform Task Force, or other similar entity, including which State agency or body is best suited to oversee the work of that group.

(7) Perform any other studies, evaluations, or determinations the Task Force considers necessary.

"**SECTION 9E.28.(b1)** The Department of Health and Human Services shall develop, and the Task Force and the Department of Health and Human Services shall implement, a detailed data security and safeguarding plan for the data requested pursuant to subsection (b) of this section that includes all of the following:

(1) Guidelines for authorizing access to the data, including guidelines for authentication of authorized access.

(2) Privacy compliance standards.

(3) Privacy and security audits.

(4) Breach planning, notification, and procedures.

(5) Data retention and disposition policies.

(6) Data security policies, including electronic, physical, and administrative safeguards such as data encryption and training of employees.

"**SECTION 9E.28.(b2)** The data collected by the Task Force under subsection (b) of this section, regardless of where it is housed, shall be used only for the purposes of this task force and shall not be considered a public record within the meaning of Chapter 132 of the General Statutes.

"**SECTION 9E.28.(c)** No later than April 1, 2024, and April 1, 2026, the Task Force shall submit a report with its findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid. These findings and recommendations shall include specific, concrete, and actionable steps to be undertaken by the State and upon which the General Assembly could act.

"**SECTION 9E.28.(d)** This section shall expire on ~~May 1, 2024.~~December 31, 2026."

SECTION 9E.17.(b) This section is effective retroactively to July 1, 2023.

MEDICAID STANDARD PLAN CONTRACTS AND PREPAID HEALTH PLAN REQUIREMENTS

SECTION 9E.18.(a) G.S. 108D-1 reads as rewritten:

"**§ 108D-1. Definitions.**

The following definitions apply in this Chapter:

…

(31e) Provider-led entity or PLE. – As defined in G.S. 58-93-5.

…."

SECTION 9E.18.(b) G.S. 108D-45 reads as rewritten:

"**§ 108D-45. Number and nature of contracts for standard benefit plans.**

(a) ~~The~~ For the initial standard benefit plan contracts required under G.S. 108D-65(6), the number and nature of ~~the contracts for standard benefit plans required under G.S. 108D-65(6)~~ those contracts shall be as follows:

(1) Four contracts between the Division of Health Benefits and PHPs to provide coverage to Medicaid recipients statewide.
(2) Up to 12 contracts between the Division of Health Benefits and PLEs for coverage of regions specified by the Division of Health Benefits pursuant to G.S. 108D-65(2). Regional contracts shall be in addition to the four statewide contracts required under subdivision (1) of this section. Each regional contract shall provide coverage throughout the entire region for the Medicaid services required by G.S. 108D-35. A PLE may bid for more than one regional contract, provided that the regions are contiguous.
(3) Repealed by Session Laws 2023-134, s. 9E.22(i), effective October 3, 2023.
(4) Initial capitated PHP contracts may be awarded on staggered terms of three to five years in duration to ensure against gaps in coverage that may result from termination of a contract by the PHP or the State.

(b) For any standard benefit plan contracts required under G.S. 108D-65(6) that are awarded subsequent to the initial standard benefit plan contracts, the number and nature of those contracts shall be as follows:

(1) Up to four contracts between the Division of Health Benefits and PHPs to provide coverage to Medicaid recipients statewide.
(2) At least one of the standard benefit plan contracts awarded under this subsection shall be awarded to a PLE if one or more PLEs submits a timely response meeting the requirements, as determined by the Division of Health Benefits, of the RFP to procure a standard benefit plan contract under this subsection.
(3) The criteria the Division of Health Benefits uses to evaluate the responses to the RFPs to procure contracts under this subsection shall include, at a minimum, all of the following measures:
a. Measures of patient satisfaction, including ease of customer service, timeliness of responses to member complaints, and wait times for appointments.
b. Measures of provider satisfaction, including overall satisfaction, timeliness of prior authorization responses, and ease of contracting."

SECTION 9E.18.(c) G.S. 108D-65 reads as rewritten:

"**§ 108D-65. Role of the Department.**

The role and responsibility of the Department during Medicaid transformation shall include the following activities and functions:

…

(6) Enter into capitated PHP contracts for the delivery of the Medicaid services described in G.S. 108D-35. All contracts shall be the result of requests for proposals (RFPs) issued by the Department and the submission of competitive bids by PHPs. The Department shall develop standardized contract terms, to include at a minimum, the following:

…

h. Requirements applicable to any prior authorization review requirements used by the PHP, including all of the following:
1. The time line for a PHP's completion of a review of a prior authorization request shall be as follows:
I. For urgent prior authorization requests, the prior authorization request must be either approved or denied and notice given to the beneficiary and beneficiary's health care provider within 24 hours after the PHP receives all information needed to complete a review of

the request for prior authorization. For purposes of this sub-subdivision, the term "urgent prior authorization request" is defined as a request for which a time line for decision longer than 72 hours could seriously jeopardize the beneficiary's life, health, or ability to attain, maintain, or regain maximum function, in the opinion of the beneficiary's health care provider.

II. For non-urgent prior authorization requests, the prior authorization request must be either approved or denied and notice given to the beneficiary and beneficiary's health care provider within 72 hours after the PHP receives all information needed to complete a review of the request for prior authorization.

2. A PHP shall make its prior authorization requirements and performance metrics readily accessible on its website and shall ensure this information on its website is updated at least annually.

3. A PHP shall ensure that all denials of prior authorization requests are made by a medical doctor possessing a current and valid license to practice medicine in this State who (i) is of the same or similar specialty as the health care provider who typically manages the medical condition or disease or provides the health care service involved in the request and (ii) has experience treating patients with the condition or disease for which the health care service is being requested.

4. A PHP may not revoke, limit, condition, or restrict a prior authorization determination if care that has been previously authorized by the PHP is provided within 45 business days from the date the provider received the prior authorization determination. A PHP is required to pay a provider at the contracted payment rate for a health care service provided by the provider per the prior authorization determination unless any of the following apply:

I. The provider knowingly and materially misrepresented the health care service in the prior authorization request with the specific intent to deceive and obtain an unlawful payment from the PHP.

II. The health care service was no longer a covered benefit on the day it was provided.

III. The provider was no longer contracted with the PHP on the date the care was provided.

IV. The provider failed to meet the PHP's timely filing requirements.

V. The PHP does not have liability for the claim.

VI. The enrollee was no longer eligible for health care coverage on the day the care was provided.

VII. Any other reason as necessary to comply with federal law and regulations.

…."

SECTION 9E.18.(d) G.S. 108D-22 reads as rewritten:

"**§ 108D-22. PHP provider networks.**

(a) Except as provided in G.S. 108D-23 and G.S. 108D-24, each PHP shall develop and maintain a provider network that meets access to care requirements for its enrollees. A PHP may not exclude providers from their networks except for failure to meet objective quality ~~standards~~ standards, as described in subsection (c) of this section, or refusal to accept network rates. Notwithstanding the previous sentence, a PHP must include all providers in its geographical coverage area that are designated essential providers by the Department in accordance with subdivision (b) of this section, unless the Department approves an alternative arrangement for securing the types of services offered by the essential providers.

…

(c) The Department shall establish uniform provider credentialing criteria, including selecting objective quality standards, and shall require each PHP to comply with the criteria."

SECTION 9E.18.(e) This section is effective when it becomes law. Subsection (d) of this section applies to contracts entered into on or after the date this section becomes law.

MEDICAID MANAGED CARE COST CONTAINMENT

SECTION 9E.18A.(a) G.S. 108D-65 reads as rewritten:

"**§ 108D-65. Role of the Department.**

The role and responsibility of the Department during Medicaid transformation shall include the following activities and functions:

…

(6) Enter into capitated PHP contracts for the delivery of the Medicaid services described in G.S. 108D-35. All contracts shall be the result of requests for proposals (RFPs) issued by the Department and the submission of competitive bids by PHPs. The Department shall develop standardized contract terms, to include at a minimum, the following:

a. ~~Risk-adjusted cost growth for its enrollees must be at least two percentage (2%) points below national Medicaid spending growth as documented and projected in the annual report prepared for CMS by the Office of the Actuary.~~Risk-adjusted cost growth limits that demonstrate savings relative to national health care spending trends, with appropriate benchmarks for measuring progress.

b. A requirement that PHP spending for prescribed drugs, net of rebates, ensures the State realizes a net savings for the spending on prescription drugs. All PHPs shall be required to use the same drug formulary, which shall be established by the Department.

b1. Any innovative cost reduction strategies, including those used in other states, identified by the Department.

b2. A requirement that PHPs report to the Department at least annually on the PHP's cost containment efforts and the outcomes of those efforts.

b3. Specific actions that the Department is authorized to take if a PHP fails to meet cost containment goals defined in the contract.

…."

SECTION 9E.18A.(b) This section is effective when it becomes law and applies to contracts entered into on or after that date.

ACCREDITATION FOR MEDICAID MANAGED CARE ENTITIES

SECTION 9E.19.(a) G.S. 108D-65(6) reads as rewritten:

"**§ 108D-65. Role of the Department.**

The role and responsibility of the Department during Medicaid transformation shall include the following activities and functions:

…

(6) Enter into capitated PHP contracts for the delivery of the Medicaid services described in G.S. 108D-35. All contracts shall be the result of requests for proposals (RFPs) issued by the Department and the submission of competitive bids by PHPs. The Department shall develop standardized contract terms, to include at a minimum, the following:

…

h. A requirement that managed care entities attain and maintain accreditation from a nationally recognized managed care accrediting organization, including the National Committee for Quality Assurance (NCQA), the Joint Commission on Accreditation of Healthcare Organizations, URAC, or another organization approved by the Division, chosen by the managed care entity."

SECTION 9E.19.(b) This section is effective when it becomes law and applies to contracts entered into on or after that date.

REDUCING USE OF INAPPROPRIATE SETTINGS FOR DELIVERY OF BEHAVIORAL HEALTH SERVICES

SECTION 9E.20.(a) Section 9D.22 of S.L. 2021-180, as amended by Section 9D.9 of S.L. 2022-74 and Section 9E.19 of S.L. 2023-134, expires July 1, 2025.

SECTION 9E.20.(b) No later than October 1, 2025, the Department of Health and Human Services (DHHS) shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid on DHHS's recent efforts to address the issue of the inappropriate use of acute care hospital settings for the delivery of behavioral health services. The report shall include all of the following:

(1) Actions DHHS has taken since July 1, 2023, and plans to take through June 30, 2027, to address this issue.

(2) An analysis of any gaps that will remain once current plans are implemented, as well as any additional authority, resources, and funding needed to address those gaps.

(3) Any impact, or anticipated impact, from the implementation of behavioral health and intellectual/developmental disabilities tailored plans on this issue.

(4) The metrics DHHS uses and will use to measure the effectiveness of actions taken to address this issue.

(5) Any measurable progress toward addressing this issue.

DEFINE SEPSIS/NORTH CAROLINA MEDICAID PROGRAM

SECTION 9E.21.(a) Except as provided in subsection (b) of this section, the Department of Health and Human Services, Division of Health Benefits (DHB), shall ensure that the Medicaid program (i) complies with the most recently published American College of Chest Physicians/Society of Critical Care Medicine (ACCP/SCCM) sepsis guidelines, primarily known as the Surviving Sepsis Campaign guidelines, and (ii) does not utilize any clinical criteria beyond that described in the ACCP/SCCM sepsis guidelines when making any medical necessity or utilization review determinations related to diagnosis, treatment, and management of sepsis. DHB shall amend all relevant clinical coverage policies and rules, or adopt rules, policies, or guidelines, necessary to implement this section.

SECTION 9E.21.(b) The Department of Health and Human Services, Division of Health Benefits, shall not make any changes to the Medicaid program described in this section if those changes exceed the authority of the Division of Health Benefits under G.S. 108A-54(e)(1) or creates a recurring cost to the State that would reasonably be anticipated to exceed a future authorized budget for the Medicaid program.

SECTION 9E.21.(c) This section is effective when it becomes law.

DISCONTINUE MEDICAID COVERAGE OF OBESITY MANAGEMENT MEDICATIONS

SECTION 9E.22. Effective October 1, 2025, the Department of Health and Human Services, Division of Health Benefits, shall discontinue the Medicaid coverage of obesity management medications that became effective August 1, 2024. Consistent with the policy in effect prior to August 1, 2024, this section shall have no effect on the coverage of GLP-1 medications for beneficiaries managing diabetes.

INCREASE VARIOUS MEDICAID RATES

SECTION 9E.23. The Department of Health and Human Services, Division of Health Benefits, shall increase by three percent (3%) the Medicaid rates paid for all of the following:

(1) Durable medical equipment, orthotics, and prosthetics.
(2) Speech-language therapy services.
(3) Optical and optometry services.
(4) Podiatry services.
(5) Portable X-ray services.
(6) Clinical pharmacist practitioners services.
(7) Nurse midwife services.
(8) Chiropractic services.
(9) HIV case management services.
(10) Independent Diagnostic Testing Facilities services.

EXTEND DURABLE MEDICAL EQUIPMENT RATES IN MEDICAID MANAGED CARE

SECTION 9E.24. Section 11 of S.L. 2020-88, as amended by Section 3.6 of S.L. 2021-62, reads as rewritten:

"**SECTION 11.** For the first ~~five years~~ 10 years, ending June 30, 2031, of the ~~initial~~ standard benefit plan prepaid health plan capitated contracts required under Article 4 of Chapter 108D of the General Statutes, the reimbursement for durable medical equipment and supplies, orthotics, and prosthetics under managed care shall be set at one hundred percent (100%) of the lesser of the supplier's usual and customary rate or the maximum allowable Medicaid fee-for-service rates for durable medical equipment and supplies, orthotics, and prosthetics."

ADULT CARE HOME MEDICAID PERSONAL CARE SERVICES COVERAGE

SECTION 9E.25.(a) In conjunction with the requirements of Section 9E.26 of S.L. 2023-134 for the Department of Health and Human Services, Division of Health Benefits (DHB), to explore options available to increase access to Medicaid services for dual eligibles that provide alternatives to nursing home placements, DHB shall consult with stakeholders and shall submit to the Centers for Medicare and Medicaid Services (CMS) a request that meets all of the following goals:

(1) Provides Medicaid coverage of personal care services to individuals who reside in licensed adult care homes and special care units and whose income exceeds the limit for participation in the State-County Special Assistance Program authorized under G.S. 108A-40, but does not exceed either (i) one hundred eighty percent (180%) of the federal poverty level, for individuals who, but for their income, would qualify for State-County Special Assistance at the basic rate under G.S. 108A-42.1 or (ii) two hundred percent (200%) of the federal poverty level, for individuals who, but for their income, would

qualify for State-County Special Assistance at the enhanced rate under G.S. 108A-42.1.

(2) Ensures that the cost of any new Medicaid coverage being requested is fully offset by savings or cost avoidance.

(3) Ensures compliance with applicable legal requirements.

SECTION 9E.25.(b) DHB shall take any actions necessary to implement this section and shall submit the appropriate request to CMS within 90 days after this section becomes law. DHB shall only implement the Medicaid coverage described in the request if (i) the request is approved by CMS and (ii) the request meets all of the goals in subsection (a) of this section.

SECTION 9E.25.(c) This section is effective when it becomes law.

PART IX-F. HEALTH SERVICE REGULATION

CHARITY CARE EXEMPTION FOR CERTAIN QUALIFIED URBAN AMBULATORY SURGICAL FACILITIES

SECTION 9F.1.(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 9F.1.(b) This section becomes effective November 1, 2025.

INCREASED BED CAPACITY FOR FACILITIES LICENSED TO PROVIDE A PROGRAM OF OVERNIGHT RESPITE SERVICES

SECTION 9F.3.(a) G.S. 131D-6.1 reads as rewritten:

"**§ 131D-6.1. Licensure to offer overnight respite; rules; enforcement.**

…

(c) The Medical Care Commission shall adopt rules governing the licensure of adult day care and adult day health facilities providing a program of overnight respite services in accordance with this section. The Medical Care Commission shall seek input from stakeholders before proposing rules for adoption as required by this subsection. The rules shall limit the provision of overnight respite services for each adult to (i) not more than 14 consecutive calendar days, and not more than 60 total calendar days, during a 365-day period or (ii) the amount of respite allowed under the North Carolina Innovations waiver or Community Alternatives Program for Disabled Adults (CAP/DA) waiver, as applicable. The rules shall include minimum requirements to ensure the health and safety of overnight respite participants. These requirements shall address all of the following:

…

(8) Bed capacity limitations, which shall not exceed ~~six~~ 12 beds in each ~~adult day care program.~~facility licensed to provide a program of overnight respite services.

…

(d1) In addition to the requirements of subsections (c) and (d) and of this section and the rules adopted under those subsections, each facility licensed to provide a program of overnight respite services shall adhere to the following minimum staffing requirements:

(1) Each facility shall have staff on duty to meet the needs of each participant.

(2) In addition to the requirement established by subdivision (1) of this subsection, each facility with a census of one to six participants shall have a minimum of one staff present and awake at the facility all times who is qualified to administer medications and is trained to provide personal care and supervision to current participants.

(3) In addition to the requirement established by subdivision (1) of this subsection, each facility with a census of seven to 12 participants shall have a minimum of two staff present and awake at the facility at all times, at least one of whom is qualified to administer medications, and both of whom are trained to provide personal care and supervision to current participants.

(4) Staff required by subdivisions (1) to (3) of this subsection shall not perform housekeeping or food service duties during any shift in which the staff has been assigned the responsibility of providing personal care and supervision to participants. The facility is required to have additional staff available at the facility to provide daily housekeeping and food service duties.

…."

SECTION 9F.3.(b) The Medical Care Commission may adopt emergency and temporary rules as necessary to implement the requirements of G.S. 131D-6, as amended by subsection (a) of this section.

SECTION 9F.3.(c) Subsection (b) of this section is effective when this section becomes law. The remainder of this section becomes effective July 1, 2025.

GENERAL ASSEMBLY APPOINTMENTS AND OTHER CHANGES TO THE STATE HEALTH COORDINATING COUNCIL

SECTION 9F.4.(a) G.S. 131E-176 reads as rewritten:

"**§ 131E-176. Definitions.**

The following definitions apply in this Article:

…

(17) North Carolina State Health Coordinating Council. – The Council appointed pursuant to G.S. 131E-191 that prepares, with the Department of Health and Human Services, the State Medical Facilities Plan.

…

(25) State Medical Facilities Plan. – The plan prepared by the Department of Health and Human Services and the North Carolina State Health Coordinating Council, and approved by the Governor. ~~In preparing the Plan, the Department and the State Health Coordinating Council shall maintain a mailing list of persons who have requested notice of public hearings regarding the Plan. Not less than 15 days prior to a scheduled public hearing, the Department shall notify persons on its mailing list of the date, time, and location of the hearing. The Department shall hold at least one public hearing prior to the adoption of the proposed Plan and at least six public hearings after the adoption of the proposed Plan by the State Health Coordinating Council. The Council shall accept oral and written comments from the public concerning the Plan.~~

…."

SECTION 9F.4.(b) G.S. 131E-191.1 reads as rewritten:

"**§ 131E-191.1. ~~Lobbyists prohibited from serving on the~~ North Carolina State Health Coordinating ~~Council.~~Council; purpose and duties; composition.**

(a) Purpose and Duties. – The North Carolina State Health Coordinating Council shall work with the Department to prepare a State Medical Facilities Plan for approval by the Governor. In preparing the Plan, the Department and the State Health Coordinating Council shall maintain a mailing list of persons who have requested notice of public hearings regarding the Plan. Not less than 15 days prior to a scheduled public hearing, the Department shall notify persons on its mailing list of the date, time, and location of the hearing. The Department shall hold at least one public hearing prior to the adoption of the proposed Plan and at least six public hearings after the adoption of the proposed Plan by the State Health Coordinating Council. The Council shall accept oral and written comments from the public concerning the Plan.

(b) Composition. – The North Carolina State Health Coordinating Council shall consist of the following 15 members:

(1) 13 members appointed by the Governor.

(2) One member of the Senate, appointed by the President Pro Tempore of the Senate, and one member of the House of Representatives, appointed by the Speaker of the House of Representatives, who shall be nonvoting members of the Council.

(c) No person registered as a lobbyist under Chapter 120C of the General Statutes shall be appointed to or serve on the North Carolina State Health Coordinating Council. No person previously registered as a lobbyist under Chapter 120C of the General Statutes shall be appointed to or serve on the North Carolina State Health Coordinating Council within 120 days after the expiration of the lobbyist's registration."

SECTION 9F.4.(c) This section is effective when it becomes law.

ALLOW LIVE-IN DIRECT SUPPORT PROFESSIONALS IN GROUP HOMES

SECTION 9F.5.(a) The Department of Health and Human Services, Division of Health Service Regulation (DHSR), shall adopt rules necessary to allow direct support professionals providing services to a client being served in a facility licensed under 10A NCAC 27G .5601(c)(3) to permanently reside that facility.

SECTION 9F.5.(b) DHSR shall report to the Joint Legislative Oversight Committee on Health and Human Services by September 30, 2025, on its progress toward implementing the changes under this section. This report shall include any requested legislative changes.

SECTION 9F.5.(c) This section is effective when it becomes law.

PART IX-G. MENTAL HEALTH/DEVELOPMENTAL DISABILITIES/SUBSTANCE USE SERVICES

SINGLE-STREAM FUNDING FOR DMH/DD/SUS COMMUNITY SERVICES

SECTION 9G.1.(a) For the purpose of mitigating cash flow problems that many local management entities/managed care organizations (LME/MCOs) experience at the beginning of each fiscal year relative to single-stream funding, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS), shall distribute not less than one-twelfth of each LME/MCO's base budget allocation at the beginning of the fiscal year and subtract the amount of that distribution from the LME/MCO's total reimbursements for the fiscal year. For each month of the fiscal year after July, DMH/DD/SUS shall distribute, on the third working day of the month, one-eleventh of the amount of each LME/MCO's single-stream allocation that remains after subtracting the amount of the distribution that was made to the LME/MCO in July of the fiscal year.

SECTION 9G.1.(c) 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.

SECTION 9G.1.(d) If, on or after June 1, 2025, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2024-2025 fiscal year, then DHB shall transfer to DMH/DD/SUS funds not to exceed the amount of the certified surplus or thirty million dollars ($30,000,000), whichever is less, to be used for single-stream funding.

SECTION 9G.1.(e) If, on or after June 1, 2026, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2025-2026 fiscal year, then DHB shall transfer to DMH/DD/SUS funds not to exceed the amount of the certified surplus or thirty million dollars ($30,000,000), whichever is less, to be used for single-stream funding.

SECTION 9G.1.(f) If, on or after June 1, 2027, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus and sufficient cash in Budget Code 14445 to meet total obligations for the 2026-2027 fiscal year, then DHB shall transfer to DMH/DD/SUS funds not to exceed the amount of the certified surplus or thirty million dollars ($30,000,000), whichever is less, to be used for single-stream funding.

SECTION 9G.1.(g) Subsection (d) of this section is effective June 30, 2025. The remainder of this section is effective July 1, 2025.

REPEAL THE MENTAL HEALTH AND SUBSTANCE USE TASK FORCE RESERVE FUND

SECTION 9G.2.(a) Section 12F.3(b) of S.L. 2016-94 is repealed.

SECTION 9G.2.(b) Of the funds in the Mental Health and Substance Use Task Force Reserve Fund on the date this section becomes effective, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, shall transfer the lesser of the sum of forty-one million eight hundred sixteen thousand three hundred fifty-one dollars ($41,816,351) or the balance of the Mental Health and Substance Use Task Force Reserve Fund to Budget Code 14460 to be used for single-stream funding. Any additional funds remaining in the Mental Health and Substance Use Task Force Reserve Fund shall revert to the General Fund.

SECTION 9G.2.(c) This section shall be effective July 1, 2025, or the date it becomes law, whichever is later.

LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 9G.3.(a) Use of Funds. – Funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, shall continue to be used for the purchase of local inpatient psychiatric beds or bed days. The Department of Health and Human Services (DHHS) shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by DHHS. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In

addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance use disorder services may be used to purchase additional local inpatient psychiatric beds or bed days. DHHS may allocate funding to the LME/MCOs for the purchase of facility-based crisis, nonhospital detoxification services, and peer respite services to support individuals that do not meet the medical necessity for inpatient treatment and can be diverted from an inpatient hospital stay.

SECTION 9G.3.(b) Distribution and Management of Beds or Bed Days. – DHHS shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, except that DHHS may use up to forty percent (40%) of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, for the purchase of local inpatient psychiatric beds or bed days to pay for facility-based crisis services, nonhospital detoxification services, and peer respite services for individuals in need of these services, regardless of whether the individuals are medically indigent. For the purposes of this subsection, "medically indigent" shall mean uninsured persons who (i) are financially unable to obtain private insurance coverage, as determined by DHHS, and (ii) are not eligible for government-funded health coverage such as Medicare or Medicaid.

In addition, DHHS shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are distributed across the State and according to need, as determined by DHHS. DHHS shall ensure that beds or bed days for individuals with higher acuity levels are distributed across the State and according to greatest need based on hospital bed utilization data. DHHS shall enter into contracts with LME/MCOs and local hospitals for the purchase and management of the local inpatient psychiatric beds or bed days and allocate up to forty percent (40%) of the total funding to the LME/MCOs for the purpose of facility-based crisis services, nonhospital detoxification services, and peer respite services. DHHS shall work to ensure that these contracts are awarded equitably around all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric beds or bed days, including the determination of the specific local hospital or State psychiatric hospital to which an individual should be admitted pursuant to an involuntary commitment order.

DHHS shall prioritize use of local inpatient psychiatric beds or bed days funded by the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1).

SECTION 9G.3.(c) Funds to be Held in Statewide Reserve. – Funds appropriated in this act to DHHS for the purchase of local inpatient psychiatric beds or bed days shall not be allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Use Services to pay for services authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims for payment to DHHS within 15 working days after receipt of a clean claim from the hospital and shall pay the hospital within 30 working days after receipt of payment from DHHS.

SECTION 9G.3.(d) Ineffective LME/MCO Management of Beds or Bed Days. – If DHHS determines that (i) an LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not decreased, or (ii) the LME/MCO has failed to comply with the prompt payment provisions of this section, DHHS may contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital directly.

SECTION 9G.3.(e) Reporting by LME/MCOs. – LME/MCOs shall be required to report to DHHS regarding the utilization of these beds or bed days.

SECTION 9G.3.(f) Reporting by DHHS. – By no later than December 1, 2025, and by no later than December 1, 2026, DHHS shall report to the Joint Legislative Oversight

Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) A uniform system for beds or bed days purchased during the preceding fiscal year from (i) existing State appropriations and (ii) local funds.

(2) An explanation of the process used by DHHS to ensure that, except as otherwise provided in subsection (a) of this section, local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.

(3) The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.

(4) The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.

(5) Other DHHS initiatives funded by State appropriations to reduce State psychiatric hospital use.

REPLACEMENT FOR CRITICAL IT SYSTEMS THAT SUPPORT SUBSTANCE USE DISORDER PREVENTION AND TREATMENT

SECTION 9G.5. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS), shall develop and implement a replacement project for outdated data systems supporting substance use prevention and treatment goals, specifically the Driving While Impaired Services, the Drug Education School, and the Drug Control Unit programs. This replacement project for outdated data systems shall be designed to prevent progression of misuse of substances through education and regulatory supports. The DMH/DD/SUS shall not proceed with this replacement project until the business case has been approved by the Office of State Budget and Management and the State Chief Information Officer in the Enterprise Project Management Office's Touchdown System. Upon approval of the business case, for each year of the 2025-2027 fiscal biennium, the DMH/DD/SUS may budget up to one million two hundred thousand dollars ($1,200,000) of mixed beverage tax receipts available in Budget Code 14460, Budget Fund 134603 for transfer to Budget Code 24410 to implement the replacement project for outdated data systems developed pursuant to this section. Beginning in the fiscal year following project completion, the DMH/DD/SUS may use up to one million two hundred thousand dollars ($1,200,000) of mixed beverage tax receipts each fiscal year to cover operations and maintenance costs for the replacement system.

USE OF OPIOID SETTLEMENT FUNDS

SECTION 9G.6.(a) Definitions. – The following definitions apply in this section:

(1) DMH/DD/SUS. – The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services.

(2) Opioid Abatement Fund. – The Fund created by Section 9F.1 of S.L. 2021-180, as amended by Section 9F.1 of S.L. 2022-74.

(3) Opioid Abatement Reserve. – The Reserve created by Section 9F.1 of S.L. 2021-180, as amended by Section 9F.1 of S.L. 2022-74.

SECTION 9G.6.(b) Repeal of Prescription Digital Therapeutics Pilot Program. – Section 9F.2 of S.L. 2022-74 is repealed.

SECTION 9G.6.(c) Transfer of Prescription Digital Therapeutics Pilot Program Funds Back to Opioid Abatement Reserve. – The State Controller shall transfer the sum of one

million eight hundred fifty thousand dollars ($1,850,000) in nonrecurring funds for the 2025-2026 fiscal year from funds available in the Opioid Abatement Fund (as a result of the repeal of the Prescription Digital Therapeutics Pilot Program authorized by Section 9F.2 of S.L. 2022-74) to the Opioid Abatement Reserve.

SECTION 9G.6.(d) Appropriation of Funds to the DMH/DD/SUS. – The State Controller shall transfer from funds available in the Opioid Abatement Reserve to the Opioid Abatement Fund the sum of thirty-one million three hundred fifty thousand dollars ($31,350,000) in nonrecurring funds for the 2025-2026 fiscal year and the sum of six million seven hundred fifty thousand dollars ($6,750,000) in nonrecurring funds for the 2026-2027 fiscal year. The funds transferred are appropriated for the fiscal year in which they are transferred to the DMH/DD/SUS, to be allocated as specified in the Committee Report described in Section 45.2 of this act. Of the funds appropriated to the DMH/DD/SUS by this subsection, the sum of five million dollars ($5,000,000) in nonrecurring funds for the 2025-2026 fiscal year shall be allocated and used as follows:

(1) The sum of one million dollars ($1,000,000) in nonrecurring funds shall be used by the DMH/DD/SUS to purchase 8-milligram intranasal opioid antagonist, to reverse the effects of opioid overdose.

(2) The sum of four million dollars ($4,000,000) in nonrecurring funds shall be allocated as directed grants to the local management entities/managed care organizations (LME/MCOs). These funds shall be distributed equally among the LME/MCOs for the 2025-2026 fiscal year to be used to support opioid remediation activities in Tier 1 and Tier 2 counties, as defined in G.S. 143B-472.35(a2)(18).

SECTION 9G.6.(e) Limitation on Use of Directed Grant Funds by Non-State Entities. – Recipients of directed grants allocated by the DMH/DD/SUS pursuant to subsection (c) of this section shall not use these funds for any purpose other than to fund opioid programs, services, and activities within the State of North Carolina to respond to the negative impacts of the opioid epidemic.

SECTION 9G.6.(f) Reports on the Use of Directed Grant Funds. – By September 1, 2027, recipients of directed grants allocated by the DMH/DD/SUS pursuant to subsection (c) of this section for the 2025-2026 fiscal year, and by September 1, 2028, recipients of directed grants allocated by the DMH/DD/SUS pursuant to subsection (c) of this section for the 2026-2027 fiscal year shall report to the DMH/DD/SUS; the Joint Legislative Oversight Committee on Health and Human Services; and the Fiscal Research Division on the use of their directed grant funds. The report shall include at least all of the following for each directed grant recipient:

(1) An itemized list of expenditures.

(2) The types of opioid remediation programs, services, and activities funded, broken down by geographic location and the number of people served at each location.

SECTION 9G.6.(g) Time Line for Disbursement of Directed Grant Funds. – In the event the DMH/DD/SUS is unable to begin disbursement of all the directed grant funds authorized by subsection (d) of this section for each year of the 2025-2027 fiscal biennium, within the time frame specified in Section 5.2 of this act due to the unavailability of funds in the Opioid Abatement Fund, the DMH/DD/SUS shall, within the availability of funds in the Opioid Abatement Fund, begin disbursement of as many directed grant funds as possible within the time frame specified in Section 5.2 of this act. As additional funds are deposited into the Opioid Abatement Fund, the DMH/DD/SUS shall begin disbursement of as many additional directed grant funds as possible given the availability of funds in the Opioid Abatement Fund no later than 30 days after each additional deposit.

SECTION 9G.6.(h) Protection of Deemed Status for Directed Grant Recipients that are Charitable, Nonprofit, Faith-Based, Adult Residential Treatment Facilities. – Effective retroactively to July 1, 2021, G.S. 122C-22(a) reads as rewritten:

"**§ 122C-22. Exclusions from licensure; deemed status.**

(a) All of the following are excluded from the provisions of this Article and are not required to obtain licensure under this Article:

…

(11) A charitable, nonprofit, faith-based, adult residential treatment facility that does not receive any federal or State funding and is a religious organization exempt from federal income tax under section 501(a) of the Internal Revenue Code. Funds received by the State (i) as a result of a settlement, as defined in G.S. 114-2.4A, relating to claims regarding the manufacturing, marketing, distribution, dispensing, or sale of opioids, or (ii) as a beneficiary of a confirmation order by a bankruptcy court relating to claims regarding the manufacturing, marketing, distribution, dispensing, or sale of opioids do not constitute State funding for the purpose of determining whether a facility is excluded from licensure under this subdivision.

…."

PART IX-H. PUBLIC HEALTH

LOCAL HEALTH DEPARTMENTS/COMPETITIVE GRANT PROCESS TO IMPROVE MATERNAL AND CHILD HEALTH

SECTION 9H.1.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium to award competitive grants to local health departments for the improvement of maternal and child health shall be used to continue administering a competitive grant process for local health departments based on maternal and infant health indicators and the county's detailed proposal to invest in evidence-based programs to achieve the following goals:

(1) Improve North Carolina's birth outcomes.

(2) Improve the overall health status of children in this State from birth to age 5.

(3) Lower the State's infant mortality rate.

SECTION 9H.1.(b) The plan for administering the competitive grant process shall include at least all of the following components:

(1) A request for application (RFA) process to allow local health departments to apply for and receive State funds on a competitive basis. The Department shall require local health departments to include in the application a plan to evaluate the effectiveness, including measurable impact or outcomes, of the activities, services, and programs for which the funds are being requested.

(2) A requirement that the Secretary prioritize grant awards to those local health departments that are able to leverage non-State funds in addition to the grant award.

(3) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for maternal and child health initiatives.

(4) Allows grants to be awarded to local health departments for up to three years.

SECTION 9H.1.(c) No later than July 1 of each year, as applicable, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the respective grant period. After awards have been granted, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:

(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.
(2) The amount of funding awarded to each grantee.
(3) The number of persons served by each grantee, broken down by program or initiative.

SECTION 9H.1.(d) No later than February 1 of each fiscal year, each local health department receiving funding pursuant to this section in the respective fiscal year shall submit to the Division of Public Health a written report of all activities funded by State appropriations. The report shall include the following information about the fiscal year preceding the year in which the report is due:

(1) A description of the types of programs, services, and activities funded by State appropriations.
(2) Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.
(3) Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities based on the evaluation protocols developed by the Division, in collaboration with the University of North Carolina Gillings School of Global Public Health, pursuant to Section 12E.11(e) of S.L. 2015-241, and reported to the Joint Legislative Oversight Committee on Health and Human Services on April 1, 2016.
(4) A detailed program budget and list of expenditures, including all positions funded, matching expenditures, and funding sources.

REPORT ON PREMIUM ASSISTANCE PROGRAM WITHIN AIDS DRUG ASSISTANCE PROGRAM

SECTION 9H.2. Upon a determination by the Department of Health and Human Services, Division of Public Health, that, in six months or less, it will no longer be feasible to operate the health insurance premium assistance program implemented within the North Carolina AIDS Drug Assistance Program (ADAP) on a cost-neutral basis or in a manner that achieves savings to the State, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services notifying the Committee of this determination along with supporting documentation and a proposed course of action with respect to health insurance premium assistance program participants.

INCREASE TO MEDICAL EXAMINER FEE

SECTION 9H.3. G.S. 130A-387 reads as rewritten:

"**§ 130A-387. Fees.**

For each investigation and prompt filing of the required report, the medical examiner shall receive a fee paid by the State. However, if the deceased is a resident of the county in which the death or fatal injury occurred, that county shall pay the fee. The fee shall be ~~two~~ four hundred dollars ~~($200.00).~~($400.00)."

REPORT ON RECOMMENDATIONS FOR A PLAN TO IMPROVE MATERNAL AND INFANT LEVELS OF CARE IN NORTH CAROLINA

SECTION 9H.4. By April 1, 2026, the Department of Health and Human Services, Division of Public Health, shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on recommendations for a plan to establish maternal levels of care and to update neonatal levels of care to reduce maternal and infant mortality rates within the State. The plan recommendations shall be consistent with guidelines endorsed by the American College of Obstetricians and Gynecologists, the Society for

Maternal-Fetal Medicine, the American Academy of Pediatrics, the United States Centers for Disease Control and Prevention, and the Association of Women's Health, Obstetric and Neonatal Nurses. In developing these plan recommendations, the Department of Health and Human Services, Division of Public Health, shall consult with maternal and infant health stakeholders in North Carolina, including the North Carolina Healthcare Association, the North Carolina Obstetrical and Gynecological Society, the North Carolina Pediatric Society, the North Carolina Academy of Family Physicians, the North Carolina Institute of Medicine, other organizations with expertise in this area, and individuals with lived experience.

CAROLINA PREGNANCY CARE FELLOWSHIP

SECTION 9H.5.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium for Carolina Pregnancy Care Fellowship (CPCF), a nonprofit corporation, shall be allocated and used as follows:

(1) The sum of three million nine hundred fifty thousand dollars ($3,950,000) in recurring funds for the 2025-2026 fiscal year and the sum of three million nine hundred fifty thousand dollars ($3,950,000) in recurring funds for the 2026-2027 fiscal year shall be used to provide grants for services to pregnancy centers located in this State.

(2) The sum of one million dollars ($1,000,000) in recurring funds for the 2025-2026 fiscal year and the sum of one million dollars ($1,000,000) in recurring funds for the 2026-2027 fiscal year shall be used to provide the following grants to pregnancy centers located in this State:

a. Grants to purchase durable medical equipment.

b. Grants to pay for pregnancy care training and training on the use of durable medical equipment.

(3) The sum of one million fifty thousand dollars ($1,050,000) in recurring funds for the 2025-2026 fiscal year and the sum of one million fifty thousand dollars ($1,050,000) in recurring funds for the 2026-2027 fiscal year shall be allocated to fund operation of the CPCF Circle of Care Program.

SECTION 9H.5.(b) The CPCF shall establish an application process for the grants authorized by subdivisions (a)(1) and (a)(2) of this section, and any pregnancy center located in this State that applies for these grant funds through the established application process is eligible to receive these grant funds.

SECTION 9H.5.(c) The CPCF shall not use more than ten percent (10%) of the total amount of funds allocated for each year of the 2025-2027 fiscal biennium for administrative purposes.

SECTION 9H.5.(d) The CPCF shall use these allocated funds for nonsectarian, nonreligious purposes only.

SECTION 9H.5.(e) By July 1, 2027, and July 1 of each odd-numbered year thereafter, the CPCF shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on its use of these allocated funds. The report shall include at least all of the following:

(1) The identity and a brief description of each grantee and the amount of funding awarded to each grantee.

(2) The number of persons served by each grantee.

(3) The number of persons served by the Circle of Care Program.

(4) The amount of funds used for administrative purposes.

STATEWIDE CONTINUUM OF CARE PROGRAM

SECTION 9H.5A.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of five hundred thousand dollars ($500,000) in nonrecurring funds for the 2025-2026 fiscal year shall be allocated to the Human Coalition, a nonprofit organization, to fund operation of the Human Coalition's statewide Continuum of Care Program, as expanded pursuant to Section 9G.6 of S.L. 2021-180. These funds shall be used for nonreligious, nonsectarian purposes only.

SECTION 9H.5A.(b) The Human Coalition may use up to ten percent (10%) of the funds allocated for the statewide Continuum of Care Program for each year of the 2025-2027 fiscal biennium for administrative purposes.

SECTION 9H.5A.(c) By December 1, 2027, and every six months thereafter through December 1, 2028, the Human Coalition shall report to the Department of Health and Human Services on the status and operation of the statewide Continuum of Care Program authorized by Section 9G.6 of S.L. 2021-180. The report shall include at least all of the following:

(1) A detailed breakdown of expenditures for the program.

(2) The number of individuals served by the program and, for the individuals served, the types of services provided to each.

(3) Any other information requested by the Department of Health and Human Services as necessary for evaluating the success of the program.

SECTION 9H.5A.(d) By February 1, 2027, and February 1, 2028, the Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the status and operation of the statewide Continuum of Care Program. The report shall include at least all of the information specified in subdivisions (c)(1) through (c)(3) of this section.

ADDITIONAL FUNDS FOR LOCAL HEALTH DEPARTMENTS

SECTION 9H.6. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of two million fifty-one thousand five hundred eighty-one dollars ($2,051,581) in recurring funds for each year of the 2025-2027 fiscal biennium shall be allocated equally among the local health departments. Local health departments shall not use these funds for any purpose other than the activities authorized under the General-Aid-to-Counties Agreement Addendum.

TRANSFER AND REORGANIZATION OF RARE DISEASE ADVISORY COUNCIL

SECTION 9H.7.(a) Part 6 of Article 1B of Chapter 130A of the General Statutes reads as rewritten:

"Part 6. Taylor's Law Establishing the Advisory Council on Rare Diseases.

"**§ 130A-33.65. Advisory Council on Rare Diseases; membership; terms; compensation; meetings; quorum.**

(a) Short Title. – This Part shall be known as Taylor's Law Establishing the Advisory Council on Rare Diseases.

(a1) Establishment of Advisory Council. – There is established the Advisory Council on Rare Diseases within the ~~School of Medicine of the University of North Carolina at Chapel Hill~~ Department of Health and Human Services to advise the Governor, the Secretary, and the General Assembly on research, diagnosis, treatment, and education relating to rare diseases. ~~This Part shall be known as Taylor's Law Establishing the Advisory Council on Rare Diseases.~~ For purposes of this Part, "rare disease" has the same meaning as provided in 21 U.S.C. § 360bb.

(b) Advisory Council Membership. – The advisory council shall consist of 19 members to be appointed as follows:

(1) ~~Upon the recommendation of the Dean of the School of Medicine of the University of North Carolina at Chapel Hill, the~~ The Secretary shall appoint ~~members to the advisory council as follows:~~the following 15 members:

a. ~~A physician~~ Two physicians licensed and practicing in this State with experience researching, diagnosing, or treating rare diseases.
b. ~~A medical researcher with experience conducting research concerning rare diseases.~~
c. ~~A~~ One registered nurse or advanced practice registered nurse licensed and practicing in the State with experience treating rare diseases.
d. ~~One rare diseases survivor.~~
e. ~~One member who represents a rare diseases foundation.~~
f. One ~~representative~~ researcher from ~~each~~ an academic research institution in this State that receives any grant funding for rare diseases research.
g. ~~One parent of a childhood rare disease survivor.~~
h. One hospital administrator, or the hospital administrator's designee, representing a hospital in the State that provides care to persons diagnosed with a rare disease.
i. Two persons age 18 or older who have been diagnosed with a rare disease.
j. Two persons age 18 or older who are, or were previously, caregivers to a person diagnosed with a rare disease.
k. One representative of a rare disease patient organization that operates in the State.
l. One pharmacist licensed and practicing in this State with knowledge and experience regarding drugs used to treat rare diseases.
m. One representative of the life sciences, biotechnology, or biopharmaceutical industry that either focuses on research efforts related to the development of therapeutic products for persons diagnosed with a rare disease or has demonstratable understanding of the path to commercialization of such products.
n. Two representatives of a health benefit plan or health insurer, at least one of whom is a representative of a North Carolina Medicaid Managed Care health plan.
o. One genetic counselor with experience providing services to persons diagnosed with a rare disease or caregivers of persons diagnosed with a rare disease.

~~(2) The chairs of the Joint Legislative Oversight Committee on Health and Human Services, or the chairs' designees, shall serve on the advisory council. A member of the advisory council who is designated by the chairs of the Joint Legislative Oversight Committee on Health and Human Services may be a member of the General Assembly.~~

(2a) One member appointed by the President Pro Tempore of the Senate.

(2b) One member appointed by the Speaker of the House of Representatives.

(2c) One member appointed by the Governor.

(3) The Secretary, or the Secretary's designee, shall serve as an ex officio, nonvoting member of the advisory council.

(c) ~~Members~~ Length of Terms. – All initial members appointed ~~pursuant to subsection (b) of this section~~ to the advisory council shall serve for a term of three years, and no ~~member~~ initial member, except for the initial physician members and the initial member representing a rare disease patient organization, shall serve more than three consecutive terms. The initial physician members and the initial member representing a rare disease patient organization may serve for up to four consecutive terms. Thereafter, members appointed by the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Governor shall

serve for a term of two years; and members appointed by the Secretary shall serve for a term of two, three, or four years, as determined by the chair of the advisory council.

(c1) Vacancies and Removals. – Any appointment to fill a vacancy on the advisory council created by the resignation, dismissal, death, or disability of a member shall be filled by the appointing authority for the balance of the unexpired term. Each appointing authority may remove any member appointed by that appointing authority for misfeasance, malfeasance, or nonfeasance.

(d) Per Diem and Expenses. – Members of the advisory council shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5 or G.S. 138-6 or travel and subsistence expenses in accordance with the provisions of G.S. 120-3.1, as applicable.

(e) Administrative Support. – All administrative support and other services required by the advisory council shall be provided by the ~~School of Medicine of the University of North Carolina at Chapel Hill.~~Department.

(f) ~~Upon the recommendation of the Dean of the School of Medicine of the University of North Carolina at Chapel Hill,~~ Selection of Chair. – The Secretary shall select the chair of the advisory council from among the members of the council. The chair shall serve in this position until the expiration of his or her term.

(g) ~~The chair shall convene the first meeting of the advisory council no later than October 1, 2015.~~ Meetings and Quorum. – A majority of the council members shall constitute a quorum. A majority vote of a quorum shall be required for any official action of the advisory council. Following the first meeting, the advisory council shall meet at least quarterly. The advisory council may meet more frequently upon the call of the chair or upon the request of a majority of council members.

"**§ 130A-33.66. Advisory Council on Rare Diseases; powers and duties; reports.**

The advisory council shall have the following powers and duties:

(1) Advise ~~on coordinating~~ the Governor, the Secretary, and the General Assembly on all of the following:

a. Coordination of statewide efforts ~~for the~~ to study ~~of~~ the incidence of rare diseases within the State and the status of the rare disease community.

b. Coordination of statewide efforts to increase public awareness and understanding of rare diseases.

c. Identification of policy issues related to rare diseases and the advancement of policy initiatives related to rare diseases at the State and federal levels.

d. The appropriation of State funds to facilitate increased public awareness of and improved treatment for rare diseases.

(2) Report to the Secretary, the Governor, ~~and~~ the Joint Legislative Oversight Committee on Health and Human ~~Services~~ Services, and the Fiscal Research Division on behalf of the General Assembly not later than January 1, 2016, and annually thereafter, on the activities of the advisory council and its findings and recommendations regarding rare disease research and care in North Carolina, including any recommendations for statutory changes and amendments to the structure, organization, and powers or duties of the advisory council.

(3) In consultation with accredited medical schools, accredited schools of public health, and hospitals licensed to operate in the State that provide care to persons diagnosed with a rare disease, develop resources or recommendations regarding quality of and access to treatment and services available within the State for persons diagnosed with a rare disease.

(4) Advise and consult with the Department, the North Carolina Drug Utilization Review Board, and the Medicaid Preferred Drug List Review Panel in developing recommendations, resources, and programs relating to the diagnosis and treatment of rare diseases.

(5) Identify additional relevant areas for the advisory council to study and evaluate."

SECTION 9H.7.(b) This section is effective when it becomes law.

PART IX-I. SERVICES FOR THE BLIND/DEAF/HARD OF HEARING [RESERVED]

PART IX-J. SOCIAL SERVICES

TANF BENEFIT IMPLEMENTATION PLAN

SECTION 9J.1.(a) Beginning October 1, 2025, the General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2025-2028," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period of October 1, 2025, through September 30, 2028. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services.

SECTION 9J.1.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2025-2028, as approved by this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 9J.1.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for years 2025 through 2028, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2025. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2028.

SECTION 9J.1.(d) For each year of the 2025-2027 fiscal biennium, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2024-2025 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 9J.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2025-2026 fiscal year or the 2026-2027 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING, PERFORMANCE ENHANCEMENTS, AND REPORT

SECTION 9J.2.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not

at imminent risk of removal. The IFPS shall be implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 9J.2.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of IFPS shall provide information and data that allows for the following:

(1) An established follow-up system with a minimum of six months of follow-up services.

(2) Detailed information on the specific interventions applied, including utilization indicators and performance measurements.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with IFPS. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage, by race, of children who received IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 9J.2.(c) The Department shall continue implementing a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 9J.2.(d) The Department shall submit an annual report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by December 1 of each year that provides the information and data collected pursuant to subsection (b) of this section.

CHILD CARING INSTITUTIONS

SECTION 9J.3. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

USE FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 9J.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may continue to provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program shall include provisions for extending guardianship services for individuals and youth who exited foster care through the Guardianship Assistance Program after 14 years of age or who have attained the age of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this section due to a medical condition or disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board

and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 9J.5.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087*ll* for the educational needs of foster youth aging out of the foster care system, youth who exit foster care to a permanent home through the Guardianship Assistance Program (GAP), or special needs children adopted from foster care after age 12. These funds shall be allocated by the State Education Assistance Authority.

SECTION 9J.5.(b) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars ($50,000) for each year of the 2025-2027 fiscal biennium shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 9J.5.(c) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for each year of the 2025-2027 fiscal biennium shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 9J.5.(d) Funds appropriated in this act to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS

SECTION 9J.6.(a) Centralized Services. – The North Carolina Child Support Services (NCCSS) Section of the Department of Health and Human Services, Division of Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it receives from the federal government to enhance centralized child support services. To accomplish this requirement, NCCSS shall do the following:

(1) In consultation with representatives from county child support services programs, identify how federal incentive funding could improve centralized services.

(2) Use federal incentive funds to improve the effectiveness of the State's centralized child support services by supplementing and not supplanting State expenditures for those services.

(3) Continue to develop and implement rules that explain the State process for calculating and distributing federal incentive funding to county child support services programs.

SECTION 9J.6.(b) County Child Support Services Programs. – NCCSS shall allocate no less than eighty-five percent (85%) of the annual federal incentive payments it receives from the federal government to county child support services programs to improve effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall do the following:

(1) In consultation with representatives from county child support services programs, examine the current methodology for distributing federal incentive funding to the county programs and determine whether an alternative formula

would be appropriate. NCCSS shall use its current formula for distributing federal incentive funding until an alternative formula is adopted.

(2) Upon adopting an alternative formula, develop a process to phase in the alternative formula for distributing federal incentive funding over a four-year period.

SECTION 9J.6.(c) Reporting by County Child Support Services Programs. – NCCSS shall continue implementing guidelines that identify appropriate uses for federal incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county child support services programs to comply with each of the following:

(1) Submit an annual plan describing how federal incentive funding would improve program effectiveness and efficiency as a condition of receiving federal incentive funding.

(2) Report annually on the following: (i) how federal incentive funding has improved program effectiveness and efficiency and been reinvested into their programs, (ii) documentation that the funds were spent according to their annual plans, and (iii) any deviations from their plans.

SECTION 9J.6.(d) Reporting by NCCSS. – NCCSS shall submit a report on federal child support incentive funding to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1 of each year. The report shall describe how federal incentive funds enhanced centralized child support services to benefit county child support services programs and improved the effectiveness and efficiency of county child support services programs. The report shall further include any changes to the State process that NCCSS used in calculating and distributing federal incentive funding to county child support services programs and any recommendations for further changes.

SUCCESSFUL TRANSITION/FOSTER CARE YOUTH

SECTION 9J.7. The Foster Care Transitional Living Initiative Fund shall continue to fund and support transitional living services that demonstrate positive outcomes for youth, attract significant private sector funding, and lead to the development of evidence-based programs to serve the at-risk population described in this section. The Fund shall continue to support a demonstration project with services provided by Youth Villages to (i) improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services, (ii) identify cost-savings in social services and juvenile and adult correction services associated with the provision of Transitional Living Services to youth aging out of foster care, and (iii) take necessary steps to establish an evidence-based transitional living program available to all youth aging out of foster care. In continuing to implement these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

(1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent randomized controlled trial. Results indicate that the Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings, economic hardship, mental health, and intimate partner violence in comparison to the control population.

(2) Public-Private Partnership, which is a commitment by private-sector funding partners to match at least twenty-five percent (25%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2025-2027 fiscal biennium for the purposes of providing Transitional Living Services through

the Youth Villages Transitional Living Model to youth aging out of foster care.

(3) Impact Measurement and Evaluation, which are services funded through private partners to provide independent measurement and evaluation of the impact the Youth Villages Transitional Living Model has on the youth served, the foster care system, and on other programs and services provided by the State which are utilized by former foster care youth.

(4) Advancement of Evidence-Based Process, which is the implementation and ongoing evaluation of the Youth Villages Transitional Living Model for the purposes of establishing the first evidence-based transitional living program in the nation. To establish the evidence-based program, additional randomized controlled trials may be conducted to advance the model.

REPORT ON CERTAIN SNAP AND TANF EXPENDITURES

SECTION 9J.8.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Social Services (Division), for each year of the 2025-2027 fiscal biennium for a report on certain Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) expenditures shall be allocated for vendor costs to generate the data regarding expenditures of those programs. The vendor shall generate data to be submitted to the Division that includes, at a minimum, each of the following:

(1) The dollar amount and number of transactions accessed or expended out-of-state, by state, for both SNAP benefits and TANF benefits.

(2) The amount of benefits expended out-of-state, by state, from active cases for both SNAP and TANF.

(3) The dollar amount and number of transactions of benefits accessed or expended in this State, by types of retailers or institutions, for both SNAP and TANF.

SECTION 9J.8.(b) Upon receiving the expenditures data for SNAP and TANF from the vendor, the Division shall evaluate the data. After evaluating the expenditures data, the Division shall submit a report on its analysis of the data by June 30 and December 31 of each year to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The Division shall post its report required by this subsection on its website and otherwise make the data available by June 30 and December 31 of each year. In the first report required by this section, the Division shall report how this data is used to investigate fraud and abuse in both SNAP and TANF. The Division shall also report on other types of data and how that data is utilized in the detection of fraud and abuse.

SECTION 9J.8.(c) The Division shall maintain the confidentiality of information not public under Chapter 132 of the General Statutes. The Division shall properly redact any information subject to reporting under this section to prevent identification of individual recipients of SNAP or TANF benefits.

CHILD ADVOCACY CENTER FUNDS

SECTION 9J.9. At least seventy-five percent (75%) of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, for Children's Advocacy Centers of North Carolina, Inc. (CACNC), a nonprofit organization, for each year of the 2025-2027 fiscal biennium shall be distributed to child advocacy centers in this State that are in good standing with CACNC in accordance with the requirements of G.S. 108A-77.2.

REQUIRE STATUS REPORT ON FOSTER CARE TRAUMA-INFORMED ASSESSMENT

SECTION 9J.10. The Department of Health and Human Services, Division of Social Services, shall provide a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the status of the foster care trauma-informed assessment (assessment) required under Section 9J.12 of S.L. 2023-134, as amended by Section 7 of S.L. 2024-34, by September 1, 2025, and every six months thereafter until the assessment is fully implemented statewide.

PART IX-K. EMPLOYMENT AND INDEPENDENCE FOR PEOPLE WITH DISABILITIES [RESERVED]

PART IX-L. HHS MISCELLANEOUS

MODIFICATION OF CERTIFIED NURSE MIDWIFE REQUIREMENTS REGARDING WRITTEN PLANS FOR THE EMERGENT AND NONEMERGENT TRANSFER OF PATIENTS PLANNING BIRTHS OUTSIDE OF A HOSPITAL SETTING

SECTION 9L.4.(a) G.S. 90-178.4 reads as rewritten:

"**§ 90-178.4. Administration.**

…

(a2) Any Certified Nurse Midwife who attends a planned birth outside of a hospital setting shall provide to each patient a detailed, written plan for emergent and nonemergent transfer, which shall include:

(1) The name of and distance to the nearest health care facility licensed under Chapter 122C or Chapter 131E of the General Statutes that offers labor and delivery services and has at least one operating ~~room.~~room that can be staffed 24 hours per day and the names of physicians and practices that cover obstetric services at that health care facility.

(2) The procedures for transfer, including modes of transportation and methods for notifying the relevant health care facility of impending transfer.

(3) An affirmation that the relevant physicians, practices, and health care facility ~~has~~ have been notified of the plan for emergent and nonemergent transfer by the Certified Nurse Midwife.

…."

SECTION 9L.4.(b) This section becomes effective October 1, 2025.

PART IX-M. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 9M.1.(a) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2027, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	FY 2025-2026	FY 2026-2027
Local Program Expenditures		
Division of Social Services		
01. Work First Family Assistance	$23,259,794	$23,259,794

02. Work First County Block Grants	80,093,566	80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	4,001,676	4,001,676
05. Child Protective Services – Child Welfare Workers for Local DSS	11,387,190	11,387,190
06. Child Welfare Program Improvement Plan	775,176	775,176
07. Child Welfare Collaborative	400,000	400,000
08. Child Welfare Initiatives	1,400,000	1,400,000
Division of Child Development and Early Education		
10. Subsidized Child Care Program	67,913,694	67,913,694
11. NC Pre-K Services	68,300,000	68,300,000
Division of Public Health		
12. Teen Pregnancy Prevention Initiatives	3,538,541	3,538,541
DHHS Administration		
13. Division of Social Services	2,478,284	2,478,284
14. Division of Child and Family Well-Being	3,976	3,976
15. Office of the Secretary	34,042	34,042
16. Eligibility Systems – Operations and Maintenance	431,733	431,733
17. NC FAST Implementation	428,239	428,239
18. Division of Social Services – Workforce Innovation & Opportunity Act (WIOA)	93,216	93,216
19. Division of Social Services TANF Modernization	2,000,000	2,000,000
Transfers to Other Block Grants		
Division of Child Development and Early Education		
20. Transfer to the Child Care and Development Fund	21,773,001	21,773,001

Division of Social Services		
21. Transfer to Social Services Block Grant for Child Protective Services – Training	285,612	285,612
22. Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
23. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	13,166,244	13,166,244
24. Transfer to Social Services Block Grant – Foster Care Services	3,422,219	3,422,219
25. Transfer to Social Services Block Grant – Child Advocacy Centers	1,582,000	1,582,000
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**$314,186,416**	**$314,186,416**
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		
Local Program Expenditures		
Division of Child Development and Early Education		
01. Subsidized Child Care	$34,337,395	$34,337,395
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	**$34,337,395**	**$34,337,395**
SOCIAL SERVICES BLOCK GRANT		
Local Program Expenditures		
Divisions of Social Services and Aging		
01. County Departments of Social Services	$19,837,388	$19,837,388
02. County Departments of Social Services (Transfer From TANF)	13,166,244	13,166,244
03. EBCI Tribal Public Health and Human Services	244,740	244,740
04. Child Protective Services (Transfer From TANF)	5,040,000	5,040,000

05. State In-Home Services Fund	1,943,950	1,943,950
06. Adult Protective Services	3,864,547	2,138,404
07. State Adult Day Care Fund	1,994,084	1,994,084
08. Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	901,868	901,868
09. Special Children Adoption Incentive Fund	462,600	462,600
10. Child Protective Services – Child Welfare Training for Counties (Transfer From TANF)	285,612	285,612
11. Home and Community Care Block Grant (HCCBG)	2,696,888	2,696,888
12. Child Advocacy Centers (Transfer From TANF)	1,582,000	1,582,000
13. Guardianship – Division of Social Services	1,802,671	1,802,671
14. Foster Care Services (Transfer From TANF)	3,422,219	3,422,219
14A. Big Brothers Big Sisters of the Triangle, Inc.	350,000	350,000
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
15. Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Use Services – Adult	4,149,595	4,149,595
15A. Autism Society of North Carolina, Inc.	2,541,392	2,541,392
15B. The Arc of North Carolina, Inc.	271,074	271,074
15C. Easterseals UCP North Carolina & Virginia, Inc.	1,612,059	1,612,059
DHHS Program Expenditures		
Division of Services for the Blind		
16. Independent Living Program & Program Oversight	4,237,849	4,237,849
Division of Health Service Regulation		
17. Adult Care Licensure Program	891,520	891,520

18. Mental Health Licensure and Certification Program	266,158	266,158
Division of Aging		
19. Guardianship	3,825,443	3,825,443
DHHS Administration		
20. Division of Aging	188,787	188,787
21. Division of Social Services	1,724,551	1,724,551
22. Office of the Secretary/Controller's Office	673,990	673,990
23. Legislative Increases/Fringe Benefits	293,655	587,310
24. Division of Child Development and Early Education	13,878	13,878
25. Division of Mental Health, Developmental Disabilities, and Substance Use Services	29,966	29,966
26. Division of Health Service Regulation	592,882	592,882
TOTAL SOCIAL SERVICES BLOCK GRANT	**$78,907,610**	**$77,475,122**
LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		
Division of Social Services		
01. Low-Income Energy Assistance Program (LIEAP)	$56,369,281	$56,369,281
02. Crisis Intervention Program (CIP)	44,804,354	44,804,354
Local Administration		
Division of Social Services		
03. County DSS Administration	8,037,889	8,037,889
DHHS Administration		
Division of Social Services		
04. Administration	10,000	10,000

05. Energy Portal (FIS Transaction Fees)	25,000	25,000
Division of Central Management and Support		
06. Office of the Secretary/Division of Information Resource Management (DIRM) (Accountable Results for Community Action (AR4CA) Replacement System)	166,750	166,750
07. Office of the Secretary/DIRM	278,954	278,954
08. Office of the Secretary/Controller's Office	18,378	18,378
09. NC FAST Development	627,869	627,869
10. NC FAST Operations and Maintenance	1,330,323	1,330,323
Transfers to Other State Agencies		
Department of Environmental Quality		
11. Weatherization Program	10,356,943	10,356,943
12. Heating Air Repair and Replacement Program (HARRP)	5,898,508	5,898,508
13. Local Residential Energy Efficiency Service Providers – Weatherization	574,945	574,945
14. Local Residential Energy Efficiency Service Providers – HARRP	319,414	319,414
15. DEQ – Weatherization Administration	628,180	628,180
16. DEQ – HARRP Administration	393,944	393,944
Department of Administration		
17. N.C. Commission on Indian Affairs	87,736	87,736
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	**$129,928,468**	**$129,928,468**
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development and Early Education		
01. Child Care Services	$347,089,929	$367,089,929
02. Smart Start Subsidy	7,392,654	7,392,654

03. Transfer from TANF Block Grant for Child Care Subsidies	21,773,001	21,773,001
04. Quality and Availability Initiatives (TEACH Program $3,800,000; Family Child Care Home Direct Support Pilot Program $3,500,000)	77,480,526	67,780,527
DHHS Administration		
Division of Child Development and Early Education		
05. DCDEE Administrative Expenses	9,710,886	9,710,886
06. Indirect Cost	7,346	7,346
Division of Social Services		
07. Direct Deposit for Child Care Payments	5,000	5,000
08. Local Subsidized Child Care Services Support	18,780,355	18,780,355
Division of Central Management and Support		
09. NC FAST Operations and Maintenance	1,450,316	1,450,316
10. DHHS Central Administration – DIRM Technical Services	1,029,762	1,029,762
11. DHHS Central Administration	118,000	118,000
Division of Child and Family Well-Being		
12. Child Care Health Consultation Contracts	62,205	62,205
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	**$484,899,980**	**$495,199,981**
COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Mental Health Services – Child	$2,477,666	$2,477,666
02. Mental Health Services – Adult/Child	19,443,833	19,443,833
03. Mental Health Services – First Psychotic Symptom Treatment	4,208,378	4,208,378

04. Child Behavioral Health (Division of Child and Family Well-Being)	5,246,350	5,246,350
DHHS Administration		
Division of Child and Family Well-Being		
05. Administration	140,000	140,000
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
06. Crisis Services	2,377,047	2,377,047
07. Administration	332,351	332,351
08. Adult/Child Mental Health Services	350,150	350,150
Division of Public Health		
09. NC Detect – Behavioral Health ER	35,000	35,000
TOTAL COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT	**$34,610,775**	**$34,610,775**
SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES BLOCK GRANT		
Local Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
01. Substance Abuse – IV Drug	$2,000,000	$2,000,000
02. Substance Abuse Prevention	13,351,864	13,351,864
03. Substance Use Services – Treatment for Children/Adults (Healing Transitions, Inc., $200,000; Triangle Residential Options for Substance Abusers, Inc., (TROSA) $3,225,000; First Step Farm of Western N.C., Inc., $100,000; Addiction Recovery Care Association, Inc., (ARCA) $2,000,000)	40,038,949	40,038,949
DHHS Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
04. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,545,205	1,545,205

05. Veterans Initiatives	250,000	250,000
DHHS Administration		
Division of Mental Health, Developmental Disabilities, and Substance Use Services		
07. Administration	2,297,852	2,297,852
08. Controlled Substance Reporting System	675,000	675,000
TOTAL SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES BLOCK GRANT	**$60,158,870**	**$60,158,870**
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Child and Family Well-Being		
01. Children's Health Services (National Society to Prevent Blindness – North Carolina Affiliate, Inc., $575,000)	$11,646,618	$11,646,618
Division of Public Health		
02. Women's and Children's Health Services (March of Dimes, Inc., $350,000; Sickle Cell Centers $200,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal & Neonatal Outreach Coordinator Contracts $440,000; Mountain Area Pregnancy Services $50,000)	5,453,930	5,453,930
03. Oral Health	58,413	58,413
04. Evidence-Based Programs in Counties With the Highest Infant Mortality Rates	1,727,307	1,727,307
DHHS Program Expenditures		
05. Children's Health Services	1,287,619	1,287,619
06. Women's Health – Maternal Health	489,568	489,568
07. Women's and Children's Health – Perinatal Strategic Plan Support Position	81,112	81,112
08. State Center for Health Statistics	158,583	158,583
09. Health Promotion – Injury and Violence Prevention	87,271	87,271

DHHS Administration		
10. Division of Public Health Administration	340,646	340,646
11. Division of Child and Family Well-Being Administration	211,925	211,925
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	**$21,542,992**	**$21,542,992**
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Physical Activity and Prevention	$3,081,442	$3,081,442
DHHS Program Expenditures		
Division of Public Health		
02. HIV/STD Prevention and Community Planning	135,063	135,063
03. Oral Health Preventive Services	150,000	150,000
04. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	217,935	217,935
05. Performance Improvement and Accountability	1,384,421	1,199,557
06. State Center for Health Statistics	48,000	48,000
DHHS Administration		
Division of Public Health		
07. Division of Public Health	65,000	65,000
TOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	**$5,081,861**	**$4,896,997**
COMMUNITY SERVICES BLOCK GRANT		
01. Community Action Agencies	$22,370,334	$21,483,238
02. Limited Purpose Agencies/Discretionary Funding	504,718	504,718
03. Office of Economic Opportunity	1,070,001	1,024,351
04. Office of the Secretary/DIRM (Accountable Results for		

Community Action (AR4CA) Replacement System)	394,964	414,713
05. Office of Economic Opportunity – Workforce Investment Opportunities Act (WIOA)	60,000	60,000
TOTAL COMMUNITY SERVICES BLOCK GRANT	**$24,400,017**	**$23,487,020**

GENERAL PROVISIONS

SECTION 9M.1.(b) Information to be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.

(2) A delineation of the proposed State and local administrative expenditures.

(3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.

(4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.

(5) A projection of current year expenditures by program or activity.

(6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

(7) The required amount of maintenance of effort and the amount of funds qualifying for maintenance of effort in the previous year delineated by program or activity.

SECTION 9M.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this act, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this act.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this act, the Department shall develop a plan to adjust the Block Grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for fiscal years 2025-2026 and 2026-2027, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy program to pay for child care and shall not be used to supplant State funds.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

SECTION 9M.1.(d) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2027, according

to the schedule enacted for State fiscal years 2025-2026 and 2026-2027, or until a new schedule is enacted by the General Assembly.

SECTION 9M.1.(e) Except as otherwise provided in subsection (e1) of this section, all changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management. The Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section. Additionally, if budgeted allocations are decreased, the Office of State Budget and Management shall not approve any reduction of funds designated for subrecipients in subsection (a) of this section under (i) Item 03 of the Substance Use Prevention, Treatment, and Recovery Services Block Grant or (ii) Item 01 or 02 of the Maternal and Child Health Block Grant. The Office of State Budget and Management shall consult with the Joint Legislative Oversight Committee on Health and Human Services for review prior to implementing any changes. In consulting, the report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

SECTION 9M.1.(e1) The Department of Health and Human Services shall have the authority to realign appropriated funds under subsection (a) of this section for Item 01 or 02 in the Maternal and Child Health Block Grant to maintain federal compliance and programmatic alignment, so long as the realignment does not result in a reduction of funds designated for subrecipients under subsection (a) of this section. The Department of Health and Human Services is authorized to realign appropriated funds between the Maternal and Child Health Block Grant categories as provided in this subsection without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services or without exceeding the total amount appropriated for the items.

SECTION 9M.1.(f) Except as otherwise provided, the Department of Health and Human Services shall have flexibility to transfer funding between the Temporary Assistance for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant so long as the total allocation for the line items within those Block Grants remains the same.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 9M.1.(g) The sum of eighty million ninety-three thousand five hundred sixty-six dollars ($80,093,566) for each year of the 2025-2027 fiscal biennium appropriated in this act in TANF funds to the Department of Health and Human Services, Division of Social Services, shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures. The Division shall also have the authority to realign appropriated funds from Work First Family Assistance for electing counties to the Work First County Block Grant for electing counties based on current year expenditures so long as the electing counties meet Maintenance of Effort requirements.

SECTION 9M.1.(h) The sum of eleven million three hundred eighty-seven thousand one hundred ninety dollars ($11,387,190) for each year of the 2025-2027 fiscal biennium appropriated in this act to the Department of Health and Human Services, Division of Social Services, in TANF funds for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train,

license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total expenditures from State and local funds for fiscal years 2025-2026 and 2026-2027 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 9M.1.(i) The sum of four million one thousand six hundred seventy-six dollars ($4,001,676) for each year of the 2025-2027 fiscal biennium appropriated in this act in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 9M.1.(j) The sum of one million four hundred thousand dollars ($1,400,000) appropriated in this act in TANF funds to the Department of Health and Human Services, Division of Social Services, for each fiscal year of the 2025-2027 fiscal biennium shall be used for child welfare initiatives to (i) enhance the skills of social workers to improve the outcomes for families and children involved in child welfare and (ii) enhance the provision of services to families in their homes in the least restrictive setting.

SECTION 9M.1.(k) Of the three million five hundred thirty-eight thousand five hundred forty-one dollars ($3,538,541) allocated in this section in TANF funds to the Department of Health and Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium for teen pregnancy prevention initiatives, the sum of five hundred thousand dollars ($500,000) in each year of the 2025-2027 fiscal biennium shall be used to provide services for youth in foster care or the juvenile justice system.

SOCIAL SERVICES BLOCK GRANT

SECTION 9M.1.(*l*) The sum of nineteen million eight hundred thirty-seven thousand three hundred eighty-eight dollars ($19,837,388) for each year of the 2025-2027 fiscal biennium appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, and the sum of thirteen million one hundred sixty-six thousand two hundred forty-four dollars ($13,166,244) for each year of the 2025-2027 fiscal biennium transferred from funds appropriated in the TANF Block Grant shall be used for county Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds, as well as State Social Services Block Grant funds, among the State-level services based on current year actual expenditures.

SECTION 9M.1.(m) The sum of two hundred eighty-five thousand six hundred twelve dollars ($285,612) appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each fiscal year of the 2025-2027 fiscal biennium shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Provide training for residential child caring facilities.
(3) Provide for various other child welfare training initiatives.

SECTION 9M.1.(n) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services

Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 9M.1.(o) Social Services Block Grant funds appropriated for the Special Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

SECTION 9M.1.(p) The sum of five million forty thousand dollars ($5,040,000) appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027 fiscal biennium transferred from funds appropriated in the TANF Block Grant shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county governments to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 9M.1.(q) The sum of one million five hundred eighty-two thousand dollars ($1,582,000) appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 9M.1.(r) The sum of three million eight hundred twenty-five thousand four hundred forty-three dollars ($3,825,443) for each fiscal year of the 2025-2027 fiscal biennium appropriated in this act in the Social Services Block Grant to the Department of Health and Human Services, Division of Aging, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds allocated in this section to support existing corporate guardianship contracts during the 2025-2026 and 2026-2027 fiscal years.

SECTION 9M.1.(s) Of the three million eight hundred sixty-four thousand five hundred forty-seven dollars ($3,864,547) appropriated in this act in the Social Services Block Grant for the 2025-2026 fiscal year and the two million one hundred thirty-eight thousand four hundred four dollars ($2,138,404) for the 2026-2027 fiscal year to the Division of Aging for Adult Protective Services, the sum of eight hundred ninety-three thousand forty-one dollars ($893,041) for each year of the 2025-2027 fiscal biennium shall be used to increase the number of Adult Protective Services workers where these funds can be the most effective. These funds shall be used to pay for salaries and related expenses and shall not be used to supplant any other source of funding for staff. These funds are also exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 9M.1.(s1) The following amounts appropriated in this act in the Social Services Block Grant for each fiscal year of the 2025-2027 fiscal biennium to the Department of Health and Human Services, Division of Social Services or Division of Mental Health, Developmental Disabilities, and Substance Use Services, for the nonprofit organizations described in this subsection shall be exempt from the provisions of 10A NCAC 71R .0201(3):

(1) The sum of three hundred fifty thousand dollars ($350,000) for each fiscal year of the 2025-2027 fiscal biennium for Big Brothers Big Sisters of the Triangle, Inc.

(2) The sum of two million five hundred forty-one thousand three hundred ninety-two dollars ($2,541,392) for each fiscal year of the 2025-2027 fiscal biennium for Autism Society of North Carolina, Inc.

(3) The sum of two hundred seventy-one thousand seventy-four dollars ($271,074) for each fiscal year of the 2025-2027 fiscal biennium for The Arc of North Carolina, Inc.

(4) The sum of one million six hundred twelve thousand fifty-nine dollars ($1,612,059) for each fiscal year of the 2025-2027 fiscal biennium for Easterseals UCP of North Carolina & Virginia, Inc.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 9M.1.(t) The Division of Social Services shall have the authority to realign appropriated funds between the State-level services Low-Income Energy Assistance Payments and Crisis Assistance Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services to ensure needs are effectively met without exceeding the total amount appropriated for these State-level service items. Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services. Additional funds received shall be reported to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services.

SECTION 9M.1.(u) The sum of fifty-six million three hundred sixty-nine thousand two hundred eighty-one dollars ($56,369,281) for each year of the 2025-2027 fiscal biennium appropriated in this act in the Low-Income Home Energy Assistance Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for Energy Assistance Payments for the households of (i) elderly persons age 60 and above with income up to one hundred fifty percent (150%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging.

County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year. The outreach plan shall comply with the following:

(1) Ensure that eligible households are made aware of the available assistance, with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging.

(2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance.

(3) Be approved by the local board of social services or human services board prior to submission.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 9M.1.(v) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 9M.1.(w) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT

SECTION 9M.1.(x) The sum of four million two hundred eight thousand three hundred seventy-eight dollars ($4,208,378) for each year of the 2025-2027 fiscal biennium

appropriated in this act in the Community Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services, is to be used for Mental Health Services – First Psychotic Symptom Treatment.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 9M.1.(y) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2025-2026 fiscal year or the 2026-2027 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to administer an abstinence until marriage education program consistent with G.S. 115C-81.30. The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 9M.1.(z) The sum of one million seven hundred twenty-seven thousand three hundred seven dollars ($1,727,307) appropriated in this act in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each year of the 2025-2027 fiscal biennium shall be used for evidence-based programs in counties with the highest infant mortality rates. The Division shall report on (i) the counties selected to receive the allocation, (ii) the specific evidence-based services provided, (iii) the number of women served, and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31 of each year.

SECTION 9M.1.(aa) The sum of eighty-one thousand one hundred twelve dollars ($81,112) allocated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, Women and Children's Health Section, for each fiscal year of the 2025-2027 fiscal biennium shall not be used to supplant existing State or federal funds. This allocation shall be used for a Public Health Program Consultant position assigned full-time to manage the North Carolina Perinatal Health Strategic Plan and provide staff support for the stakeholder work group.

SECTION 9M.1.(bb) At least ninety percent (90%) of the funds allocated for Mountain Area Pregnancy Services, a nonprofit organization, in the Maternal and Child Health Block Grant for each year of the 2025-2027 fiscal biennium shall be used for direct services.

SECTION 9M.1.(cc) Notwithstanding any provision of law to the contrary, the Department of Health and Human Services, Division of Public Health, shall have the authority to realign appropriated funds between the Maternal and Child Health Block Grant categories to maintain federal compliance and programmatic alignment without exceeding the total amount appropriated for the Maternal and Child Health Block Grant.

USE OF CHILD CARE AND DEVELOPMENT BLOCK GRANT FUNDS/FAMILY CHILD CARE HOME DIRECT SUPPORT PILOT

SECTION 9M.2.(a) Of the funds appropriated in this act from the federal Child Care and Development Block Grant under Section 9M.1 of this act to the Department of Health and Human Services, Division of Child Development and Early Education, for quality and availability initiatives, the sum of three million five hundred thousand dollars ($3,500,000) for each year of the 2025-2027 fiscal biennium shall be allocated in equal amounts to three councils of governments, one of which is in a county from the Coastal Plain Region, one of which is in a county from the Mountain Region, and one of which is in a county from the Piedmont Region, as those regions are defined in G.S. 143B-1373(a). These funds shall be used to establish a two-year pilot program coordinated by those councils of governments to build child care capacity

in those counties. Each designated council of governments shall issue a request for application (RFA) for a vendor to contract with the respective council of governments to administer the pilot program, and each vendor selected shall have experience providing support and assistance to early child care providers. To receive funds, the vendor shall partner with the councils of governments in the respective county to (i) increase the supply of child care programs by recruiting and coaching prospective child care providers through the initial business planning and implementation process and (ii) ensure sustainability by executing a two-year mentorship program for the new child care programs created pursuant to this section.

SECTION 9M.2.(b) The councils of governments participating in the pilot program may use (i) a portion of these funds for additional solutions provided by the vendor within the early childhood education space to meet localized needs and in support of recovery, rehabilitation, and ongoing needs of their member communities and (ii) up to five percent (5%) of the funds allocated to the respective councils of governments under this act for administrative costs.

SECTION 9M.2.(c) The councils of governments participating in the pilot program shall select a vendor that has all of the following qualifications:

(1) Experience and active or successful contracts to establish new family child care homes in at least three other states.

(2) Technology to operate a substitute teacher pool that matches teachers with providers and facilitates payments and quality control, and experience in creating an active substitute teacher pool in one state.

(3) Experience successfully establishing family child care homes in rural communities and addressing child care access in underserved areas.

(4) Technology that (i) allows for the recruitment of child care providers via microsites, (ii) allows the onboarding of child care providers via a licensing checklist, (iii) allows coaches to interface with and communicate with child care providers, (iv) supports child care providers with enrollments via a website and enrollment marketplace, (v) supports the recruitment of teachers for the programs, (vi) provides billing for the programs, (vii) provides ongoing business coaching, and (viii) allows all such technology to be connected and communicate seamlessly.

(5) Demonstrated successful experience establishing new family child care homes at scale on time lines of six months or less.

SECTION 9M.2.(d) Each vendor selected to participate in the pilot program shall do each of the following:

(1) Perform a child care needs analysis to determine where child care providers and substitute teachers are needed.

(2) Recruit new potential child care providers and substitutes and plan, staff, and execute in-person and virtual recruitment events for new child care providers in areas of need.

(3) Implement technology that meets the requirements of subdivision (c)(4) of this section.

(4) Implement technology to operate a substitute teacher pool that matches teachers with providers and facilitates payments and quality control.

(5) Develop informational materials that assist in-home family child care providers with marketing, advertising, and parental outreach.

(6) Create child care slots and implement a substitute teacher pool available to child care providers in the councils of governments' respective counties.

(7) Craft an implementation strategy to meet community and workforce needs, including establishing child care for nontraditional hours and days, as needed.

(8) Provide a dashboard that allows for government leaders to track vendor progress and get feedback from child care providers along with real-time reporting.

(9) Provide support and resources and offer in-home family child care providers coaching and training that includes in-person group training sessions, on-site coaching visits, community forums, and events for a minimum of two years.

(10) Report all necessary information as required by this section.

SECTION 9M.2.(e) The councils of governments participating in the pilot program shall submit an initial progress report by March 1, 2026, and additional progress reports every six months thereafter for the duration of the pilot program to the Joint Legislative Oversight Committee on Health and Human Services, the Fiscal Research Division, and the Division of Child Development and Early Education. The reports shall include, at a minimum, the following:

(1) The number of child care programs created through the pilot program, by county.

(2) The number of child care programs created that are child care centers and the number that are family child care homes.

(3) The number of new child care slots created by the pilot program.

(4) The costs associated with creating the child care programs, including any administrative costs.

PART X. AGRICULTURE AND CONSUMER SERVICES [RESERVED]

PART XI. COMMERCE

COMMUNITY DEVELOPMENT BLOCK GRANTS

SECTION 11.1.(a) Allocations. – Of the funds appropriated in this act for federal block grant funds, the following allocations are made for the fiscal years ending June 30, 2026, and June 30, 2027, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

1.	State Administration	$1,559,093
2.	Neighborhood Revitalization	7,516,037
3.	Economic Development	13,472,376
4.	Infrastructure	18,980,379
5.	Rural Community Development	4,745,094
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2026 Program Year		**$46,272,979**
	2027 Program Year	**$46,272,979.**

SECTION 11.1.(b) Availability Reduction. – If federal funds are reduced below the amounts specified in this section after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 11.1.(c) Availability Increase. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be

expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 11.1.(d) Reallocation. – The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds either of the following conditions exists:

(1) If a reallocation is required because of an emergency that poses an imminent threat to public health or public safety, then the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) If the State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, then the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 11.1.(e) Report. – By October 1, 2025, and September 1, 2026, the Department of Commerce shall report to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; the chairs of the Joint Legislative Economic Development and Global Engagement Oversight Committee; and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding, including information on the statewide need in each category.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 11.1.(f) Neighborhood Revitalization. – Funds allocated to the Neighborhood Revitalization Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by the United States Department of Housing and Urban Development (HUD):

(1) Essential repairs to prevent abandonment and deterioration of housing in low- and moderate-income neighborhoods.

(2) Demolition and rehabilitation of buildings and improvements.

(3) Public improvements, including parks, streets, sidewalks, and water and sewer lines.

SECTION 11.1.(g) Economic Development. – Funds allocated to the Economic Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by HUD:

(1) Acquisition of real property.

(2) Demolition and rehabilitation of buildings and improvements.

(3) Removal of material and architectural barriers.
(4) Public improvements, including parks, streets, sidewalks, and water and sewer lines.
(5) Loans and grants to public or private nonprofit entities for construction and rehabilitation activities.
(6) Assistance to private, for-profit entities for economic development.
(7) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
(8) Assistance to for-profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(h) Infrastructure. – For purposes of this section, eligible activities under the Infrastructure Category in subsection (a) of this section shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure." Notwithstanding the provisions of subsection (d) of this section, funds allocated to the Infrastructure Category in subsection (a) of this section shall not be reallocated to any other category.

SECTION 11.1.(i) Rural Community Development. – Funds allocated for the Rural Community Development Category in subsection (a) of this section shall be made available as grants for eligible activities listed in this subsection. These funds shall provide grants that support community development and comprehensive growth projects to be awarded by the Department of Commerce. The Rural Community Development Category will provide grants to units of local government in development tier one and development tier two areas, as defined in G.S. 143B-437.08, and in rural census tracts, as defined in G.S. 143B-472.127(a)(2), in any other area to support projects that promote broad-based community development activities, increased local investment and economic growth, and stronger and more viable rural neighborhoods. In awarding grants under this section, preference shall be given to projects in development tier one areas, as defined in G.S. 143B-437.08. The funds available for grants under this category may be used for all of the following, subject to the national objectives and eligible activities allowed under guidance issued by HUD:

(1) Essential repairs to prevent abandonment and deterioration of housing in low- and moderate-income neighborhoods.
(2) Public improvements, including parks, streets, sidewalks, and water and sewer lines.
(3) Public facilities, including neighborhood and community facilities and facilities for individuals with special needs.
(4) Public services, including employment, crime prevention, and energy conservation.
(5) Assistance to private, for-profit entities for economic development.
(6) Technical assistance to public or nonprofit entities for neighborhood revitalization or economic development activities.
(7) Assistance to for-profit and nonprofit entities to facilitate economic development activities.

SECTION 11.1.(j) Deobligated Funds. – Throughout each year, deobligated funds arise in the various funding categories and program years of the Community Development Block Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being canceled, or (iii) projects being required to repay funds. Surplus federal administrative funds in the CDBG program may vary from year to year based upon the amount of State-appropriated funds allocated and the amount of eligible in-kind funds identified. To allow the Department of Commerce and the Department of Environmental Quality to quickly deploy deobligated and surplus federal administrative funds as they are identified throughout the program year, the

following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds:

(1) All surplus federal administrative funds shall be divided proportionally between the Departments of Commerce and Environmental Quality and shall be used as provided in subdivisions (2) and (3) of this subsection.

(2) All deobligated funds allocated to the Department of Commerce and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG Economic Development or Neighborhood Revitalization Program Category.

b. For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.

c. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

(3) All deobligated funds allocated to the Department of Environmental Quality and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG Infrastructure Category.

b. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 11.2.(a) The entities listed in subsection (b) of this section shall do the following for each year that State funds are expended:

(1) By September 1 of each year, and more frequently as requested, report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. If State funds are used to provide matching funds for competitive grants from the federal government or a nongovernmental entity, the report should include a list and description of the grants that are awarded.

(2) Provide to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; and the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

SECTION 11.2.(b) The following entities shall comply with the requirements of subsection (a) of this section:

(1) North Carolina Biotechnology Center.

(2) High Point Market Authority.

(3) RTI International.

NC BIOTECHNOLOGY CENTER

SECTION 11.3.(a) Except for the funds appropriated in subsection (b) of this section, funds appropriated in this act to the Department of Commerce for the North Carolina Biotechnology Center (Center) for each fiscal year in the 2025-2027 biennium shall be allocated for the following purposes in the following proportions:

(1) Twenty-one percent (21%) for job creation, including funding for the AgBiotech Initiative, economic and industrial development, and related activities.

(2) Sixty-five percent (65%) for science and commercialization, including science and technology development, Centers of Innovation, business and technology development, education and training, and related activities.

(3) Fourteen percent (14%) for Center operations, including administration, professional and technical assistance and oversight, corporate communications, human resource management, financial and grant administration, legal, and accounting.

SECTION 11.3.(b) Of the funds appropriated in this act to the Department of Commerce for the Center, five hundred thousand dollars ($500,000) of recurring funds in each fiscal year of the 2025-2027 biennium shall be used to support funding for early-stage loans to North Carolina agricultural technology companies.

SECTION 11.3.(c) The Center shall not use any of the recurring funds allocated in subsection (b) of this section for administrative costs and shall report on the expenditure of those funds each year pursuant to Section 11.2 of this act.

SECTION 11.3.(d) The Center shall prioritize funding and distribution of loans over funding and distribution of grants.

SECTION 11.3.(e) Up to ten percent (10%) of the sum of each of the allocations in subsection (a) of this section may be reallocated to subdivision (a)(1) or subdivision (a)(2) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

INCREASE UI MAX BENEFIT

SECTION 11.6.(a) To maintain the rule of law with respect to State and federal relations pertaining to employment security laws in North Carolina, any executive order issued by the Governor that purports to expand unemployment insurance benefits, whether those benefits will be paid from federal or State funds, is void ab initio unless the executive order is issued upon authority that is conferred expressly by an act enacted by the General Assembly or granted specifically to the Governor by the Congress of the United States.

SECTION 11.6.(b) Sections 1, 2, 3, and 4 of Executive Order No. 322, issued by the Governor on October 16, 2024, and concurred to by the Council of State, are ratified and shall terminate on March 1, 2025.

SECTION 11.6.(c) G.S. 96-14.2(a) reads as rewritten:

"(a) Weekly Benefit Amount. – The weekly benefit amount for an individual who is totally unemployed is an amount equal to the wages paid to the individual in the last two completed quarters of the individual's base period divided by 52 and rounded to the next lower whole dollar. If this amount is less than fifteen dollars ($15.00), the individual is not eligible for benefits. The weekly benefit amount may not exceed ~~three hundred fifty dollars ($350.00).~~four hundred fifty dollars ($450.00)."

SECTION 11.6.(d) Subsection (c) of this section becomes effective July 6, 2025, and applies to claims for benefits filed on or after July 6, 2025. The remainder of this section is effective when it becomes law.

MOTORSPORTS INDUSTRY STUDY

SECTION 11.7A.(a) Of the funds appropriated in this act from the General Fund to the Department of Commerce, the sum of four hundred thousand dollars ($400,000) in nonrecurring funds for the 2025-2026 fiscal year shall be used for Sanford Holshouser Business Development Group (Group) to update the Group's previous study on the motorsports industry in this State, published in October 2004 entitled "Motorsports – A North Carolina Growth Industry Under Threat." The study shall also address the potential for North Carolina to secure events for all levels of motorsports racing, including professional, sportsman, and club racing, motorsports research and development, motorsports manufacturing, and motorsports testing facilities.

SECTION 11.7A.(b) By April 15, 2026, the Group, in consultation with the Department, shall submit a report to the chairs of the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division.

CDL TRAINING GRANT PROGRAM

SECTION 11.8.(a) The Department of Commerce shall establish a grant program to encourage and facilitate residents of this State to obtain commercial drivers licenses (CDLs). The grant program established in this section shall provide funds to a qualifying CDL training provider to cover the cost of CDL training programs and shall provide stipends for temporary accommodations for trainees in the CDL programs receiving funding under this section. A qualifying CDL training provider shall meet the following criteria:

(1) Must offer a four-week accelerated CDL training program.

(2) Must be authorized to conduct on-site CDL testing to streamline licensing.

(3) Must have enrollment and training facilities in this State.

SECTION 11.8.(b) The Department of Commerce shall provide a qualifying CDL training provider a grant equaling four thousand dollars ($4,000) per trainee, payable to the qualifying CDL training provider upon successful completion of the program and the receipt of a CDL by the trainee. The Department of Commerce shall also provide a grant equaling one thousand five hundred dollars ($1,500) for trainees needing accommodations during their participation in the CDL training program, payable directly to participating local hotels or motels proximally located to the CDL training facility, for trainees that demonstrate a financial need and that do not reside in close proximity to the CDL training facility. The Department shall award no more than two hundred seventy-seven thousand five hundred dollars ($277,500) of funds appropriated in this act for grants for trainee accommodations. A trainee under this section shall be a resident of this State. The Department of Commerce shall establish a streamlined application system, including options for online and in-person applications, to verify residency, assess financial need, and facilitate program enrollment. In addition, the Department of Commerce shall organize partnerships with (i) local hotels and motels for receipt of grants for trainee stipends and (ii) local employers and construction firms to assist graduates of the CDL training program in securing employment.

SECTION 11.8.(c) For the purposes of this section, the terms "CDL training provider" and "CDL training programs" refer to entry-level driver training, as defined in 49 C.F.R. § 380.605.

PART XII. ENVIRONMENTAL QUALITY

DEQ BASE BUDGET CORRECTIONS

SECTION 12.1.(a) To ensure the Department of Environmental Quality's budget conforms with Chapter 143C of the General Statutes, the Department and the Office of State Budget and Management, in consultation with the Fiscal Research Division, shall take all of the following actions prior to the certification of the 2025-2027 budget under G.S. 143C-6-1(c):

(1) Remove all negative appropriations from the base budget.
(2) Remove all negative full-time equivalent positions from the base budget.
(3) Budget all one-time grants on a nonrecurring basis.
(4) Remove all intergovernmental transfers from "Other Admin Expenses."
(5) Budget all intergovernmental transfers as such with the correct amount receipted to the corresponding expenditure.
(6) Correctly budget the base budget corrections enacted in the "Current Operations Appropriations Act of 2023" (S.L. 2023-134).
(7) Accurately budget all special funds to not budget the expenditure of cash balances that do not exist.

SECTION 12.1.(b) No budgetary action by the Department in accordance with subsection (a) of this section shall increase the Department's net General Fund appropriation.

SECTION 12.1.(c) The Department shall report to the Fiscal Research Division on all actions taken under this section within 30 days of the effective date of this act. This report may be in the form of a revised "Worksheet I."

WATER AND WASTEWATER FUNDING DIRECTIVES

2021 AND 2022 WATER AND WASTEWATER PROJECTS FROM STATE FISCAL RECOVERY FUNDS PRIORITIZATION

SECTION 12.2.(a) Directive. – Recipients of funding from the State Fiscal Recovery Fund for water, wastewater, and stormwater projects under Sections 12.13 and 12.14 of S.L. 2021-180, as amended, or Section 12.9 of S.L. 2022-74, as amended, shall prioritize spending those funds prior to spending funds from nonfederal funding sources for water, wastewater, and stormwater projects. The Department of Environmental Quality and the Office of State Budget and Management shall not approve payments from nonfederal sources for water, wastewater, and stormwater construction projects that have not executed construction contracts prior to October 1, 2025, unless the Department or the Office, as applicable, determines that the recipient for funding is meeting all milestones necessary to spend their funding from the State Fiscal Recovery Fund prior to December 31, 2026. This section does not apply to projects (i) for which the Department exercised the funding flexibility provided by Section 10.1 of S.L. 2024-51 or (ii) receiving funds under Sections 4C.5, 4C.6, or 4C.7 of S.L. 2024-53, as amended.

2023 WATER AND WASTEWATER GENERAL FUND DEADLINES

SECTION 12.2.(b) Deadlines for Project Completions. – Recipients of funding for projects under Section 12.2(e) of S.L. 2023-134 shall comply with the following schedule:

(1) No later than December 31, 2026, provide to the Department of Environmental Quality (Department) a completed request for funding form with a project budget that describes a project that is eligible for funding under applicable State or federal law and consistent with the purposes for the funding as set forth in Section 12.2(e) of S.L. 2023-134.
(2) No later than December 31, 2028, enter into a construction contract for the project.
(3) No later than June 30, 2031, expend all funding allocated under Section 12.2(e) of S.L. 2023-134.

SECTION 12.2.(c) Extension of Deadline. – The Department may extend the applicable deadline set forth in subsection (b) of this section and set a new deadline with a date certain, if the Department finds good cause for the recipient of funding failing to meet the applicable deadline.

SECTION 12.2.(d) Reversion of Unspent Funds. – If a recipient for funding under Section 12.2(e) of S.L. 2023-134 (i) fails to meet any of the deadlines set forth in subsection (b)

or (c) of this section or (ii) complies with the applicable deadline but there remains unexpended or unbudgeted funds in excess of the needs of the eligible project, then unencumbered funds shall revert in accordance with Section 12.2(c) of S.L. 2023-134 on the next business day after the applicable deadline has passed.

SECTION 12.2.(e) Reallocation of Reverted Funds. – In reallocating funds reverted under subsection (d) of this section, the Department shall prioritize other projects that are allocated funds under Section 12.2(e) of S.L. 2023-134 that the Division of Water Infrastructure finds can no longer be completed due to unavoidable cost overruns. For purposes of this subsection, an unavoidable cost overrun is an increase in the cost of a project since September 1, 2023, due to increases in labor, material, or engineering costs for the project as described in the first request for funding submitted to the Department after that date. A change in project size or scope is not an unavoidable cost overrun.

SECTION 12.2.(f) Reporting Requirement. – Beginning October 30, 2025, and no later than 30 days after the end of each subsequent quarter thereafter, the Department shall report to (i) the chairs of the House Appropriations Committee on Agriculture and Natural and Economic Resources, (ii) the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, (iii) each member who represents a district with an active project under Section 12.2(e) of S.L. 2023-134, and (iv) the Fiscal Research Division detailing, at a minimum, each project's progress and funding status. This reporting requirement expires when all funds are expended and those projects are completed.

EXPAND ELIGIBILITY FOR TARGETED INTEREST RATE LOANS FROM WASTEWATER AND DRINKING WATER RESERVES

SECTION 12.2.(g) G.S. 159G-20 reads as rewritten:

"**§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

…

(21) Targeted interest rate project. – ~~Either~~ Any of the following types of projects:

a. A project that is awarded a loan from the Drinking Water Reserve or the Wastewater Reserve based on affordability.

b. A project that is awarded a loan from the CWSRF or the DWSRF and is in a category for which federal law encourages a special focus.

c. A project the Authority finds will (i) encourage owners of single or multifamily residential property to replace failing decentralized wastewater treatment systems with connection to a publicly owned treatment works, (ii) be located in a county subject to a state of emergency, as defined in G.S. 166A-19.3, with respect to projects intended to repair, ameliorate, or mitigate impacts of the disaster resulting in the state of emergency declaration, or (iii) meet requirements for federal programs that will result in the drawdown of additional federal funds.

…."

RAISE LIMITS FOR CERTAIN GRANTS FROM WASTEWATER AND DRINKING WATER RESERVES

SECTION 12.2.(h) G.S. 159G-36(c) reads as rewritten:

"(c) Certain Reserve Recipient Limit. – The following limits apply to the loan or grant types made from the Wastewater Reserve or the Drinking Water Reserve to the same local government unit or nonprofit water corporation:

(1) The amount of loans awarded for a fiscal year may not exceed three million dollars ($3,000,000).

(2) The amount of loans awarded for three consecutive fiscal years for targeted interest rate projects may not exceed three million dollars ($3,000,000).
(3) The amount of project grants awarded for three consecutive fiscal years may not exceed three million dollars ($3,000,000).
(4) The amount of merger/regionalization feasibility grants awarded for three consecutive fiscal years may not exceed ~~fifty thousand dollars ($50,000).~~seventy-five thousand dollars ($75,000).
(5) The amount of asset inventory and assessment grants awarded for three consecutive fiscal years may not exceed ~~one hundred fifty thousand dollars ($150,000).~~two hundred twenty-five thousand dollars ($225,000)."

WATER AND WASTEWATER ALLOCATION CORRECTION

SECTION 12.2(i) Section 12.13(f)(65) of S.L. 2021-180 reads as rewritten:

"(65) Eight hundred one thousand nine hundred eighty-three dollars ($801,983) to ~~the Town of Valdese, for the extension of water and sewer lines to serve proposed residential and commercial development on Lake Rhodhiss.~~Burke County for water and wastewater infrastructure projects."

SECTION 12.2(j) Subsection 4.2(g) of S.L. 2024-1 reads as rewritten:

"**SECTION 4.2.(g)** Of the funds allocated to the City of Raeford by Section 12.2(e)(145) of S.L. 2023-134, three million dollars ($3,000,000) shall be used for the extension of sewer lines to the Cameron Heights ~~community.~~community or for any other water or wastewater project."

BEACH AND INLET MANAGEMENT PLAN AND REPORT

SECTION 12.6.(a) Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part 8E, to be entitled "Beach and Inlet Management Planning." Section 4.9 of S.L. 2017-10 is repealed. Section 13.9 of S.L. 2000-67 is codified within Part 8E, as follows:

(1) Section 13.9(a) is codified as G.S. 143-215.73N, to be entitled "Findings."
(2) Sections 13.9(b), 13.9(c), and 13.9(d) are codified as subsections (a), (b), and (c) of G.S. 143-215.73O, to be entitled "Beach and inlet management plan."
(3) Section 13.9(e) is repealed.
(4) Section 13.9(f) is codified as G.S. 143-215.73P, to be entitled "Federal funds; matching."

SECTION 12.6.(b) Part 8E of Article 21 of Chapter 143 of the General Statutes, as enacted by subsection (a) of this section, reads as rewritten:

"Part 8E. Beach and Inlet Management Planning.

"**§ 143-215.73N. Findings.**

The General Assembly makes the following findings:

(1) North Carolina has 320 miles of ocean beach, including some of the most pristine and attractive beaches in the country.
(2) The balance between economic development and quality of life in North Carolina has made our coast one of the most desirable along the Atlantic Seaboard.
(3) North Carolina's beaches are vital to the State's tourism industry.
(4) North Carolina's beaches belong to all the State's citizens and provide recreational and economic benefits to our residents statewide.
(5) Beach erosion can threaten the economic viability of coastal communities and can significantly affect State tax revenues.
(6) The Atlantic Seaboard is vulnerable to hurricanes and other coastal storms, and it is prudent to take precautions such as beach nourishment that protect and conserve the State's beaches and reduce property damage and flooding.

(7) Beach renourishment as an erosion control method provides hurricane flood protection, enhances the attractiveness of beaches to tourists, restores habitat for turtles, shorebirds, and plants, and provides additional public access to beaches.

(8) Federal policy previously favored and assisted voluntary movement of structures threatened by erosion, but this assistance is no longer available.

(9) Relocation of structures threatened by erosion is sometimes the best available remedy for the property owner and is in the public interest.

(10) Public parking and public access areas are needed for use by the general public to enable their enjoyment of North Carolina's beaches.

(11) Acquisition of high erosion hazard property by local or State agencies can reduce risk to citizens and property, reduce costs to insurance policyholders, improve public access to beaches and waterways, and protect the environment.

(12) Beach nourishment projects such as those at Wrightsville Beach and Carolina Beach have been very successful and greatly reduced property damage during ~~Hurricane Fran.~~hurricanes and other coastal storms that have impacted the State's coast.

(13) Because local beach communities derive the primary benefits from the presence of adequate beaches, a program of beach management and restoration should not be accomplished without a commitment of local funds to combat the problem of beach erosion.

(14) ~~The~~ With limited exceptions, the State of North Carolina prohibits seawalls and hardening the shoreline to prevent destroying the public's beaches.

(15) Beach nourishment is encouraged by both the Coastal Resources Commission and the U.S. Army Corps of Engineers as a method to control beach erosion.

(16) The Department of ~~Environment and Natural Resources~~ Environmental Quality has statutory authority to assist local governments in financing beach nourishment projects and is the sponsor of several federal navigation projects that result in dredging beach-quality sand.

(17) It is declared to be a necessary governmental responsibility to properly manage and protect North Carolina's beaches from erosion and that good planning is needed to assure a cost-effective and equitable approach to beach management and restoration, and that as part of a comprehensive response to beach erosion, sound policies are needed to facilitate the ability of landowners to move threatened structures and to allow public acquisition of appropriate parcels of land for public beach access.

"**§ 143-215.73O. Beach and inlet management plan.**

(a) The Department of ~~Environment and Natural Resources~~ Environmental Quality shall compile and evaluate information on the current conditions and erosion rates of beaches, on coastal geology, and on storm and erosion hazards for use in developing a State plan and strategy for beach management and restoration. The Department of ~~Environment and Natural Resources~~ Environmental Quality shall make this information available to local governments for use in land-use planning.

(b) The Department of Environment and Natural Resources shall develop a multiyear beach management and restoration strategy and plan that does all of the following:

(1) Utilizes the data and expertise available in the Divisions of Water Resources, Coastal Management, and Energy, Mineral, and Land Resources.

(2) Identifies the erosion rate at each beach community and estimates the degree of vulnerability to storm and hurricane damage.

(3) Uses the best available geological and geographical information to determine the need for and probable effectiveness of beach nourishment.
(4) Provides for coordination with the U.S. Army Corps of Engineers, the North Carolina Department of Transportation, the North Carolina Division of Emergency Management, and other State and federal agencies concerned with beach management issues.
(5) Provides a status report on all U.S. Army Corps of Engineers' beach protection projects in the planning, construction, or operational stages.
(6) Makes maximum feasible use of suitable sand dredged from navigation channels for beach nourishment to avoid the loss of this resource and to reduce equipment mobilization costs.
(7) Promotes inlet sand bypassing where needed to replicate the natural flow of sand interrupted by inlets.
(8) Provides for geological and environmental assessments to locate suitable materials for beach nourishment.
(9) Considers the regional context of beach communities to determine the most cost-effective approach to beach nourishment.
(10) Provides for and requires adequate public beach access, including handicapped access.
(11) Recommends priorities for State funding for beach nourishment projects, based on the amount of erosion occurring, the potential damage to property and to the economy, the benefits for recreation and tourism, the adequacy of public access, the availability of local government matching funds, the status of project planning, the adequacy of project engineering, the cost-effectiveness of the project, and the environmental impacts.
(11a) Includes a four-year cycle of planned maintenance and resiliency projects for the State's beaches and inlets.
(12) Includes recommendations on obtaining the maximum available federal financial assistance for beach nourishment.
(13) Is subject to a public hearing to receive citizen input.

(c) Each plan shall be as complete as resources and available information allow. The Department of ~~Environment and Natural Resources~~ Environmental Quality shall revise the plan every two years and shall submit the revised plan to the General Assembly no later than March 1 of each odd-numbered year. The Department may issue a supplement to the plan in even-numbered years if significant new information becomes available.

"**§ 143-215.73P. Federal funds; matching.**

In the event that federal funds become available for planning and developing shore protection projects, the State shall match those funds in accordance with the funding guidelines set out in G.S. 143-215.71."

SECTION 12.6.(c) The Department of Environmental Quality shall provide an interim report no later than March 1, 2026, on its progress toward updating the beach and inlet management plan and meeting the March 1, 2027, deadline set forth in G.S. 143-215.73O(c), as enacted by subsection (b) of this section. The report shall be provided to the Environmental Review Commission, the Joint Legislative Oversight Commission on Agriculture and Natural and Economic Resources, and the Fiscal Research Division.

DOWNSTREAM INUNDATION MAPS

SECTION 12.7.(a) G.S. 143-215.31 reads as rewritten:

"**§ 143-215.31. Supervision over maintenance and operation of dams.**

…

(a1) The owner of a dam classified by the Department as a high-hazard dam or an intermediate-hazard dam shall develop an Emergency Action Plan for the dam as provided in this subsection:

…

(6) Information included in an Emergency Action Plan that constitutes sensitive public security information, as provided in G.S. 132-1.7, shall be maintained as confidential information and shall not be subject to disclosure under the Public Records Act. For purposes of this section, "sensitive public security information" ~~shall include~~ includes Critical Energy Infrastructure Information protected from disclosure under rules adopted by the Federal Energy Regulatory Commission in ~~18 C.F.R. § 388.112.~~18 C.F.R. § 388.112, but does not include Emergency Action Plans or downstream inundation maps associated with impoundments or dams not regulated by the Federal Emergency Regulatory Commission.

…."

SECTION 12.7.(b) G.S. 143-215.32A reads as rewritten:

"**§ 143-215.32A. Dam Safety Emergency Fund.**

(a) Establishment; Purpose. – There is established the Dam Safety Emergency Fund within the Department, as set forth in this section. The Fund shall be used to defray expenses incurred by the Department in developing and implementing an emergency dam safety remedial plan and assessing overtopping risk for high hazard and intermediate hazard dams.

(b) Eligible Expenses. – The Fund may be used for the following expenses:

(1) Developing and implementing an emergency dam safety remedial plan that has been approved by the Department, including expenses incurred to contract with any third party for services related to plan development or implementation.

(2) Performing overtopping studies for dams categorized by the Department as high hazard or intermediate hazard for which the Department currently has no or inadequate overtopping risk information.

(3) Provision of technical assistance to dam owners or operators with downstream inundation mapping requirements for dams categorized by the Department as high hazard or intermediate hazard.

…."

SECTION 12.7.(c) G.S. 66-58 reads as rewritten:

"**§ 66-58. Sale of merchandise or services by governmental units.**

(a) Except as provided in this section, it is unlawful for any unit, department, or agency of the State government, or any division or subdivision of the unit, department, or agency, or any individual employee or employees of the unit, department, or agency in his, her, or their capacity as employee or employees thereof to engage directly or indirectly in the sale of goods, wares, or merchandise in competition with citizens of the State, or to engage in the operation of restaurants, cafeterias or other eating places in any building owned by or leased in the name of the State, or to maintain service establishments for the rendering of services to the public ordinarily and customarily rendered by private enterprises, or to provide transportation services, or to contract with any person, firm, or corporation for the operation or rendering of the businesses or services on behalf of the unit, department, or agency, or to purchase for or sell to any person, firm, or corporation any article of merchandise in competition with private enterprise. The leasing or subleasing of space in any building owned, leased, or operated by any unit, department, agency, division, or subdivision of the State for the purpose of operating or rendering of any of the businesses or services referred to in this section is prohibited.

…

(c) The provisions of subsection (a) of this section shall not prohibit:

…

(23) Assistance with the creation of downstream inundation maps required for the preparation of Emergency Action Plans, as required by G.S. 143-215.31(a1), provided by the Department of Environmental Quality to owners or operators of high-hazard dams."

AUTHORIZE THE ENVIRONMENTAL MANAGEMENT COMMISSION TO EMPLOY INDEPENDENT STAFF

SECTION 12.8. G.S. 143B-283 reads as rewritten:

"**§ 143B-283. Environmental Management Commission – members; selection; removal; compensation; quorum; services.**

…

(b4) ~~Administrative Support. – All clerical and other services required by the Commission shall be supplied by the Secretary of Environmental Quality.~~Commission Staff, Structure, and Function. –

(1) The chair is authorized and empowered to employ professional, administrative, technical, and clerical personnel as the chair may determine to be necessary in the proper discharge of the Commission's duties and responsibilities as provided by law. The chair shall organize and direct the work of the Commission staff.

(2) The salaries and compensation of all such personnel shall be fixed in the manner provided by law for fixing and regulating salaries and compensation by other State agencies.

(3) The chair, within allowed budgetary limits and as allowed by law, shall authorize and approve travel, subsistence, and related expenses of such personnel incurred while traveling on official business.

…."

NO SECOND BITE FOR STORMWATER AND SEWER PERMITTING REVIEW

SECTION 12.9.(a) G.S. 143-214.7(b6) reads as rewritten:

"(b6) Permitting under the authority granted to the Commission by this section shall comply with the procedures and time lines set forth in this subsection. For any development necessitating stormwater measures subject to this section, applications for new permits, permit modifications, permit transfers, permit renewals, and decisions to deny an application for a new permit, permit modification, transfer, or renewal shall be in writing. Where the Commission has provided a digital submission option, such submission shall constitute a written submission. The Commission shall act on a permit application as quickly as possible. The Commission may conduct any inquiry or investigation it considers necessary before acting on an application and may require an applicant to submit plans, specifications, and other information the Commission considers necessary to evaluate the application. If the Commission fails to act on an application for a permit or for a renewal of a permit as specified in this subsection after the applicant submits all information required by the Commission, the application shall be deemed approved without modification. ~~[The following provisions apply:]~~The following provisions apply:

(1) The Commission shall perform an administrative review of a new application and of a resubmittal of an application determined to be incomplete under subdivision (3) of this subsection within 10 working days of receipt to determine if the information is administratively complete. If complete, the Commission shall issue a receipt letter or electronic response stating that the application is complete and that a 70-calendar day technical review period has started as of the original date the application was received. If required items or information is not included, the application shall be deemed incomplete,

and the Commission shall issue an application receipt letter or electronic response identifying the information required to complete the application package before the technical review begins. When the required information is received, the Commission shall then issue a receipt letter or electronic response specifying that it is complete and that the 70-calendar day review period has started as of the date of receipt of all required information. The Commission shall develop an application package checklist identifying the items and information required for an application to be considered administratively complete. After issuing a letter or electronic response requesting additional information based on the original submittal under this subdivision, the Commission shall not subsequently request additional information that was not previously identified as missing or required in that additional information letter or electronic response from the original submittal. The Commission may, however, respond to subsequent additional information letters or electronic responses with a request for additional information limited to information missing from that subsequent additional information letter or electronic response.

…."

SECTION 12.9.(b) G.S. 143-215.1(d) reads as rewritten:

"(d) Applications and Permits for Sewer Systems, Sewer System Extensions and Pretreatment Facilities, Land Application of Waste, and for Wastewater Treatment Facilities Not Discharging to the Surface Waters of the State. –

(1) Application in writing. – All applications for new permits and for renewals of existing permits for sewer systems, sewer system extensions and for disposal systems, and for land application of waste, or treatment works which do not discharge to the surface waters of the State, and all permits or renewals and decisions denying any application for permit or renewal shall be in writing. Where the Commission has provided a digital submission option, the submission shall constitute a written submission.

(1a) Application review. – The Commission shall act on a permit application as quickly as possible. The Commission may conduct any inquiry or investigation it considers necessary before acting on an application and may require an applicant to submit plans, specifications, and other information the Commission considers necessary to evaluate the application. After issuing a request for additional information based on the original application submittal, the Commission shall not subsequently request additional information that was not previously identified as missing or required in that request for additional information based on the original application submittal. The Commission may, however, respond to subsequent submissions of additional information with a request for additional information limited to information missing from that subsequent submission. Permits and renewals issued in approving such facilities pursuant to this subsection shall be effective until the date specified therein or until rescinded unless modified or revoked by the Commission. If the Commission fails to act on an application for a permit or for a renewal of a permit as specified in this subdivision after the applicant submits all information required by the Commission, the application shall be deemed approved.

(1c) Notice for land application of bulk residuals. – Prior to acting on a permit application for the land application of bulk residuals resulting from the operation of a wastewater treatment facility, the Commission shall provide notice and an opportunity for comment from the governing board of the

county in which the site of the land application of bulk residuals is proposed to be located.

(1d) Pretreatment programs. – Local governmental units to whom pretreatment program authority has been delegated shall establish, maintain, and provide to the public, upon written request, a list of pretreatment applications received. ~~If the Commission fails to act on an application for a permit or for a renewal of a permit as specified in this subdivision after the applicant submits all information required by the Commission, the application shall be deemed approved.~~

~~a.~~(1e) Fast-track sewer extensions. – Where a professional engineer provides certification that the design meets or exceeds Minimum Design Criteria developed by the Department applicable to the project, the Commission shall perform a review of a new application for a sewer system extension permit within 45 days of receipt of a complete ~~application.~~ application as provided in this subdivision. A complete application is defined as an application that includes all the required components described in the application form.

a. Administrative review. – The Commission shall perform an administrative review of a new application within 10 days of receipt to determine if all the required information is included in the application. If complete, the Commission shall issue a receipt letter or electronic response stating that the application is complete and that a 45-calendar day technical review period has started as of the original date the complete application was received.

b. Application incomplete. – If required items or information is not included, the application shall be deemed incomplete, and the Commission shall issue an application receipt letter or electronic response identifying the information required to complete the application package before the technical review begins. When the required information is received, the Commission shall then issue a receipt letter or electronic response specifying that it is complete and that the 45-calendar day review period has started as of the date of receipt of all required information. If additional information is required to complete the technical review, the Commission shall issue a request for additional information required to complete the review, and the review time shall pause until the additional information is received. If the requested additional information is not received within 30 days, the application shall be returned to the applicant. Upon receipt of the requested additional information, the review time shall restart at the same day it was paused by the additional information request. After issuing a request for additional information based on the original submittal under this sub-subdivision, the Commission shall not subsequently request additional information that was not previously identified as missing or required in that request for additional information based on the original submittal. The Commission may, however, respond to subsequent submissions of additional information with a request for additional information limited to information missing from that subsequent submission.

c. Application approved. – If approved, the Commission shall issue an approval letter or electronic correspondence indicating approval of the application. After construction of the sewer system is completed, and within 14 days of receiving all necessary certifications from a

professional engineer that the sewer system extension complies with all applicable rules and Minimum Design Criteria, the Commission shall issue a receipt of certification. Applications for alternative sewer systems as defined in sub-subdivision ~~b.~~ d. of this subdivision are not eligible for this fast-track review.

~~b.~~d. ~~[Alternative sewer system defined.]~~ Alternative sewer system defined. – "Alternative sewer system" means any sewer system or collection system other than a gravity system or standard pump station and force main. These include pressure sewer systems, septic tank with effluent pump (STEP) sewer systems, vacuum sewer system, and small diameter variable grade gravity sewers.

…."

FEE FOR THE DISTRIBUTION OF ANIMAL WASTE RESIDUAL SOLIDS

SECTION 12.10A.(a) G.S. 143-215.10G reads as rewritten:

"**§ 143-215.10G. Fees for animal waste management ~~systems.~~systems and distribution animal waste residuals management systems.**

…

(a2) The Department shall charge an annual permit fee for an animal waste residuals management system that is subject to a permit under G.S. 143-215.1 for distribution of animal waste residual solids according to the following schedule:

(1) For a system with a permitted capacity of less than 3,000 dry tons of animal waste residual solids a year, sixty dollars ($60.00).

(2) For a system with a permitted capacity of 3,000 dry tons or more of animal waste residual solids a year, one hundred eighty dollars ($180.00).

…."

SECTION 12.10A.(b) G.S. 143-215.3D(a) is amended by adding a new subdivision to read:

"(11) Animal Waste Residual Management Systems. – The annual fee for animal waste residuals management systems is as set out in G.S. 143-215.10G."

ESTABLISH NON-TITLE V FEES IN STATUTE

SECTION 12.11. G.S. 143-215.3(a)(1b) reads as rewritten:

"(1b) ~~The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing an application for a permit under G.S. 143-215.108 and G.S. 143-215.109 of Article 21B of this Chapter may not exceed five hundred dollars ($500.00).~~ The Department shall charge permit fees pursuant to G.S. 143-215.3(a)(1a) to non-Title V facilities subject to permitting under G.S. 143-215.108 and G.S. 143-215.109 of Article 21B of this Chapter according to the following schedule:

a. For facilities seeking federally enforceable limits to avoid Title V permitting, application fees of eight hundred dollars ($800.00) and annual fees of three thousand seventy dollars ($3,070).

b. For facilities with a potential to emit below Title V thresholds, except for general permits, application fees of one hundred dollars ($100.00) and annual fees of four hundred dollars ($400.00).

c. The fee for an ownership change shall be fifty dollars ($50.00).

d. The Department may provide a discount of up to twenty-five percent (25%) on annual fees authorized by sub-subdivisions a. and b. of this subdivision.

The fee to be charged pursuant to G.S. 143-215.3(a)(1a) for processing a registration under Part 2A of this Article or Article 38 of this Chapter may not exceed fifty dollars ($50.00) for any single registration. An additional fee of twenty percent (20%) of the registration processing fee may be assessed for a late registration under Article 38 of this Chapter. The fee for administering and compliance monitoring under Article 21, other than Parts 1 and 1A, ~~and G.S. 143-215.108 and G.S. 143-215.109 of Article 21B~~ shall be charged on an annual basis for each year of the permit term and may not exceed one thousand five hundred dollars ($1,500) per year. Fees for processing all permits under Article 21A ~~and all other sections of Article 21B~~ shall not exceed one hundred dollars ($100.00) for any single permit. The total payment for fees that are set by the Commission under this subsection for all permits for any single facility shall not exceed seven thousand five hundred dollars ($7,500) per year, which amount shall include all application fees and fees for administration and compliance monitoring. A single facility is defined to be any contiguous area under one ownership and in which permitted activities occur. For all permits issued under these Articles where a fee schedule is not specified in the statutes, the Commission, or other commission specified by statute shall adopt a fee schedule in a rule following the procedures established by the Administrative Procedure Act. Fee schedules shall be established to reflect the size of the emission or discharge, the potential impact on the environment, the staff costs involved, relative costs of the issuance of new permits and the reissuance of existing permits, and shall include adequate safeguards to prevent unusual fee assessments which would result in serious economic burden on an individual applicant. A system shall be considered to allow consolidated annual payments for persons with multiple permits. In its rulemaking to establish fee schedules, the Commission is also directed to consider a method of rewarding facilities which achieve full compliance with administrative and self-monitoring reporting requirements, and to consider, in those cases where the cost of renewal or amendment of a permit is less than for the original permit, a lower fee for the renewal or amendment."

CLARIFY BIENNIAL FEE ADJUSTMENT REQUIREMENTS

SECTION 12.12.(a) G.S. 143B-279.19 reads as rewritten:

"**§ 143B-279.19. ~~Quadriennial~~ Biennial adjustment of certain fees and rates.**

(a) Adjustment for Legislatively Mandated Salaries and Benefits. – Beginning July 1, 2025, and every ~~four~~ two years thereafter, the Department shall adjust the fees and rates imposed pursuant to the statutes listed in this subsection in accordance with the Consumer Price Index computed by the Bureau of Labor Statistics (CPI) during the prior ~~two bienniums.~~ biennium; provided, however, that any increase in a fee or rate under this subsection shall not exceed the cost of the service being provided. If a fee or rate was increased during the prior biennium by the enactment of a general law, the adjustment under this subsection shall reflect only the change in the CPI since that enactment. The adjustment for per transaction rates shall be rounded to the nearest dollar ($1.00):

(1) G.S. 74-54.1.
(2) G.S. 90A-42.
(3) G.S. 90A-47.4.
(4) G.S. 113A-54.2.
(5) G.S. 113A-119.1.
(6) G.S. 130A-291.1.
(7) G.S. 130A-294.1.

(8) G.S. 130A-295.8.
(9) G.S. 130A-310.9.
(10) G.S. 130A-310.39.
(11) G.S. 130A-310.76.
(12) G.S. 130A-328(b).
(13) G.S. 130A-328(c).
(13a) G.S. 143-215.3(a)(1b).
(14) G.S. 143-215.3D.
(15) G.S. 143-215.10G.
(16) G.S. 143-215.28A
(17) G.S. 143-215.94C.
(18) G.S. 143-215.119.
(19) G.S. 143-215.125A.
(20) G.S. 143B-279.13.
…."

SECTION 12.12.(b) This section is effective June 30, 2025.

CLARIFY REQUIREMENTS FOR HAZARDOUS WASTE RECYCLING

SECTION 12.13. G.S. 130A-290(a)(9) reads as rewritten:

"(9) "Hazardous waste facility" means a facility for the collection, storage, processing, treatment, recycling, recovery, or disposal of hazardous waste. The term includes any facility that receives shipments of hazardous waste from off-site to be recycled or processed for recycling through any process conducted at the facility. Hazardous waste facility does not include a hazardous waste transfer facility that meets the requirements of 40 Code of Federal Regulations § 263.12 (1 July 2006)."

SOLID WASTE BENEFICIAL REUSE CLARIFICATION

SECTION 12.14.(a) G.S. 130A-309.05 reads as rewritten:

"**§ 130A-309.05. Regulated wastes; certain exclusions.**

(a) Certain Wastes Regulated as Nonhazardous. – Notwithstanding other provisions of this Article, the following waste shall be regulated pursuant to this Part:

(1) Medical ~~waste; and~~waste.
(2) Ash generated by a solid waste management facility from the burning of solid waste.

(b) Management of Ash Generated from Burning of Solid Waste. – Ash generated by a solid waste management facility from the burning of solid waste shall be disposed of in a properly designed solid waste disposal area that complies with standards developed by the Department for the disposal of the ash. The Department shall work with solid waste management facilities that burn solid waste to identify and develop methods for recycling and reusing incinerator ash or treated ash.

(c) Recovered Material. – Recovered material is not subject to ~~regulation as~~ permitting requirements for solid waste under this Article. ~~In order for a material that would otherwise be regulated as solid waste to qualify as a recovered material, the~~ The Department may require any person who owns or has control over the material to demonstrate that the material meets the requirements of this ~~subsection. In order to protect public health and the environment, the Commission~~ subsection or may require the person to obtain a beneficial use determination from the Department in accordance with subsection (d) of this section. The Department may adopt rules to implement this subsection. Materials that are accumulated speculatively, as that term is defined under 40 Code of Federal Regulations § 261 (July 1, 2014 Edition), shall not qualify as a recovered ~~material, and shall be subject to regulation as solid waste. In order to qualify as a~~

~~recovered material, the~~ material. The material shall be managed as a valuable commodity in a manner consistent with the desired use or end use, and all of the following conditions shall be met:

(1) Seventy-five percent (75%), by weight or volume, of the recovered material stored at a facility at the beginning of a calendar year commencing January 1, shall be removed from the facility through sale, use, or reuse by December 31 of the same year.

(2) The recovered material or the products or by-products of operations that process recovered material shall not be discharged, deposited, injected, dumped, spilled, leaked, or placed into or upon any land or water so that the products or by-products or any constituent thereof may enter other lands or be emitted into the air or discharged into any waters including groundwaters, or otherwise enter the environment or pose a threat to public health and safety. Facilities that process recovered material shall be operated in a manner to ensure compliance with this subdivision.

(3) The recovered material shall not be a hazardous waste or have been recovered from a hazardous waste.

(4) The recovered material shall not contain significant concentrations of foreign constituents that render it unserviceable or inadequate for sale, or its intended use or reuse.

(d) Beneficial Use Determination. – For the purposes of preservation of landfill capacity, economic development, energy savings, and reduction of greenhouse emissions, the Department may determine whether nonhazardous solid waste may be used or reused for a particular site or application as an alternative to disposal at a permitted solid waste management facility as set forth in this subsection.

(1) A person seeking a beneficial use determination shall submit an application to the Department. The Department, after a review of an application submitted under this subsection, may take any of the following actions:

a. Authorize management of a specified type of nonhazardous solid waste at a site other than a permitted solid waste management facility.

b. Issue a beneficial use determination with appropriate conditions for use of specific types of solid waste in construction, land application, or other projects and applications.

(2) An applicant for a determination under this subsection shall submit information on forms prescribed by the Department and any additional information required by the Department necessary for a determination under this subsection. In its review of the application and additional information, the Department shall also consider internal research or information submitted by any person or entity concerning the potential hazard to public health or the environment of any type of solid waste.

(3) The Department may require submittal of a demonstration that the solid waste is being managed in a manner to protect public health or the environment and may include any of the following as a part of an authorization under subdivision (1) of this subsection:

a. Requirements for periodic testing of solid wastes.

b. Conditions to ensure that the products or by-products of a material recovered or diverted for beneficial use shall not be discharged, deposited, injected, dumped, spilled, leaked, or placed into or upon any land or water so that the products or by-products or any constituents thereof may enter other lands or be emitted into the air, or

discharged into any waters, including groundwaters, or otherwise enter the environment or pose a threat to public health and safety.

(4) Approvals granted under this subsection are valid for no longer than five years. Requests for renewal shall be made at least 60 days in advance of the expiration date of the approval.

(5) The applicant for a determination under this subsection shall submit to the Department on an annual basis a report detailing the usage of material under the approval and certifying compliance with this Article and any applicable rules adopted under this Article.

(6) The Department may suspend or revoke an authorization and may modify an authorization if it is determined that the activity is not in compliance with the requirements of applicable laws or rules or if new information is provided to the Department that impacts the determination of protection of public health or the environment.

(7) The Department shall provide notice on its website of approved beneficial use determinations.

(8) Facilities that manage source separated materials for the purpose of recycling as defined in G.S. 130A-290 are not subject to the provisions of this subsection.

(9) The Department may adopt rules implementing this subsection and establishing application fees for a reuse determination under this subsection. All fees collected under this subdivision shall be credited to the Solid Waste Management Account established under G.S. 130A-295.8(a). In determining the amount of the total application fee in rule, the Department shall have the authority to establish separate fee amounts for annual fees for each year based on the length of time for which the approval will be valid as requested by the applicant."

SECTION 12.14.(b) This section becomes effective January 1, 2026.

AMEND THE BROWNFIELDS PROPERTY REUSE ACT AND THE BROWNFIELDS PROPERTY TAX BENEFIT

SECTION 12.15.(a) G.S. 105-277.13 reads as rewritten:

"**§ 105-277.13. Taxation of improvements on brownfields.**

(a) Qualifying improvements on brownfields properties are designated a special class of property under Article V, Sec. 2(2) of the North Carolina Constitution and shall be appraised, assessed, and taxed in accordance with this section. An owner of ~~land~~ real property subject to a brownfields agreement entered into by the Department of Environmental Quality pursuant to G.S. 130A-310.32 is entitled to the partial exclusion provided by this section for ~~the first~~ five taxable years ~~beginning~~ after completion of qualifying improvements made after ~~the later of~~ July 1, ~~2000, or the date of the brownfields agreement.~~ 2000. After property has qualified for the exclusion provided by this section, the assessor for the county in which the property is located shall annually appraise the improvements made to the property during the period of time that the owner is entitled to the exclusion. Subsequent qualifying improvements shall also be entitled to a separate exclusionary period.

(b) For the purposes of this section, the terms "qualifying improvements on brownfields properties" and "qualifying improvements" mean improvements made to real property ~~that is subject to a brownfields agreement entered into by the Department of Environmental Quality and the owner pursuant to G.S. 130A-310.32.~~after the Department of Environmental Quality provides written confirmation that the property is eligible for a brownfields agreement pursuant to the Brownfields Property Reuse Act of 1997 under Part 5 of Article 9 of Chapter 130A of the General Statutes.

(c) The following table establishes the percentage of the appraised value of the qualified improvements that is excluded based on the taxable year:

Year	Percent of Appraised Value Excluded
Year 1	90%
Year 2	75%
Year 3	50%
Year 4	30%
Year 5	10%."

SECTION 12.15.(b) This section is effective for taxes imposed for taxable years beginning on or after July 1, 2025.

MORATORIUM ON ISSUANCE OF CERTIFICATES FOR CERTAIN SURFACE WATER TRANSFERS

SECTION 12.16.(a) Findings. – The General Assembly finds that the State's laws regulating surface water transfers, originally enacted more than 30 years ago, should be comprehensively reviewed and evaluated for updates in light of the State's tremendous economic and population growth and the impact of natural disasters on riverine and water reservoir systems over that period. In particular, the General Assembly finds that the approval of proposed transfers that are significant in terms of their size compared to the overall hydrologic flow, current and future water storage capacity, and cumulative water resources demands within the source river basin should be temporarily paused while this review and evaluation is ongoing.

SECTION 12.16.(b) Study. – The North Carolina Collaboratory at the University of North Carolina at Chapel Hill (Collaboratory) shall study the current statutory process for approval of surface water transfers and provide any recommendations for legislation revising that process that the Collaboratory finds is needed. As part of its study, the Collaboratory shall review all of the following:

(1) The adequacy of the requirements for an environmental impact study set forth in G.S. 143-215.22L(d) in ensuring that all impacts on upstream and downstream users of water in the river basin are comprehensively and equitably compiled and considered.

(2) Whether the information on which the Environmental Management Commission (EMC) bases final certification decisions adequately takes into account (i) issues of economic equity for lower income and lower population communities in the source river basin that would experience potential impacts on future economic growth due to the proposed transfer, (ii) negative impacts of increases in water pollutant concentration caused by large surface water transfers on riverine ecosystems, and (iii) whether the denial of the surface transfer request would result in a substantial increase in utility rates or otherwise cause a financial hardship due to alternative infrastructure construction costs for the requesting party.

(3) Changes to the process needed to reflect the impact of recent climate trends that impact the range of water flows in the State's mainstem rivers during periods of extreme heat, drought, or flooding events.

(4) How to build into the certification process incentives for parties requesting surface water transfers to implement land use, infrastructure, and drought resiliency policies that will reduce the size of transfers needed to meet future water demands.

(5) Any other matters the Collaboratory deems relevant to its efforts to increase the fairness and effectiveness of the surface water transfer certification requirements.

SECTION 12.16.(c) Consultation. – In conducting the study required by subsection (b) of this section, the Collaboratory will consult with the Army Corps of Engineers and other private or public entities with management responsibilities over water impoundments with respect to the impact of significant surface water transfers, as defined in subsection (e) of this section, on those impoundments continuing to meet their present levels and future projected needs for hydroelectric power generation and water supply.

SECTION 12.16.(d) Report. – By January 1, 2027, the Collaboratory shall report its findings, along with any legislative recommendations, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.

SECTION 12.16.(e) Moratorium on Certain Surface Water Transfer Certificates. – In order to permit sufficient time for the General Assembly to complete the study, the EMC shall not issue a certificate authorizing a significant new surface water transfer or a significant increase in an existing surface water transfer until the end of the moratorium provided in this section. The moratorium in this section shall end six months after the submission of the report required by subsection (d) of this section. For purposes of this section, a proposed new or increased surface water transfer is significant if it would result in a total increase in transfer between river basins, as defined in G.S. 143-215.22G, in excess of 15,000,000 gallons per day.

SECTION 12.16.(f) This section is effective when it becomes law.

REVISE STEWARDSHIP LAWS

SECTION 12.17. G.S. 143-214.15 reads as rewritten:

"**§ 143-214.15. Compensatory mitigation for diverse habitats.**

(a) The Department of Environmental Quality shall seek more net gains of aquatic resources through compensatory mitigation by increasing wetland establishment of diverse habitats, including emergent marsh habitat, shallow open water, and other forested and non-forested wetland habitats.

(b) The Department of Environmental Quality shall further establish with the district engineer of the Wilmington District of the United States Army Corps of Engineers compensatory mitigation credit ratios that incentivize the creation or establishment of diverse wetland habitats to support waterfowl and other wildlife.

(c) The Department of Environmental Quality shall work in cooperation with the Wildlife Resources Commission to ensure that all purchased mitigation lands or conservation easements on these lands ~~maximize opportunities for public recreation, including hunting, and promote wildlife and biological diversity.~~ prioritize management practices that promote wildlife and biological diversity and, where feasible, provide opportunities for public recreation, including hunting by property owners and lessees. The Department and the Commission shall pursue the voluntary involvement of third-party groups to leverage resources and ensure that there is no additional cost to private mitigation bankers or the taxpayers in achieving these mitigation credits.

(d) The Stewardship Program of the Department of Environmental Quality shall maintain an inventory of all its land holdings and determine how many of those holdings are potential wildlife habitats, either as currently held or with some modification. The Stewardship Program shall maximize use of these mitigation land holdings as ecological research sites and for hunting leases when the Stewardship Program determines it is feasible to do so.

~~(e) If private individuals, corporations, or other nongovernmental entities wish to purchase any of the inventory of land suitable for wildlife habitat, then the Stewardship Program of the Department of Environmental Quality shall issue a request for proposal to all interested respondents for the purchase of the land. The State shall accept a proposal and proceed to dispose of the land only if the Department determines that the proposal meets both of the following requirements:~~

~~(1) The proposal provides for the maintenance in perpetuity of management measures listed in the original mitigation instrument or otherwise needed on an ongoing or periodic basis to maintain the functions of the mitigation site.~~

~~(2) Where the functions of the mitigation site include provision of recreation or hunting opportunities to members of the general public, the proposal includes measures needed to continue that level of access.~~

~~The instrument conveying a property interest in a mitigation site shall be executed in the manner required by Article 16 of Chapter 146 of the General Statutes, and shall reflect the requirements of this subsection.~~

(f) The Department of Environmental Quality shall report to the Environmental Review Commission by March 1 of each year in which there are changes in inventory during the preceding year under the provisions of this section regarding the changes."

TRANSFER OFFICE OF ENVIRONMENTAL EDUCATION

SECTION 12.18(a) All functions, powers, and operations of the Office of Environmental Education and Public Affairs in the Department of Environmental Quality are transferred to the Department of Natural and Cultural Resources by a Type I transfer, as defined in G.S. 143A-6.

SECTION 12.18(b) Part 4B of Article 7 of Chapter 143B of the General Statutes (G.S. 143B-285.20, G.S. 143B-285.21, G.S. 143B-285.22, G.S. 143B-285.23, G.S. 143B-285.24, and G.S. 143B-285.25) is recodified under Part 43 of Article 2 of Chapter 143B of the General Statutes as G.S. 143B-135.300, G.S. 143B-135.301, G.S. 143B-135.302, G.S. 143B-135.303, G.S. 143B-135.304, and G.S. 143B-135.305, respectively.

SECTION 12.18(c) G.S. 143B-135.302, as recodified in subsection (b) of this section, reads as rewritten:

"**§ 143B-135.302. Creation.**

There is hereby created the Office of Environmental Education and Public Affairs (hereinafter referred to as "Office") within the Department of ~~Environmental Quality.~~Natural and Cultural Resources."

SECTION 12.18(d) G.S. 143B-135.303, as recodified in subsection (b) of this section, reads as rewritten:

"**§ 143B-135.303. Powers and duties of the Secretary of ~~Environmental Quality.~~Natural and Cultural Resources.**

The Secretary of ~~Environmental Quality~~ Natural and Cultural Resources shall:

…."

SECTION 12.18(e) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfer under this section. The Revisor of Statutes may correct any reference in the General Statutes to the statues that are recodified by this section and any other conforming changes necessitated by this section.

APA EXEMPTION FOR RULES TO MODERNIZE WASTEWATER PERMITTING

SECTION 12.19.(a) Section 5.1 of S.L. 2024-44 is amended by adding a new subsection to read:

"**SECTION 5.1.(h)** Temporary and permanent rules adopted pursuant to this section are not subject to G.S. 150B-21.3(b1) and (b2)."

SECTION 12.19.(b) This section is effective retroactive to July 8, 2024.

PART XIII. LABOR

LABOR FEES/REGULATORY FLEXIBILITY

SECTION 13.1.(a) G.S. 95-107 reads as rewritten:

"**§ 95-107. Assessment and collection of fees; certificates of safe operation.**

The assessment of the fees adopted by the Commissioner pursuant to G.S. 95-69.11, ~~95-110.5, 95-111.4~~ 95-110.5A, 95-111.4A, and ~~95-120~~ 95-120.5 shall be made against the owner or operator of the equipment and may be collected at the time of inspection. If the fees are not collected at the time of inspection, the Department must bill the owner or operator of the equipment for the amount of the fee assessed for the inspection of the equipment and the amount assessed is payable by the owner or operator of the equipment upon receipt of the bill. Certificates of safe operation may be withheld by the Department of Labor until such time as the assessed fees are collected."

SECTION 13.1.(b) G.S. 95-108 reads as rewritten:

"**§ 95-108. Disposition of fees.**

All fees collected by the Department of Labor pursuant to G.S. 95-69.11, ~~95-110.5, 95-111.4~~ 95-110.5A, 95-111.4A, and ~~95-120~~ 95-120.5 shall be deposited with the State Treasurer and shall be used ~~exclusively~~ for ~~inspection~~ inspection, permitting, and certification purposes. Fees deposited pursuant to this section that have not been expended or encumbered at the end of the fiscal year shall not revert but shall remain available for uses consistent with this section."

SECTION 13.1.(c) G.S. 95-110.5(20) is repealed.

SECTION 13.1.(d) Article 14A of Chapter 95 of the General Statutes is amended by adding a new section to read:

"**§ 95-110.5A. Fees.**

(a) Beginning July 1, 2025, the Department shall charge fees not to exceed the following:

Special Inspection Fee – Expedited	$1,000
Temporary Limited Certificate for Construction Use Only; Less than 10 Floors	$200.00
Temporary Limited Certificate for Construction Use Only; 10 or More Floors	$300.00
Reinspection Fee of Failed New and Repair/Alteration Inspections	$1,000
Routine/Annual Elevator Inspections; Less than 10 Floors	$200.00
Routine/Annual Elevator Inspections; 10 or More Floors	$300.00
Routine/Annual Wheelchair Lift and Dumbwaiter Inspections	$100.00
Routine/Annual Escalator and Moving Walk Inspections	$500.00

(b) Upon application to the Department for a new or alteration construction permit for a device subject to this section, an applicant shall submit a permit application fee. The amount of the permit application fee shall be the greater of (i) two hundred dollars ($200.00) or (ii) one percent (1%) of the contract price for the alteration or installation of the device being permitted.

(c) Notwithstanding any provision of law to the contrary, for fiscal years beginning on or after July 1, 2026, the Department shall adjust the fee amounts listed in subsection (a) of this section in accordance with the percent change in the annual Consumer Price Index computed by the Bureau of Labor Statistics using the most recent 12-month period for which data is available. The adjustment for fees under this subsection shall be rounded to the nearest dollar ($1.00), and the Commissioner shall publish any increase in fees under this subsection in the North Carolina Register and on the Department's website at least 60 days prior to any increase."

SECTION 13.1.(e) G.S. 95-111.4(19) is repealed.

SECTION 13.1.(f) Article 14B of Chapter 95 of the General Statutes is amended by adding a new section to read:

"**§ 95-111.4A. Fees.**

(a) Beginning July 1, 2025, the Department shall charge fees not to exceed the following:

Advance Location Notice (ALN) Application Fee	$25.00
Special Inspection Fee – Expedited	$1,000
Amusement Major Ride Inspections	$250.00
Amusement Return Trip Inspections	$500.00
Holiday/Weekend Inspections	$500.00
Kiddie Ride Inspections	$100.00

Go Kart Inspections (per cart)	$50.00
Go Kart Track Inspections	$200.00
Amusement Rock Wall Inspections	$100.00
Roller Coaster (permanent and portable) Inspections	$500.00
Simulators	$100.00
Bungee Trampoline Inspections	$100.00
Water Slide Inspections	$300.00
Train Inspections	$250.00

(b) Notwithstanding any provision of law to the contrary, for fiscal years beginning on or after July 1, 2026, the Department shall adjust the fee amounts listed in subsection (a) of this section in accordance with the percent change in the annual Consumer Price Index computed by the Bureau of Labor Statistics using the most recent 12-month period for which data is available. The adjustment for fees under this subsection shall be rounded to the nearest dollar ($1.00), and the Commissioner shall publish any increase in fees under this subsection in the North Carolina Register and on the Department's website at least 60 days prior to any increase."

SECTION 13.1.(g) G.S. 95-120(9) is repealed.

SECTION 13.1.(h) Article 15 of Chapter 95 of the General Statutes is amended by adding a new section to read:

"**§ 95-120.5. Fees.**

(a) Beginning July 1, 2025, the Department shall charge fees not to exceed the following:

Gondolas, Chairlifts, Inclined Railroad Inspections	$500.00
J or T Bars and Conveyors Inspections	$300.00
Rope Tow Inspections	$200.00

(b) Notwithstanding any provision of law to the contrary, for fiscal years beginning on or after July 1, 2026, the Department shall adjust the fee amounts listed in subsection (a) of this section in accordance with the percent change in the annual Consumer Price Index computed by the Bureau of Labor Statistics using the most recent 12-month period for which data is available. The adjustment for fees under this subsection shall be rounded to the nearest dollar ($1.00), and the Commissioner shall publish any increase in fees under this subsection in the North Carolina Register and on the Department's website at least 60 days prior to any increase."

SECTION 13.1.(i) G.S. 95-110.5(13) reads as rewritten:

"(13) To adopt, modify or revoke rules and regulations governing the qualifications of ~~inspectors;~~inspectors. The Commissioner may waive or amend the American National Safety Standards from the American National Standards Institute as those standards relate to the qualifications of inspectors in this State if the Commissioner sets alternative standards that are reasonably equivalent, as determined by the Commissioner."

SECTION 13.1.(j) G.S. 95-111.4(13) reads as rewritten:

"(13) To adopt, modify or revoke rules and regulations governing the qualifications of inspectors. The Commissioner may waive or amend the American National Safety Standards from the American National Standards Institute as those standards relate to the qualifications of inspectors in this State if the Commissioner sets alternative standards that are reasonably equivalent, as determined by the Commissioner."

SECTION 13.1.(k) The Commissioner shall publish notice of the changes in fees created by this section in the North Carolina Register and on the Department's website no later than 30 days after the effective date of this section. The Department shall consult with the North Carolina Community College System to develop an in-house training and apprenticeship program for elevator inspectors. The Department shall utilize the program to fill vacancies in receipt-supported inspector positions within the Elevator and Amusement Device Division of the Department.

DEPARTMENT OF LABOR REGULATORY MODIFICATIONS

SECTION 13.2.(a) Article 16 of Chapter 95 of the General Statutes is amended by adding a new section to read:

"**§ 95-136.2. Commissioner and employees not subject to subpoena for testimony except in certain circumstances.**

(a) Neither the Commissioner nor any employee or former employee of the Department is subject to a subpoena for appearance for purposes of inquiry into any occupational safety and health inspection, except in one of the following circumstances:

(1) An enforcement proceeding is brought under this Article.

(2) An action is filed in which the Department is a party.

(3) The Commissioner consents in writing to waive the exemption provided by this section.

(4) A court finds all of the following:

a. The information sought is essential to the underlying case.

b. There are no reasonable alternative means for acquiring the information.

c. A significant injustice would occur if the requested testimony was not available.

(b) The party that issued the subpoena shall pay to the Department a witness fee in the amount of one hundred dollars ($100.00) per day.

(c) This section does not apply to a subpoena requesting only documents or other records."

SECTION 13.2.(b) G.S. 150B-21.5 is amended by adding a new subsection to read:

"(c1) OSHA Standard. – The Occupational Safety and Health Division of the Department of Labor is not required to publish a notice of text in the North Carolina Register or hold a public hearing when it proposes to adopt a rule that concerns an occupational safety and health standard that is identical to a federal regulation promulgated by the Secretary of the United States Department of Labor. The Division shall file the rule with the Commission for the purpose of receiving written objections to the rule in accordance with G.S. 150B-21.3(b2)."

SECTION 13.2.(c) G.S. 95-135(d) reads as rewritten:

"(d) Every official act of the Commission shall be entered of record and its hearings and records shall be open to the public. The Commission is authorized and empowered to make such procedural rules as are necessary for the orderly transaction of its proceedings. Unless the Commission adopts a different rule, the proceedings, as nearly as possible, shall be in accordance with the Rules of Civil Procedure, G.S. 1A-1. The Commission may order testimony to be taken by deposition in any proceeding pending before it at any stage of such proceeding. Any person, firm or corporation, and its agents or officials, may be compelled to appear and testify and produce like documentary evidence before the ~~Commission.~~ Commission, except that upon motion of a respondent, the Commission shall require prehearing discovery, order that testimony be taken by deposition, compel production of documents, and compel persons to appear. Witnesses whose depositions are taken under this section, and the persons taking such depositions, shall be entitled to the same fees as are paid for like services in the courts of the State."

SECTION 13.2.(d) G.S. 130A-385(e) reads as rewritten:

"(e) In cases where death occurred due to an injury received in the course of the decedent's employment, the Chief Medical Examiner shall forward to the Commissioner of Labor a copy of the medical examiner's report of the investigation, including the location of the fatal injury and the name and address of the decedent's employer at the time of the fatal injury. The Chief Medical Examiner shall forward this report within 30 days of receipt of the information from the medical

examiner. Upon written request by the Commissioner of Labor, the Chief Medical Examiner shall provide the finalized autopsy report within five months of the date of the request."

SECTION 13.2.(e) G.S. 95-36.3(c) reads as rewritten:

"(c) The Commissioner of ~~Labor, with the written approval of the Attorney General as to legality,~~ Labor shall have power to adopt, alter, amend or repeal appropriate rules of procedure for selection of the arbitrator or panel and for conduct of the arbitration proceedings in accordance with this Article: Provided, however, that such rules shall be inapplicable to the extent that they are inconsistent with the arbitration agreement of the parties."

SECTION 13.2.(f) G.S. 95-110.2 reads as rewritten:

"**§ 95-110.2. Scope.**

This Article shall govern the design, construction, installation, plans review, testing, inspection, certification, operation, use, maintenance, alteration, relocation and investigation of accidents ~~involving:~~involving all of the following:

(1) Elevators, dumbwaiters, escalators, and moving ~~walks;~~walks.
(2) Personnel ~~hoists;~~hoists.
(3) Inclined stairway chair ~~lifts;~~lifts.
(4) Inclined and vertical wheelchair ~~lifts;~~lifts.
(5) ~~Manlifts; and~~Manlifts.
(6) Special equipment.

This Article shall not apply to devices and equipment located and operated in a single family ~~residence,~~ residence. This Article shall not apply to conveyors and related equipment within the scope of the American National Standard Safety Standard for Conveyors and Related Equipment (ANSI/ASME B20.1) constructed, installed and used exclusively for the movement of materials, or to mining equipment specifically covered by the Federal Mine Safety and Health Act or the Mine Safety and Health Act of North Carolina or the rules and regulations adopted pursuant thereto."

SECTION 13.2.(g) G.S. 95-110.3 reads as rewritten:

"**§ 95-110.3. Definitions.**

(a) The term "Commissioner" shall mean the North Carolina Commissioner of Labor or ~~his~~ the Commissioner's authorized representative.

(b) The term "Director" shall mean the Director of the Elevator and Amusement Device ~~Division~~ Bureau of the North Carolina Department of Labor.

…."

SECTION 13.2.(h) G.S. 95-110.4 reads as rewritten:

"**§ 95-110.4. Elevator and Amusement Device ~~Division~~ Bureau established.**

There is hereby created an Elevator and Amusement Device ~~Division~~ Bureau within the Department of Labor. The Commissioner shall appoint a director of the Elevator and Amusement Device ~~Division~~ Bureau and such other employees as the Commissioner deems necessary to assist the director in administering the provisions of this Article."

SECTION 13.2.(i) G.S. 95-110.5 reads as rewritten:

"**§ 95-110.5. Powers and duties of Commissioner.**

The Commissioner of Labor is hereby ~~empowered:~~empowered to do all of the following:

(1) To delegate to the Director of the Elevator and Amusement Device ~~Division~~ Bureau such powers, duties and responsibilities as the Commissioner determines will best serve the public interest in the safe operation of lifting devices and ~~equipment;~~equipment.
(2) To supervise the Director of the Elevator and Amusement Device ~~Division;~~Bureau.
(3) To adopt, modify, or revoke such rules and regulations as are necessary for the purpose of carrying out the provisions of this Article including, but not limited to, those governing the design, construction, installation, plans review,

testing, inspection, certification, operation, use, maintenance, alteration and relocation of devices and equipment subject to the provisions of this Article. The rules and regulations promulgated pursuant to this rulemaking authority shall conform with good engineering practice as evidenced generally by the most recent editions of the American National Standard Safety Code for Elevators, Dumbwaiters, Escalators and Moving Walks, the National Electrical Code, the American National Standard Safety Requirements for Personnel Hoists, the American National Standard Safety Code for Manlifts, the American National Standard Safety Standard for Conveyors and Related Equipment and similar codes promulgated by agencies engaged in research concerning strength of material, safe design, and other factors bearing upon the safe operation of the devices and equipment subject to the provisions of this Article. The rules and regulations may apply different standards to devices and equipment subject to this Article depending upon their date of installation. The rules and regulations for special equipment shall not adopt specifically any portion of the American National Standard Safety Code for Elevators, Dumbwaiters, Escalators and Moving Walks to inclined and vertical reciprocating ~~conveyors;~~conveyors.

(4) To enforce rules and regulations adopted under authority of this ~~Article;~~Article.

(5) To inspect and have tested for acceptance all new, altered or relocated devices or equipment subject to the provisions of this ~~Article;~~Article.

(6) To make maintenance and periodic inspections and tests of all devices and equipment subject to the provisions of this Article as often as every six ~~months;~~months.

(7) To issue certificates of operation which certify for use such devices and equipment as are found to be in compliance with this Article and the rules and regulations promulgated ~~thereunder;~~thereunder.

(8) To have free access, with or without notice, to the devices and equipment subject to the provisions of this Article, during reasonable hours, for purposes of inspection or ~~testing;~~testing.

(9) To obtain an Administrative Search and Inspection Warrant in accordance with the provisions of Article 4A of Chapter 15 of the General ~~Statutes;~~Statutes.

(10) To investigate accidents involving the devices and equipment subject to the provisions of this Article to determine the cause of such accident, and he shall have full subpoena powers in conducting such ~~investigation;~~investigation.

(11) To institute proceedings in the civil or criminal courts of this State, when a provision of this Article or the rules and regulations promulgated thereunder has been ~~violated;~~violated.

(12) To issue a limited certificate of operation for any device or equipment subject to the provisions of this Article to allow the temporary or restricted use ~~thereof;~~thereof.

(13) To adopt, modify or revoke rules and regulations governing the qualifications of ~~inspectors;~~inspectors.

(14) To grant exceptions from the requirements of the rules and regulations promulgated under authority of this Article and to permit the use of other devices when such exceptions and uses will not expose the public to an unsafe condition likely to result in serious personal injury or property ~~damage;~~damage.

(15) To require that a construction permit must be obtained from the Commissioner before any device or equipment subject to the provisions of this Article is installed, altered or moved from one place to another and to require that the Commissioner must be supplied with whatever plans, diagrams or other data he deems necessary to determine whether or not the proposed construction is in compliance with the provisions of this Article and the rules and regulations promulgated ~~thereunder;~~thereunder.

(16) To prohibit the use of any device or equipment subject to the provisions of this Article which is found upon inspection to expose the public to an unsafe condition likely to cause personal injury or property damage. Such device or equipment shall be made operational only upon the Commissioner's determination that such device or equipment has been made ~~safe;~~safe.

(17) To order the payment of all civil penalties provided by this Article. Funds collected pursuant to a civil penalty order shall be deposited with the State ~~Treasurer;~~Treasurer.

(18) To require that any device or equipment subject to the provisions of this Article which has been out-of-service and not continuously maintained for one or more years shall not be returned to service without first complying with all rules and regulations governing existing ~~installations; and~~installations.

…."

SECTION 13.2.(j) G.S. 95-110.9(b) reads as rewritten:

"(b) The Commissioner, without delay, after notification and determination that an occurrence involving injury or damage as specified in subsection (a) has occurred, shall make a complete and thorough investigation of the occurrence. The report of the investigation shall be placed on file in the office of the ~~division~~ bureau and shall give in detail all facts and information available. The owner may submit for inclusion in the file results of investigations independent of the department's investigation."

SECTION 13.2.(k) G.S. 95-111.3(6) reads as rewritten:

"(6) Director. – The Director of the Elevator and Amusement Device ~~Division~~ Bureau of the North Carolina Department of Labor."

SECTION 13.2.(*l*) G.S. 95-111.4 reads as rewritten:

"**§ 95-111.4. Powers and duties of Commissioner.**

The Commissioner of Labor is hereby empowered to do all of the following:

(1) To delegate to the Director of the Elevator and Amusement Device ~~Division~~ Bureau such powers, duties and responsibilities as the Commissioner determines will best serve the public interest in the safe operation of amusement devices.

(2) To supervise the Director of the Elevator and Amusement Device ~~Division.~~Bureau.

…."

SECTION 13.2.(m) G.S. 95-111.10(b) reads as rewritten:

"(b) The Commissioner, without delay, after notification and determination that an occurrence involving injury or damage as specified in subsection (a) has occurred, shall make a complete and thorough investigation of the occurrence. The report of the investigation shall be placed on file in the office of the ~~division~~ bureau and shall give in detail all facts and information available. The owner may submit for inclusion in the file results of investigations independent of the department's investigation."

SECTION 13.2.(n) G.S. 95-125.2(b) reads as rewritten:

"(b) The Commissioner, without delay, after notification and determination that an occurrence involving injury or damage as specified in subsection (a) of this section has occurred, shall make a complete and thorough investigation of the occurrence. The report of the

investigation shall be placed on file in the office of the ~~division~~ bureau and shall give in detail all facts and information available. The owner may submit for inclusion in the file results of investigations independent of the department's investigation."

SECTION 13.2.(o) Subsection (c) of this section shall apply to citations issued on or after the effective date of this section. The remainder of this section is effective when it becomes law.

PART XIV. NATURAL AND CULTURAL RESOURCES

NC SYMPHONY CHALLENGE GRANT

SECTION 14.1.(a) Of the funds appropriated in this act to the Department of Natural and Cultural Resources, the sum of two million dollars ($2,000,000) in recurring funds for each year of the 2025-2027 fiscal biennium shall be allocated to the North Carolina Symphony as provided in this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least seven million dollars ($7,000,000) in non-State funds for the 2025-2026 fiscal year and seven million dollars ($7,000,000) in non-State funds for the 2026-2027 fiscal year. The North Carolina Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fundraising targets set out in subsections (b) and (c) of this section.

SECTION 14.1.(b) For the 2025-2026 fiscal year, the North Carolina Symphony shall receive allocations from the Department of Natural and Cultural Resources as follows:

(1) Upon raising the initial sum of two million dollars ($2,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of four million dollars ($4,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).

(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of seven million dollars ($7,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2025-2026 fiscal year.

SECTION 14.1.(c) For the 2026-2027 fiscal year, the North Carolina Symphony shall receive allocations from the Department of Natural and Cultural Resources as follows:

(1) Upon raising the initial sum of two million dollars ($2,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of four million dollars ($4,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).

(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of seven million dollars ($7,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2026-2027 fiscal year.

NORTH CAROLINA ARTS COUNCIL MEMBERSHIP AND APPOINTMENT CHANGES

SECTION 14.1A.(a) G.S. 143B-88 reads as rewritten:

"**§ 143B-88. North Carolina Arts Council – members; selection; quorum; compensation.**

(a) The North Carolina Arts Council shall consist of ~~24 members appointed by the Governor. The initial members of the Council shall be the appointed members of the present Arts Council who shall serve for a period equal to the remainder of their current terms on the Arts Council, eight of whose terms expire June 30, 1973, eight of whose terms expire June 30, 1974, and eight of whose terms expire June 30, 1975. At the end of the respective terms of office of the initial members, the appointments of their successors shall be for terms of three years and until their successors are appointed and qualify. Any appointment to fill a vacancy on the Council created by the resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term.~~nine members.

~~The Governor shall have the power to remove any member of the Council from office in accordance with the provisions of G.S. 143B-16 of the Executive Organization Act of 1973.~~

~~The Governor shall designate a member of the Council as chairman to serve at his pleasure.~~

(b) The members of the North Carolina Arts Council shall be appointed as follows:

(1) The Governor shall appoint three members for three-year terms.

(2) The General Assembly shall appoint six members for three-year terms, three upon the recommendation of the Speaker of the House of Representatives and three upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121.

(c) As the terms of office of the members of the Council appointed by the Governor expire, their successors shall be appointed for terms of three years each. As the terms of office of the members of the Council appointed by the General Assembly expire, their successors shall be appointed for terms of three years each. All members shall serve at the pleasure of the appointing authority, and they may be removed by the appointing authority at any time.

In the event that a Council member is removed, the member appointed to replace the removed member shall serve only for the unexpired term of the removed member. Any appointment to fill a vacancy on the Council created by the resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term.

(d) The Council shall elect from its appointive members a chair and other officers as it may choose, for such terms as it may designate in its rules.

(e) Members of the Council shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5. A majority of the Council shall constitute a quorum for the transaction of business. All clerical and other services required by the Council shall be supplied by the Secretary of Natural and Cultural Resources."

SECTION 14.1A.(b) The present members of the North Carolina Arts Council (Council) shall serve for a period equal to the remainder of their current terms on the Council. At the end of the respective terms of office of the present members, the appointments of their successors shall be for terms of three years and until their successors are appointed and qualify.

Notwithstanding G.S. 143B-88, upon the expiration of the terms of office of the eight present members whose terms expire June 30, 2025, the Governor shall appoint one successor and the General Assembly shall appoint two successors, one upon the recommendation of the Speaker of the House of Representatives and one upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121.

Notwithstanding G.S. 143B-88, upon the expiration of the terms of office of the eight present members whose terms expire June 30, 2026, the Governor shall appoint one successor and the General Assembly shall appoint two successors, one upon the recommendation of the Speaker of the House of Representatives and one upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121.

Notwithstanding G.S. 143B-88, upon the expiration of the terms of office of the eight present members whose terms expire June 30, 2027, the Governor shall appoint one successor and the General Assembly shall appoint two successors, one upon the recommendation of the

Speaker of the House of Representatives and one upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121.

Thereafter, as the terms of office of the members of the Council expire, their successors shall be appointed for terms of three years in accordance with G.S. 143B-88, as amended by subsection (a) of this section.

SECTION 14.1A.(c) Subsection (a) of this section becomes effective June 30, 2027. The remainder of this section is effective when it becomes law.

SUNDAY OPENING STATE HISTORIC SITE PILOT PROGRAM

SECTION 14.2.(a) Program Established. – Funds appropriated in this act 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 14.2.(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 14.2.(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.

AQUARIUM AND ZOO REPAIR AND RENOVATION PROJECT AUTHORIZATION

SECTION 14.3.(a) G.S. 143B-135.188 reads as rewritten:

"**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

…

(d) Approval. – The Secretary may approve the use of the North Carolina Aquariums Fund for repair and renovation projects at the aquariums-related facilities that comply with the following:

(1) The total project cost is less than ~~five hundred thousand dollars ($500,000).~~seven hundred fifty thousand dollars ($750,000).
(2) The project meets the requirements of G.S. 143C-8-13(a).
(3) The project is paid for from funds appropriated to the Fund.
(4) The project does not obligate the State to provide increased recurring funding for operations.

…."

SECTION 14.3.(b) G.S. 143B-135.209 reads as rewritten:

"**§ 143B-135.209. North Carolina Zoo Fund.**

…

(c) Approval. – The Secretary may approve the use of the North Carolina Zoo Fund for repair and renovation projects at the North Carolina Zoological Park that comply with the following:

(1) The total project cost is less than ~~five hundred thousand dollars ($500,000).~~seven hundred fifty thousand dollars ($750,000).

(2) The project meets the criteria to be classified as a repair or renovation under G.S. 143C-8-13(a).

(3) The project is paid for from funds appropriated to the Fund.

(4) The project does not obligate the State to provide increased recurring funding for operations.

…."

EXTENDED LEASE TERMS FOR STATE RECREATION AREAS

SECTION 14.4. Pursuant to G.S. 146-29(b), the General Assembly authorizes the Department of Natural and Cultural Resources to enter into leases for a period greater than 30 years, but no more than 50 years, of lands owned by the federal government and managed by the Department as the Falls Lake, Jordan Lake, and Kerr Lake State Recreation Areas.

AMERICAN BATTLEFIELD TRUST – EXPANSION

SECTION 14.7. Notwithstanding the Committee Report described in Section 43.2 of S.L. 2023-134 (Committee Report), the five million dollars ($5,000,000) in interest transferred from the State Fiscal Recovery Reserve to the American Battlefield Trust (Trust) on page D98 of the Committee Report may also be used for the preservation of historic battlefield land at any site in the State identified by the National Park Service as a preservation priority in reports to Congress in 1993, 2007, and 2010.

ESTABLISH THE BRUSHY MOUNTAIN STATE NATURAL AREA

SECTION 14.8.(a) The General Assembly authorizes the Department of Natural and Cultural Resources to create the Brushy Mountain State Natural Area (BMSNA) in Alexander County, Caldwell County, and Wilkes County and to add BMSNA to the State Parks System, as provided in G.S. 143B-135.54(b). The State may receive donations of appropriate land and may purchase other needed lands for BMSNA with existing funds in the NC Land and Water Fund, the Parks and Recreation Trust Fund, the federal Land and Water Conservation Fund, and other available sources of funding.

SECTION 14.8.(b) This section is effective when it becomes law.

CAPACITY-BUILDING GRANTS FOR STATE TRAILS

SECTION 14.9.(a) Grants. – Of the funds appropriated in this act to the Department of Natural and Cultural Resources (Department), the sum of eight hundred thousand dollars ($800,000) in nonrecurring funds for the 2025-2026 fiscal year shall be allocated for capacity-building grants to the partner organizations listed in subsection (c) of this section for each component of the State Trails System for which the Department has signed a memorandum of understanding (MOU) pursuant to Section 14.7(d) of S.L. 2021-180. Remaining funds shall be retained by the Department to allocate capacity-building grants for any newly authorized partner organizations for State trails no later than June 30, 2026.

SECTION 14.9.(b) Memorandums of Understanding. – The Department shall identify one or more partners and enter into MOUs with State trails described in subsection (c)

of this section prior to disbursing any funds under this section to those partner organizations, as well as the partner organizations for the trail established on the Saluda Grade rail corridor as set forth in Section 14.5 of S.L. 2023-134, if necessary. Where there is more than one partner organization for a State trail or component thereof, the Department shall apportion the funds under this section based on the relative scope of activity for which each partner organization assumes responsibility in the respective MOU.

SECTION 14.9.(c) State Trails. – The partner organizations for each State trail or component thereof listed in this subsection shall receive fifty thousand dollars ($50,000) each for the purposes set forth in subsection (a) of this section:

(1) Dan River.
(2) Deep River.
(3) French Broad River.
(4) Yadkin River.
(5) East Coast Greenway Trail.
(6) Equine State Trail.
(7) Fonta Flora State Trail.
(8) Hickory Nut Gorge State Trail.
(9) Haw River Trail.
(10) Mountains-to-Sea Trail.
(11) Northern Peaks State Trail.
(12) Overmountain Victory State Trail.
(13) Roanoke River State Trail.
(14) Wilderness Gateway Trail.
(15) The trail that will be established on the Saluda Grade rail corridor.
(16) No more than one newly authorized State trail.

FUNDS FOR INCLUSIVE PLAYGROUNDS

SECTION 14.10. Of the nonrecurring funds for the 2025-2026 fiscal year appropriated in this act to the Parks and Recreation Trust Fund, the sum of one hundred thousand dollars ($100,000) shall be used to provide grants to local governmental unit, public school units, or public authorities for construction of special facilities or adaptation of existing facilities that meet the unique needs of persons with disabilities or that enable them to participate in recreational and sporting activities, regardless of their abilities. Grants made under this subsection shall not exceed five thousand dollars ($5,000), and the local governmental unit, public school unit, or public authority receiving a grant under this subsection shall provide matching funds in the amount of one dollar ($1.00) of local funds for every five dollars ($5.00) of State funds.

PART XV. WILDLIFE RESOURCES COMMISSION

YOUTH OUTDOOR ENGAGEMENT COMMISSION

SECTION 15.1. Part 36 of Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-344.63. Commission may accept gifts.**

The North Carolina Youth Outdoor Engagement Commission is hereby authorized to accept gifts, donations, or contributions from any source, which funds shall be held in a separate account within the North Carolina Youth Outdoor Engagement Fund and shall be administered by, and used solely for purposes consistent with the mission of, the North Carolina Youth Outdoor Engagement Commission."

PART XVI. ADMINISTRATIVE OFFICE OF THE COURTS

COLLECTION OF WORTHLESS CHECKS

SECTION 16.1. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2025, for the purchase or repair of office or information technology equipment during the 2025-2026 fiscal year and may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2026, for the purchase or repair of office or information technology equipment during the 2026-2027 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

SPLIT DISTRICT COURT DISTRICT 5 INTO 5A AND 5B

SECTION 16.2B.(a) G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
…		
~~5~~5A	~~10~~4	Duplin
		Jones
		~~Onslow~~
		Sampson
5B	6	Onslow

…."

SECTION 16.2B.(b) This section becomes effective January 1, 2026, and subsequent elections for judgeships in District Court Districts 5A and 5B shall be held accordingly.

REVISE MAGISTRATES IN VARIOUS COUNTIES

SECTION 16.3. G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

	Magistrates	Additional
County	Min.	Seats of Court
…		
Avery	~~3~~4	
…		
Buncombe	~~15~~14	
…		
Durham	~~18~~17	
…		
New Hanover	~~14~~15	

…."

INCREASE ASSISTANT DISTRICT ATTORNEYS IN MECKLENBURG COUNTY

SECTION 16.3A. G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
…		
26	Mecklenburg	~~61~~71
…."		

MODIFY CIVIL REVOCATION FEE

SECTION 16.7.(a) G.S. 20-16.5(j) reads as rewritten:

"(j) Costs. – Unless the magistrate or judge orders the revocation rescinded, a person whose license is revoked under this section must pay a fee of ~~one~~ two hundred dollars ~~($100.00)~~ ($200.00) as costs for the action before the person's license may be returned under subsection (h) of this section. ~~Fifty~~ Twenty-five percent ~~(50%)~~ (25%) of the costs collected under this section shall be credited to the General Fund. Twenty-five percent (25%) of the costs collected under this section shall be used to fund a statewide chemical alcohol testing program administered by the Injury Control Section of the Department of Health and Human Services. The remaining ~~twenty-five~~ fifty percent ~~(25%)~~ (50%) of the costs collected under this section shall be remitted to the county for the sole purpose of reimbursing the county for jail expenses incurred due to enforcement of the impaired driving laws."

SECTION 16.7.(b) This section is effective December 1, 2025, and applies to fees assessed on or after that date.

REPEAL HUMAN TRAFFICKING COMMISSION GRANT PROGRAM FOLLOWING FINAL REPORTING DATE FOR DISTRIBUTED GRANTS

SECTION 16.9.(a) G.S. 7A-354.1 is repealed.

SECTION 16.9.(b) This section becomes effective May 1, 2026.

SALE OF MAINFRAME AND RELATED TECHNOLOGY COMPONENTS

SECTION 16.10.(a) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4), or any other law pertaining to surplus State property, the Administrative Office of the Courts may sell its mainframe computing system and any related components on terms that the Administrative Office of the Courts deems to be in its best interest without involvement by the State Surplus Property Agency designated in G.S. 143-64.01 and without being required to pay any service charge or surcharge to the State Surplus Property Agency. The net proceeds of this sale shall be deposited in the Court Information Technology Fund established by G.S. 7A-343.2.

SECTION 16.10.(b) This section is effective when it becomes law.

PRESCRIBE RULES GOVERNING TRAINING AND EDUCATIONAL MATERIAL PROVIDED TO JURORS

SECTION 16.12.(a) Chapter 9 of the General Statutes is amended by adding a new Article to read:

"Article 6.

"Education and Training of Jurors.

"**§ 9-33. Training and educational material provided to jurors.**

The Administrative Office of the Courts shall prescribe rules governing any training or educational material provided at any time to any jurors, including jurors under this Chapter and grand jurors under Chapter 15A of the General Statutes, to try any cause. The court shall not provide jurors with any training or educational material that is not otherwise allowed under rules prescribed by the Administrative Office of the Courts."

SECTION 16.12.(b) The Administrative Office of the Courts shall adopt rules consistent with the provisions of this section. The Administrative Office of the Courts may use the procedure set forth in G.S. 150B-21.1 to adopt any rules as required under this section.

SECTION 16.12.(c) This section becomes effective December 1, 2025, and applies to training or educational material provided on or after that date.

CHANGE NAME OF NORTH CAROLINA INNOCENCE INQUIRY COMMISSION

SECTION 16.14.(a) Article 92 of Chapter 15A of the General Statutes reads as rewritten:

"Article 92.

"North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission.

"**§ 15A-1460. Definitions.**

The following definitions apply in this Article:

(1) ~~"Claim of factual innocence" means a~~ Claim of factual innocence. – A claim on behalf of a living person convicted of a felony in the General Court of Justice of the State of North Carolina, asserting the complete innocence of any criminal responsibility for the felony for which the person was convicted and for any other reduced level of criminal responsibility relating to the crime, and for which there is some credible, verifiable evidence of innocence that has not previously been presented at trial or considered at a hearing granted through postconviction relief.

(1a) ~~"Claimant" means a~~ Claimant. – A person asserting that he or she is completely innocent of any criminal responsibility for a felony crime upon which the person was convicted and for any other reduced level of criminal responsibility relating to the crime.

(2) ~~"Commission" means the~~ Commission. – The North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission established by this Article.

(3) ~~"Director" means the~~ Director. – The Director of the North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission.

(3a) ~~"Formal inquiry" means the~~ Formal inquiry. – The stage of an investigation when the Commission has entered into a signed agreement with the original claimant and the Commission has made efforts to notify the victim.

(4) ~~"Victim" means the~~ Victim. – The victim of the crime, or if the victim of the crime is deceased, the next of kin of the victim.

…

"**§ 15A-1462. Commission established.**

(a) There is established the North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission. The ~~North Carolina Innocence Inquiry~~ Commission shall be an independent commission under the Administrative Office of the Courts for administrative purposes.

(b) The Administrative Office of the Courts shall provide administrative support to the Commission as needed. The Director of the Administrative Office of the Courts shall not reduce or modify the budget of the Commission or use funds appropriated to the Commission without the approval of the Commission. The Administrative Office of the Courts shall conduct an annual audit of the Commission.

…

"**§ 15A-1470. No right to further review of decision by Commission or three-judge panel; convicted person retains right to other postconviction relief.**

(a) Unless otherwise authorized by this Article, the decisions of the Commission and of the three-judge panel are final and are not subject to further review by appeal, certification, writ, motion, or otherwise.

(b) A claim of factual innocence asserted through the ~~Innocence Inquiry~~ Commission shall not adversely affect the convicted person's rights to other postconviction relief.

…

"**§ 15A-1475. Reports.**

The ~~North Carolina Innocence Inquiry~~ Commission shall report annually by February 1 of each year on its activities to the Joint Legislative Oversight Committee on Justice and Public Safety. The report shall include a record of the receipt and expenditures of all private donations, gifts, and devises for the reporting period. The report may contain recommendations of any needed legislative changes related to the activities of the Commission. The report shall recommend the funding needed by the Commission, the district attorneys, and the State Bureau of Investigation in order to meet their responsibilities under S.L. 2006-184. Recommendations concerning the district attorneys or the State Bureau of Investigation shall only be made after consultations with the North Carolina Conference of District Attorneys and the Director of the State Bureau of Investigation."

SECTION 16.14.(b) G.S. 15A-268(b)(3)d.4. reads as rewritten:

"4. The case has been referred to the North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission pursuant to Article 92 of Chapter 15A of the General Statutes."

SECTION 16.14.(c) G.S. 15A-1411(d) reads as rewritten:

"(d) A claim of factual innocence asserted through the North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission does not constitute a motion for appropriate relief and does not impact rights or relief provided for in this Article."

SECTION 16.14.(d) G.S. 15A-1417(a)(3a) reads as rewritten:

"(3a) For claims of factual innocence, referral to the North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission established by Article 92 of Chapter 15A of the General Statutes."

SECTION 16.14.(e) G.S. 15A-1418(b) reads as rewritten:

"(b) When a motion for appropriate relief is made in the appellate division, the appellate court must decide whether the motion may be determined on the basis of the materials before it, whether it is necessary to remand the case to the trial division for taking evidence or conducting other proceedings, or, for claims of factual innocence, whether to refer the case for further investigation to the North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission established by Article 92 of Chapter 15A of the General Statutes. If the appellate court does not remand the case for proceedings on the motion, it may determine the motion in conjunction with the appeal and enter its ruling on the motion with its determination of the case."

SECTION 16.14.(f) G.S. 132-1.4 reads as rewritten:

"**§ 132-1.4. Criminal investigations; intelligence information records; ~~Innocence Inquiry~~ Postconviction Review Commission records.**

(a) Records of criminal investigations conducted by public law enforcement agencies, records of criminal intelligence information compiled by public law enforcement agencies, and records of investigations conducted by the North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission, are not public records as defined by G.S. 132-1. Records of criminal investigations conducted by public law enforcement agencies or records of criminal intelligence information may be released by order of a court of competent jurisdiction.

…."

SECTION 16.14.(g) G.S. 143-318.18(3a) reads as rewritten:

"(3a) The North Carolina ~~Innocence Inquiry~~ Postconviction Review Commission."

AMEND RECIPIENTS OF ANNUAL REPORTS ON BUSINESS COURTS

SECTION 16.15.(a) G.S. 7A-343(8a) reads as rewritten:

"(8a) Prepare and submit an annual report on the activities of each North Carolina business court site to the Chief Justice, the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety, and the chairs of the of the Joint Legislative Oversight Committee on Justice and Public ~~Safety, and all other members of the General Assembly~~ Safety on February 1. The report shall include the following information for each business court site:

a. The number of new, closed, and pending cases for the previous three years.
b. The average age of pending cases.
c. The number of motions pending over six months after being filed.
d. The number of cases in which bench trials have been concluded for over six months without entry of judgment, including any accompanying explanation provided by the Business Court.

The report shall include an accounting of all business court activities for the previous fiscal year, including the itemized annual expenditures."

SECTION 16.15.(b) This section is effective when it becomes law and applies to reports prepared on or after that date.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM/REVISE REPORTING DATE ON FIVE-YEAR PROJECTION

SECTION 16.16. G.S. 164-51 reads as rewritten:

"**§ 164-51. Five-year projection; Statewide Misdemeanant Confinement Program.**

The Judicial Department, through the North Carolina Sentencing and Policy Advisory Commission (Commission) and with the assistance of the North Carolina Sheriffs' Association (Sheriffs' Association), shall develop projections of available bed space in the Statewide Misdemeanant Confinement Program (Program). The projections shall cover the next five fiscal years beginning with the 2018-2019 fiscal year. All State agencies, the Sheriffs' Association, and the person having administrative control of a local confinement facility as defined in G.S. 153A-217(5) shall furnish to the Commission data related to available bed space as requested to implement this section.

The Commission shall report its projections to the chairs of the Senate Appropriations Committee on Justice and Public Safety and the chairs of the House Appropriations Committee on Justice and Public Safety no later than February 15, 2019, and annually ~~thereafter.~~thereafter by March 15 of each year."

ESTABLISH A PROCEDURE FOR COMPLEX FAMILY FINANCIAL CASE DISPOSITION

SECTION 16.16B.(a) Chapter 50 of the General Statutes is amended by adding a new Article to read:

"Article 6.

"Complex Family Financial Cases.

"**§ 50-110. Definitions.**

The following definitions shall apply in this Article:

(1) Chief Complex Family Financial Court Judge. – A Complex Family Financial Court Judge designated by the Chief Justice of the North Carolina Supreme Court as provided for in G.S. 7A-45.1(a14) who determines which cases are designated as complex family financial cases, assigns all cases designated as complex family financial cases, and prepares any required reports in addition

to conducting hearings and entering orders in their assigned complex family financial cases.

(2) Complex family financial case. – Any claim or claims approved for hearing as a complex family financial case as provided for by this Article. Claims eligible for hearing as a complex family financial case are equitable distribution, alimony, post separation support, child support, or any combination of those claims.

(3) Complex Family Financial Court Judge. – A special superior court judge appointed pursuant to G.S. 7A-45.1(a14) to hear and enter orders in complex family financial cases filed in district court.

"**§ 50-111. Complex Family Financial Court Judge.**

To serve as a Complex Family Financial Court Judge, the individual must meet the following minimum qualifications:

(1) Attorney licensed in North Carolina and in good standing with the North Carolina State Bar.

(2) Substantial involvement handling complex family financial cases during the 10 calendar years prior to the year of application, including the following:

a. Average at least 600 hours per year handling complex family financial cases.

b. No less than 400 hours handling complex family financial cases in any one year.

(3) During the five calendar years prior to the application:

a. Completed at least 45 hours of continuing legal education credits in family law, nine of which may be in related fields, including taxation, trial advocacy, evidence, negotiation, including training in mediation, arbitration, and collaborative law, real property, estate planning and probate law, trusts, business organizations, employee benefits, bankruptcy, and immigration law. Only nine hours will be recognized for attendance at an extended negotiation or mediation training course. Parenting coordinator training will not qualify for family law or related field hours.

b. A minimum of six hours continuing legal education must have been completed in each of those five years.

(4) Satisfactory peer review by 10 lawyers or judges who are identified by the applicant. The identified individuals must have personal knowledge of the competence and qualification of the applicant in handling complex family financial matters at the pretrial, trial, and posttrial level. All identified individuals must be licensed and in good standing to practice law in the State of North Carolina. No identified individual may be related by blood or marriage to the applicant nor be a colleague at the applicant's place of employment at the time of the application.

"**§ 50-112. Authority and duties of a Complex Family Financial Court Judge.**

(a) A Complex Family Financial Court Judge under this Article has the following authority and responsibilities in all complex family financial cases in district court:

(1) To conduct hearings and to ensure that the parties' due process rights are protected.

(2) To take testimony and establish a record.

(3) To evaluate evidence and make decisions regarding the issues being heard.

(4) To enter temporary, interim, and final orders related to the issues being heard.

(5) To enter orders granting or denying any motion filed under G.S. 1A-1 or any local rules of court for the county in which the action was filed related to actions under this Chapter.

(6) To subpoena witnesses and documents.

(b) A Complex Family Financial Court Judge is authorized to conduct hearings in district court on complex family financial cases statewide.

(c) A Complex Family Financial Court Judge must complete at least nine hours of continuing legal education credits in family law or related fields each year, including taxation, trial advocacy, evidence, negotiation (including training in mediation, arbitration, and collaborative law), real property, estate planning and probate law, trusts, business organizations, employee benefits, bankruptcy, and immigration law. Only one hour per year will be recognized for attendance at negotiation or mediation training, and parenting coordinator training will not qualify for family law or related field hours.

"**§ 50-113. Designation of a complex family financial claim.**

(a) A party designating a claim as a complex family financial claim shall file a Notice of Designation in the district court in which the action has been filed and shall contemporaneously serve the notice on all parties or counsel and on the Chief Complex Family Financial Court Judge. The Notice of Designation shall, in good faith and based on information reasonably available, succinctly state each applicable factor provided in G.S. 50-114, the reasons supporting each factor for designation as a complex family financial claim, and any other information supporting designation as a complex family financial claim. Any factor or reasons supporting the designation not asserted shall be deemed conclusively waived.

(b) Within 30 days after service of the Notice of Designation, any other party may, in good faith, file and serve an opposition to the designation of the claim as a complex family financial claim. The opposition to the designation of the claim shall assert all reasons for which the party opposing designation objects to the designation, and any reason not asserted shall be deemed conclusively waived. The opposition to the designation shall be served on each opposing party and the Chief Complex Family Financial Court Judge and shall be filed in the district court in which the action has been filed.

(c) A family court judge assigned to the case may request designation of pending family financial claims as complex family financial claims by following the procedure in subsection (a) of this section. If the judicial district does not have a designated family court, the chief district court judge for the judicial district may request the designation. Any party to the action may file and serve opposition to the request for designation as provided for in subsection (b) of this section.

(d) Based on the written Notice of Designation and any opposition filed, the Chief Complex Family Financial Court Judge shall determine whether the action should be designated as a complex family financial claim by written order entered within 45 days of service of the Notice of Designation.

(e) Each party shall pay equal shares of the additional filing fee as required under G.S. 7A-305. Only one additional filing fee shall be required per complex family financial case.

(f) Once an order granting designation of a claim as a complex family financial claim is entered, that claim shall be designated and administered as a complex family financial case and assigned to a Complex Family Financial Court Judge by the Chief Complex Family Financial Court Judge. All proceedings related to the claims designated as a complex family financial claim shall be before the Complex Family Financial Court Judge to whom the complex family financial case has been assigned. If any complex family financial claim status is denied, the claim or claims to which the designation was denied shall be heard with any other claims filed under this Chapter.

(g) Complex family financial cases are subject to all provisions of Article 1 of this Chapter, the North Carolina Rules of Civil Procedure, the North Carolina Rules of Evidence, any applicable local rules of court for the county in which the complex family financial case is

pending, and any rules which may be adopted by the Chief Justice of the North Carolina Supreme Court.

"**§ 50-114. Factors for complex family financial case determination.**

The Chief Complex Family Financial Court Judge shall consider each of the following factors in determining whether a claim or claims shall be designated as a complex family financial case:

(1) Valuation and classification issues related to trusts, including active and passive increases or decreases in value.

(2) Valuation and classification issues related to businesses, including active or passive increases or decreases in value.

(3) Valuation and classification of real property, including active or passive increases or decreases in value.

(4) Valuation and classification issues regarding complex retirement or other employment benefits, including employee stock ownership plans, stock options, profit sharing, defined contribution plans, and defined benefit plans.

(5) Valuation and classification of profits, bonuses, or other income or assets received after the date of separation.

(6) Active or passive changes in value to separate property during the marriage.

(7) Tax issues arising from the distribution of assets and debts, including tax loss carryforwards, refunds, credits, or tax consequences.

(8) Whether there are loans or transfers between businesses or shareholders.

(9) Whether there are third-party defendants.

(10) Validity of a premarital or property settlement agreement pled in defense to an equitable distribution, alimony, post separation support, or child support case.

(11) Total value of real and personal property.

(12) Calculation of income for spousal support, child support, or both when income includes non W-2 income.

(13) Total length of time requested for trial on the issues detailed on the Notice of Designation.

Claims which have been filed in excess of 365 days shall be given priority over claims filed less than 365 days, and requested trial dates for the complex family financial case in excess of 15 days shall be given priority.

"**§ 50-115. Complex family financial hearings.**

(a) Motion hearings shall be held virtually unless the assigned judge determines good cause exists to hold the hearing in person. If an in-person hearing is ordered, it shall be held at the courthouse in the county in which the action was filed in an available district or superior courtroom staffed by a deputy or assistant clerk and bailiff.

(b) Hearings on the issues designated as a complex family financial case shall be held in person at the courthouse in the county in which the action was filed in an available district or superior courtroom staffed by a deputy or assistant clerk and bailiff.

(c) All complex family financial hearings must be recorded and exhibits maintained as required for any other matter.

(d) Any hearing on final disposition of the complex family financial case must be scheduled on consecutive days.

"**§ 50-116. Appeal from orders of the Complex Family Financial Court Judge.**

Appeals of orders entered by a Complex Family Financial Court Judge shall be as provided for in G.S. 7A-27(b)."

SECTION 16.16B.(b) G.S. 7A-45.1 reads as rewritten:

"**§ 7A-45.1. Special judges.**

…

(a14) In addition to any other special superior court judges authorized by law, effective July 1, 2025, the Chief Justice of the North Carolina Supreme Court shall appoint three special superior court judges to serve terms expiring at the earlier of (i) eight years from the date that each judge takes office or (ii) the date of the judge's death, retirement, resignation, or removal from office. Special superior court judges appointed pursuant to this subsection shall be designated as special superior court judges to hear and decide complex family financial cases as defined in G.S. 50-110(2) and shall be known as Complex Family Financial Court Judges.

Upon the natural expiration of the term of a special superior court judge appointed pursuant to this subsection, or upon the expiration of a term due to a judge's death, retirement, resignation, or removal from office, a successor shall be appointed to a new term in the same manner and for the same length as other judges appointed pursuant to this subsection.

A special superior court judge takes the same oath of office and is subject to the same requirements and disabilities as are or may be prescribed by law for regular judges of the superior court, save the requirement of residence in a particular district and mandatory retirement age. The mandatory retirement age for a special superior court judge appointed pursuant to this subsection shall be 78 years of age.

(b) A special judge is subject to removal from office for the same causes and in the same manner as a regular judge of the superior court, and a vacancy occurring in the office of special judge, except as provided for in ~~subsection~~ subsections (a12) and (a14) of this section, is filled by the Governor by appointment for the unexpired term.

(c) A special judge, in any court in which he is duly appointed to hold, has the same power and authority in all matters that a regular judge holding the same court would have. A special judge, duly assigned to hold the court of a particular county, has during the session of court in that county, in open court and in chambers, the same power and authority of a regular judge in all matters arising in the district or set of districts as defined in G.S. 7A-41.1(a) in which that county is located, that could properly be heard or determined by a regular judge holding the same session of court.

(d) A special judge is authorized to settle cases on appeal and to make all proper orders in regard thereto after the time for which he was commissioned has expired."

SECTION 16.16B.(c) The Chief Justice of the North Carolina Supreme Court has the authority to create additional rules or procedures necessary to give effect to the provisions of this section.

SECTION 16.16B.(d) The Chief Complex Family Financial Court Judge and the Administrative Office of the Courts shall collaborate to prepare and submit an initial report to the Joint Legislative Oversight Committee on Justice and Public Safety and the Fiscal Research Division on or before August 1, 2026, and shall provide an annual report on or before August 1 of each year thereafter, including the following minimum information:

(1) The total number of cases requested to be designated as a complex family financial case and the total number of cases designated as a complex family financial case by county.
(2) The total number of complex family financial cases disposed of.
(3) The manner of disposition of each complex family financial case, including the total number of cases for each type of disposition.
(4) The average length of time to conduct final disposition hearings.
(5) The shortest, longest, and average length of time from designation to final disposition.
(6) Recommendations for improvement or expansion of the program.

Each annual report shall include data for the previous fiscal year.

SECTION 16.16B.(e) G.S. 7A-305 reads as rewritten:

"**§ 7A-305. Costs in civil actions.**

(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

(1) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in cases heard before a magistrate, and the sum of sixteen dollars ($16.00) in district and superior court, to be remitted to the county in which the judgment is rendered, except that in all cases in which the judgment is rendered in facilities provided by a municipality, the facilities fee shall be paid to the municipality. Funds derived from the facilities fees shall be used in the same manner, for the same purposes, and subject to the same restrictions, as facilities fees assessed in criminal actions.

(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse telecommunications and data connectivity, the sum of four dollars ($4.00), to be credited to the Court Information Technology Fund.

(2) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) in the superior court and the sum of one hundred thirty dollars ($130.00) in the district court except that if the case is assigned to a magistrate the sum shall be eighty dollars ($80.00). If a case is designated as a mandatory complex business case under G.S. 7A-45.4, upon assignment to a Business Court Judge, the party filing the designation shall pay an additional one thousand one hundred dollars ($1,100) for support of the General Court of Justice. If a case is designated as a complex business case under Rule 2.1 and Rule 2.2 of the General Rules of Practice for the Superior and District Courts, upon assignment to a Business Court Judge, the plaintiff shall pay an additional one thousand one hundred dollars ($1,100) for support of the General Court of ~~Justice.~~ Justice. If a claim is designated as a complex family financial claim under G.S. 50-113, upon assignment to a Complex Family Financial Court Judge, each party shall pay equal shares of an additional fee of one thousand one hundred dollars ($1,100) for support of the General Court of Justice. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

(a1) Costs apply to any and all additional and subsequent actions filed by amendment or counterclaim to the original action brought under Chapter 50B of the General Statutes, unless such additional and subsequent amendment or counterclaim to the action is limited to requests for relief authorized by Chapter 50B of the General Statutes.

(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five dollars ($75.00) shall be assessed against the person filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall deposit seventy-five dollars ($75.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be in addition to any other costs assessed under this section.

(a3), (a4) Repealed by Session Laws 2008-118, s. 2.9(c), effective July 1, 2008.

(a5) In every civil action in the superior or district court wherein a party files a pleading containing one or more counterclaims, third-party complaints, or cross-claims, except for counterclaim and cross-claim actions brought under Chapter 50B of the General Statutes for which costs are assessed pursuant to subsection (a1) of this section, the following shall be assessed:

(1) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in cases heard before a magistrate, and the sum of sixteen dollars ($16.00) in district and superior court, to be remitted to the

municipality providing the facilities in which the judgment is rendered. If a municipality does not provide the facilities in which the judgment is rendered, the sum is to be remitted to the county in which the judgment is rendered. Funds derived from the facilities' fees shall be used in the same manner, for the same purposes, and subject to the same restrictions as facilities' fees assessed in criminal actions.

(2) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology Fund.

(3) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, filing fees shall be collected and disbursed in accordance with subsection (a) of this section, and the sum of one hundred thirty dollars ($130.00) in the district court, except that if the case is assigned to a magistrate, the sum shall be eighty dollars ($80.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

(b) On appeal, costs are cumulative, and when cases heard before a magistrate are appealed to the district court, the General Court of Justice fee and the facilities fee applicable in the district court shall be added to the fees assessed before the magistrate. When an order of the clerk of the superior court is appealed to either the district court or the superior court, no additional General Court of Justice fee or facilities fee shall be assessed.

(b1) When a defendant files an answer in an action filed as a small claim which requires the entire case to be withdrawn from a magistrate and transferred to the district court, the difference between the General Court of Justice fee and facilities fee applicable to the district court and the General Court of Justice fee and facilities fee applicable to cases heard by a magistrate shall be assessed. The defendant is responsible for paying the fee.

(c) The clerk of superior court, at the time of the filing of the papers initiating the action or the appeal, shall collect as advance court costs, the facilities fee, General Court of Justice fee, and the divorce fee imposed under subsection (a2) of this section, except in suits by an indigent. The clerk shall also collect the fee for discovery procedures under Rule 27(a) and (b) at the time of the filing of the verified petition.

(d) The following expenses, when incurred, are assessable or recoverable, as the case may be. The expenses set forth in this subsection are complete and exclusive and constitute a limit on the trial court's discretion to tax costs pursuant to G.S. 6-20:

(1) Witness fees, as provided by law.

(2) Jail fees, as provided by law.

(3) Counsel fees, as provided by law.

(4) Expense of service of process by certified mail and by publication.

(5) Costs on appeal to the superior court, or to the appellate division, as the case may be, of the original transcript of testimony, if any, insofar as essential to the appeal.

(6) Fees for personal service and civil process and other sheriff's fees, as provided by law. Fees for personal service by a private process server may be recoverable in an amount equal to the actual cost of such service or fifty dollars ($50.00), whichever is less, unless the court finds that due to difficulty of service a greater amount is appropriate.

(7) Fees of mediators appointed by the court, mediators agreed upon by the parties, guardians ad litem, referees, receivers, commissioners, surveyors, arbitrators, appraisers, and other similar court appointees, as provided by law. The fee of such appointees shall include reasonable reimbursement for stenographic assistance, when necessary.
(8) Fees of interpreters, when authorized and approved by the court.
(9) Premiums for surety bonds for prosecution, as authorized by G.S. 1-109.
(10) Reasonable and necessary expenses for stenographic and videographic assistance directly related to the taking of depositions and for the cost of deposition transcripts.
(11) Reasonable and necessary fees of expert witnesses solely for actual time spent providing testimony at trial, deposition, or other proceedings.
(12) The fee assessed pursuant to subdivision (2) of subsection (a) of this section upon assignment of a case to a special superior court judge as a complex business case.

Nothing in this subsection or in G.S. 6-20 shall be construed to limit the trial court's authority to award fees and expenses in connection with pretrial discovery matters as provided in Rule 26(b) or Rule 37 of the Rules of Civil Procedure, and no award of costs made pursuant to this section or pursuant to G.S. 6-20 shall reverse or modify any such orders entered in connection with pretrial discovery.

(e) Nothing in this section shall affect the liability of the respective parties for costs as provided by law.

(f) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing of a notice of hearing on a motion not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees, to a motion filed pursuant to G.S. 1C-1602 or G.S. 1C-1603, or to a motion filed by a child support enforcement agency established pursuant to Part D of Title IV of the Social Security Act. No more than one fee shall be assessed for any motion for which a notice of hearing is filed, regardless of whether the hearing is continued, rescheduled, or otherwise delayed."

SECTION 16.16B.(f) G.S. 7A-27(b) reads as rewritten:

"(b) Except as provided in subsection (a) of this section, appeal lies of right directly to the Court of Appeals in any of the following cases:

(1) From any final judgment of a superior court, other than one based on a plea of guilty or nolo contendere, including any final judgment entered upon review of a decision of an administrative agency, except for a final judgment entered upon review of a court martial under G.S. 127A-62.
(2) From any final judgment of a district court in a civil action.
(3) From any interlocutory order or judgment of a superior court or district court in a civil action or proceeding that does any of the following:
    a. Affects a substantial right.
    b. In effect determines the action and prevents a judgment from which an appeal might be taken.
    c. Discontinues the action.
    d. Grants or refuses a new trial.
    e. Determines a claim prosecuted under G.S. 50-19.1.
    f. Grants temporary injunctive relief restraining the State or a political subdivision of the State from enforcing the operation or execution of an act of the General Assembly. This sub-subdivision only applies where the State or a political subdivision of the State is a party in the civil action.

g. Denies, upon the court's own motion or the motion of a party, the transfer of an action or proceeding pursuant to Rule 42(b)(4) of the North Carolina Rules of Civil Procedure.

(4) From any other order or judgment of the superior court from which an appeal is authorized by statute.

(5) From any final judgment of a Complex Family Financial Court Judge as defined in G.S. 50-110(3).

(6) From any interlocutory order or judgment of a Complex Family Financial Court Judge as defined in G.S. 50-110(3) that does any of the following:

a. Affects a substantial right.

b. In effect determines the action and prevents a judgment from which an appeal might be taken.

c. Discontinues the action.

d. Grants or refuses a new trial.

e. Determines a claim prosecuted under G.S. 50-19.1."

SECTION 16.16B.(g) This section becomes effective July 1, 2025. The Chief Justice of the North Carolina Supreme Court shall appoint the three Complex Family Financial Court Judges and designate the Chief Complex Family Financial Court Judge as provided for in this section by September 1, 2025. Notices of Designation may be filed beginning January 1, 2026.

REVISE USE OF IOLTA FUNDS

SECTION 16.18.(a) As part of its Plan for Interest on Lawyers' Trust Accounts (NC IOLTA), referenced in Section .1300 of Chapter 1D of Title 27 of the North Carolina Administrative Code, the North Carolina State Bar, in collaboration with the NC IOLTA Board, shall remit all funds received by the State Bar from banks by reason of interest earned on general trust accounts established by lawyers pursuant to Rule 1.15-2(b) of the Rules of Professional Conduct or interest earned on trust or escrow accounts maintained by settlement agents pursuant to G.S. 45A-9, including any interest, dividends, or other proceeds earned on or with respect to these funds, to the Administrative Office of the Courts, Office of Indigent Defense Services, to be deposited into the Private Assigned Counsel Fund and used for the purposes of that Fund.

SECTION 16.18.(b) The North Carolina State Bar shall adopt or amend its rules consistent with the provisions of this section.

SECTION 16.18.(c) This section becomes effective July 1, 2025, and all funds implicated in subsection (a) of this section and distributed on or after that date shall be distributed pursuant to subsection (a) of this section.

REQUIRE THE COMMISSION ON INDIGENT DEFENSE SERVICES TO PROVIDE CONFIDENTIAL PUBLIC DEFENDER PERFORMANCE EVALUATIONS TO SENIOR RESIDENT SUPERIOR COURT JUDGES

SECTION 16.19.(a) G.S. 7A-498.5 is amended by adding a new subsection to read:

"(g1) No later than three months prior to the end of a public defender's term pursuant to an appointment under G.S. 7A-498.7, the Commission shall submit to the senior resident superior court judge who is the appointing authority of that public defender a performance evaluation for that public defender. During one or more closed sessions of the Commission held in accordance with G.S. 143-318.11, the performance evaluation shall be developed and adopted by a majority vote of a quorum of the Commission. Except for members of the General Assembly who may inspect and examine a performance evaluation under the authority of G.S. 120-19, all information pertaining to a performance evaluation completed in accordance with this subsection is confidential, not a public record under G.S. 132-1, and is not subject to discovery or subpoena in a civil or criminal action."

SECTION 16.19.(b) The Commission shall develop metrics to use in evaluating the performance of public defenders in accordance with G.S. 7A-498.5(g1), as enacted by subsection (a) of this section.

SECTION 16.19.(c) This section is effective when it becomes law and applies to public defender terms ending on or after November 30, 2025.

PART XVII. ADULT CORRECTION

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 17.1.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Adult Correction to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 17.1.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 17.2. The Department of Adult Correction may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2025-2027 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Adult Correction.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM FUNDING USE

SECTION 17.3. Of the funds appropriated in this act for the Statewide Misdemeanant Confinement Program, up to the sum of five hundred thousand dollars ($500,000) may be used in each fiscal year of the 2025-2027 fiscal biennium to reimburse sheriffs utilizing inmate labor pursuant to the provisions of Section 19C.10 of S.L. 2021-180.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL EXPENSES

SECTION 17.4. Notwithstanding G.S. 143C-6-9, the Department of Adult Correction may use funds available to the Department for the 2025-2027 fiscal biennium to reimburse counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The reimbursement may not exceed fifty dollars ($50.00) per day per prisoner awaiting transfer. Beginning October 1, 2025, the Department shall report quarterly to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

NURSE STAFFING AT STATE PRISONS REPORT

SECTION 17.5.(a) Article 2 of Chapter 148 of the General Statutes is amended by adding a new section to read:

"**§ 148-19.4. Nurse staffing report.**

By February 1, 2026, and annually thereafter, the Department of Adult Correction shall report all of the following information to the Joint Legislative Oversight Committee on Justice and Public Safety:

(1) The total number of permanent nursing positions allocated to the Department, the number of filled positions, the number of positions that have been vacant for more than six months, and information regarding the location of both filled and vacant positions.

(2) The extent to which temporary contract services are being used to staff vacant nursing positions, the method for funding the contract services, and any cost differences between the use of permanent employees versus contract employees.

(3) A progress report on the implementation of its plan to (i) reduce the use of contract services to provide nursing in State prisons and (ii) attract and retain qualified nurses for employment in permanent positions in State prisons."

SECTION 17.5.(b) G.S. 148-19 is amended by adding a new subsection to read:

"(b1) Notwithstanding any other provision of law, the Department of Adult Correction may, in its discretion and subject to the approval of the Office of State Budget and Management, convert funds appropriated for contractual nursing services to permanent nursing positions when it is determined to promote security, generate cost-savings, and improve health care quality. The Department shall report on any such conversions to the Fiscal Research Division."

DOT CONTRACT OF INMATE LITTER CREW

SECTION 17.6.(a) After the issuance of a request for information (RFI) and receipt of bids by the Department of Transportation for litter pickup on State highways and roads, the Department of Transportation shall first offer the contract to the Department of Adult Correction upon the same terms and conditions as the most favorable bid received by the Department of Transportation from a suitable contractor. The Department of Adult Correction shall have 30 days to accept or decline the offered contract.

SECTION 17.6.(b) It is the policy of the General Assembly that the Department of Transportation shall utilize inmate litter crews for litter pickup on State highways and roads as often as is necessary and practicable.

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES

SECTION 17.7.(a) Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2025-2027 fiscal biennium may be used by the Department of Adult Correction during the 2025-2027 fiscal biennium to provide training programs and equipment purchases for the Division of Community Supervision and Reentry, but only to the extent sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

SECTION 17.7.(b) No later than October 1 of each fiscal year, the Department of Adult Correction shall report to the Joint Legislative Oversight Committee on Justice and Public Safety on the amount of funds used pursuant to this section and for what purposes the funds were used.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 17.8.(a) Seized and forfeited assets transferred to the Department of Adult Correction during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the Department of Adult Correction and shall result in an increase of law enforcement resources for the Department of Adult Correction. The Department of Adult Correction shall make the following reports to the chairs of the House of Representatives

Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to the use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 17.8.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Adult Correction is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 17.8.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

INCREASE THE STATEWIDE MISDEMEANANT CONFINEMENT FUND DAILY REIMBURSEMENT AMOUNT

SECTION 17.9.(a) Notwithstanding any provision of law to the contrary, reimbursements to counties for the costs of housing misdemeanants under the Statewide Misdemeanant Confinement Program, as authorized by G.S. 148-10.4(d), shall be paid at a daily rate of at least fifty dollars ($50.00) for each misdemeanant housed under the Program.

SECTION 17.9.(b) This section becomes effective July 1, 2025, and applies to misdemeanants housed on or after that date.

FURTHER DELINEATE REIMBURSEMENT PROCEDURES FOR ROADWAY CLEANUP PROGRAM

SECTION 17.10.(a) Section 19C.10 of S.L. 2021-180, as amended by Section 5.3 of S.L. 2025-2, reads as rewritten:

"**SECTION 19C.10.(a)** Notwithstanding G.S. 162-58, and consistent with the provisions of Article 3 of Chapter 148 of the General Statutes, sheriffs having custody of inmates under the Statewide Misdemeanant Confinement Program may utilize those inmates to maintain the cleanliness of areas along local and State roadways, which may include the removal of debris resulting from a major disaster declaration by the President of the United States under the Stafford Act (P.L. 93-288) or a disaster declared by the Governor under G.S. 166A-19.21.

"**SECTION 19C.10.(b)** For purposes of this section, the following definitions shall apply:

(1) Housing night. – A night spent by an individual inmate in the custody of the sheriff pursuant to the Statewide Misdemeanant Confinement Program.

~~(1)~~(1a) Road mile. – A section of roadside equaling 1 mile in length, not including any roadsides that are parallel to that section.

(2) Work hour. – An hour worked by an individual inmate, including time spent traveling to and from work sites and break time taken during work efforts.

"**SECTION 19C.10.(c)** A sheriff that utilizes inmates pursuant to subsection (a) of this section shall coordinate with the Department of Transportation before and after a cleanup project to ensure that cleanup efforts are not unnecessarily duplicated by either the sheriff's office or the Department of Transportation. The sheriff shall also ensure that all inmates utilized pursuant to this subsection are appropriately guarded while working and that food, water, and bathroom facilities are accessible in reasonable amounts and times.

"**SECTION 19C.10.(d)** A sheriff that utilizes inmate labor pursuant to subsection (a) of this section for a combined total of ~~500~~ work hours in one calendar month exceeding the minimum required work hours under subsection (d1) of this section shall submit a record documenting those work hours and the corresponding road miles to the North Carolina Sheriffs' ~~Association and~~ Association. A sheriff meeting the requirements of this section shall be reimbursed by the Statewide Misdemeanant Confinement Program for caring for and housing the inmates of the Statewide Misdemeanant Confinement Program at a rate of at least ~~sixty~~ seventy dollars ~~($60.00)~~ ($70.00) per day, per inmate held under the Statewide Misdemeanant Confinement Program for each calendar month in which ~~500~~ the minimum required work hours were completed. Participating sheriffs shall comply with all requirements established by the Statewide Misdemeanant Confinement Program necessary to certify ~~the~~ work hours ~~worked~~ and housing nights and to confirm funding availability. This increased reimbursement rate shall be paid to participating sheriffs only until the funds that have been specifically appropriated by the General Assembly for this purpose are exhausted. Funds allocated under this section shall not revert but shall be available until expended.

"**SECTION 19C.10.(d1)** The minimum required work hours to be reimbursed at the increased rate per day under subsection (d) of this section shall be as follows:

(1) Fifty work hours, if the sheriff did not exceed 100 housing nights in the calendar month three months prior to the calendar month in which the work hours occur.

(2) One hundred fifty work hours, if the sheriff totals 101 to 200 housing nights in the calendar month three months prior to the calendar month in which the work hours occur.

(3) Two hundred fifty work hours, if the sheriff totals 201 to 300 housing nights in the calendar month three months prior to the calendar month in which the work hours occur.

(4) Three hundred fifty work hours, if the sheriff totals 301 to 400 housing nights in the calendar month three months prior to the calendar month in which the work hours occur.

(5) Four hundred fifty work hours, if the sheriff totals 401 to 500 housing nights in the calendar month three months prior to the calendar month in which the work hours occur.

(6) Five hundred work hours, if the sheriff exceeds 500 housing nights in the calendar month three months prior to the calendar month in which the work hours occur.

"**SECTION 19C.10.(e)** The North Carolina Sheriffs' Association shall report no later than the fifteenth day of each month to the Office of State Budget and Management and the Fiscal Research Division regarding (i) the counties with sheriffs' offices that utilized inmate labor pursuant to subsection (a) of this section, (ii) the number of total work hours performed by inmates in each participating county, ~~and~~ (iii) the number of road miles cleaned by inmates in each participating ~~county.~~county, and (iv) the number of housing nights logged in each participating county.

"**SECTION 19C.10.(f)** The North Carolina Sheriffs' Association shall report no later than October 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety, the chairs of the Senate Appropriations Committee on Justice and Public Safety, the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and the chairs of the Joint Legislative Transportation Oversight Committee regarding (i) the counties with sheriffs' offices that utilized inmate labor pursuant to subsection (a) of this section, (ii) the number of total work hours performed by inmates in each participating county, ~~and~~ (iii) the number of road miles cleaned by inmates in each participating ~~county.~~county, and (iv) the number of housing nights logged in each participating county.

"**SECTION 19C.10.(g)** This section is effective when it becomes law."

SECTION 17.10.(b) This section is effective when it becomes law and applies to work hours performed in the next calendar month after this section becomes effective.

AMEND REPORTING REQUIREMENT

SECTION 17.13.(a) G.S. 143B-1470(c) reads as rewritten:

"(c) The Department of Adult Correction shall report ~~quarterly~~ annually by September 1 of each year to the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the Justice and Public Safety Appropriations Committees ~~on:~~on all of the following:

…

Reports ~~submitted on August 1~~ shall include totals for the previous fiscal year for all the information requested."

SECTION 17.13.(b) This section is effective when it becomes law and applies to reports submitted on or after that date.

STUDY THE COST COMPARISONS OF THE CURRENT DELIVERY OF HEALTHCARE SERVICES IN STATE PRISONS AND THE DELIVERY OF THOSE SERVICES UTILIZING CONTRACT HEALTHCARE PROVIDERS

SECTION 17.14. No later than March 1, 2026, the Department of Adult Correction shall report to the Joint Legislative Oversight Committee on Justice and Public Safety, the Fiscal Research Division, the House Appropriations Committee on Justice and Public Safety, and the Senate Appropriations Committee on Justice and Public Safety regarding the following items:

(1) The structure of the current delivery of healthcare services in State prisons.

(2) The costs, in general and for specific treatments and procedures, associated with the current delivery of healthcare services in State prisons.

(3) A proposed structure for the future delivery of healthcare services in State prisons utilizing contract healthcare services.

(4) The costs, in general and for specific treatments and procedures, associated with the proposed future delivery of healthcare services in State prisons based upon the proposal created pursuant to subdivision (3) of this section.

PART XVIII. JUSTICE

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 18.1.(a) Seized and forfeited assets transferred to the Department of Justice during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the Department of Justice and shall result in an increase of law enforcement resources for the Department of Justice. The Department of Justice shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 18.1.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods.

Therefore, the Department of Justice is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 18.1.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

PART XIX. PUBLIC SAFETY

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 19.3.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Public Safety to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 19.3.(b) This section shall not apply to (i) consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325 or (ii) transfers of positions, personnel, or funds required or otherwise authorized by legislation enacted during the 2023-2025 fiscal biennium or the 2025-2027 fiscal biennium.

ADD OFFENSES FOR WHICH ORDERS FOR ELECTRONIC SURVEILLANCE MAY BE GRANTED

SECTION 19.4.(a) G.S. 15A-290 reads as rewritten:

"**§ 15A-290. Offenses for which orders for electronic surveillance may be granted.**

(a) Orders authorizing or approving the interception of wire, oral, or electronic communications may be granted, subject to the provisions of this Article and Chapter 119 of Title 18 of the United States Code, when the interception does any of the following:

(1) May provide or has provided evidence of the commission of, or any conspiracy to commit, any of the following:

a. Any of the drug-trafficking violations listed in G.S. 90-95(h).

b. A continuing criminal enterprise in violation of G.S. 90-95.1.

c. The offense of money laundering in violation of G.S. 14-118.8.

(2) May expedite the apprehension of persons indicted for the commission of, or any conspiracy to commit, an offense listed in subdivision (1) of this subsection.

…

(c) Orders authorizing or approving the interception of wire, oral, or electronic communications may be granted, subject to the provisions of this Article and Chapter 119 of Title 18 of the United States Code, when the interception may provide, or has provided, evidence of any of the following offenses, or any conspiracy to commit these offenses, or when the interception may expedite the apprehension of persons indicted for the commission of these offenses:

(1) Any felony offense against a minor, including any violation of G.S. 14-27.31 (Sexual activity by a substitute parent or custodian), G.S. 14-27.32 (Sexual activity with a student), G.S. 14-41 (Abduction of children), G.S. 14-43.11 (Human trafficking), G.S. 14-43.12 (Involuntary servitude), G.S. 14-43.13 (Sexual servitude), G.S. 14-190.16 (First degree sexual exploitation of a minor), G.S. 14-190.17 (Second degree sexual exploitation of a minor), G.S. 14-202.1 (Taking indecent liberties with children), G.S. 14-205.2(c) or (d) (Patronizing a prostitute who is a minor or has a mental disability), or

G.S. 14-205.3(b) (Promoting prostitution of a minor or a person who has a mental disability).

(2) Any felony obstruction of a criminal investigation, including any violation of G.S. 14-221.1 (Altering, destroying, or stealing evidence of criminal conduct).

(3) Any felony offense involving interference with, or harassment or intimidation of, jurors or witnesses, including any violation of G.S. 14-225.2 or G.S. 14-226.

(4) Any felony offense involving assault or threats against any executive or legislative officer in violation of Article 5A of Chapter 14 of the General Statutes or assault with a firearm or other deadly weapon upon governmental officers or employees in violation of G.S. 14-34.2.

(5) Any offense involving the manufacture, assembly, possession, storage, transportation, sale, purchase, delivery, or acquisition of weapons of mass death or destruction in violation of G.S. 14-288.8 or the adulteration or misbranding of food, drugs, cosmetics, etc., with the intent to cause serious injury in violation of G.S. 14-34.4.

(6) Any felony offense involving human trafficking of an adult, including any violation of G.S. 14-43.11 (Human trafficking), G.S. 14-43.12 (Involuntary servitude), or G.S. 14-43.13 (Sexual servitude).

…."

SECTION 19.4.(b) This section becomes effective December 1, 2025, and applies to offenses committed on or after that date.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 19.5.(a) Seized and forfeited assets transferred to the Alcohol Law Enforcement Division of the Department of Public Safety (ALE) during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the ALE and shall result in an increase of law enforcement resources for the ALE. The ALE shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 19.5.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the ALE is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 19.5.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

SECTION 19.5.(d) The Joint Legislative Oversight Committee on Justice and Public Safety shall study the impact on State and local law enforcement efforts of the receipt of seized and forfeited assets. The Committee shall report its findings and recommendations prior to the convening of the 2026 Regular Session of the 2025 General Assembly.

EXPAND SCOPE OF RESPONDER ASSISTANCE INITIATIVE

SECTION 19.6. In addition to the persons already allowed to utilize the service, the Division of Emergency Management of the Department of Public Safety shall allow emergency management workers responding to disaster relief and recovery efforts in an affected area, as defined in Section 1.4 of S.L. 2024-53, to utilize the services provided under the Responder Assistance Initiative. For purposes of this section, the term "emergency management worker" means any full- or part-time paid, volunteer, or auxiliary employee of the State or any political subdivision thereof who qualifies as an "emergency management worker" under G.S. 166A-19.60.

GENERAL ASSEMBLY CONFIRMATION OF ADJUTANT GENERAL

SECTION 19.7.(a) G.S. 127A-19 reads as rewritten:

"**§ 127A-19. Adjutant General.**

(a) The military head of the militia shall be the Adjutant General who shall hold the rank of major general with federal recognition at time of appointment or attain the rank of major general pursuant to this section. The Adjutant General shall be appointed by the Governor in the Governor's capacity as commander in chief of the militia, in consultation with the Secretary of Public Safety, and shall be subject to confirmation by the General Assembly by joint resolution.

The Governor shall submit the name of the person to be appointed, for confirmation by the General Assembly, to the General Assembly by May 1 of the year in which the Adjutant General is to be appointed. If the Governor does not submit the name by that date, the President Pro Tempore of the Senate and the Speaker of the House of Representatives shall submit a name to the General Assembly on or before May 15 of the same year. The appointment shall then be made by enactment of a bill. The bill shall state the name of the person being appointed, the office to which the appointment is being made, the residence of the appointee, and that the appointment is made upon the joint recommendation of the Speaker of the House of Representatives and the President Pro Tempore of the Senate. If there is no vacancy in the office of the Adjutant General and a bill that would confirm the appointment of the person as Adjutant General fails a reading in either chamber of the General Assembly, then the Governor shall submit a new name within 30 days.

Following appointment pursuant to this section, the Adjutant General shall serve at the pleasure of the Governor. The Adjutant General, while holding this office, shall be a member of the active North Carolina National Guard. If an appointed Adjutant General does not attain the rank of major general with federal recognition within a reasonable period of time from the date of appointment, the Governor shall replace the Adjutant General with an appointee who meets the criteria ~~in~~ in, and is appointed in accordance with, this section. A "reasonable period of time" shall take into account time in grade requirements for promotion or promotions and administrative periods necessary to complete the promotion process.

(a1) In case of a vacancy in the office of the Adjutant General, the name of the Adjutant General's successor shall be submitted by the Governor to the General Assembly not later than 60 days after the vacancy arises. If a vacancy arises in the office when the General Assembly is not in session, an acting Adjutant General shall be appointed by the Governor to serve pending confirmation by the General Assembly. However, in no event shall an acting Adjutant General serve (i) for more than 12 months without General Assembly confirmation or (ii) after a bill that would confirm the appointment of the person as Adjutant General fails a reading in either chamber of the General Assembly.

…."

SECTION 19.7.(b) This section is effective when it becomes law.

MILITARY JUDGES OF THE NORTH CAROLINA NATIONAL GUARD APPOINTMENT MODIFICATIONS

SECTION 19.8.(a) G.S. 127A-50 reads as rewritten:

"**§ 127A-50. Summary courts-martial.**

(a) In the North Carolina National Guard, not in the service of the United States, summary courts-martial may be appointed by any of the following:

(1) Any person who may convene a general or special court-martial.

(2) The commander of a battalion, comparable or higher command of the North Carolina Army National Guard, provided that the commander is an officer of the grade of major or above.

(3) The commander of a detached squadron, comparable or higher command of the North Carolina Air National Guard, provided that the commander is an officer of the grade of major or above.

(b) The court acting under this section shall consist of one ~~officer who shall have the power to administer oaths and try enlisted personnel of each respective command for breaches of discipline and violations of laws governing those organizations. These courts shall also have the power to impose punishments in like manner and to the extent prescribed by the Uniform Code of Military Justice and Manual for Courts-Martial, United States, as shall be in use by the Armed Forces of the United States at the time of the offense, except that no~~ officer, the State military judge, and a judge advocate detailed to the court as a hearing officer. A summary court-martial shall have the authority to impose fines of not more than five hundred dollars ($500.00), to impose forfeitures of two-thirds pay for one month, to restrict to limits, to impose extra duty, and to reduce the rank of enlisted persons E7 and above by up to two ranks and enlisted persons E6 and below to the rank of E1.

(c) No court acting under this section shall have the authority to impose confinement as part of a sentence.

(d) There shall be no right during summary courts-martial to demand trial by court-martial."

SECTION 19.8.(b) G.S. 127A-50.1 reads as rewritten:

"**§ 127A-50.1. Military judges.**

The Adjutant General shall appoint military judges to preside over courts-martial of the North Carolina National Guard not in federal service. Minimum requirements for appointment as a military judge ~~are:~~are the following:

~~(1) Certification as a military judge by the Judge Advocate General of the United States Army, Air Force, Navy, Marines, or Coast Guard.~~

(2) Designation as a judge advocate by the Judge Advocate General of the United States Army, Navy, Air Force, Marines, or Coast Guard.

(3) Membership in the North Carolina National Guard, the National Guard of another state, or the active or reserve components of the Armed Forces of the United States.

(4) A member in good standing for at least 10 years of either of the following:

a. The bar of the highest court of this State or any other state.

b. The bar of a federal court.

(5) Hold the rank of lieutenant colonel or above."

SECTION 19.8.(c) Subsection (a) of this section is effective when it becomes law and applies to summary courts-martial initiated on or after that date. Subsection (b) of this section is effective when it becomes law and applies to military judges serving on or after that date, except the requirements of G.S. 127A-50.1, as amended by subsection (b) of this section, shall only apply to appointments made on or after that date. The remainder of this section is effective when it becomes law.

LIMIT USE OF COMMUNITY PROGRAM FUNDS

SECTION 19.10.(a) Funds appropriated in this act to the Department of Public Safety for the 2025-2027 fiscal biennium for community program contracts, that are not required for or used for community program contracts, may be used only for the following:

(1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.

(4) The Juvenile Crime Prevention Council funds to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 19.10.(b) Funds appropriated by this act to the Department of Public Safety for the 2025-2027 fiscal biennium for community programs may not be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

SECTION 19.10.(c) The Department of Public Safety shall submit an electronic report by October 1 of each year of the 2025-2027 fiscal biennium on all expenditures made in the preceding fiscal year from the miscellaneous contract line in Budget Fund 102715 to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and the Fiscal Research Division. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

MODIFY APPOINTMENT REQUIREMENTS FOR JUVENILE FORENSIC EVALUATORS

SECTION 19.11.(a) Article 24 of Chapter 7B of the General Statutes reads as rewritten:

"Article 24.
"Hearing Procedures.

…

"**§ 7B-2401.1. Definitions.**

The following definitions apply in this Article:

…

(5a) Local Management Entity/Managed Care Organization or LME/MCO. – As defined in G.S. 122C-3.

…

"**§ 7B-2401.2. Procedures to determine capacity; hearing procedures; evidence.**

…

(b) When the capacity of the juvenile to proceed is questioned, the court may appoint one or more local certified forensic evaluators employed by, or under contract with, a Local Management Entity/Managed Care Organization (LME/MCO), and paid by the LME/MCO with public funds, who are qualified by the Department of Health and Human Services to conduct forensic evaluations for juveniles to examine the juvenile and return a forensic evaluation report. Reports so prepared are admissible at the hearing. The court may call any expert so appointed to testify at the hearing with or without the request of either party. This subsection shall not be

construed to limit the juvenile's right to retain his or her own expert or the State's right to obtain its own expert.

…

"**§ 7B-2401.3. Juvenile forensic evaluation credentialing; conducting forensic evaluations; written reports; compensation of experts.**

…

~~(h) Any forensic evaluator appointed by the court to conduct a forensic evaluation, ordered pursuant to G.S. 7B-2401.2, shall receive a reasonable fee for such service. The fee shall be determined for each forensic evaluation by the appointing court, in accordance with reimbursement guidelines maintained by the North Carolina Administrative Office of the Courts. If any such forensic evaluator is required to appear as a witness in any hearing held pursuant to this section, the forensic evaluator shall receive reimbursement for expenses according to guidelines maintained by the North Carolina Administrative Office of the Courts.~~

…."

SECTION 19.11.(b) This section becomes effective December 1, 2025, and applies to forensic evaluators appointed on or after that date.

PART XX. STATE BUREAU OF INVESTIGATION

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 20.1.(a) Seized and forfeited assets transferred to the State Bureau of Investigation (SBI) during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the SBI and shall result in an increase of law enforcement resources for the SBI. The SBI shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.

(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.

(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 20.1.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the SBI is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 20.1.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 20.2.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the State Bureau of Investigation to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 20.2.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

TECHNICAL CORRECTIONS RELATED TO MAKING THE STATE BUREAU OF INVESTIGATION AN INDEPENDENT DEPARTMENT

SECTION 20.3.(a) G.S. 18B-902(b) reads as rewritten:

"(b) Investigation. – Before issuing a new permit, the Commission, with the assistance of the ALE Division, shall investigate the applicant and the premises for which the permit is requested. The Commission may request the assistance of local ABC officers in investigating applications. An applicant shall cooperate fully with the investigation.

The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the ALE Division for a person who has applied for a permit through the Commission. The ALE Division shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The ALE Division and the Commission shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(b) G.S. 74C-8.1(a) reads as rewritten:

"(a) Authorization. – Upon receipt of an application for a license, registration, certification, or permit, the Board shall conduct a background investigation to determine whether the applicant meets the requirements for a license, registration, certification, or permit set out in G.S. 74C-8(d). The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new or renewal license, registration, certification, or permit through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of a new applicant, and the ~~Department of Public Safety~~ Bureau shall provide a criminal record check based upon the applicant's fingerprints. The Board may request a criminal record check from the ~~Department of Public Safety~~ Bureau for a renewal applicant based upon the applicant's fingerprints in accordance with policy adopted by the Board. The Board shall provide any additional information required by the ~~Department of Public Safety~~ Bureau and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection.

The Board may require a new or renewal applicant to obtain a criminal record report from one or more reporting services designated by the Board to provide criminal record reports. Applicants are required to pay the designated reporting service for the cost of these reports."

SECTION 20.3.(c) G.S. 74D-2.1(a) reads as rewritten:

"(a) Authorization. – Upon receipt of an application for a license or registration, the Board shall conduct a background investigation to determine whether the applicant meets the requirements for a license or registration as set out in G.S. 74D-2(d). The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board

for a person who has applied for a new or renewal license or registration through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of a new applicant, and the ~~Department of Public Safety~~ Bureau shall provide a criminal record check based upon the applicant's fingerprints. The Board may request a criminal record check from the ~~Department of Public Safety~~ Bureau for a renewal applicant based upon the applicant's fingerprints in accordance with policy adopted by the Board. The Board shall provide any additional information required by the ~~Department of Public Safety~~ Bureau and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection.

The Board may require a new or renewal applicant to obtain a criminal record report from one or more reporting services designated by the Board to provide criminal record reports. Applicants are required to pay the designated reporting service for the cost of these reports."

SECTION 20.3.(d) G.S. 84-24 reads as rewritten:

"**§ 84-24. Admission to practice.**

For the purpose of examining applicants and providing rules and regulations for admission to the Bar including the issuance of license therefor, there is hereby created the Board of Law Examiners, which shall consist of 11 members of the Bar, elected by the Council, who need not be members of the Council. No teacher in any law school, however, shall be eligible. The members of the Board of Law Examiners elected from the Bar shall each hold office for a term of three years.

The Board of Law Examiners shall elect a member of the Board as chair thereof, and the Board may employ an executive secretary and provide such assistance as may be required to enable the Board to perform its duties promptly and properly. The chair and any employees shall serve for a period of time determined by the Board.

The examination shall be held in the manner and at the times as the Board of Law Examiners may determine.

The Board of Law Examiners shall have full power and authority to make or cause to be made such examinations and investigations as may be deemed by it necessary to satisfy it that the applicants for admission to the Bar possess the qualifications of character and general fitness requisite for an attorney and counselor-at-law and to this end the Board of Law Examiners shall have the power of subpoena and to summons and examine witnesses under oath and to compel their attendance and the production of books, papers and other documents and writings deemed by it to be necessary or material to the inquiry and shall also have authority to employ and provide assistance as may be required to enable it to perform its duties promptly and properly. Records, papers, and other documents containing information collected and compiled by the Board or its members or employees as a result of investigations, inquiries, or interviews conducted in connection with examinations or licensing matters, are not public records within the meaning of Chapter 132 of the General Statutes.

All applicants for admission to the Bar shall be fingerprinted to determine whether the applicant has a record of criminal conviction in this State or in any other state or jurisdiction. The information obtained as a result of the fingerprinting of an applicant shall be limited to the official use of the Board of Law Examiners in determining the character and general fitness of the applicant.

The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board of Law Examiners for a person who has applied for a license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along

with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this section.

The Board of Law Examiners, subject to the approval of the Council, shall by majority vote, from time to time, make, alter, and amend such rules and regulations for admission to the Bar as in their judgment shall promote the welfare of the State and the profession: Provided, that no change in the educational requirements for admission to the Bar that establishes an additional or greater requirement shall become effective until two years after the date of the adoption of the change.

All rules and regulations, and modifications, alterations and amendments thereof, shall be recorded and promulgated as provided in G.S. 84-21 in relation to the certificate of organization and the rules and regulations of the Council.

Whenever the Council shall order the restoration of license to any person as authorized by G.S. 84-32, it shall be the duty of the Board of Law Examiners to issue a written license to the person, noting thereon that the license is issued in compliance with an order of the Council, whether the license to practice law was issued by the Board of Law Examiners or the Supreme Court in the first instance.

Appeals from the Board shall be had in accordance with rules or procedures as may be approved by the Supreme Court as may be submitted under G.S. 84-21 or as may be promulgated by the Supreme Court."

SECTION 20.3.(e) G.S. 90D-7(c) reads as rewritten:

"(c) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new, provisional, or renewal license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subdivision privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(f) G.S. 90-11(b) reads as rewritten:

"(b) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record

and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection. The Board has the authority to collect this fee from each applicant and remit it to the ~~Department of Public Safety.~~Bureau."

SECTION 20.3.(g) G.S. 90-30(b) reads as rewritten:

"(b) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the North Carolina State Board of Dental Examiners for a person who has applied for a license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(h) G.S. 90-102.1(d) reads as rewritten:

"(d) Criminal Record Check. – The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Department of Health and Human Services for a person who has applied for a new or renewal registration. The Department of Health and Human Services shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Department of Health and Human Services shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes. The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(i) G.S. 90-210.25(a)(5)h. reads as rewritten:

"h. The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new or renewal license, or certification through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting

to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subdivision privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subdivision."

SECTION 20.3.(j) G.S. 90-224(c) reads as rewritten:

"(c) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Board for a person who has applied for a new or renewal license through the Board. The Board shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(k) G.S. 93A-4(b1) reads as rewritten:

"(b1) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Commission for a person who has applied for a license through the Commission. The Commission shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Commission shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 20.3.(*l*) G.S. 95-47.2(d)(2a) reads as rewritten:

"(2a) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the Commissioner for a person or agency who has applied for a license through the Commissioner. The Commissioner shall provide to the ~~Department of Public Safety,~~ Bureau, along with the

request, the fingerprints of all applicants, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicants consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicants' fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Commissioner shall keep all information pursuant to this subdivision privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subdivision."

SECTION 20.3.(m) G.S. 110-90.2(c) reads as rewritten:

"(c) The ~~Department of Public Safety~~ State Bureau of Investigation shall provide to the Division of Child Development, Department of Health and Human Services, the criminal history from the State and National Repositories of Criminal Histories of any child care provider as requested by the Division.

The Division shall provide to the ~~Department of Public Safety,~~ State Bureau of Investigation, along with the request, the fingerprints of the provider to be checked, any additional information required by the ~~Department of Public Safety,~~ State Bureau of Investigation, and a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories signed by the child care provider to be checked. The fingerprints of the provider shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of their criminal history record file and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a federal criminal history record check.

At the time of application the child care provider whose criminal history is to be checked shall be furnished with a statement substantially similar to the following:

"NOTICE

CHILD CARE PROVIDER MANDATORY CRIMINAL HISTORY CHECK

NORTH CAROLINA LAW REQUIRES THAT A CRIMINAL HISTORY RECORD CHECK BE CONDUCTED ON ALL PERSONS WHO PROVIDE CHILD CARE IN A LICENSED CHILD CARE FACILITY, AND ALL PERSONS PROVIDING CHILD CARE IN NONLICENSED CHILD CARE HOMES THAT RECEIVE STATE OR FEDERAL FUNDS.

"Criminal history" means a county, state, or federal criminal history of conviction, pending indictment of a crime, or criminal charge, whether a misdemeanor or a felony, that bears on an individual's fitness to have responsibility for the safety and well-being of children. Such crimes include, but are not limited to, the following North Carolina crimes contained in any of the following Articles of Chapter 14 of the General Statutes: Article 6, Homicide; Article 7B, Rape and Other Sex Offenses; Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material; Article 14, Burglary; Article 16, Larceny; Article 17, Robbery; Article 19, False Pretenses and Cheats; Article 19A, Obtaining Property or Services by False or Fraudulent Use of Credit Device or Other Means; Article 19C, Identity Theft; Article 26, Offenses Against Public Morality and Decency; Article 27, Prostitution; Article 29, Bribery; Article 35, Offenses Against the Public Peace;

Article 36A, Riots and Civil Disorders; Article 39, Protection of Minors; Article 40, Protection of the Family; and Article 59, Public Intoxication. Such crimes also include cruelty to animals in violation of Article 3 of Chapter 19A of the General Statutes, violation of the North Carolina Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North Carolina crimes listed in this notice, such crimes also include similar crimes under federal law or under the laws of other states. Your fingerprints will be used to check the criminal history records of the State Bureau of Investigation (SBI) and the Federal Bureau of Investigation (FBI).

If it is determined, based on your criminal history, that you are unfit to have responsibility for the safety and well-being of children, you shall have the opportunity to complete, or challenge the accuracy of, the information contained in the SBI or FBI identification records.

If you disagree with the determination of the North Carolina Department of Health and Human Services on your fitness to provide child care, you may file a civil lawsuit within 60 days after receiving written notification of disqualification in the district court in the county where you live.

Any child care provider who intentionally falsifies any information required to be furnished to conduct the criminal history record check shall be guilty of a Class 2 misdemeanor."

Refusal to consent to a criminal history record check or intentional falsification of any information required to be furnished to conduct a criminal history record check is grounds for the Department to prohibit the child care provider from providing child care. Any child care provider who intentionally falsifies any information required to be furnished to conduct the criminal history shall be guilty of a Class 2 misdemeanor."

SECTION 20.3.(n) G.S. 160A-304(a) reads as rewritten:

"(a) A city may by ordinance license and regulate all vehicles operated for hire in the city. The ordinance may require that the drivers and operators of taxicabs engaged in the business of transporting passengers for hire over the public streets shall obtain a license or permit from the city; provided, however, that the license or permit fee for taxicab drivers shall not exceed fifteen dollars ($15.00). As a condition of licensure, the city may require an applicant for licensure to pass a controlled substance examination. The ordinances may also specify the types of taxicab services that are legal in the municipality; provided, that in all cases shared-ride services as well as exclusive-ride services shall be legal. Shared-ride service is defined as a taxi service in which two or more persons with either different origins or with different destinations, or both, occupy a taxicab at one time. Exclusive-ride service is defined as a taxi service in which the first passenger or party requests exclusive use of the taxicab. In the event the applicant is to be subjected to a national criminal history background check, the ordinance shall specifically authorize the use of FBI records. The ordinance shall require any applicant who is subjected to a national criminal history background check to be fingerprinted.

The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) may provide a criminal record check to the city for a person who has applied for a license or permit through the city. The city shall provide to the ~~Department of Public Safety,~~ Bureau, along with the request, the fingerprints of the applicant, any additional information required by the ~~Department of Public Safety,~~ Bureau, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be ~~forwarded to the State Bureau of Investigation~~ used for a search of the State's criminal history record file, and the ~~State~~ Bureau ~~of Investigation~~ shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The city shall keep all information pursuant to this subsection privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The ~~Department of Public Safety~~ Bureau may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection.

~~The~~ Any of the following factors shall be deemed sufficient grounds for refusing to issue a permit or for revoking a permit already issued:

(1) Conviction of a felony against this State, or conviction of any offense against another state which would have been a felony if committed in this ~~State;~~State.

(2) Violation of any federal or State law relating to the use, possession, or sale of alcoholic beverages or narcotic or barbiturate ~~drugs;~~drugs.

(3) Addiction to or habitual use of alcoholic beverages or narcotic or barbiturate ~~drugs;~~drugs.

(4) Violation of any federal or State law relating to ~~prostitution;~~prostitution.

(5) Noncitizenship in the United ~~States;~~States.

(6) Habitual violation of traffic laws or ordinances.

The ordinance may also require operators and drivers of taxicabs to display prominently in each taxicab, so as to be visible to the passengers, the city taxi permit, the schedule of fares, a photograph of the driver, and any other identifying matter that the council may deem proper and advisable. The ordinance may also establish rates that may be charged by taxicab operators, may limit the number of taxis that may operate in the city, and may grant franchises to taxicab operators on any terms that the council may deem advisable."

SECTION 20.3.(o) Article 27A of Chapter 14 of the General Statutes reads as rewritten:

"Article 27A.

"Sex Offender and Public Protection Registration Programs.

"Part 1. Registration Programs, Purpose and Definitions Generally.

…

"**§ 14-208.6. Definitions.**

The following definitions apply in this Article:

(1a) Aggravated offense. – Any criminal offense that includes either of the following: (i) engaging in a sexual act involving vaginal, anal, or oral penetration with a victim of any age through the use of force or the threat of serious violence; or (ii) engaging in a sexual act involving vaginal, anal, or oral penetration with a victim who is less than 12 years old.

(1b) Bureau. – The State Bureau of Investigation.

~~(1b)~~(1c) County registry. – The information compiled by the sheriff of a county in compliance with this Article.

~~(1c) Department. – The Department of Public Safety.~~

…

(8) Statewide registry. – The central registry compiled by the ~~Department~~ Bureau in accordance with G.S. 14-208.14.

(9) Student. – A person who is enrolled on a full-time or part-time basis, in any postsecondary public or private educational institution, including any trade or professional institution, or other institution of higher education.

…

"**§ 14-208.7. Registration.**

…

(b) The ~~Department of Public Safety~~ Bureau shall provide each sheriff with forms for registering persons as required by this Article. The registration form shall require all of the following:

(1) The person's full name, each alias, date of birth, sex, race, height, weight, eye color, hair color, drivers license number, and home address.

(1a) A statement indicating what the person's name was at the time of the conviction for the offense that requires registration; what alias, if any, the person was using at the time of the conviction of that offense; and the name of the person as it appears on the judgment imposing the sentence on the person for the conviction of the offense.

(2) The type of offense for which the person was convicted, the date of conviction, and the sentence imposed.

(3) A current photograph taken by the sheriff, without charge, at the time of registration.

(4) The person's fingerprints taken by the sheriff, without charge, at the time of registration.

(5) A statement indicating whether the person is a student or expects to enroll as a student within a year of registering. If the person is a student or expects to enroll as a student within a year of registration, then the registration form shall also require the name and address of the educational institution at which the person is a student or expects to enroll as a student.

(6) A statement indicating whether the person is employed or expects to be employed at an institution of higher education within a year of registering. If the person is employed or expects to be employed at an institution of higher education within a year of registration, then the registration form shall also require the name and address of the educational institution at which the person is or expects to be employed.

(7) Any online identifier that the person uses or intends to use.

(c) When a person registers, the sheriff with whom the person registered shall immediately send the registration information to the ~~Department of Public Safety~~ Bureau in a manner determined by the ~~Department of Public Safety.~~ Bureau. The sheriff shall retain the original registration form and other information collected and shall compile the information that is a public record under this Part into a county registry.

…

"**§ 14-208.8. Prerelease notification.**

(a) At least 10 days, but not earlier than 30 days, before a person who will be subject to registration under this Article is due to be released from a penal institution, an official of the penal institution shall do all of the following:

(1) Inform the person of the person's duty to register under this Article and require the person to sign a written statement that the person was so informed or, if the person refuses to sign the statement, certify that the person was so informed.

(2) Obtain the registration information required under G.S. 14-208.7(b)(1), (2), (5), (6), and (7), as well as the address where the person expects to reside upon the person's release.

(3) Send the ~~Department of Public Safety~~ Bureau and the sheriff of the county in which the person expects to reside the information collected in accordance with subdivision (2) of this subsection.

…

"**§ 14-208.8A. Notification requirement for out-of-county employment if temporary residence established.**

…

(c) Notice to ~~Department of Public Safety.~~ the Bureau. – Upon receiving the notice required under subsection (a) of this section, the sheriff shall immediately forward the information to the ~~Department of Public Safety.~~ Bureau. The ~~Department of Public Safety~~ Bureau

shall notify the sheriff of the county where the person is working and maintaining a temporary residence of the person's place of employment and temporary address in that county.

"**§ 14-208.9. Change of address; change of academic status or educational employment status; change of online identifier; change of name.**

(a) If a person required to register changes address, the person shall report in person and provide written notice of the new address not later than the third business day after the change to the sheriff of the county with whom the person had last registered. If the person moves to another county, the person shall also report in person to the sheriff of the new county and provide written notice of the person's address not later than the tenth day after the change of address. Upon receipt of the notice, the sheriff shall immediately forward this information to the ~~Department of Public Safety.~~ Bureau. When the ~~Department of Public Safety~~ Bureau receives notice from a sheriff that a person required to register is moving to another county in the State, the ~~Department of Public Safety~~ Bureau shall inform the sheriff of the new county of the person's new residence.

(b) If a person required to register intends to move to another state, the person shall report in person to the sheriff of the county of current residence at least three business days before the date the person intends to leave this State to establish residence in another state or jurisdiction. The person shall provide to the sheriff a written notification that includes all of the following information: the address, municipality, county, and state of intended residence.

(1) If it appears to the sheriff that the record photograph of the sex offender no longer provides a true and accurate likeness of the sex offender, then the sheriff shall take a photograph of the offender to update the registration.

(2) The sheriff shall inform the person that the person must comply with the registration requirements in the new state of residence. The sheriff shall also immediately forward the information included in the notification to the ~~Department of Public Safety,~~ Bureau, and the ~~Department of Public Safety~~ Bureau shall inform the appropriate state official in the state to which the registrant moves of the person's notification and new address.

(b1) A person who indicates his or her intent to reside in another state or jurisdiction and later decides to remain in this State shall, within three business days after the date upon which the person indicated he or she would leave this State, report in person to the sheriff's office to which the person reported the intended change of residence, of his or her intent to remain in this State. If the sheriff is notified by the sexual offender that he or she intends to remain in this State, the sheriff shall promptly report this information to the ~~Department of Public Safety.~~Bureau.

(c) If a person required to register changes his or her academic status either by enrolling as a student or by terminating enrollment as a student, then the person shall, within three business days, report in person to the sheriff of the county with whom the person registered and provide written notice of the person's new status. The written notice shall include the name and address of the institution of higher education at which the student is or was enrolled. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

(d) If a person required to register changes his or her employment status either by obtaining employment at an institution of higher education or by terminating employment at an institution of higher education, then the person shall, within three business days, report in person to the sheriff of the county with whom the person registered and provide written notice of the person's new status not later than the tenth day after the change to the sheriff of the county with whom the person registered. The written notice shall include the name and address of the institution of higher education at which the person is or was employed. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

(e) If a person required to register changes an online identifier, or obtains a new online identifier, then the person shall, within 10 days, report in person to the sheriff of the county with whom the person registered to provide the new or changed online identifier information to the

sheriff. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

(f) If a person required to register changes his or her name pursuant to Chapter 101 of the General Statutes or by any other method, then the person shall, within three business days, report in person to the sheriff of the county with whom the person registered to provide the name change to the sheriff. The sheriff shall immediately forward this information to the ~~Department of Public Safety.~~Bureau.

"**§ 14-208.9A. Verification of registration information.**

(a) The information in the county registry shall be verified semiannually for each registrant as follows:

(1) Every year on the anniversary of a person's initial registration date, and again six months after that date, the ~~Department of Public Safety~~ Bureau shall mail a nonforwardable verification form to the last reported address of the person.

…

"**§ 14-208.12A. Request for termination of registration requirement.**

…

(a3) If the court denies the petition, the person may again petition the court for relief in accordance with this section one year from the date of the denial of the original petition to terminate the registration requirement. If the court grants the petition to terminate the registration requirement, the clerk of court shall forward a certified copy of the order to the ~~Department of Public Safety~~ Bureau to have the person's name removed from the registry.

…

"**§ 14-208.12B. Registration requirement review.**

…

(i) No sheriff, or employee of a sheriffs' office, district attorney's office, or the ~~North Carolina State~~ Bureau ~~of Investigation~~ shall incur any civil or criminal liability under North Carolina law as the result of the performance of official duties under this Article.

"**§ 14-208.13. File with Criminal Information Network.**

(a) The ~~Department of Public Safety~~ Bureau shall include the registration information in the ~~Criminal Information Network~~ Division of Criminal Information as set forth in ~~G.S. 143B-905.~~G.S. 143B-1208.19.

(b) The ~~Department of Public Safety~~ Bureau shall maintain the registration information permanently even after the registrant's reporting requirement expires.

"**§ 14-208.14. Statewide registry; ~~Department of Public Safety~~ State Bureau of Investigation designated custodian of statewide registry.**

(a) The ~~Department of Public Safety~~ Bureau shall compile and keep current a central statewide sex offender registry. The ~~Department~~ Bureau is the State agency designated as the custodian of the statewide registry. As custodian the ~~Department~~ Bureau has the following responsibilities:

(1) To receive from the sheriff or any other law enforcement agency or penal institution all sex offender registrations, changes of address, changes of academic or educational employment status, and prerelease notifications required under this Article or under federal law. The ~~Department~~ Bureau shall also receive notices of any violation of this Article, including a failure to register or a failure to report a change of address.

(2) To provide all need-to-know law enforcement agencies (local, State, campus, federal, and those located in other states) immediately upon receipt by the ~~Department~~ Bureau of any of the following: registration information, a prerelease notification, a change of address, a change of academic or educational employment status, or notice of a violation of this Article.

(2a) To notify the appropriate law enforcement unit at an institution of higher education as soon as possible upon receipt by the ~~Department~~ Bureau of relevant information based on registration information or notice of a change of academic or educational employment status. If an institution of higher education does not have a law enforcement unit, then the ~~Department~~ Bureau shall provide the information to the local law enforcement agency that has jurisdiction for the campus.

…

"**§ 14-208.15. Certain statewide registry information is public record: access to statewide registry.**

(a) The information in the statewide registry that is public record is the same as in G.S. 14-208.10. The ~~Department of Public Safety~~ Bureau shall release any other relevant information that is necessary to protect the public concerning a specific person, but shall not release the identity of the victim of the offense that required registration under this Article.

(b) The ~~Department of Public Safety~~ Bureau shall provide free public access to automated data from the statewide registry, including photographs provided by the registering sheriffs, via the Internet. The public will be able to access the statewide registry to view an individual registration record, a part of the statewide registry, or all of the statewide registry. The ~~Department of Public Safety~~ Bureau may also provide copies of registry information to the public upon written request and may charge a reasonable fee for duplicating costs and mailings costs.

(c) Upon request of an institution of higher education, the Sheriff of the county in which the educational institution is located shall provide a report containing the registry information for any registrant who has stated that the registrant is a student or employee, or expects to become a student or employee, of that institution of higher education. The ~~Department of Public Safety~~ Bureau shall provide each sheriff with the ability to generate the report from the statewide registry. The report shall be provided electronically without charge. The institution of higher education may receive a written report upon payment of reasonable duplicating costs and mailing costs.

"**§ 14-208.15A. Release of online identifiers to entity; fee.**

(a) The ~~Department of Public Safety~~ Bureau may release registry information regarding a registered offender's online identifier to an entity for the purpose of allowing the entity to prescreen users or to compare the online identifier information with information held by the entity as provided by this section.

(b) An entity desiring to prescreen its users or compare its database of registered users to the list of online identifiers of persons in the statewide registry may apply to the ~~Department of Public Safety~~ Bureau to access the information. An entity that complies with the criteria developed by the ~~Department of Public Safety~~ Bureau regarding the release and use of the online identifier information and pays the fee may screen new users or compare its database of registered users to the list of online identifiers of persons in the statewide registry as frequently as the ~~Department of Public Safety~~ Bureau may allow for the purpose of identifying a registered user associated with an online identifier contained in the statewide registry.

(c) The ~~Department of Public Safety~~ Bureau may charge an entity that submits a request for the online identifiers of persons in the statewide registry an annual fee of one hundred dollars ($100.00). Fees collected under this section shall be credited to the ~~Department of Public Safety~~ Bureau and applied to the cost of providing this service.

(d) The ~~Department of Public Safety~~ Bureau shall develop standards regarding the release and use of online identifier information. The standards shall include a requirement that the information obtained from the statewide registry shall not be disclosed for any purpose other than for prescreening its users or comparing the database of registered users of the entity against the list of online identifiers of persons in the statewide registry.

…

"**§ 14-208.22. Additional registration information required.**

…

(b) The ~~Department of Public Safety~~ Bureau shall provide each sheriff with forms for registering persons as required by this Article.

…

"**§ 14-208.27. Change of address.**

If a juvenile who is adjudicated delinquent and required to register changes address, the juvenile court counselor for the juvenile shall provide written notice of the new address not later than the third business day after the change to the sheriff of the county with whom the juvenile had last registered. Upon receipt of the notice, the sheriff shall immediately forward this information to the ~~Department of Public Safety.~~ Bureau. If the juvenile moves to another county in this State, the ~~Department of Public Safety~~ Bureau shall inform the sheriff of the new county of the juvenile's new residence.

…

"**§ 14-208.31. File with Criminal Information Network.**

(a) The ~~Department of Public Safety~~ Bureau shall include the registration information in the ~~Criminal Information Network~~ Division of Criminal Information as set forth in ~~G.S. 143B-905.~~G.S. 143B-1208.19.

(b) The ~~Department of Public Safety~~ Bureau shall maintain the registration information permanently even after the registrant's reporting requirement expires; however, the records shall remain confidential in accordance with Article 32 of Chapter 7B of the General Statutes.

…."

SECTION 20.3.(p) The following sections of the General Statutes are recodified as follows:

Former Citation	Recodified Citation
143B-901	143B-1208.15
143B-902	143B-1208.16
143B-903	143B-1208.17
143B-904	143B-1208.18
143B-905	143B-1208.19

SECTION 20.3.(q) G.S. 143B-1208.15, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.15. Reporting system and database on certain domestic-violence-related homicides; reports by law enforcement agencies required; annual report to the General Assembly.**

The ~~Department of Public Safety,~~ State Bureau of Investigation (Bureau), in consultation with the North Carolina Council for Women/Domestic Violence Commission, the North Carolina Sheriffs' Association, and the North Carolina Association of Chiefs of Police, shall develop a reporting system and database that reflects the number of homicides in the State where the offender and the victim had a personal relationship, as defined by G.S. 50B-1(b). The information in the database shall also include the type of personal relationship that existed between the offender and the victim, whether the victim had obtained an order pursuant to G.S. 50B-3, and whether there was a pending charge for which the offender was on pretrial release pursuant to G.S. 15A-534.1. All State and local law enforcement agencies shall report information to the ~~Department of Public Safety~~ Bureau upon making a determination that a homicide meets the reporting system's criteria. The report shall be made in the format adopted by the ~~Department of Public Safety.~~ Bureau. The ~~Department of Public Safety~~ Bureau shall report to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, no later than April 1 of each year, with the data collected for the previous calendar year."

SECTION 20.3.(r) G.S. 143B-1208.16, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.16. Powers and duties of the ~~Department of Public Safety~~ State Bureau of Investigation with respect to criminal information.**

In addition to its other duties, it shall be the duty of the ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) to do all of the following:

…

(2) To collect, correlate, and maintain access to information that will assist in the performance of duties required in the administration of criminal justice throughout the State. This information may include, but is not limited to, motor vehicle registration, drivers' licenses, wanted and missing persons, stolen property, warrants, stolen vehicles, firearms registration, sexual offender registration as provided under Article 27A of Chapter 14 of the General Statutes, drugs, drug users and parole and probation histories. In performing this function, the ~~Division~~ Bureau may arrange to use information available in other agencies and units of State, local and federal government, but shall provide security measures to insure that such information shall be made available only to those whose duties, relating to the administration of justice, require such information.

…

(4) To perform all the duties heretofore imposed by law upon the ~~Attorney General~~ Bureau with respect to criminal statistics.

…

(6) To promulgate rules and regulations for the administration of ~~this Article.~~the duties set forth in this section."

SECTION 20.3.(s) G.S. 143B-1208.17, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.17. Collection of traffic law enforcement statistics.**

(a) In addition to its other duties, the ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) shall collect, correlate, and maintain the following information regarding traffic law enforcement by law enforcement officers:

…

(d) Each law enforcement officer making a stop covered by subdivision (1) of subsection (a) of this section shall be assigned an anonymous identification number by the officer's employing agency. The anonymous identifying number shall be public record and shall be reported to the ~~Department~~ Bureau to be correlated along with the data collected under subsection (a) of this section. The correlation between the identification numbers and the names of the officers shall not be a public record, and shall not be disclosed by the agency except when required by order of a court of competent jurisdiction to resolve a claim or defense properly before the court.

(e) Any agency subject to the requirements of this section shall submit information collected under subsection (a) of this section to the ~~Department~~ Bureau within 60 days of the close of each month. Any agency that does not submit the information as required by this subsection shall be ineligible to receive any law enforcement grants available by or through the State until the information which is reasonably available is submitted.

(f) The ~~Department~~ Bureau shall publish and distribute by December 1 of each year a list indicating the law enforcement officers that will be subject to the provisions of this section during the calendar year commencing on the following January 1."

SECTION 20.3.(t) G.S. 143B-1208.18, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.18. Collection of statistics on the use of deadly force by law enforcement officers.**

(a) In addition to its other duties, the ~~Department of Public Safety~~ State Bureau of Investigation shall collect, maintain, and annually publish the number of deaths, by law enforcement agency, resulting from the use of deadly force by law enforcement officers in the course and scope of their official duties.

…."

SECTION 20.3.(u) G.S. 143B-1208.19, as recodified under subsection (p) of this section, reads as rewritten:

"**§ 143B-1208.19. ~~Criminal Information Network.~~Division of Criminal Information.**

(a) The ~~Department of Public Safety~~ State Bureau of Investigation (Bureau) is authorized to establish, devise, maintain and operate a system for receiving and disseminating to participating agencies information collected, maintained and correlated under authority of ~~G.S. 143B-902.~~ G.S. 143B-1208.16. The system shall be known as the ~~Criminal Information Network.~~Division of Criminal Information (DCI).

(b) The ~~Department of Public Safety~~ Bureau is authorized to cooperate with the Division of Motor Vehicles, Department of Administration, and other State, local and federal agencies and organizations in carrying out the purpose and intent of this section, and to utilize, in cooperation with other State agencies and to the extent as may be practical, computers and related equipment as may be operated by other State agencies.

(c) The ~~Department of Public Safety,~~ Bureau, after consultation with participating agencies, shall adopt rules and regulations governing the organization and administration of the ~~Criminal Information Network,~~ DCI, including rules and regulations governing the types of information relating to the administration of criminal justice to be entered into the system, and who shall have access to such information. The rules and regulations governing access to the ~~Criminal Information Network~~ DCI shall not prohibit an attorney who has entered a criminal proceeding in accordance with G.S. 15A-141 from obtaining information relevant to that criminal proceeding. The rules and regulations governing access to the ~~Criminal Information Network~~ DCI shall not prohibit an attorney who represents a person in adjudicatory or dispositional proceedings for an infraction from obtaining the person's driving record or criminal history.

(d) The ~~Department~~ Bureau may impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the ~~Criminal Information Network.~~DCI. The fee amount varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the fee is twelve dollars ($12.00) per device.

~~(1) The Department may impose a monthly circuit fee on agencies that access the Criminal Information Network through a circuit maintained and operated by the Department of Public Safety. The amount of the monthly fee is three hundred dollars ($300.00) plus an additional fee amount for each device linked to the Network. The additional fee amount varies depending upon the type of device. For a desktop device after the first seven desktop devices, the additional monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the additional monthly fee is twelve dollars ($12.00) per device.~~

~~(2) The Department may impose a monthly device fee on agencies that access the Criminal Information Network through some other approved means. The amount of the monthly device fee varies depending upon the type of device. For a desktop device, the monthly fee is twenty-five dollars ($25.00) per device. For a mobile device, the fee is twelve dollars ($12.00) per device.~~"

SECTION 20.3.(v) G.S. 143B-393(a)(9) reads as rewritten:

"(9) Consult with the Department of Public Safety on a reporting system and database on certain domestic violence-related homicides, as provided in ~~G.S. 143B-903.~~G.S. 143B-1208.17."

SECTION 20.3.(w) G.S. 14-415.27 reads as rewritten:

"**§ 14-415.27. Expanded permit scope for certain persons.**

Notwithstanding G.S. 14-415.11(c), any of the following persons who has a concealed handgun permit issued pursuant to this Article or that is considered valid under G.S. 14-415.24 is not subject to the area prohibitions set out in G.S. 14-415.11(c) and may carry a concealed handgun in the areas listed in G.S. 14-415.11(c) unless otherwise prohibited by federal law:

…

(8) A person employed by the Department of Public Safety who has been designated in writing by the Secretary of the Department and who has in the person's possession written proof of the designation.

(8a) A person employed by the State Bureau of Investigation who has been designated in writing by the Director of the Bureau and who has in the person's possession written proof of the designation.

…."

SECTION 20.3.(x) Section 38.4(a) of S.L. 2023-134, as amended by Section 7.1 of S.L. 2024-1 and Section 3E.1 of S.L. 2024-57, 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,~~ Patrol 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,~~ Patrol and the Division of Emergency Management shall initiate a pilot project where those agencies shall be deemed as separate, stand-alone entities in all matters related to information technology, and each shall autonomously manage their 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 20.3.(y) G.S. 20-49 reads as rewritten:

"**§ 20-49. Police authority of Division.**

All members of the Highway Patrol and law enforcement officers of the Department of Public Safety and the State Bureau of Investigation shall have the power:

…."

SECTION 20.3.(z) G.S. 148-37.3(c) reads as rewritten:

"(c) Any private corporation described in subsection (a) of this section shall reimburse the State and any county or other law enforcement agency for the full cost of any additional expenses incurred by the State or the county or other law enforcement agency in connection with the pursuit and apprehension of an escaped inmate from the facility.

In the event of an escape from the facility, any private corporation described in subsection (a) of this section shall immediately notify the sheriff in the county in which the facility is located, who shall cause an immediate entry into the ~~Department of Public Safety's Criminal Information Network.~~ Division of Criminal Information established under G.S. 143B-1208.19. The sheriff of the county in which the facility is located shall be the lead law enforcement officer in connection with the pursuit and apprehension of an escaped inmate from the facility."

SECTION 20.3.(aa) This section is effective when it becomes law and applies to reports submitted, applications and requests received, and fees collected on or after that date.

SBI/WORKERS' COMPENSATION FOR RESERVE LAW ENFORCEMENT OFFICERS

SECTION 20.4. G.S. 143B-1208.13 reads as rewritten:

"**§ 143B-1208.13. Personnel of the State Bureau of Investigation.**

The Director of the State Bureau of Investigation may appoint a sufficient number of assistants who shall be competent and qualified to do the work of the Bureau. The Director shall be responsible for making all hiring and personnel decisions of the Bureau. Persons serving as reserve law enforcement officers of the Bureau are considered employees of the Bureau for workers' compensation purposes while performing duties assigned or approved by the Director of the Bureau or the Director's designee."

EXTEND REVERSION DATE OF SCHOOL SAFETY FUNDS

SECTION 20.5.(a) Section 7.36 of S.L. 2023-134, as amended by Sections 3J.12 and 3J.17(h) of S.L. 2024-57, reads as rewritten:

"…

"**SECTION 7.36.(*l*)** Nonrevert. – Notwithstanding any provision of law to the contrary, the nonrecurring funds appropriated to the Department of Public Instruction in the 2022-2023 fiscal year for the 2021-2023 School Safety Grants Program under Section 7.19 of S.L. 2021-180 and the nonrecurring funds appropriated by this act for the 2023-2025 School Safety Grants Program shall not revert to the General Fund but shall remain available for the purposes for which they were appropriated until June 30, ~~2025.~~2027.

…."

SECTION 20.5.(b) This section becomes effective June 30, 2025.

ADJUST USER FEE FOR DIVISION OF CRIMINAL INFORMATION

SECTION 20.6.(a) G.S. 143B-1208.19(d), as recodified and amended under Section 20.3 of this act, reads as rewritten:

"(d) The Bureau may impose monthly fees on participating agencies. The monthly fees collected under this subsection shall be used to offset the cost of operating and maintaining the DCI. The fee amount varies depending upon the type of device. For a desktop device, the monthly fee is ~~twenty-five~~ thirty-three dollars ~~($25.00)~~ ($33.00) per device. For a mobile device, the fee is ~~twelve~~ twenty dollars ~~($12.00)~~ ($20.00) per device."

SECTION 20.6.(b) This section becomes effective July 1, 2025, and applies to fees levied on or after that date.

SCHOOL SAFETY GRANTS

SECTION 20.7.(a) Section 7.36(f) of S.L. 2023-134, as amended by Section 3J.17 of S.L. 2024-57, reads as rewritten:

"**SECTION 7.36.(f)** Grants for Training to Increase School Safety. – Of the funds appropriated by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools, in consultation with the Department of Health and Human Services, shall award grants to public school units to contract with community partners to address school safety by providing training to help students develop healthy responses to trauma and stress. The training shall be targeted and evidence-based and shall include any of the following services:

(1) Counseling on Access to Lethal Means (CALM) training for school health support personnel, local first responders, and teachers on the topics of suicide prevention and reducing access by students to lethal means.

(2) Training for school health support personnel on comprehensive and evidence-based clinical treatments for students and their parents or guardians, including any of the following:

a. Parent-child interaction therapy.

b. Trauma-focused cognitive behavioral therapy.

c. Behavioral therapy.

d. Dialectical behavior therapy.

e. Child-parent psychotherapy.

(3) Training for students and school employees on community resilience ~~models to~~ models, violence prevention, and developing personal and interpersonal skills to (i) enhance individual level protective factors, (ii) mitigate or reduce risk taking or harmful behavior, and (iii) improve understanding and responses to trauma and significant stress.

(4) Training for school health support personnel on Modular Approach to Therapy for Children with Anxiety, Depression, Trauma, or Conduct problems (MATCH-ADTC), including any of the following components:

a. Trauma-focused cognitive behavioral therapy.

b. Parent and student coping skills.

c. Problem solving.

d. Safety planning.

(5) Any other ~~training, including the training on the facilitation of peer-to-peer mentoring,~~ training or education programming that is likely to increase school safety. The training or education programming authorized in this subdivision includes training on the facilitation of peer-to-peer mentoring, education on personal and interpersonal skills or character education, and education or training addressing violence prevention and suicide prevention. Of the funds appropriated by this act for the grants provided in this section, the Executive Director shall use no more than three hundred fifty thousand dollars ($350,000) in the 2024-2025 fiscal year for the services identified in this subdivision."

SECTION 20.7.(b) Definitions. – For the purposes of subsections (b) through (m) of this section, the following definitions shall apply:

(1) Community partner. – A public or private entity, including, but not limited to, a nonprofit corporation or a local management entity/managed care organization (LME/MCO), that partners with a public school unit to provide services or pay for the provision of services for the unit.

(2) School health support personnel. – School psychologists, school counselors, school nurses, and school social workers.

SECTION 20.7.(c) Program; Purpose. – The Executive Director of the Center for Safer Schools shall establish the School Safety Grants Program (Program) for the 2025-2027 fiscal biennium. The purpose of the Program shall be to improve safety in public school units by providing grants in each fiscal year of the 2025-2027 fiscal biennium for (i) services for students in crisis, (ii) school safety training, (iii) safety equipment in schools, and (iv) subsidizing the School Resource Officer Grants Program.

SECTION 20.7.(d) Grant Applications. – A public school unit may submit an application to the Executive Director of the Center for Safer Schools for one or more grants pursuant to this section in each year of the 2025-2027 fiscal biennium. The application shall include an assessment, to be performed in conjunction with a local law enforcement agency, of the need for improving school safety within the public school unit that would receive the funding or services. The application shall identify current and ongoing needs and estimated costs associated with those needs.

SECTION 20.7.(e) Criteria and Guidelines. – The Executive Director of the Center for Safer Schools shall develop criteria and guidelines for the administration and use of the grants pursuant to this section, including any documentation required to be submitted by applicants. In assessing grant applications, the Executive Director shall consider at least all of the following factors:

(1) The level of resources available to the public school unit that would receive the funding.

(2) Whether the public school unit has received other grants for school safety.
(3) The overall impact on student safety in the public school unit if the identified needs are funded.

SECTION 20.7.(f) Grants for Students in Crisis. – Of the funds appropriated by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools, in consultation with the Department of Health and Human Services, shall award grants to public school units to contract with community partners to provide or pay for the provision of any of the following crisis services:

(1) Crisis respite services for parents or guardians of an individual student to prevent more intensive or costly levels of care.
(2) Training and expanded services for therapeutic foster care families and licensed child placement agencies that provide services to students who (i) need support to manage their health, welfare, and safety and (ii) have any of the following:
    a. Cognitive or behavioral problems.
    b. Developmental delays.
    c. Aggressive behavior.
(3) Evidence-based therapy services aligned with targeted training for students and their parents or guardians, including any of the following:
    a. Parent-child interaction therapy.
    b. Trauma-focused cognitive behavioral therapy.
    c. Dialectical behavior therapy.
    d. Child-parent psychotherapy.
(4) Any other crisis service, including peer-to-peer mentoring, that is likely to increase school safety. Of the funds appropriated by this act for the grants provided in this section, the Executive Director shall use no more than three hundred fifty thousand dollars ($350,000) in each fiscal year of the 2025-2027 fiscal biennium for the services identified in this subdivision.

SECTION 20.7.(g) Grants for Training to Increase School Safety. – Of the funds appropriated by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools, in consultation with the Department of Health and Human Services, shall award grants to public school units to contract with community partners to address school safety by providing training to help students develop healthy responses to trauma and stress. The training shall be targeted and evidence-based and shall include any of the following services:

(1) Counseling on Access to Lethal Means (CALM) training for school health support personnel, local first responders, and teachers on the topics of suicide prevention and reducing access by students to lethal means.
(2) Training for school health support personnel on comprehensive and evidence-based clinical treatments for students and their parents or guardians, including any of the following:
    a. Parent-child interaction therapy.
    b. Trauma-focused cognitive behavioral therapy.
    c. Behavioral therapy.
    d. Dialectical behavior therapy.
    e. Child-parent psychotherapy.
(3) Training for students and school employees on community resilience models, violence prevention, and developing personal and interpersonal skills to (i) enhance individual level protective factors, (ii) mitigate or reduce risk taking or harmful behavior, and (iii) improve understanding and responses to trauma and significant stress.

(4) Training for school health support personnel on Modular Approach to Therapy for Children with Anxiety, Depression, Trauma, or Conduct problems (MATCH-ADTC), including any of the following components:
a. Trauma-focused cognitive behavioral therapy.
b. Parent and student coping skills.
c. Problem solving.
d. Safety planning.

(5) Any other training or education programming that is likely to increase school safety. The training or education programming authorized in this subdivision includes training on the facilitation of peer-to-peer mentoring, education on personal and interpersonal skills or character education, and education or training addressing violence prevention and suicide prevention. Of the funds appropriated by this act for the grants provided in this section, the Executive Director shall use no more than three hundred fifty thousand dollars ($350,000) in each year of the 2025-2027 fiscal biennium for the services identified in this subdivision.

SECTION 20.7.(h) Grants for Safety Equipment. – Of the funds appropriated by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools shall award grants to public school units for (i) the purchase of safety equipment for school buildings and (ii) training associated with the use of safety equipment purchased pursuant to this subsection. Notwithstanding G.S. 115C-218.105(b), charter schools may receive grants for school safety equipment pursuant to this subsection.

SECTION 20.7.(i) Subsidizing School Resource Officer Grants Program. – If the Executive Director of the Center for Safer Schools receives applications for grants for school resource officers under G.S. 143B-1209.101 in excess of the amount of funding appropriated for school resource officer grants in the 2025-2027 fiscal biennium, the Executive Director may use the funds appropriated for the grants provided for in this section to cover the unmet need for school resource officer grants.

SECTION 20.7.(j) Supplement Not Supplant. – Grants provided to public school units pursuant to the Program shall be used to supplement and not to supplant State or non-State funds already provided for these services.

SECTION 20.7.(k) Administrative Costs. – Of the funds appropriated to the Center for Safer Schools by this act for the grants provided in this section, the Executive Director of the Center for Safer Schools may retain a total of up to one hundred thousand dollars ($100,000) in each fiscal year of the 2025-2027 fiscal biennium for administrative costs associated with the Program.

SECTION 20.7.(*l*) Disbursement. – The Executive Director of the Center for Safer Schools may enter into a memorandum of understanding with the Department of Public Instruction to disburse grants awarded under this section.

SECTION 20.7.(m) Program Report. – No later than April 1 of each fiscal year in which funds are awarded pursuant to this section, the Executive Director of the Center for Safer Schools shall report on the Program to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Justice and Public Safety, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, and the Fiscal Research Division. The report shall include at least the following information:

(1) The identity of each public school unit and community partner that received grant funds through the Program.

(2) The amount of funding received by each entity identified pursuant to subdivision (1) of this subsection.

(3) The services, training, and equipment purchased with grant funds by each entity that received a grant.
(4) Recommendations for the implementation of additional effective school safety measures.

ADD THE STATE BUREAU OF INVESTIGATION AND THE STATE HIGHWAY PATROL TO THE STATE VACANT POSITIONS REPORT

SECTION 20.8. G.S. 120-12.1 reads as rewritten:

"**§ 120-12.1. Reports on vacant positions in various departments.**

(a) ~~The Judicial Department, the Department of Justice, the Department of Adult Correction, and the Department of Public Safety shall each report by~~ No later than February 1 of each ~~year~~ year, the following entities shall report to the Chairs of the House and Senate Appropriations Committees and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety on all positions within that department that have remained vacant for 12 months or ~~more.~~more:

(1) The Administrative Office of the Courts.
(2) The Department of Justice.
(3) The Department of Adult Correction.
(4) The Department of Public Safety.
(5) The State Bureau of Investigation.
(6) The State Highway Patrol.

(b) The report required by this section 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."

AMEND REPORT ON GANG PREVENTION RECOMMENDATIONS

SECTION 20.9. G.S. 143B-1730 is recodified as G.S. 143B-1208.11A and reads as rewritten:

"**§ 143B-1208.11A. Report on gang prevention recommendations.**

The ~~State Highway Patrol, in conjunction with the~~ State Bureau of ~~Investigation and~~ Investigation, in conjunction with the Division of Juvenile Justice of the Department of Public Safety and the Governor's Crime Commission, shall develop recommendations concerning the establishment of priorities and needed improvements with respect to gang prevention and shall report those recommendations to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."

PART XXI. STATE HIGHWAY PATROL

STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS

SECTION 21.1.(a) Creation of Receipt-Supported Positions Authorized. – The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 21.1.(b) Annual Report Required. – No later than September 1 of each fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on Justice and Public Safety the following information for the fiscal year in which the report is due:

(1) A list of all positions in the State Capitol Police. For each position listed, the report shall include at least the following information:
a. The position type.
b. The agency to which the position is assigned.
c. The source of funding for the position.

(2) For each receipt-supported position listed, the contract and any other terms of the contract.

SECTION 21.1.(c) Additional Reporting Required Upon Creation of Receipt-Supported Positions. – In addition to the report required by subsection (b) of this section, the State Capitol Police shall report the creation of any position pursuant to subsection (a) of this section to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Fiscal Research Division within 30 days of the position's creation. A report submitted pursuant to this section shall include at least all of the following information:

(1) The position type.
(2) The agency to which the position is being assigned.
(3) The position salary.
(4) The total amount of the contract.
(5) The terms of the contract.

SECTION 21.1.(d) Format of Reports. – Reports submitted pursuant to this section shall be submitted electronically and in accordance with any applicable General Assembly standards.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 21.2.(a) Seized and forfeited assets transferred to the State Highway Patrol during the 2025-2027 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the State Highway Patrol and shall result in an increase of law enforcement resources for the State Highway Patrol. The State Highway Patrol shall make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.
(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.
(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 21.2.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the State Highway Patrol is prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 21.2.(c) Nothing in this section prohibits State law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 21.3.(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the State Highway Patrol to any other State agency during the 2025-2027 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium.

SECTION 21.3.(b) This section shall not apply to consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325.

CREATE NEW BUDGET FUND FOR TRANSFER OF FUNDS TO SUPPORT LICENSE AND THEFT PERSONNEL TRANSFERRED TO THE STATE HIGHWAY PATROL

SECTION 21.6. The Office of State Budget and Management and the State Controller shall create a new budget fund for all funds transferred in accordance with Section 3E.3(b) of S.L. 2024-57.

MODIFY GOVERNOR'S CRIME COMMISSION TO ADD COMMANDER OF THE STATE HIGHWAY PATROL

SECTION 21.7.(a) G.S. 143B-1100 reads as rewritten:

"**§ 143B-1100. Governor's Crime Commission – creation; composition; terms; meetings, etc.**

(a) There is hereby created the Governor's Crime Commission of the Department of Public Safety. The Commission shall consist of 38 voting members and ~~five~~ six nonvoting members. The composition of the Commission shall be as follows:

(1) The voting members shall be:

a. The Governor, the Chief Justice of the Supreme Court of North Carolina (or the Chief Justice's designee), the Attorney General, the Director of the Administrative Office of the Courts, the Secretary of the Department of Health and Human Services, the Secretary of Public Safety (or the Secretary's designee), the Secretary of the Department of Adult Correction (or the Secretary's designee), and the Superintendent of Public Instruction;

b. A judge of superior court, a judge of district court specializing in juvenile matters, a chief district court judge, a clerk of superior court, and a district attorney;

c. A defense attorney, three sheriffs (one of whom shall be from a "high crime area"), three police executives (one of whom shall be from a "high crime area"), eight citizens (two with knowledge of juvenile delinquency and the public school system, two of whom shall be under the age of 21 at the time of their appointment, one advocate for victims of all crimes, one representative from a domestic violence or sexual assault program, one representative of a "private juvenile delinquency program," and one in the discretion of the Governor), three county commissioners or county officials, and three mayors or municipal officials;

d. Four public members.

(2) The nonvoting members shall be the Director of the State Bureau of Investigation, the Commander of the State Highway Patrol, the Deputy Director of the Division of Juvenile Justice of the Department of Public Safety who is responsible for Intervention/Prevention programs, the Deputy Director of the Division of Juvenile Justice of the Department of Public Safety who is responsible for Youth Development programs, the Director of the Division of Prisons of the Department of Adult Correction, and the Director of the Division of Community Supervision and Reentry of the Department of Adult Correction.

(b) The membership of the Commission shall be selected as follows:

(1) The following members shall serve by virtue of their office: the Governor, the Chief Justice of the Supreme Court, the Attorney General, the Director of the Administrative Office of the Courts, the Secretary of the Department of Health and Human Services, the Secretary of Public Safety, the Secretary of the Department of Adult Correction, the Director of the State Bureau of

Investigation, the Commander of the State Highway Patrol, the Director of the Division of Prisons of the Department of Adult Correction, the Director of the Division of Community Supervision and Reentry of the Department of Adult Correction, the Deputy Director who is responsible for Intervention/Prevention of the Juvenile Justice Division of the Department of Public Safety, the Deputy Director who is responsible for Youth Development of the Division of Juvenile Justice of the Department of Public Safety, and the Superintendent of Public Instruction. Should the Chief Justice of the Supreme Court choose not to serve, his alternate shall be selected by the Governor from a list submitted by the Chief Justice which list must contain no less than three nominees from the membership of the Supreme Court.

…."

SECTION 21.7.(b) This section is effective when it becomes law.

PART XXII. ADMINISTRATION

ADDITIONAL SUPPORT FOR DOMESTIC VIOLENCE CENTER GRANTS

SECTION 22.1.(a) G.S. 7A-305(a2) reads as rewritten:

"(a2) In every action for absolute divorce filed in the district court, a cost of ~~seventy-five dollars ($75.00)~~ one hundred twenty-five dollars ($125.00) shall be assessed against the person filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall deposit ~~seventy-five dollars ($75.00)~~ one hundred twenty-five dollars ($125.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be in addition to any other costs assessed under this section."

SECTION 22.1.(b) G.S. 161-10 reads as rewritten:

"**§ 161-10. Uniform fees of registers of deeds.**

(a) Except as otherwise provided in this Article, all fees collected under this section shall be deposited into the county general fund. While performing the duties of the office, the register of deeds shall collect the following fees which shall be uniform throughout the State:

…

(2) Marriage Licenses. – For issuing a license ~~sixty dollars ($60.00);~~ one hundred dollars ($100.00); for issuing a delayed certificate with one certified copy twenty dollars ($20.00); and for a proceeding for correction of an application, license or certificate, with one certified copy ten dollars ($10.00).

…."

SECTION 22.1.(c) G.S. 161-11.2 reads as rewritten:

"**§ 161-11.2. Fees for domestic violence centers.**

~~Thirty dollars ($30.00)~~ Seventy dollars ($70.00) of each fee collected by a register of deeds for issuance of a marriage license pursuant to G.S. 161-10(a)(2) shall be forwarded by the register of deeds to the county finance officer, who shall forward the funds to the Department of Administration to be credited to the Domestic Violence Center Fund established under G.S. 50B-9. The register of deeds shall forward the fees to the county finance officer as soon as practical. The county finance officer shall forward the fees to the Department of Administration within 60 days after receiving the fees. The Register of Deeds shall inform the applicants that ~~thirty dollars ($30.00)~~ seventy dollars ($70.00) of the fee for a marriage license shall be used for Domestic Violence programs."

MORATORIUM ON PURCHASE OF MOTOR VEHICLES/RATE INFORMATION

SECTION 22.2.(a) Notwithstanding any other provision of law, the Department of Administration, Division of Motor Fleet Management, shall not purchase any motor vehicles of any type in the 2025-2026 fiscal year.

SECTION 22.2.(b) G.S. 143-341 reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

…

(8) General Services:

…

i. To establish and operate a central motor fleet and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

…

2. To acquire passenger motor vehicles by transfer from other State agencies and by purchase. All motor vehicles transferred to or purchased by the Department shall become part of a central motor fleet. When purchasing motor vehicles, the Department shall not pay more than thirty thousand dollars ($30,000) per car and not more than fifty-five thousand dollars ($55,000) per pickup truck, sport utility vehicle, or van, unless authorized to do so by the General Assembly; provided, however, these amounts may be increased every two years by an amount equal to the percentage increase in the automotive component of the Consumer Price Index for All Urban Consumers for the type of vehicle purchased.

…

6. To allocate and charge against each State agency to which transportation is furnished its proportionate part of the cost of maintenance and operation of the motor fleet.

The amount allocated and charged by the Department of Administration to State agencies to which transportation is furnished shall take into account all of the following: (i) vehicle replacement cost, (ii) maintenance cost, (iii) insurance, (iv) use of telematics devices, and (v) the Department's administration cost. The base monthly lease rate and the monthly per mile rate charged to each State agency for a motor fleet vehicle shall be increased every two years by an amount equal to the percentage increase in the automotive component of the Consumer Price Index for All Urban Consumers for that type of vehicle, such as "new," "used," or "leased."

…

11. To report ~~annually~~ not later than February 1 of each year to the Joint Legislative Oversight Committee on General ~~Government~~ Government, the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division on any rules adopted, amended or repealed under sub-sub-subdivisions 3., 7., or 7a. of this sub-subdivision. The report shall also include all of the following:

I. An inventory of all motor vehicles in the motor vehicle fleet, including vehicle usage, by vehicle class, such as sedan, light duty pickup truck, or SUV-compact, vehicle type (gas, electric, or hybrid), and vehicle model.

II. The current base monthly lease rate by vehicle class and vehicle model, and when the next vehicle class rate increase will become effective.
III. The monthly per mile rate for every mile over 1,050 miles per month, and when the next monthly per mile rate will become effective.
IV. A telematics summary by vehicle class and vehicle model.

…."

OFFICE FOR HISTORICALLY UNDERUTILIZED BUSINESSES

SECTION 22.3.(a) The Office for Historically Underutilized Businesses in the Department of Administration is hereby abolished. Any advisory committees established by the Secretary of the Department of Administration to develop recommendations to improve the recruitment and utilization of minority businesses are hereby abolished.

SECTION 22.3.(b) The North Carolina Small Business Enterprise Program shall be administered by the Office of Purchase & Contract in the Department of Administration.

SECTION 22.3.(c) G.S. 113-315.36 reads as rewritten:

"**§ 113-315.36. Building contracts.**

(a) The following general laws, to the extent provided below, do not apply to the North Carolina Marine Industrial Park Authority:

…

(2) ~~Except for G.S. 143-128.2,~~ Article 8 of Chapter 143 of the General Statutes does not apply to public building contracts of the Authority that require the estimated expenditure of public money in an amount less than two hundred fifty thousand dollars ($250,000). With respect to a contract that is exempted from certain provisions of Article 8 under this subdivision, the powers and duties set out in Article 8 shall be exercised by the Authority, and the Secretary of Administration and other State officers, employees, or agencies shall have no duties or responsibilities concerning the contract.

…."

SECTION 22.3.(d) Chapter 63A of the General Statutes is amended by adding a new section to read:

"**§ 63A-19.1. Compliance with federal nondiscrimination laws.**

Nothing in this Chapter or any other provision of the General Statutes shall be construed as interfering with the Authority's ability to comply with 14 C.F.R. Part 152, Subpart E, Nondiscrimination in Airport Aid Program."

SECTION 22.3.(e) G.S. 115D-9 reads as rewritten:

"**§ 115D-9. Powers of State Board regarding certain fee negotiations, contracts, and capital improvements.**

…

(g) For projects two million dollars ($2,000,000) or more, funded with public money, the Community Colleges System Office shall report no later than October 1 of each year to the State Building Commission the following:

(1) A list of projects governed by this section.
(2) The estimated cost of each project along with the actual cost.
(3) The name of each person awarded a contract under this section.
~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~

…."

SECTION 22.3.(f) G.S. 116-31.11 reads as rewritten:

"**§ 116-31.11. Powers of Board regarding certain fee negotiations, contracts, and capital improvements.**

…

(f) The Board of Governors shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~"

SECTION 22.3.(g) G.S. 143-48 reads as rewritten:

"**§ 143-48. State policy; cooperation in promoting the use of small ~~contractors, minority contractors, physically handicapped contractors, and women contractors; purpose;~~ contractors; required annual reports.**

(a) Policy. – It is the policy of this State to encourage and promote the use of small ~~contractors, minority contractors, physically handicapped contractors, and women~~ business contractors in State purchasing of goods and services. All State agencies, institutions and political subdivisions shall cooperate with the Department of Administration and all other State agencies, institutions and political subdivisions in efforts to encourage the use of small ~~contractors, minority contractors, physically handicapped contractors, and women~~ business contractors in achieving the purpose of this Article, which is to provide for the effective and economical acquisition, management and disposition of goods and services by and through the Department of Administration.

~~(b) Reporting. Every governmental entity required by statute to use the services of the Department of Administration in the purchase of goods and services, every local school administrative unit, and every private, nonprofit corporation other than an institution of higher education or a hospital that receives an appropriation of five hundred thousand dollars ($500,000) or more during a fiscal year from the General Assembly shall report to the department of Administration annually on what percentage of its contract purchases of goods and services, through term contracts and open-market contracts, were from minority-owned businesses, what percentage from female-owned businesses, what percentage from disabled-owned businesses, what percentage from disabled business enterprises and what percentage from nonprofit work centers for the blind and the severely disabled. The same governmental entities shall include in their reports what percentages of the contract bids for such purchases were from such businesses. The Department of Administration shall provide instructions to the reporting entities concerning the manner of reporting and the definitions of the businesses referred to in this act, provided that, for the purposes of this act:~~

~~(1) Except as provided in subdivision (1a) of this subsection, a business in one of the categories above means one:~~

~~a. In which at least fifty-one percent (51%) of the business, or of the stock in the case of a corporation, is owned by one or more persons in the category; and~~

~~b. Of which the management and daily business operations are controlled by one or more persons in the category who own it.~~

~~(1a) A "disabled business enterprise" means a nonprofit entity whose main purpose is to provide ongoing habilitation, rehabilitation, independent living, and competitive employment for persons who are handicapped through supported employment sites or business operated to provide training and employment and competitive wages.~~

~~(1b) A "nonprofit work center for the blind and the severely disabled" means an agency:~~

~~a. Organized under the laws of the United States or this State, operated in the interest of the blind and the severely disabled, the net income of which agency does not inure in whole or in part to the benefit of any shareholder or other individual;~~

~~b. In compliance with any applicable health and safety standard prescribed by the United States Secretary of Labor; and~~

~~c. In the production of all commodities or provision of services, employs during the current fiscal year severely handicapped individuals for (i) a minimum of seventy-five percent (75%) of the hours of direct labor required for the production of commodities or provision of services, or (ii) in accordance with the percentage of direct labor required under the terms and conditions of Public Law 92-28 (41 U.S.C. § 46, et seq.) for the production of commodities or provision of services, whichever is less.~~

~~(2) A female or a disabled person is not a minority, unless the female or disabled person is also a member of one of the minority groups described in G.S. 143-128(2)a. through d.~~

~~(3) A disabled person means a person with a handicapping condition as defined in G.S. 168-1 or G.S. 168A-3.~~

(c) The Department of Administration shall compile information on small ~~and medium-sized~~ business participation in State contracts subject to this Article and report the information as provided in subsection (d) of this section. The report shall analyze (i) contract ~~awards by business size category,~~ awards, (ii) historical trends in small ~~and medium-sized~~ business participation in these contracts, and (iii) to the extent feasible, participation by small ~~and medium-sized~~ businesses in the State procurement process as dealers, service companies, and other indirect forms of participation. The Department ~~may require reports on contracting by business size in the same manner as reports are required under subsection (b) of this section.~~shall provide instructions to the reporting entities concerning the manner of reporting and the definitions of a small business, which shall be the same as that used to certify businesses under the North Carolina Small Business Enterprise Program.

(d) The Department of Administration shall collect and compile the data described in this section and report it annually to the Joint Legislative Oversight Committee on General Government.

(d1) Repealed by Session Laws 2007-392, s. 1, effective October 1, 2007.

~~(e) In seeking contracts with the State, a disabled business enterprise must provide assurances to the Secretary of Administration that the payments that would be received from the State under these contracts are directed to the training and employment of and payment of competitive wages to handicapped employees.~~"

SECTION 22.3.(h) G.S. 143-128 reads as rewritten:

"**§ 143-128. Requirements for certain building contracts.**

…

(b) Separate-prime contracts. – When the State, county, municipality, or other public body uses the separate-prime contract system, it shall accept bids for each subdivision of work for which specifications are required to be prepared under subsection (a) of this section and shall award the respective work specified separately to responsible and reliable persons, firms or corporations regularly engaged in their respective lines of work. When the estimated cost of work to be performed in any single subdivision or branch for which separate bids are required by this subsection is less than twenty-five thousand dollars ($25,000), the same may be included in the contract for one of the other subdivisions or branches of the work, irrespective of total project

cost. The contracts shall be awarded to the lowest responsible, responsive bidders, taking into consideration quality, performance, and the time specified in the bids for performance of the ~~contract, and compliance with G.S. 143-128.2.~~ contract. Bids may also be accepted from and awards made to separate contractors for other categories of work.

…

(d) Single-prime contracts. – All bidders in a single-prime project shall identify on their bid the contractors they have selected for the subdivisions or branches of work for:

…

The contract shall be awarded to the lowest responsible, responsive bidder, taking into consideration quality, performance, and the time specified in the bids for performance of the ~~contract, and compliance with G.S. 143-128.2.~~ contract. A contractor whose bid is accepted shall not substitute any person as subcontractor in the place of the subcontractor listed in the original bid, except (i) if the listed subcontractor's bid is later determined by the contractor to be nonresponsible or nonresponsive or the listed subcontractor refuses to enter into a contract for the complete performance of the bid work, or (ii) with the approval of the awarding authority for good cause shown by the contractor. The terms, conditions, and requirements of each contract between the contractor and a subcontractor performing work under a subdivision or branch of work listed in this subsection shall incorporate by reference the terms, conditions, and requirements of the contract between the contractor and the State, county, municipality, or other public body.

When contracts are awarded pursuant to this section, the public body shall make available to subcontractors the dispute resolution process as provided for in subsection (f1) of this section.

(d1) Dual bidding. – The State, a county, municipality, or other public entity may accept bids to erect, construct, alter, or repair a building under both the single-prime and separate-prime contracting systems and shall award the contract to the lowest responsible, responsive bidder under the single-prime system or to the lowest responsible, responsive bidder under the separate-prime system, taking into consideration quality, performance, ~~compliance with G.S. 143-128.2,~~ and time specified in the bids to perform the contract. In determining the system under which the contract will be awarded to the lowest responsible, responsive bidder, the public entity may consider cost of construction oversight, time for completion, and other factors it considers appropriate. The bids received as separate-prime bids shall be received, but not opened, one hour prior to the deadline for the submission of single-prime bids. The amount of a bid submitted by a subcontractor to the general contractor under the single-prime system shall not exceed the amount bid, if any, for the same work by that subcontractor to the public entity under the separate-prime system. The provisions of subsection (b) of this section shall apply to separate-prime contracts awarded pursuant to this section and the provisions of subsection (d) of this section shall apply to single-prime contracts awarded pursuant to this section.

…."

SECTION 22.3.(i) G.S. 143-128.1 reads as rewritten:

"**§ 143-128.1. Construction management at risk contracts.**

…

(b) The construction manager at risk shall be selected in accordance with Article 3D of this Chapter. Design services for a project shall be performed by a licensed architect or engineer. The public owner shall contract directly with the architect or engineer. The public owner shall make a good-faith effort to ~~comply with G.S. 143-128.2, G.S. 143-128.4, and to~~ recruit and select small business entities when selecting a construction manager at risk.

(c) The construction manager at risk shall contract directly with the public entity for all construction; shall publicly advertise as prescribed in G.S. 143-129; and shall prequalify and accept bids from first-tier subcontractors for all construction work under this section. The construction manager at risk shall use the prequalification process determined by the public entity in accordance with G.S. 143-135.8, provided that public entity and the construction manager at

risk shall jointly develop the assessment tool and criteria for that specific project, which must include the prequalification scoring values and minimum required score for prequalification on that project. ~~The public entity shall require the construction manager at risk to submit its plan for compliance with G.S. 143-128.2 for approval by the public entity prior to soliciting bids for the project's first-tier subcontractors.~~ A construction manager at risk and first-tier subcontractors shall make a good faith effort to ~~comply with G.S. 143-128.2, G.S. 143-128.4, and to~~ recruit and select small business entities. A construction manager at risk may perform a portion of the work only if (i) bidding produces no responsible, responsive bidder for that portion of the work, the lowest responsible, responsive bidder will not execute a contract for the bid portion of the work, or the subcontractor defaults and a prequalified replacement cannot be obtained in a timely manner, and (ii) the public entity approves of the construction manager at risk's performance of the work. All bids shall be opened publicly, and once they are opened, shall be public records under Chapter 132 of the General Statutes. The construction manager at risk shall act as the fiduciary of the public entity in handling and opening bids. The construction manager at risk shall award the contract to the lowest responsible, responsive bidder, taking into consideration quality, performance, the time specified in the bids for performance of the contract, the cost of construction oversight, time for completion, ~~compliance with G.S. 143-128.2,~~ and other factors deemed appropriate by the public entity and advertised as part of the bid solicitation. The public entity may require the selection of a different first-tier subcontractor for any portion of the work, consistent with this section, provided that the construction manager at risk is compensated for any additional cost incurred.

When contracts are awarded pursuant to this section, the public entity shall provide for a dispute resolution procedure as provided in G.S. 143-128(f1).

…."

SECTION 22.3.(j) G.S. 143-128.1A reads as rewritten:

"**§ 143-128.1A. Design-build contracts.**

…

(b) A governmental entity shall establish in writing the criteria used for determining the circumstances under which the design-build method is appropriate for a project, and such criteria shall, at a minimum, address all of the following:

…

(5) A good-faith effort to ~~comply with G.S. 143-128.2, G.S. 143-128.4, and to~~ recruit and select small business entities. The governmental entity shall not limit or otherwise preclude any respondent from submitting a response so long as the respondent, itself or through its proposed team, is properly licensed and qualified to perform the work defined by the public notice issued under subsection (c) of this section.

…

(c) A governmental entity shall issue a public notice of the request for qualifications that includes, at a minimum, general information on each of the following:

…

(6) Notice of any rules, ordinances, or goals established by the governmental entity, including goals for ~~minority- and women-owned business participation and~~ small business participation. A governmental entity shall not establish or require compliance with any goals for minority- and/or women-owned business participation.

…."

SECTION 22.3.(k) G.S. 143-128.1B reads as rewritten:

"**§ 143-128.1B. Design-build bridging contracts.**

…

(b) A governmental entity shall establish in writing the criteria used for determining the circumstances under which engaging a design criteria design professional is appropriate for a project, and such criteria shall, at a minimum, address all of the following:

…

(5) A good-faith effort to ~~comply with G.S. 143-128.2, G.S. 143-128.4, and to~~ recruit and select small business entities. The governmental entity shall not limit or otherwise preclude any respondent from submitting a response so long as the respondent, itself or through its proposed team, is properly licensed and qualified to perform the work defined by the public notice issued under subsection (d) of this section.

…

(c) On or before entering into a contract for design-build services under this section, the governmental entity shall select or designate a staff design professional, or a design professional who is independent of the design-builder, to act as its design criteria design professional as its representative for the procurement process and for the duration of the design and construction. If the design professional is not a full-time employee of the governmental entity, the governmental entity shall select the design professional on the basis of demonstrated competence and qualifications as provided by G.S. 143-64.31. The design criteria design professional shall develop design criteria in consultation with the governmental entity. The design criteria design professional shall not be eligible to submit a response to the request for proposals nor provide design input to a design-build response to the request for proposals. The design criteria design professional shall prepare a design criteria package equal to thirty-five percent (35%) of the completed design documentation for the entire construction project. The design criteria package shall not require the design-builder to include the costs of the subcontractor work in its response and shall include all of the following:

…

~~(12) A statement directing each design-builder to submit in its response to the request for qualifications an explanation of its proposed plan for its good-faith compliance with G.S. 143-128.2.~~

(d) A governmental entity shall issue a public notice of the request for proposals that includes, at a minimum, general information on each of the following:

…

(6) Notice of any rules, ordinances, or goals established by the governmental entity, including goals for ~~minority- and women-owned business participation and~~ small business ~~entities.~~participation. A governmental entity shall not establish or require compliance with any goals for minority- and/or women-owned business participation.

…."

SECTION 22.3.(*l*) G.S. 143-128.1C reads as rewritten:

"**§ 143-128.1C. Public-private partnership construction contracts.**

…

(b) If the governmental entity determines in writing that it has a critical need for a capital improvement project, the governmental entity may acquire, construct, own, lease as lessor or lessee, and operate or participate in the acquisition, construction, ownership, leasing, and operation of a public-private project, or of specific facilities within such a project, including the making of loans and grants from funds available to the governmental entity for these purposes. If the governmental entity is a public body under Article 33C of this Chapter, the determination shall occur during an open meeting of that public body. The governmental entity may enter into development contracts with private developers with respect to acquiring, constructing, owning, leasing, or operating a project under this section. If the development contract is entered into by a governmental entity that is a unit of local government as defined in G.S. 159-7, and the unit must

finance all or part of its portion of the cost of the project, then the amount financed by the unit is subject to approval by the Local Government Commission as provided in Chapter 159 of the General Statutes. Approval must be secured prior to the execution of the development contract. The development contract shall specify the following:

…

(4) The responsibilities to put forth a good-faith effort to ~~comply with G.S. 143-128.2, G.S. 143-128.4, and to~~ recruit and select small business entities.

(c) The development contract may provide that the private developer shall be responsible for any or all of the following:

…

(6) A good-faith effort to ~~comply with G.S. 143-128.2, G.S. 143-128.4, and to~~ recruit and select small business entities.

…

(e) A private developer and its contractors shall make a good-faith effort to ~~comply with G.S. 143-128.2, G.S. 143-128.4, and to~~ recruit and select small business entities.

…."

SECTION 22.3.(m) G.S. 143-129.4 reads as rewritten:

"**§ 143-129.4. Guaranteed energy savings contracts.**

The solicitation and evaluation of proposals for guaranteed energy savings contracts, as defined in Part 2 of Article 3B of this Chapter, and the letting of contracts for these proposals are not governed by this Article but instead are governed by the provisions of that Part; except that guaranteed energy savings contracts are subject to the requirements of ~~G.S. 143-128.2 and~~ G.S. 143-135.3."

SECTION 22.3.(n) G.S. 143-135.5 reads as rewritten:

"**§ 143-135.5. State policy; cooperation in promoting the use of ~~small, minority, physically handicapped and women contractors;~~ contractors; purpose.**

(a) It is the policy of this State to encourage and promote the use of ~~small, minority, physically handicapped and women~~ small business contractors in State construction projects. All State agencies, ~~institutions~~ institutions, and political subdivisions shall cooperate with the Department of Administration and all other State agencies, ~~institutions~~ institutions, and political subdivisions in efforts to encourage and promote the use of ~~small, minority, physically handicapped and women~~ business contractors in achieving the purpose of this Article, which is the effective and economical construction of public buildings.

(b) It is the policy of this State not to accept bids or proposals from, nor to engage in business with, any business that, within the last two years, has been finally found by a court or an administrative agency of competent jurisdiction to have unlawfully discriminated on the basis of race, gender, religion, national origin, age, physical disability, or any other unlawful basis in its solicitation, selection, hiring, or treatment of another business."

SECTION 22.3.(o) G.S. 143-135.26 reads as rewritten:

"**§ 143-135.26. Powers and duties of the Commission.**

The State Building Commission shall have the following powers and duties with regard to the State's capital facilities development and management program:

…

(9) To authorize a State agency, a local governmental unit, or any other entity subject to the provisions of G.S. 143-129 to use a method of contracting not authorized under G.S. 143-128. An authorization under this subdivision for an alternative contracting method shall be granted only under the following conditions:

…

~~b1. The entity includes in its bid or proposal requirements that the contractor will file a plan for making a good faith effort to reach the minority participation goal set out in G.S. 143-128.2.~~

…."

SECTION 22.3.(p) G.S. 143-254.6 reads as rewritten:

"**§ 143-254.6. Powers of the Commission regarding certain fee negotiations, contracts, and capital improvements.**

…

(e) The Commission shall annually report the following to the State Building Commission:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person or business awarded a contract under this section.

~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~"

SECTION 22.3.(q) G.S. 143B-135.214 reads as rewritten:

"**§ 143B-135.214. Powers of Department regarding certain fee negotiations, contracts, and capital improvements.**

…

(f) The Department shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

~~(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).~~

…."

SECTION 22.3.(r) G.S. 143B-434.01 reads as rewritten:

"**§ 143B-434.01. Comprehensive Strategic Economic Development Plan.**

…

(e) Environmental Scan. – The first step in developing the Plan shall be to develop an environmental scan based on the input from economic development parties and the public and on information about the economic environment in North Carolina. To prepare the scan, the Secretary shall gather the information required in this subsection and ensure that the information is updated periodically. The updated information may be provided in whatever format and through whatever means is most efficient. The information required to prepare the scan includes all of the following:

…

(2) Compilation of the latest data on the strength of the business environment by State, Region, and county with emphasis on the following dynamics of job creation: start-ups, expansions, locations, contractions, and failures. Special assessments are to be made of ~~rural, small, and minority~~ rural and small business components of overall activity.

…."

SECTION 22.3.(s) G.S. 143B-437.57 reads as rewritten:

"**§ 143B-437.57. Community economic development agreement.**

(a) Terms. – Each community economic development agreement shall include at least the following:

…

(16) A provision requiring that the business engage in fair employment practices as required by State and federal law and a provision encouraging the business to use small ~~contractors, minority contractors, physically handicapped contractors, and women~~ business contractors whenever practicable in the conduct of its business.

…."

SECTION 22.3.(t) G.S. 143B-1361 reads as rewritten:

"**§ 143B-1361. Information technology procurement ~~policy; reporting requirements.~~disclosure.**

(a) Policy. – In order to further the policy of the State to encourage and promote the use of ~~small, minority, physically handicapped, and women~~ small business contractors in State purchasing of goods and services, all State agencies shall cooperate with the Department in efforts to encourage the use of ~~small, minority, physically handicapped, and women~~ small business contractors in achieving the purposes of this Article, which is to provide for the effective and economical acquisition, management, and disposition of information technology.

(b) Bids. – A vendor submitting a bid shall disclose in a statement, provided contemporaneously with the bid, where services will be performed under the contract sought, including any subcontracts and whether any services under that contract, including any subcontracts, are anticipated to be performed outside the United States. Nothing in this section is intended to contravene any existing treaty, law, agreement, or regulation of the United States. The State CIO shall retain the statements required by this subsection regardless of the State entity that awards the contract and shall report annually to the Secretary of Administration on the number of contracts which are anticipated to be performed outside the United States.

(c) Reporting. – Every State agency that makes a direct purchase of information technology using the services of the Department shall report directly to the Department of Administration all information required by ~~G.S. 143-48(b).~~G.S. 143-48(c).

(d) Data from Department of Administration. – The Department of Administration shall collect and compile the data described in this section and report it annually to the Department of Information Technology, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division."

SECTION 22.3.(u) Any local act authorizing a local government unit to establish, agree to, or comply with minority- or women-owned business enterprise participation requirements is hereby repealed unless compliance with such requirements is required by the federal government and its agencies in projects financed by federal grants-in-aid or loans as provided in G.S. 160A-17.1(a)(3a).

SECTION 22.3.(v) G.S. 18C-151(a)(4), 63A-19, 116D-4, 143-48.4, 143-128.2, 143-128.3, 143-128.4, and 143-131(b) are repealed.

INVENTORY OF STATE LAND AND BUILDINGS

SECTION 22.4.(a) Not later than November 15, 2025, the Department of Administration shall submit a report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division detailing a current and accurate inventory of all land owned or leased by the State or by any State agency and a current and accurate inventory of all buildings owned or leased, in whole or in part, by the State or by any State agency. The report shall include all of the information required by G.S. 143-341(4)a. and G.S. 143-341(4)b.

SECTION 22.4.(b) G.S. 143-341 reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

…

(4) Real Property Control:

…

b. To prepare and keep current a complete and accurate database of all buildings owned or leased (in whole or in part) by the State or by any State agency. This database shall serve as the State inventory and shall include all of the following information and floor plans of every such building shall be prepared or copies obtained where such floor plans are available, where needed for use in the allocation of space therein:

…

3. The agency or agencies that occupy the ~~building.~~building or, if the building is vacant, the number of months the vacancy has existed.

…."

STUDY NONPUBLIC EDUCATION

SECTION 22.5.(a) The Joint Legislative Oversight Committee on General Government shall study the duties and responsibilities of the Department of Administration, Division of Nonpublic Education, including the following:

(1) Whether all of the Division's statutory duties are currently being performed.

(2) The manner in which the statutory duties are being performed, such as online posting of information or in-person interaction, and the overall effectiveness of the different approaches used to provide information and other assistance to nonpublic students and their families.

(3) If the statutory duties should be amended in any way to better serve nonpublic school students and their families.

(4) Whether other State or local government agencies are able to assume some or all of the statutory duties in a way that does not unnecessarily disrupt the provision of services to nonpublic school students and their families.

(5) Any other matters deemed relevant to the purpose of the study.

SECTION 22.5.(b) The Division of Nonpublic Education shall provide any information requested by the Committee to conduct the study. By May 15, 2026, the Committee shall make recommendations on its findings and conclusions, including proposed legislation, to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, and the Fiscal Research Division.

DOA ASSIGN OFFICE SPACE IN ALBEMARLE BUILDING TO STATE BOARD OF ELECTIONS

SECTION 22.6. The Department of Administration shall assign the sixth and seventh floors of the Albemarle Building located in Raleigh, North Carolina, to the State Board of Elections. The State Board of Elections shall complete its move to the Albemarle Building not later than October 31, 2025. All State-owned equipment, furnishings, and other fixtures on the sixth and seventh floors of the Albemarle Building on the date this section becomes effective shall remain on those floors for use by the State Board of Elections. Nothing in this section shall be construed as prohibiting the disposal, removal, or replacement of the equipment, furnishings, and other fixtures described in this section after the State Board of Elections has moved into the space described in this section.

NEW DHHS FACILITY BUILDING RESERVE

SECTION 22.7. The Department of Administration shall use available maintenance, operations, and utility funding intended for the old Dorothea Dix campus to support maintenance, operations, and utilities for the new Department of Health and Human Services facility.

MODIFY BID REQUIREMENTS FOR WATER AND SEWER PROJECTS

SECTION 22.8.(a) G.S. 143-132 is amended by adding a new subsection to read:

"(a1) Notwithstanding the provisions of subsection (a) of this section, no contract to which G.S. 143-129 applies for construction of water systems or facilities, or sewage disposal systems or facilities, shall be awarded by any board or governing board of the State, or any political subdivision of the State, unless two competitive bids have been received from reputable and qualified contractors regularly engaged in their respective lines of endeavor. Except as provided in this subsection, all requirements of subsection (a) of this section apply to the receipt of bids and the award of construction contracts. For purposes of this subsection, the following definitions shall apply:

(1) Sewage disposal systems or facilities. – Sewage disposal systems or facilities, including all plants, works, instrumentalities, and properties used or useful in the collection, treatment, purification, or disposal of sewage.

(2) Water systems or facilities. – Water systems or facilities, including all plants, works, instrumentalities, and properties used or useful in obtaining, conserving, treating, and distributing water for domestic or industrial use, irrigation, sanitation, fire protection, or any other public or private use."

SECTION 22.8.(b) This section is effective when it becomes law and applies to contracts entered into on or before December 31, 2030.

PART XXIII. ADMINISTRATIVE HEARINGS

OAH/REDUCE DUTIES OF THE NORTH CAROLINA HUMAN RELATIONS COMMISSION

SECTION 23.1. G.S. 7A-761 reads as rewritten:

"**§ 7A-761. North Carolina Human Relations Commission.**

(a) There is hereby created the North Carolina Human Relations Commission of the Civil Rights Division of the Office of Administrative Hearings. The North Carolina Human Relations Commission shall have the following functions and duties:

~~(1) To study problems concerning human relations;~~

~~(2) To promote equality of opportunity for all citizens;~~

~~(3) To promote understanding, respect, and goodwill among all citizens;~~

~~(4) To provide channels of communication among the races;~~

~~(5) To encourage the employment of qualified people without regard to race;~~

~~(6) To encourage youths to become better trained and qualified for employment;~~

~~(7) To receive on behalf of the Civil Rights Division of the Office of Administrative Hearings and to recommend expenditure of gifts and grants from public and private donors;~~

~~(8) To enlist the cooperation and assistance of all State and local government officials in the attainment of the objectives of the Commission;~~

~~(9) To assist local good neighborhood councils and biracial human relations committees in promoting activities related to the functions of the Commission enumerated above;~~

(10) To advise the Chief Administrative Law Judge upon any matter the Chief Administrative Law Judge may refer to it;

(11) To administer the provisions of the State Fair Housing Act as outlined in Chapter 41A of the General Statutes;

(12) To administer the provisions of the Civil Rights Act as outlined in Chapter 99D of the General Statutes.

…."

OAH/EMPLOYMENT DISCRIMINATION DIVISION & EEOC COMPLAINTS

SECTION 23.2.(a) G.S. 7A-759 is repealed.

SECTION 23.2.(b) G.S. 143-422.3 is repealed.

SECTION 23.2.(c) Any State or local government employee covered under Chapter 126 of the General Statutes may file a complaint alleging employment discrimination with the United States Equal Employment Opportunity Commission in the manner provided by federal law, and nothing in this section shall be construed as limiting or impeding that right.

SECTION 23.2.(d) This section shall not apply to any actions or complaints filed pursuant to G.S. 7A-759 or G.S. 143-422.3 that are pending on the date this act becomes law.

PART XXIV. OFFICE OF STATE AUDITOR [RESERVED]

PART XXV. BUDGET AND MANAGEMENT

FUTURE CITY COMPETITION

SECTION 25.1. Of the funds appropriated in this act to the Office of State Budget and Management, the sum of two hundred thousand dollars ($200,000) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium shall be used to provide a directed grant to the Professional Engineers of North Carolina Educational Foundation (Foundation), a nonprofit organization, to support the NC Future City competition, a statewide program for sixth, seventh, and eighth grade students that engages students in a hands-on future challenge to foster engineering skills and create interest in S.T.E.M. careers. Funds appropriated for the purposes described in this section shall not be used to fund any portion of the salary for any employee of the Foundation.

RURAL HEALTHCARE GRANTS

SECTION 25.2. Notwithstanding the provisions of G.S. 131A-32, the sum of twelve million five hundred thousand dollars ($12,500,000) in nonrecurring funds for the 2025-2026 fiscal year shall be transferred from the Rural Health Care Sustainability Fund to the Division of Mental Health, Developmental Disabilities, and Substance Use Services (Budget Code 14460-131010) in the Department of Health and Human Services to provide a directed grant to each of the following entities:

(1) Twelve million dollars ($12,000,000) to Iredell Health Foundation, a nonprofit organization, for capital needs and renovations related to behavioral health beds at Davis Regional Psychiatric Hospital.

(2) Five hundred thousand dollars ($500,000) to Blue Ridge Healthcare System, Inc., a nonprofit organization, to plan for behavioral health beds.

PART XXVI. BUDGET AND MANAGEMENT – SPECIAL APPROPRIATIONS

PURPLE HEART HOMES

SECTION 26.1. Of the funds appropriated in this act to the Office of State Budget and Management – Special Appropriations, the sum of one million ninety-two thousand four hundred seventy-seven dollars ($1,092,477) in nonrecurring funds for the 2025-2026 fiscal year and one hundred forty thousand four hundred two dollars ($140,402) for the 2026-2027 fiscal year shall be allocated as a directed grant to Purple Heart Homes, Inc., a nonprofit corporation, to provide personalized housing solutions for service-connected disabled and aging veterans and their families across the State. Purple Heart Homes, Inc., may use not more than nine percent (9%) of the grant funds in each fiscal year for administrative costs. By September 1, 2026, Purple Heart Homes, Inc., shall provide a report to the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations

Committee on General Government, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division on the use of these funds, including the number of individuals or families served, the types of services provided to those individuals or families, and the outcomes.

REGISTER OF DEEDS GRANT PROGRAM

SECTION 26.2. Of the funds appropriated in this act to the Office of State Budget and Management – Special Appropriations for each fiscal year of the 2025-2027 fiscal biennium, the sum of two hundred fifty thousand dollars ($250,000) in nonrecurring funds shall be used to create a grant program for county register of deeds offices. The Office of State Budget and Management (OSBM) shall administer the program and disburse grant funds as follows:

(1) County register of deeds offices shall apply for the funds in the manner prescribed by the OSBM.

(2) Applicants shall use grant funds for the preservation of historic records and files. Allowable uses of the funds include, but are not limited to, document restoration, reparation, deacidification, and placement in protected archival binders.

(3) Funds may be used for document digitization only if the original documents will continue to be maintained and preserved.

(4) The maximum grant amount to each office shall be two thousand five hundred dollars ($2,500) in each fiscal year of the 2025-2027 fiscal biennium. Additional grant funds shall be disbursed in a second round of applications based on availability of funds in each fiscal year. The maximum amount of the second-round grants shall be determined by the OSBM. The provisions of this section shall apply if a second round of grants is administered.

(5) Grantees must provide a one hundred percent (100%) match for all grant funds awarded.

HARNETT COUNTY FUNDS

SECTION 26.3. Notwithstanding any provision of S.L. 2023-134 or the Committee Report described in Section 43.2 of that act, the directed grant to Harnett County to be used for land acquisition activities or capital improvements related to Johnson Farm shall not be used for that purpose, but shall instead be used by Harnett County for renovations of existing parks, improvements in park safety and accessibility, and development of green spaces, trails, and greenways.

PART XXVII. OFFICE OF STATE CONTROLLER

OSC/CODIFY USE OF RECOVERED AUDIT FUNDS

SECTION 27.1. G.S. 147-86.22(c) reads as rewritten:

"(c) Collection Techniques. – The State Controller, in conjunction with the Office of the Attorney General, shall establish policies and procedures to govern techniques for collection of accounts receivable. These techniques may include use of credit reporting bureaus, judicial remedies authorized by law, and administrative setoff by a reduction of a tax refund pursuant to the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another payment, other than payroll, due from the State to a person to reduce or eliminate an account receivable that the person owes the State.

The State Controller shall negotiate a contract with a third party to perform an audit and collection process of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors. The third party shall be compensated only from

funds recovered as a result of the audit. Savings realized in excess of costs shall be transferred from the agency to the Office of State Budget and Management and placed in a special reserve account for future direction by the General Assembly. Any disputed savings shall be settled by the State Controller. Subject to availability and appropriation by the General Assembly, the State Controller may use recovered audit funds for computer systems maintenance and improvements, financial reporting, governmental accounting training, debt collection, and e-commerce costs. This paragraph does not apply to the purchase of medical services by State agencies or payments used to reimburse or otherwise pay for health care services."

STATE AGENCIES/ELECTRONIC PAYMENTS

SECTION 27.2.(a) G.S. 66-58.12 reads as rewritten:

"**§ 66-58.12. Agencies may provide access to services through electronic and digital transactions; fees authorized.**

(a) Public agencies are encouraged to maximize citizen and business access to their services through the use of electronic and digital transactions. A public agency may determine, through program and transaction analysis, which of its services may be made available to the public through electronic means, including the Internet. The agency shall identify any inhibitors to electronic transactions between the agency and the public, including legal, policy, financial, or privacy concerns and specific inhibitors unique to the agency or type of transaction. An agency shall not provide a transaction through the Internet that is impractical, unreasonable, or not permitted by laws pertaining to privacy or security.

(b) An agency may charge a fee to cover its costs of permitting a person to complete a transaction through the ~~World Wide Web~~ internet or other means of electronic access. The transaction fee may be applied on a per transaction basis and may be calculated either as a flat fee or a percentage ~~fee, as determined under an agreement between a person and a public agency. The fee may be collected by the agency or by its third party agent.~~fee. Neither the flat fee nor the percentage fee shall exceed two percent (2%) of the total amount of each transaction. An agency shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the following definitions apply:

(1) Surcharge. – A fee added to a payment by charge card, credit card, debit card, or by electronic funds transfer for the convenience of making the electronic payment or for any other purpose not authorized by law.

(2) Transaction fee. – A fee charged by a payment processor to a State agency for processing a charge card, credit card, or debit card payment.

(c) The ~~fee~~ flat fee or percentage fee imposed under subsection (b) of this section must be approved by the State Chief Information Officer. The revenue derived from the fee must be credited to a nonreverting agency reserve account. The funds in the account may be expended only for e-commerce initiatives and projects approved by the State Chief Information Officer. For purposes of this subsection, the term "public agencies" does not include a county, unit, special district, or other political subdivision of government. The State Chief Information Officer shall report any fees imposed under subsection (b) of this section and expenditures for e-commerce initiatives and projects to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on Information Technology.

(d) This section does not apply to the Judicial Department."

SECTION 27.2.(b) Article 6A of Chapter 147 of the General Statutes reads as rewritten:

"Article 6A.

"Cash Management.

"**§ 147-86.10. Statement of policy.**

It is the policy of the State of North Carolina that all agencies, institutions, departments, bureaus, boards, commissions, and officers of the State, whether or not subject to the State

Budget Act, Chapter 143C of the General Statutes, shall devise techniques and procedures for the receipt, deposit, and disbursement of moneys coming into their control and custody which are designed to maximize interest-bearing investment of cash, and to minimize idle and nonproductive cash balances. This policy shall apply to the General Court of Justice as defined in Article IV of the North Carolina Constitution, the public school units as defined in G.S. 147-86.12, and the community colleges with respect to the receipt, deposit, and disbursement of moneys required by law to be deposited with the State Treasurer and with respect to moneys made available to them for expenditure by warrants drawn on the State Treasurer. This policy shall include the acceptance of electronic payments in accordance with ~~G.S. 147-86.22 to the maximum extent possible consistent with sound business practices.~~the provisions of G.S. 66-58.12 and the policies established by the State Controller under G.S. 147-86.22.

"**§ 147-86.11. Cash management for the State.**

…

(e) Elements of Plan. – For moneys received or to be received, the statewide cash management plan shall provide at a minimum that:

…

(6) State agencies shall accept payment by electronic payment in accordance with ~~G.S. 147-86.22 to the maximum extent possible consistent with sound business practices.~~the provisions of G.S. 66-58.12 and the policies established by the State Controller under G.S. 147-86.22.

…

"**§ 147-86.22. Statewide accounts receivable program.**

(a) Program. – The State Controller shall implement a statewide accounts receivable program. As part of this program, the State Controller shall do all of the following:

(1) Monitor the State's accounts receivable collection efforts.

(2) Coordinate information, systems, and procedures between State agencies to maximize the collection of past-due accounts receivable.

(3) Adopt policies and procedures for the management and collection of accounts receivable by State agencies.

(3a) In consultation and coordination with the Department of Administration and the State Chief Information Officer, enter into a statewide term contract for electronic payment processing services.

(4) Establish procedures for writing off accounts receivable.

(b) Electronic Payment. – Notwithstanding the provisions of G.S. 147-86.20 and G.S. 147-86.21, this subsection applies to debts owed a community college, a local school administrative unit, an area mental health, developmental disabilities, and substance abuse authority, and the Administrative Office of the Courts, and to debts payable to or through the office of a clerk of superior court or a magistrate, as well as to debts owed to other State agencies as defined in G.S. 147-86.20.

(b1) Policies Established. – The State Controller shall establish policies that allow accounts receivable to be payable under certain conditions by electronic payment. The policies shall provide that transaction fees for electronic payments may be imposed as provided in G.S. 66-58.12, unless otherwise provided for by law. These policies shall be established with the concurrence of the State Treasurer. In addition, any policies that apply to debts payable to or through the office of a clerk of superior court or a magistrate shall be established with the concurrence of the Administrative Officer of the Courts. The Administrative Officer of the Courts may also establish policies otherwise authorized by law that apply to these debts as long as those policies are not inconsistent with the Controller's policies. State agencies shall use the vendor or vendors under the statewide term contract for electronic payments allowed under the policies established under this subsection, unless explicitly exempted by the State Controller, in concurrence with the State Treasurer or the Administrative Officer of the Courts, as applicable.

~~A condition of payment by electronic payment is receipt by the appropriate State agency of the full amount of the account receivable owed to the State agency. A debtor who pays by electronic payment may be required to pay any fee or charge associated with the use of electronic payment.~~

(b2) Payment Processor Fees. – The policies established by the State Controller under subsection (b1) of this section and the terms of the statewide term contract executed pursuant to subdivision (3a) of subsection (a) of this section may authorize a vendor providing payment processing services to retain their transaction fee at the time each transaction is made instead of submitting the full amount of the account receivable owed to the State agency; provided, however, the transaction fee shall not exceed two percent (2%) of the total amount of each transaction. The State Controller may also establish policies and authorize contracts that provide a State agency may require a vendor to pay the full amount of the account receivable owed to the State agency, on a schedule agreed to by the agency and vendor, and thereafter the vendor shall be reimbursed for the transaction fees owed to it by the State. In the case of reimbursement, the transaction fee owed to the vendor shall not exceed two percent (2%) of the full amount of the account receivable owed to the State agency. Fees associated with processing electronic payments may be paid out of the General Fund and Highway Fund if the payment of the fee by the State is economically beneficial to the State and the payment of the fee by the State has been approved by the State Controller and State Treasurer.

(b3) Consult General Assembly. – The State Controller and State Treasurer shall consult with the Joint Legislative Commission on Governmental Operations before establishing policies that allow accounts receivable to be payable by electronic payment and before authorizing fees associated with electronic payment to be paid out of the General Fund and Highway Fund.

(b4) Payments Not Honored. – A payment of an account receivable that is made by electronic payment and is not honored by the issuer of the card or the financial institution offering electronic funds transfer does not relieve the debtor of the obligation to pay the account receivable.

(c) Collection Techniques. – The State Controller, in conjunction with the Office of the Attorney General, shall establish policies and procedures to govern techniques for collection of accounts receivable. These techniques may include use of credit reporting bureaus, judicial remedies authorized by law, and administrative setoff by a reduction of a tax refund pursuant to the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another payment, other than payroll, due from the State to a person to reduce or eliminate an account receivable that the person owes the State.

The State Controller shall negotiate a contract with a third party to perform an audit and collection process of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors. The third party shall be compensated only from funds recovered as a result of the audit. Savings realized in excess of costs shall be transferred from the agency to the Office of State Budget and Management and placed in a special reserve account for future direction by the General Assembly. Any disputed savings shall be settled by the State Controller. This paragraph does not apply to the purchase of medical services by State agencies or payments used to reimburse or otherwise pay for health care services.

(d) Annual Report. – The State Controller shall report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue."

SECTION 27.2.(c) The State Controller, in concurrence with the State Treasurer and the Administrative Officer of the Courts, and any State agency subject to a contract with a vendor to provide electronic payment processing services shall make every effort allowed by law to amend the terms of those contracts to include a provision that the transaction fee paid to the vendor shall not exceed two percent (2%) of the total amount of each transaction or two percent

(2%) of the full amount of the account receivable owed to the State. Upon the expiration, amendment, or renewal of the contract for electronic payment processing services, the State Controller, in concurrence with the State Treasurer and the Administrative Officer of the Courts, and any State agency shall include, as part of the new, amended, or renewed contract, a provision which explicitly states that the amount of the transaction fee to be paid by the State or the State agency shall not exceed two percent (2%) of the total amount of each transaction or two percent (2%) of the full amount of the account receivable owed to the State.

SECTION 27.2.(d) G.S. 18B-404 reads as rewritten:

"**§ 18B-404. Additional provisions for purchase and transportation by mixed beverage permittees.**

…

(e) Electronic Payment. – A local board shall accept electronic payments for any spirituous liquor purchased by a mixed beverages permittee. A local board may not charge a transaction fee for accepting electronic payments under this ~~subsection.~~ subsection and shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the ~~term "electronic payment" means payment~~ following definitions apply:

(1) Electronic payment. – Payment by debit card or by electronic funds transfer as defined in ~~G.S. 105-228.90, but does~~ G.S. 105-228.90. The term does not ~~include~~ mean payment by charge card or credit card.

(2) Surcharge. – As defined in G.S. 66-58.12(b).

(3) Transaction fee. – As defined in G.S. 66-58.12(b).

(f) Delivery Service. – A local board shall offer delivery service to mixed beverage permittees. In providing delivery of purchased products to mixed beverage permittees, the local board may use its employees or contract with one or more independent contractors and may charge a fee to the permittee. A local board in a Tier 1 or Tier 2 county, as defined in G.S. 143B-472.35(a2)(18), may request an exemption to this requirement from the ABC Commission. The Commission shall grant the request if the local board can show evidence of unreasonable hardship or difficulty incurred by implementing delivery service."

SECTION 27.2.(e) G.S. 18B-907 reads as rewritten:

"**§ 18B-907. Allow electronic submission of payments and forms.**

(a) Forms. – The Commission shall make all forms required by the Commission to apply for and receive a permit available on the Commission's Web site, and the Commission shall, to the extent practicable, allow for the electronic submission of these forms. Any form required by the Commission to apply for and receive a permit that requires a signature may be submitted with an electronic signature in accordance with Article 40 of Chapter 66 of the General Statutes.

(b) Payments. – The Commission shall accept electronic payments for any fee required under this Chapter to receive a permit. Any person who makes an electronic payment may be charged a transaction fee to cover the costs incurred in accepting the payment electronically. The transaction fee may be either a flat fee or a percentage fee. Neither the flat fee nor the percentage fee shall exceed two percent (2%) of the total amount of each transaction. The Commission shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the term "electronic payment" means payment by charge card, credit card, debit card, or by electronic funds transfer as defined in ~~G.S. 105-228.90.~~G.S. 105-228.90, and the terms "surcharge" and "transaction fee" mean the same as in G.S. 66-58.12(b).

~~(c) Fee. – The Commission may charge a fee to be used to cover costs incurred by the Commission in processing forms electronically and accepting payments electronically. The fee authorized under this subsection may not exceed five dollars ($5.00).~~"

SECTION 27.2.(f) G.S. 20-4.05 reads as rewritten:

"**§ 20-4.05. Authority of Division to charge transaction fee on electronic payments.**

(a) When the Division accepts electronic payment, as that term is defined in G.S. 147-86.20, for any cost, fee, fine, or penalty imposed pursuant to this Chapter, the Division

may add a transaction fee to each electronic payment transaction to ~~offset the service charge the Division pays for electronic payment service.~~ cover the costs incurred in accepting the payment electronically. The ~~Division's~~ transaction fee may be either a flat fee or a percentage fee. Neither the flat fee nor the percentage fee shall ~~not~~ exceed two percent (2%) of the ~~electronic payment.~~total amount of each transaction. The Division shall not charge a surcharge for accepting electronic payments. For purposes of this subsection, the terms "surcharge" and "transaction fee" have the same meanings as in G.S. 66-58.12(b).

(a1) When the Division accepts electronic payment for any taxes or fees on behalf of a county or city, the Division may add a transaction fee to each electronic payment transaction as provided in subsection (a) of this section. The Division shall not charge a person, county, or city a surcharge for accepting electronic payments.

(b) Notwithstanding G.S. 66-58.12, this section applies to transactions completed in person, through the World Wide Web, or through any other means of electronic access."

PART XXVIII. ELECTIONS

SBE/HAVA FUNDS

SECTION 28.1. The State Board of Elections shall use federal Help America Vote Act (HAVA) funds appropriated in this act for the 2025-2027 fiscal biennium for the following purposes:

(1) To continue funding for equipment and software for critical information technology operations.

(2) To continue funding information technology and regional support positions, including the Information Technology Security and Compliance Manager.

EXEMPT POSITIONS IN SBE

SECTION 28.2. 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 number of exempt positions designated by the Executive Director of the State Board of Elections is limited to the following seven: 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 RETAIN PRIVATE COUNSEL

SECTION 28.3. G.S. 163-25 reads as rewritten:

"**§ 163-25. Authority of State Board to assist in ~~litigation.~~county board litigation; retain private counsel for legal services.**

(a) County Board Litigation. – The State Board shall possess authority to assist any county board of elections in any matter in which litigation is contemplated or has been initiated, provided, the county board of elections in such county petitions, by majority resolution, for such assistance from the State Board and, provided further, that the State Board determines, in its sole discretion by majority vote, to assist in any such matter. It is further stipulated that the State Board shall not be authorized under this provision to enter into any litigation in assistance to counties, except in those instances where the uniform administration of this Chapter has been, or would be threatened. Notwithstanding the provisions of G.S. 147-17 and G.S. 114-2.3, the State Board may retain private counsel to provide legal assistance in execution of its authority to assist county boards of election under this subsection. The State Board shall supervise and manage counsel employed or retained under this subsection. The State Board may use funds available to the Board of Elections to employ or retain private counsel under this subsection.

~~(b) The Attorney General shall provide the State Board with legal assistance in execution of its authority under this section or, in the Attorney General's discretion, recommend that private counsel be employed.~~

~~(c) If the Attorney General recommends employment of private counsel, the State Board may employ counsel with the approval of the General Assembly.~~

(d) State Board Litigation. – Notwithstanding the provisions of G.S. 147-17 and G.S. 114-2.3, the State Board may retain private counsel to provide legal services, including litigation services, to the State Board or the Executive Director in any action or matter arising in the scope and course of the Board's or the Director's official duties. The State Board shall supervise and manage counsel employed or retained under this subsection. The State Board may

use funds available to the Board of Elections to employ or retain private counsel under this subsection."

PART XXIX. GENERAL ASSEMBLY

AMERICA'S SEMIQUINCENTENNIAL COMMITTEE

SECTION 29.1.(a) Section 14.10 of S.L. 2023-134 reads as rewritten:

"**SECTION 14.10.(a)** There is created the America's Semiquincentennial Committee (the Committee).

"**SECTION 14.10.(b)** Membership. – The Committee shall be composed of ~~seven~~ nine members, as follows:

(1) ~~Three~~ Four members appointed by the President Pro Tempore of the Senate, ~~one~~ two of whom shall be ~~a member~~ members of the Senate and the remainder of whom shall be members of the public.

(2) ~~Three~~ Four members appointed by the Speaker of the House of Representatives, ~~one~~ two of whom shall be ~~a member~~ members of the House of Representatives and the remainder of whom shall be members of the public.

(3) One member jointly appointed by the President Pro Tempore of the Senate and the Speaker of the House of Representatives who shall be a noted historian with expertise regarding the American Revolution.

"**SECTION 14.10.(c)** Terms; Chairs; Vacancies; Quorum. – Members appointed shall serve until the Committee terminates. The Committee shall have two cochairs which shall be the legislative member designated by the President Pro Tempore of the Senate and the legislative member designated by the Speaker of the House of Representatives. The Committee shall meet upon the call of the cochairs. Vacancies shall be filled by the appointing authority. A quorum of the Committee shall be a majority of the members.

"**SECTION 14.10.(d)** Duties. – ~~The~~ Using funds available, the Committee shall ~~(i) study~~ have the following duties:

(1) Study means for the State to celebrate the two hundred fiftieth anniversary of the founding of our ~~nation and (ii) report~~ nation.

(2) Report the means and anticipated costs of the celebratory events to the General Assembly.

(3) Plan, execute, and coordinate events and activities that celebrate the semiquincentennial in any of the following ways:

a. Maintaining a website, social media, web-based or phone-based application, or commercial advertising that provides information on the semiquincentennial and events celebrating the semiquincentennial throughout the State.

b. Creating and presenting educational materials and hosting educational contests for elementary, secondary, and postsecondary schools.

c. Creating visual, auditory, or written content about the semiquincentennial.

d. Partnering with any of the following on events, activities, or publicity for the semiquincentennial:

1. State entities such as the North Carolina Symphony, the University of North Carolina Center for Public Media, and the Department of Natural and Cultural Resources.
2. America 250 NC federal, State, and county committees.
3. Nonprofits, historical, cultural, and business entities.
4. Any other entities the Committee deems appropriate.

"**SECTION 14.10.(e)** Compensation; Administration. – Members of the Committee shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. Using funds available, the Committee may contract to execute duties specified under subdivision (3) of subsection (d) of this section. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

"**SECTION 14.10.(f)** Reports; Termination. – The Committee shall make ~~an~~ the following reports to the General Assembly:

(1) An interim ~~report~~ report to the 2025 Regular Session of the 2025 General ~~Assembly and a final report to~~ Assembly by July 1, 2025, on planned events and expected costs for the semiquincentennial celebrations.

(2) An interim report to the 2026 Regular Session of the 2025 General Assembly by March 31, 2026, on the outcome of any executed events or plans, as well as further plans and expected costs for the semiquincentennial celebrations.

(3) An interim report to the 2027 Regular Session of the 2027 General Assembly on the outcome of any executed events or plans, as well as further plans and expected costs for the semiquincentennial celebrations.

(4) A final report to the 2028 Regular Session of the 2027 General Assembly no later than ~~January 14, 2026.~~January 15, 2028, on the outcome of any executed events or plans.

The Committee shall terminate on ~~January 15, 2026.~~January 15, 2028.

"**SECTION 14.10.(g)** This section is effective when it becomes law."

SECTION 29.1.(b) This section is effective when it becomes law.

PART XXX. GOVERNOR [RESERVED]

PART XXXI. HOUSING FINANCE AGENCY [RESERVED]

PART XXXI-A. OFFICE OF STATE HUMAN RESOURCES

MODERNIZE AND SIMPLIFY THE STATE HUMAN RESOURCES ACT

SECTION 31A.4. By March 15, 2026, the Office of State Human Resources (OSHR) shall submit a report to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division with recommended changes to Chapter 126 of the General Statutes to modernize the North Carolina Human Resources Act, simplify its provisions, and align it with contemporary human resources best practices. At a minimum, the report shall address legislative changes needed to:

(1) Streamline hiring processes.

(2) Enhance recruitment strategies and increase the attractiveness of State government employment.

(3) Develop and maintain a high-quality, well-trained State workforce.

(4) Improve State employee retention rates.

The OSHR shall collaborate with State agencies, local governments, and other relevant stakeholders to develop these legislative proposals.

NEW PERFORMANCE MANAGEMENT AND EVALUATION SYSTEM

SECTION 31A.5.(a) The Office of State Human Resources shall submit to the State Human Resources Commission, the Joint Legislative Oversight Committee on General

Government, and the Governor an improved process for performance management and evaluation. The State Human Resources Commission, subject to the approval of the Governor, shall adopt a new performance management and evaluation policy by March 15, 2026.

SECTION 31A.5.(b) This section is effective when it becomes law.

PART XXXII. INSURANCE

DIRECT OSBM TO GIVE OSFM SEPARATE BUDGET CODE

SECTION 32.1. The Office of State Budget and Management shall establish a new budget code for the Office of the State Fire Marshal (OSFM) and create new budget funds for each division of the OSFM.

WORKERS' COMPENSATION FUND FOR CERTAIN SAFETY WORKERS

SECTION 32.2.(a) Notwithstanding the provisions of G.S. 58-87-10, for the 2025-2026 fiscal year, the Office of the State Fire Marshal shall not set an amount to be paid by every eligible unit and eligible entity, as those terms are defined in G.S. 58-87-10(a), that elects to participate in the Workers' Compensation Fund created pursuant to G.S. 58-87-10(b). For the 2025-2026 fiscal year, no eligible unit or eligible entity shall be required to submit to the Office of the State Fire Marshal any payment to participate in the Fund.

SECTION 32.2.(b) G.S. 58-87-10 reads as rewritten:

"**§ 58-87-10. Workers' Compensation Fund for the benefit of certain safety workers.**

…

(f) Funding Study. – The Office of the State Fire Marshal shall annually conduct an actuarial study that shall do all of the following:

…

(3) Calculate how much revenue from the State and from member premiums would be required to meet the needs of the Fund for each of the following scenarios:

…

d. Member premiums, by job classification, set at the lowest amount necessary to maintain the cash balance in the Fund at the optimal amount identified by the actuary.

…."

CREATE PUBLIC PROPERTY INSURANCE ENTERPRISE FUND

SECTION 32.3.(a) Effective May 1, 2026, Chapter 58 of the General Statutes is amended by adding a new Article 31B to be entitled "Public Property Protection Against All Perils."

SECTION 32.3.(b) Effective May 1, 2026, Article 31B of Chapter 58 of the General Statutes, as enacted by subsection (a) of this section, is amended by adding a new Part 1 to be entitled "Public Property Insurance Enterprise Fund."

SECTION 32.3.(c) Effective May 1, 2026, G.S. 58-31-2 is recodified as G.S. 58-31B-40.

SECTION 32.3.(d) Effective May 1, 2026, Article 31B of Chapter 58 of the General Statutes, as enacted by subsection (a) of this section and as amended by subsections (b) and (c) of this section, reads as rewritten:

"Article 31B.

"Public Property Protection Against All Perils.

"Part 1. Public Property Insurance Enterprise Fund.

"**§ 58-31B-1. Definitions.**

For purposes of this Article, the following definitions apply:

(1) Reserved for future codification purposes.
(2) Enterprise Fund. – The Public Property Insurance Enterprise Fund established under G.S. 58-31B-2.
(3) Insurance Fund. – The State Public Education Property Insurance Fund established under G.S. 58-31A-20.
(4) Peril. – Any of the following perils, risks, or hazards:
a. Fire.
b. Lightning.
c. Hurricane, tornado, or other windstorm.
d. Hail.
e. Explosion.
f. Aircraft or other vehicle causing damage to property as a result of a crash or other act.
g. Riot or other civil commotion.
h. Smoke.
i. Vandalism.
j. Sprinkler leakage or malfunction.
k. Sinkhole collapse.
l. Volcanic action or earthquake.
m. Falling object.
n. Weight of snow, ice, sleet, or other weather event.
o. Mudslide.
p. Flood.
q. Water damage.
(5) Reserved for future codification purposes.
(6) Self-insurance Fund. – The State Property Self-insurance Fund established under G.S. 58-31B-20.
(7) State property. – Real property, and any fixtures or appurtenances found in or attached to that real property, owned by the State or a department, agency, or institution of the State.

"**§ 58-31B-2. Public Property Insurance Enterprise Fund.**

(a) Creation. – The Public Property Insurance Enterprise Fund is created as a nonreverting enterprise fund, as defined in G.S. 143C-1-3, in the Department of Insurance and to which funds, receipts, transfers, appropriations, contributions, investment earnings, and other income, except for amounts necessary to pay any allowable administration costs or costs associated with payable claims under this Article or Part 1 of Article 31A of this Chapter belonging to the Self-insurance Fund and the Insurance Fund shall be deposited.

(b) Investments. – The assets of the Enterprise Fund shall be invested in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3.

(c) Purpose of Enterprise Fund. – All funds held in the Enterprise Fund are for the purpose of paying claims for damage or loss as a result of any perils for which the Insurance Fund or the Self-insurance Fund is liable. No funds in the Enterprise Fund shall be utilized to purchase any commercial insurance or reinsurance product.

(d) Assets. – The assets of the Enterprise Fund shall be used only for the exclusive benefit of the Insurance Fund, the Self-insurance Fund, and entities that have property that is protected against damage or loss by the Insurance Fund or the Self-insurance Fund.

"**§ 58-31B-5. Actuarial analysis of funds.**

(a) Annually, the Office of State Fire Marshal shall conduct an actuarial analysis of the Enterprise Fund, the Insurance Fund, and the Self-insurance Fund for the purposes of setting contribution amounts under G.S. 58-31B-30 and premium rates under G.S. 58-31A-40. The State

Fire Marshal may contract with a third party or enter into an agreement with another State department, agency, or institution to conduct the actuarial analysis.

(b) No later than March 1, a copy of the actuarial analysis conducted under this section shall be submitted to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division. This analysis shall be provided upon request to any public education board that participates in the Insurance Fund or any State department, agency, or institution that participates in the Self-insurance Fund.

"**§ 58-31B-10. Transfers from the Enterprise Fund.**

Funds shall be transferred from the Public Property Insurance Enterprise Fund to either the Insurance Fund or the Self-insurance Fund, as applicable, upon the processing of a claim in accordance with this Article or Part 1 of Article 31A of this Chapter.

"Part 2. Requirements for State Property.

"**§ 58-31B-20. State Property Self-insurance Fund.**

(a) Self-Insurance Fund. – The State Property Self-insurance Fund is established as a nonreverting special fund in the Department of Insurance.

(b) Source of Funds. – The State Property Self-insurance Fund shall consist of the following funds:

(1) Contributions made by each State department, agency, and institution that is required under this Article to contribute to the Self-insurance Fund.

(2) Transfers from the Enterprise Fund to the Self-insurance Fund for the purpose of paying claims for damage or loss to State property resulting from any peril that are submitted by a State department, agency, or institution in accordance with this Part.

(3) Any funds appropriated to the Self-insurance Fund.

(c) Utilization of Funds. – The State Fire Marshal is authorized to utilize the funds in the Self-insurance Fund solely for the following purposes:

(1) Administration of the Self-insurance Fund and the Enterprise Fund. – No more than ten percent (10%) of the amount collected in contributions under this Part in any State fiscal year may be used for the purposes of administering the Self-insurance Fund and the Enterprise Fund and carrying out duties under this Article.

(2) Payments to the Enterprise Fund. – Quarterly, any funds in the Self-insurance Fund that are not to be utilized for the administrative purposes authorized under this section or to pay out any claims that have been previously submitted under this Part by a State department, agency, or institution shall be transferred to the Enterprise Fund.

(d) Prohibited Use of Funds. – No funds in the Self-insurance Fund shall be utilized to purchase any commercial insurance or reinsurance product.

"**§ 58-31B-25. Contributions to Self-insurance Fund required.**

(a) For the purposes of providing coverage of State property in the event of damage or loss resulting from any peril, unless otherwise provided by this Article, every State department, agency, and institution shall contribute to the State Property Self-insurance Fund in accordance with this Article.

(b) Nothing in this Article shall prohibit a State department, agency, or institution from purchasing any insurance product authorized under Article 31 of this Chapter. A State department, agency, or institution shall not purchase commercial property insurance or reinsurance for any State property covered under this Article.

"**§ 58-31B-30. Determination and adjustment of required contribution amount.**

(a) The Office of State Fire Marshal shall determine the contribution amount to be paid by each State department, agency, and institution required to submit contributions to the Self-insurance Fund under this Part. Contribution amounts shall be adjusted annually.

(b) In setting the contribution amounts under this section, all of the following shall be considered:

(1) The reasonable administrative expenses of the Self-insurance Fund and the Enterprise Fund.

(2) The need to maintain adequate reserves in the Enterprise Fund to pay claims under this Part for State property loss or damage resulting from perils.

(3) The results of the actuarial analysis conducted under G.S. 58-31B-5.

(c) If the balance of the assets held in the Enterprise Fund equals at least five percent (5%) of the combined replacement value of all State property covered by the Self-insurance Fund and all public education property, as that term is defined in G.S. 58-31A-1, insured in the Insurance Fund, then the required contribution amounts shall be proportionately decreased to an annual amount that is sufficient to maintain the assets held in the Enterprise Fund at five percent (5%) of the combined replacement value of all State property covered by the Self-insurance Fund and all public education property insured in the Insurance Fund.

"**§ 58-31B-35. Payment of contributions.**

(a) The Office of State Fire Marshal shall set the intervals at which payment for the contributions to the Self-insurance Fund under this Part shall be made by a State department, agency, or institution. The Office of State Fire Marshal shall provide notification to each State department, agency, or institution as to the contribution amount due at each interval. Within 30 days of notice of an amount due for contributions under this Part, the State department, agency, or institution shall pay the contribution amount due.

(b) Any contributions not paid within the time period required under this section shall bear interest at the rate of six percent (6%) per annum.

(c) Upon receipt of payment of the contribution amount due under this Part, the payment shall be deposited in the Self-insurance Fund.

"**§ 58-31B-40. Certain ~~buildings of North Carolina Global TransPark exempt.~~exemptions to participation in Self-insurance Fund.**

The following entities are exempt from the requirement to contribute to the Self-insurance Fund and shall not submit claims under this Part for a loss or damage occurring as a result of any peril:

~~(a)~~(1) A building located on State lands that is privately owned or privately leased, and located within the North Carolina Global ~~TransPark, is exempt from application of this Article provided that (i) the~~ TransPark if all of the following conditions are met:

a. The North Carolina Global TransPark Authority requires a private owner or private lessee to obtain ~~adequate~~ insurance to cover fire losses and damages to underlying and surrounding real property owned by the ~~State, (ii)~~ State and the private owner or private lessee obtains and maintains adequate insurance naming the Authority and the Department of Transportation as an additional insured for fire ~~losses, and (iii) the~~ losses and damages. The minimum amount of insurance required under this sub-subdivision is one million dollars ($1,000,000) per occurrence and two million dollars ($2,000,000) aggregate per occurrence.

b. The North Carolina Global TransPark Authority discloses to the private owner or private lessee that the State of North Carolina shall not reinsure that building and the building is exempt from the ~~State Property Fire Insurance Fund coverage for fires losses.~~Self-insurance Fund and is not authorized to submit claims under this Part for any losses or damages occurring as a result of any peril.

~~(b) The minimum amount of insurance that will be required under subsection (a) of this section is one million dollars ($1,000,000) per occurrence and two million dollars ($2,000,000) aggregate per occurrence.~~

~~(c)~~c. The North Carolina Global TransPark Authority ~~shall notify~~ has notified the Office of State Fire Marshal in writing that the Authority is entering into a contract or modifying a contract for which the exemption under this section would apply at least 30 days prior to entering into or modifying that contract. The Authority shall consult with the Office of State Fire Marshal regarding the adequacy of insurance for fire losses and damages required by this ~~section~~ subdivision during this period.

(2) Reserved for future codification purposes.

"**§ 58-31B-45. Claims submission and adjudication.**

(a) A State department, agency, or institution required under this Part to make contributions to the Self-insurance Fund shall submit a claim to the Self-insurance Fund when that department, agency, or institution experiences loss or damage to State property as a result of a peril. The Self-insurance Fund shall process all claims submitted under this Part. The Self-insurance Fund shall pay claims associated with loss or damage in an amount not exceeding the amount that it would cost to repair or replace the property with material of like kind and quality within a reasonable time after the loss or damage.

(b) The amount to be paid for a claim under this section is determined by the Office of State Fire Marshal and the official designated by the State department, agency, or institution controlling the State property for which the claim was submitted. If an agreement as to the extent of the loss or damage related to that claim cannot be reached between these two parties, then the amount of the loss or damage shall be determined by three appraisers and no claim amount in dispute shall be paid until the completion of that determination. The three appraisers shall be disinterested persons who are qualified from experience to appraise and value property and shall be selected as follows:

(1) The State Fire Marshal shall select one appraiser.

(2) The official designated by the State department, agency, or institution controlling the property for which the claim was submitted shall select one appraiser.

(3) The two appraisers selected by the State Fire Marshal and the designated official shall select a third appraiser. If the appraisers selected by the State Fire Marshal and the designated office fail to agree upon a third appraiser within 15 days of their selection, then, on request of the State Fire Marshal or the designated official, a third appraiser shall be selected by the Secretary of the Department of Administration.

(c) The appraisers selected and required under this section shall file their written report within 90 days of the selection of all three required appraisers detailing the loss or damage with the Office of State Fire Marshal and with the State department, agency, or institution that submitted the claim.

(d) The costs of any appraisal required under this section shall be paid by, and considered an administrative expense of, the Self-insurance Fund.

(e) Upon the determination of the loss or damage to the State property made by the appraisers selected and required under this section, the Self-insurance Fund shall pay the claim in full to the applicable State department, agency, or institution.

(f) Notwithstanding G.S. 58-2-75 or any other provision of this Chapter to the contrary, the determination of the loss or damage to State property by the appraisers under this section is not appealable and not a contested case under Article 3 of Chapter 150B of the General Statutes."

SECTION 32.3.(e) Effective May 1, 2026, Part 1 of Article 31A of Chapter 58 of the General Statutes reads as rewritten:

"Part 1. Public Education Property.

"**§ 58-31A-1. Definitions.**

The following definitions shall apply in this Part:

(1) Enterprise Fund. – The Public Property Insurance Enterprise Fund established under G.S. 58-31B-2.

(1a) Insurable hazards. – ~~A minimum list of perils, risks, or hazards which must be insured against loss, which includes the following: fire, lightning, windstorm, hail, explosion, aircraft or vehicles, riot or civil commotion, smoke, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of snow, ice or sleet, or water damage.~~All perils defined under G.S. 58-31B-1.

(1b) Insurance Fund. – The State Public Education Property Insurance Fund established under G.S. 58-31A-20.

(2) Public education board. – ~~A local board of education of a local school administrative unit, as defined in G.S. 115C-5(5), a board of trustees of a regional school, as defined in G.S. 115C-238.63,~~ The governing body of any public school unit, as those terms are defined in G.S. 115C-5, or a board of trustees of a community college, as defined in G.S. 115D-12.

(3) Public education property. – ~~Property~~ Real property, and any fixtures or appurtenances found in or attached to that real property, owned by a ~~local board of education, a regional school board of directors, or a community college board of trustees.~~public education board.

"**§ 58-31A-5. ~~Duty of the State Fire Marshal to operate~~ Operation of insurance system for public education property.**

(a) The State Fire Marshal shall ~~have the duty to~~ manage and operate a system of insurance ~~for public education property. The State Fire Marshal may offer a system of property insurance to any charter schools approved pursuant to G.S. 115C-218.5.~~against damage or loss resulting from all insurable hazards to public education property in accordance with this Part.

(b) The system of insurance under this Part shall be operated at a low cost to public education boards and to the State while also ensuring the solvency of the Insurance Fund and the Enterprise Fund.

…

"**§ 58-31A-20. State Public Education Property Insurance ~~Fund; decrease of premiums when fund reaches five percent of total insurance in force.~~Fund.**

(a) ~~There is established a~~ Creation. – The State Public Education Property Insurance Fund ~~(Fund)~~ is established as a nonreverting special fund in the ~~State treasury for the purpose of providing a reserve against property loss of public education boards. The State Treasurer shall be the custodian of the Fund and shall invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. All funds paid over to the State Treasurer by the State Fire Marshal for premiums on insurance by public education boards and all money received from interest or from loans and deposits and from any other source connected with the insurance of the property shall be held by the State Treasurer in the Fund for the purpose of paying all insurable hazards for which the Fund shall be liable and the expenses necessary for the proper conduct of the insurance of such property, together with such premiums for reinsurance that the State Fire Marshal may deem necessary to reinsure as provided by this Article.~~Department of Insurance.

~~(b) When the balance of the Fund reaches the sum of five percent (5%) of the total insurance in force, then annually thereafter the State Fire Marshal shall proportionately decrease the premiums on insurance to an amount which will be sufficient to maintain the Fund at five~~

~~percent (5%) of the total insurance in force, and in the event in the judgment of the State Fire Marshal the income from the investments of the Fund are sufficient to maintain the same at five percent (5%) of the total insurance in force, no premium shall be charged for the ensuing year. However, no public education board shall cease to pay premiums until five annual payments of premiums have been made on a building or property insured whether or not through such payments the Fund shall be increased beyond five percent (5%) of the total insurance in force, unless such building or property shall cease to be insurable under this Article within such five-year period.~~

(c) Source of Funds. – The Insurance Fund shall consist of the following funds:

(1) The premium payments made by each public education board that participates in the insurance program operated under this Part.

(2) Transfers from the Enterprise Fund to the Insurance Fund for the purpose of paying claims for damage or loss to public education property resulting from any insurable hazard that are submitted by a public education board in accordance with this Part.

(3) Any funds appropriated to the Insurance Fund.

(d) Utilization of Funds. – The Office of State Fire Marshal is authorized to utilize the funds in the Insurance Fund solely for the following purposes:

(1) Administration of the Insurance Fund and the Enterprise Fund. – No more than ten percent (10%) of the amount collected in premiums in any State fiscal year may be used for the purposes of administering the Insurance Fund and the Enterprise Fund and carrying out duties under this Part.

(2) Payments to the Enterprise Fund. – Quarterly, any funds in the Insurance Fund that are not to be utilized for the administrative purposes authorized under this section or to pay out any claims that have been previously submitted under this Part by a public education board shall be transferred to the Enterprise Fund.

(e) Prohibited Use of Funds. – No funds in the State Public Education Property Insurance Fund shall be utilized to purchase any commercial insurance or reinsurance product.

"**§ 58-31A-25. ~~Insurance~~ Optional insurance of property by public education boards; notice of election to insure and information to be furnished; outstanding policies.**

(a) All public education boards may insure in the Insurance Fund as part of the program of insurance operated under this Part all public education property titled to that board against the direct loss or damage by insurable ~~hazards in public education buildings and other public education properties in the Fund. Any property covered by an insurance policy in effect on the date when the property of a public education board is insured in the Fund shall be insured by the Fund as of the expiration of the policy.~~hazards, subject to the requirements of this Part.

(b) Each public education board shall give notice of its election to insure public education property in the Insurance Fund under this Part at least 90 days prior to ~~such~~ insurance in the Insurance Fund becoming ~~effective and~~ effective. As part of the required notice, the public education board shall furnish to the Office of State Fire Marshal a full and complete list of all outstanding property insurance ~~policies, giving in complete detail the~~ or reinsurance policies. This list shall include all of the following information in complete detail:

(1) The name of the ~~insurers, the~~ insurer operating each commercial property insurance or reinsurance policy.

(2) The amount of ~~the insurance and expirations thereof. While the said insurance policies remain in effect, the Fund shall act as coinsurer of the properties covered by such insurance to the same extent and in the same manner as is provided for coinsurance under the provisions of the standard form of property insurance as provided by law, and in the event of loss shall have the same~~

~~rights and duties as required by participating insurance companies.~~each insurance or reinsurance policy.

(3) The date each insurance or reinsurance policy expires.

(c) No public education property shall be insured by the Insurance Fund if that property is covered by a commercial insurance or reinsurance policy. Both of the following shall apply:

(1) Any public education property covered by a commercial insurance or reinsurance policy that is in effect on the date when a public education board elects to insure property in the Insurance Fund as part of the program of insurance operated under this Part shall not be insured by the Insurance Fund until the expiration of the commercial insurance or reinsurance policy. On the date of the expiration of the applicable policy, the public education property shall be considered insured by the Insurance Fund.

(2) If a public education board obtains a commercial insurance or reinsurance policy for any public education property that is currently insured by the Insurance Fund, then, on the date the commercial insurance or reinsurance policy is to take effect, any property covered by that commercial insurance or reinsurance policy, to any degree, shall no longer be insured by the Insurance Fund and the certification of insurance issued under this Article shall be considered null and void on that date.

(d) A public education board that elects to not insure public education property in the Insurance Fund under this Part shall be ineligible to receive State funds as indemnification for any direct loss of, or damage to, public education property resulting from insurable hazards.

"**§ 58-31A-30. Inspections of insured public education properties.**

(a) ~~The~~ In addition to the inspections required under G.S. 115C-525(b), the Office of State Fire Marshal shall provide for periodic inspections of all public education properties in the State of North Carolina insured ~~under the provisions of this Article, in addition to the inspections required by G.S. 115C-525(b). The person making inspections required under G.S. 115C-525(b) shall furnish a copy to the State Fire Marshal, and the local superintendent shall furnish to the State Fire Marshal their corrective action plan.~~ in the Insurance Fund as part of the program of insurance operated under this Part. Each public education property shall be inspected under this section no less than every five years.

(b) The inspections required under this section shall ~~be~~ include inspections related to the prevention of insurable hazards and for safety of buildings and particularly buildings used to provide instruction to students. The inspections shall be the basis for ~~offering such engineering advice as may be thought to be necessary~~ making recommendations to safeguard students in public education buildings from death and injury from school ~~fires or explosions and the~~ insurable hazards and to protect the properties from ~~loss,~~ loss or damage from insurable hazards. The public education ~~properties~~ boards shall be required so far as possible, and reasonable, to carry out and put into effect any recommendations made by the State Fire ~~Marshal.~~Marshal, in accordance with G.S. 115C-525, as a result of these inspections and as a condition of the applicable public education property remaining insured in the Insurance Fund.

"**§ 58-31A-35. Information to be furnished prior to insuring in ~~Fund; providing for payment of premiums.~~Fund.**

~~Public~~ At least 90 days prior to the date that the applicable public education property is insured in the Insurance Fund as part of the program of insurance operated under this Part, a public education ~~boards shall, at least 90 days before insuring in the Fund,~~ board shall furnish to the Office of State Fire Marshal a complete and detailed list of all ~~public education buildings and contents of those buildings and other~~ insurable public education ~~property, together with~~ property under that board's control and an estimate of the present value of ~~the property. Valuation for purposes of insuring in the Fund shall be reached by agreement in accordance with the procedure established for adjustment of losses. Public education boards and the tax-levying authority shall~~

~~be required to provide for the payment of premiums for insurance on the school properties of each public education board, respectively, to the extent of not less than eighty percent (80%) of the current insurable value of the said properties, including the insurance in property insurance companies and the insurance provided by the Fund.~~that property provided by an appraiser selected by the public education board.

"**§ 58-31A-40. Determination and adjustment of premium ~~rates; certificate as to insurance carried; no lapse; notice as to premiums required, and payments of premiums.~~rates.**

(a) The Office of State Fire Marshal shall determine the ~~annual~~ premium rate to be charged for insurance of public education properties ~~pursuant to this Article, and rates~~ in the Insurance Fund as part of the program of insurance operated under this Part. Premium rates shall be adjusted ~~from time to time so as to provide insurance against damage or loss resulting from insurable hazards to public education buildings and properties of the public education boards at the lowest cost possible in keeping with the payment of cost of administration under this Article, and the creation of adequate reserves to pay losses which may be incurred. The State Fire Marshal shall furnish to each public education board annually and, at such times as changes may require, a certificate showing the amount of insurance carried on each item of insurable property. This insurance shall not lapse but shall remain in force until the public education board requests that the insurance be canceled or until such property becomes uninsurable in the manner set out in G.S. 58-31A-45. From time to time, the public education board shall be notified as to the amount of the premiums required to be paid for insurance and the amounts to be provided for in the annual budget of the public education board. The tax-levying authorities shall provide by taxation or otherwise a sum sufficient to pay the required premiums.~~annually.

~~(b) The public education board shall, within 30 days from notice of the rate of the premium, pay to the State Fire Marshal the amount of the premiums on the insurance, and in the event that there are no funds available to make a payment on the premiums as required by this subsection, the premium shall be paid out of the first funds available to the public education board. Delayed payments shall bear interest at the rate of six percent (6%) per annum.~~

(c) In setting the premium rates under this section, all of the following shall be considered:

(1) The duty to provide insurance against damage or loss resulting from insurable hazards to public education property at a low cost while also ensuring the solvency of the Insurance Fund and the Enterprise Fund.

(2) The reasonable administrative expenses of the Insurance Fund and the Enterprise Fund.

(3) The need to maintain adequate reserves in the Enterprise Fund to pay claims under this Part for public education property damage or loss resulting from insurable hazards.

(4) The results of the actuarial analysis conducted under G.S. 58-31B-5.

(d) If the balance of the assets held in the Enterprise Fund equals at least five percent (5%) of the combined replacement value of all public education property insured in the State Insurance Fund and all State property, as that term is defined in G.S. 58-31B-1, covered by the Self-insurance Fund, then the required contribution amounts shall be proportionately decreased to an annual amount that is sufficient to maintain the assets held in the Enterprise Fund at five percent (5%) of the combined replacement value of all public education property insured in the Insurance Fund and all State property covered by the Self-insurance Fund.

"**§ 58-31A-41. Certificate of insurance.**

On no less than an annual basis, and as the need requires, the Office of State Fire Marshal shall furnish to each public education board a certificate showing the amount of insurance carried on each public education property insured as part of the program of insurance operated under this Part. This insurance shall not lapse but shall remain in force unless the public education board

requests the insurance be canceled or the public education property becomes uninsurable, as determined by the appraisers under G.S. 58-31A-45 or by the State Fire Marshal.

"**§ 58-31A-43. Payment of premiums.**

(a) The Office of State Fire Marshal shall set the interval at which payments for premiums under this Part shall be made by a public education board. Intervals shall be set in a manner that takes into account the necessity of the amount due for premiums under this Part to be provided for in the annual budget of public education boards. The Office of State Fire Marshal shall provide notification to each public education board as to the premium amount due at each interval. Within 30 days of notice of an amount due for premiums under this Part, the public education board shall pay the amount due.

(b) The tax-levying authorities associated with a public education board shall provide by taxation or otherwise a sum sufficient to pay the required premiums due under this Part. If there are no funds available to a public education board to make a payment required by this section, then the amount due shall be paid out of the first funds available to the public education board. Delayed payments shall bear interest at the rate of six percent (6%) per annum.

(c) Upon receipt of a payment for any premium due under this Part, the payment shall be deposited in the State Public Education Property Insurance Fund.

"**§ 58-31A-45. ~~Adjustment of losses; determination and report of appraisers; payment of amounts to treasurers of local school administrative units; disbursement of funds.~~Claims submission and adjudication.**

(a) In the event of loss or damage by insurable hazards to a public education ~~buildings and properties for the public education boards, the~~ property insured in the Insurance Fund as part of the program of insurance operated under this Part, a public education board shall submit a claim to the Insurance Fund. The Insurance Fund shall process all claims submitted under this Part. The Insurance Fund shall pay claims associated with the loss ~~(i) in the same proportion as the amount of insurance carried bore to the valuation of the property at the time it was insured, but~~ or damage in an amount not exceeding the amount ~~which~~ that it would cost to repair or replace the property with material of like kind and quality within a reasonable time after the ~~loss, (ii) not in excess of the amount of insurance provided for the property, and (iii) not in excess of the amount of the loss that the Fund is required to pay in participation with property insurance companies having policies of insurance in force on the properties at the time of the loss or damage. The Fund shall not be liable for a greater proportion of any loss than the amount of insurance shall bear to the whole insurance covering the property against the peril involved.~~loss or damage.

(b) ~~In the event of loss or damage by insurable hazards to public education buildings and properties of the public education boards, to the property insured, when~~ The amount to be paid for a claim under this section is determined by the Office of State Fire Marshal and the public education board controlling the public education property for which the claim was submitted. If an agreement as to the extent of the loss or damage cannot be arrived at between the Office of State Fire Marshal and the public education board ~~with control charge of the~~ controlling the property, then the amount of the loss or damage shall be determined by three ~~appraisers~~ appraisers. The three appraisers shall be disinterested persons who are qualified from experience to appraise and value property and shall be selected as follows: ~~the State Fire Marshal~~

(1) The State Fire Marshal shall select one ~~appraiser, the~~ appraiser.

(2) The public education board ~~in control of~~ controlling the property for which the claim was submitted shall select one ~~appraiser, and the~~ appraiser.

(3) The two appraisers selected by the State Fire Marshal and the public education board shall select a third appraiser. ~~The selected appraisers shall be disinterested persons and shall be qualified from experience to appraise and value the property.~~ If the appraisers appointed by the State Fire Marshal and the public education board ~~shall~~ fail to agree upon a third appraiser within 15

days of their selection, then, on request of the State Fire Marshal or the public education board, a third appraiser shall be selected by any regular resident superior court judge of the superior court district or set of districts as defined in G.S. 7A-41.1 in which the property is located.

(c) The ~~selected~~ appraisers selected and required under this section shall file their written report within 90 days of the selection of all three required appraisers detailing the damage or loss with the State Fire Marshal and with the public education ~~board.~~ board that submitted the claim. If the appraisers determine that, after the loss or damage, the public education property is no longer insurable, then this determination shall be included in the report.

(d) The costs of ~~the~~ any appraisal required under this section shall be paid ~~from~~ by, and considered an administrative expense of, the State Education Public Property Insurance Fund.

(e) Upon the determination of the loss or damage to the public education property made by the ~~appraisers,~~ appraisers selected and required under this section, the ~~State Fire Marshal~~ Insurance Fund shall pay the claim in the full amount of the loss or damage to the ~~education property to the finance officer of the public education board, upon proper warrant of the State Fire Marshal. The funds shall be paid out by the finance officer for the disbursement of the funds to the~~ applicable public education board.

"**§ 58-31A-50. Maintenance of inspection and engineering service; cancellation and prohibition of insurance.**

(a) The State Fire Marshal ~~is authorized and empowered to~~ may maintain an inspection and engineering service ~~deemed by it to be appropriate and necessary~~ to reduce the risk of insurable hazards ~~of fire~~ in public education buildings insured in the ~~Fund and to expend for such purpose not in excess of ten percent (10%) of the annual premiums collected from the public education boards.~~ Insurance Fund as part of the program of insurance operated under this Part. This service shall be considered an administrative expense and subject to the fund utilization limitations of G.S. 58-31A-20(d).

(b) The State Fire Marshal is authorized ~~and empowered~~ to cancel ~~any insurance on~~ or prohibit the insurance of any public education property ~~when, in his or her opinion,~~ in the Insurance Fund if, because of dilapidation and depreciation of the property, the property is not insurable or becomes no longer insurable.

(c) The public education board shall be notified at least 30 days prior to ~~cancellation, and in the event~~ any cancellation under this section. If the public education board demonstrates the property ~~can be~~ subject to cancellation has been restored to insurable condition, then the State Fire Marshal may continue ~~insurance coverage, provided, that the findings and results of the inspection of public education property by the agents of the State Fire Marshal shall be reported to the public education board and to the tax-levying authority for that public education board that carry insurance with the Fund at least 30 days prior to finalization of a local budget for that fiscal year to ensure that all public education property shall be properly taken care of and made safe from fire hazards.~~ or resume insuring that property in the Insurance Fund in accordance with this Part.

…."

SECTION 32.3.(f) G.S. 150B-1(d) reads as rewritten:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

…

(35) The Office of State Fire Marshal with respect to Part 1 of Article 31A of Chapter 58 of the General Statutes."

SECTION 32.3.(g) Effective May 1, 2026, G.S. 150B-1(d)(35), as enacted by subsection (f) of this section, reads as rewritten:

"(35) The Office of State Fire Marshal with respect to Article 31B and Part 1 of Article 31A of Chapter 58 of the General Statutes."

SECTION 32.3.(h) Effective May 1, 2026, the following are repealed:

(1) G.S. 58-31-1.
(2) G.S. 58-31-5.
(3) G.S. 58-31-10.
(4) G.S. 58-31-12.
(5) G.S. 58-31-15.
(6) G.S. 58-31-35.
(7) G.S. 58-31-45.
(8) G.S. 58-31A-10.
(9) G.S. 58-31A-15.
(10) G.S. 58-31A-55.
(11) G.S. 147-69.2(a)(12).

SECTION 32.3.(i) The Department of Insurance and the Office of State Fire Marshal shall not maintain any commercial insurance or reinsurance policy or coverage to protect the State Property Fire Insurance Fund and State Public Education Property Insurance Fund beyond May 1, 2026, or the earliest date that does not breach any current contract with any insurer or reinsurer, whichever is later. The prorated refund, if any, on insurance or reinsurance premiums shall be transferred to the Public Property Insurance Enterprise Fund, established under G.S. 58-31B-2, as enacted by this section. Beginning May 1, 2026, no State property shall be covered by the State Property Fire Insurance Fund and instead shall be covered by the State Property Self-insurance Fund.

SECTION 32.3.(j) Effective July 1, 2025, there is appropriated from the State Emergency Response and Disaster Relief Fund to the Public Property Insurance Enterprise Fund, established under G.S. 58-31B-2, as enacted by this section, the sum of two hundred million dollars ($200,000,000) in nonrecurring funds for the 2025-2026 fiscal year to be used for the initial capitalization of the Enterprise Fund. Until May 1, 2027, up to the total of one million five hundred thousand dollars ($1,500,000) of these funds may be used for administrative purposes to implement this section.

SECTION 32.3.(k) On May 1, 2026, the following funds shall be transferred to the Public Property Insurance Enterprise Fund, established under G.S. 58-31B-2, as enacted by this section:

(1) All funds in the State Public Education Property Insurance Fund as of April 30, 2026, that are not associated with a premium payment due for insurance in the State Public Education Property Insurance Fund on or after May 1, 2026.
(2) All funds in State Property Fire Insurance Fund.

SECTION 32.3.(*l*) As efficiently as practicable, the Office of State Fire Marshal shall develop policies and procedures related to the implementation of Article 31B of Chapter 58 of the General Statutes and the changes to Article 31A of Chapter 58 of the General Statutes, as enacted by this section.

SECTION 32.3.(m) The Department of Administration and the Office of State Fire Marshal shall enter into a memorandum of understanding for the transfer of funds from the State Property Self-insurance Fund to be used to cover the costs to the Department of Administration for two full-time positions to assist with the appraisal of State property in conjunction with the Facilities Assessment Condition Program for State property. Funds transferred for this purpose shall be considered an administrative expense of the State Property Self-insurance Fund.

SECTION 32.3.(n) Effective May 1, 2026, G.S. 115C-523.1 reads as rewritten:

"**§ 115C-523.1. Duty to insure public school property.**

(a) The local board of education of every local school administrative unit in the public school system of this ~~State, in order to safeguard the investment made in public schools, shall:~~State shall do all of the following:

…

(3) Provide to the ~~Commissioner of Insurance~~ Office of State Fire Marshal a list of all of its insurable buildings, the equipment and contents of the buildings, and their insurable values by October 1 of each year.

…

(c) Local boards of education ~~may purchase~~ shall satisfy the minimum insurance requirements of subsection (a) of this section by doing either of the following, or some combination of the two:

(1) Purchasing insurance from companies duly licensed and authorized to sell insurance in this ~~State or may obtain insurance in accordance with the provisions of Article 31A of Chapter 58 of the General Statutes, "State Insurance of Public Education Property."~~ State. If a local board of education purchases insurance from a company duly licensed and authorized to sell insurance in this State for any insurable building, its equipment, or its contents, then the local board of education shall provide the ~~Commissioner~~ Office of State Fire Marshal with a copy of the policy of insurance. If the policy of insurance is cancelled, terminated, or changed for any reason, then the local board of education shall notify the ~~Commissioner~~ Office of State Fire Marshal within five days of the effective date of the cancellation, termination, or change.

(2) Insuring public education property against loss from all insurable hazards, as that term is defined in G.S. 58-31A-1, in the program of insurance operated under Part 1 of Article 31A of Chapter 58 of the General Statutes. If a local board of education elects to not insure a local school administrative unit's public education property pursuant to this subdivision, the provisions of G.S. 58-31A-25(d) shall apply with respect to that unit's eligibility to receive State funds.

(d) If the ~~Commissioner of Insurance~~ State Fire Marshal determines that any person has willfully failed to comply with the provisions of subsections (a), (b), and (c) of this section, the ~~Commissioner of Insurance~~ State Fire Marshal may order, for each separate violation, a civil penalty under ~~the procedures in G.S. 58-2-70(d).~~ Article 78A of Chapter 58 of the General Statutes, notwithstanding G.S. 58-78A-6(a). Every 24 hours without such insurance constitutes a separate violation."

SECTION 32.3.(o) Effective May 1, 2026, G.S. 115C-523.2 reads as rewritten:

"**§ 115C-523.2. Flood insurance.**

(a) The local board of education of every local school administrative unit in the public school system of this State, in order to safeguard the investment made in public schools, shall insure and keep insured to the extent of not less than eighty percent (80%) of the current insurable value, as determined by the insurer and the insured, of each of its insurable buildings against flood when that property is located, or becomes located in, an area identified on the latest Flood Insurance Rate Map produced by the Federal Emergency Management Agency as area that will be inundated by the flood event having a one percent (1%) chance of being equaled or exceeded in any given year. The local board of education shall provide to the ~~Commissioner of Insurance~~ Office of State Fire Marshal a list of all of its insurable buildings against flood and their insurable values by October 1 of each year.

…

(c) Local boards of education ~~may purchase~~ shall satisfy the minimum insurance requirements of subsection (a) of this section by doing either of the following, or some combination of the two:

(1) Purchasing insurance from companies duly licensed and authorized to sell insurance in this ~~State or may obtain insurance in accordance with the~~

~~provisions of Article 31A of Chapter 58 of the General Statutes, "State Insurance of Public Education Property."~~ State. If a local board of education purchases insurance from a company duly licensed and authorized to sell insurance in this State for any insurable building against flood, then the local board of education shall provide the ~~Commissioner~~ Office of State Fire Marshal with a copy of the policy of insurance. If the policy of insurance is cancelled, terminated, or changed for any reason, then the local board of education shall notify the ~~Commissioner~~ Office of State Fire Marshal within five days of the effective date of the cancellation, termination, or change.

(2) Insuring public education property against loss from all insurable hazards, as that term is defined in G.S. 58-31A-1, in the program of insurance operated under Part 1 of Article 31A of Chapter 58 of the General Statutes. If a local board of education elects to not insure a local school administrative unit's public education property pursuant to this subdivision, the provisions of G.S. 58-31A-25(d) shall apply with respect to that unit's eligibility to receive State funds.

(d) If the ~~Commissioner of Insurance~~ State Fire Marshal determines that any person has willfully failed to comply with the provisions of subsections (a), (b), and (c) of this section, the ~~Commissioner of Insurance~~ State Fire Marshal may order, for each separate violation, a civil penalty under ~~the procedures in G.S. 58-2-70(d).~~ Article 78A of Chapter 58 of the General Statutes, notwithstanding G.S. 58-78A-6(a). Every 24 hours without such insurance constitutes a separate violation."

SECTION 32.3.(p) Effective May 1, 2026, G.S. 115D-58.11 reads as rewritten:

"**§ 115D-58.11. Fire and casualty insurance on institutional buildings and contents.**

(a) The board of trustees of each ~~institution, in order to safeguard the investment in institutional buildings and their contents, shall:~~institution shall do all of the following:

…

(3) Provide to the Commissioner of Insurance and the Office of State Fire Marshal a list of all of its institution's insurable buildings, the equipment and contents of the buildings, and their insurable values by October 1 of each year.

…

(c) Boards of trustees ~~may purchase~~ shall satisfy the minimum insurance requirements of subsection (a) of this section by doing either of the following, or some combination of the two:

(1) Purchasing insurance from companies duly licensed and authorized to sell insurance in this ~~State or may obtain insurance in accordance with the provisions of Article 31A of Chapter 58 of the General Statutes, "State Insurance of Public Education Property."~~ State. If the board of trustees of an institution purchases insurance from a company duly licensed and authorized to sell insurance in this State for any insurable building, its equipment, or its contents, then the board of trustees shall provide the Commissioner and the Office of State Fire Marshal with a copy of the policy of insurance. If the policy of insurance is cancelled, terminated, or changed for any reason, then the board of trustees shall notify the Commissioner and the Office of State Fire Marshal within five days of the effective date of the cancellation, termination, or change.

(2) Insuring public education property against loss from all insurable hazards, as that term is defined in G.S. 58-31A-1, in the program of insurance operated under Part 1 of Article 31A of Chapter 58 of the General Statutes. A local board of education that elects to not insure public education property pursuant to this subdivision is ineligible to receive state funds as indemnification

against the direct loss of or damage to public education property by insurable hazards.

(d) If the ~~Commissioner of Insurance~~ State Fire Marshal determines that any person has willfully failed to comply with the provisions of subsections (a), (b), and (c) of this section, the ~~Commissioner of Insurance~~ State Fire Marshal may order, for each separate violation, a civil penalty under ~~the procedures in G.S. 58-2-70(d).~~ Article 78A of Chapter 58 of the General Statutes, notwithstanding G.S. 58-78A-6(a). Every 24 hours without such insurance constitutes a separate offense violation."

SECTION 32.3.(q) Effective May 1, 2026, G.S. 115D-58.11A reads as rewritten:

"**§ 115D-58.11A. Flood insurance.**

(a) The board of trustees of each institution, in order to safeguard the investment in institutional buildings and their contents, shall insure and keep insured to the extent of not less than eighty percent (80%) of the current insurable value, as determined by the insurer and the insured, of each of its insurable buildings against flood when that property is located, or becomes located in, an area identified on the latest Flood Insurance Rate Map produced by the Federal Emergency Management Agency as area that will be inundated by the flood event having a one percent (1%) chance of being equaled or exceeded in any given year. The board of trustees of each institution shall provide to the Commissioner of Insurance and the Office of State Fire Marshal a list of all of its institution's insurable buildings against flood and their insurable values by October 1 of each year.

…

(c) The board of trustees ~~may purchase~~ shall satisfy the minimum insurance requirements of subsection (a) of this section by doing either of the following, or some combination of the two:

(1) Purchasing insurance from companies duly licensed and authorized to sell insurance in this ~~State or may obtain insurance in accordance with the provisions of Article 31A of Chapter 58 of the General Statutes, "State Insurance of Public Education Property."~~ State. If the board of trustees of an institution purchases insurance from a company duly licensed and authorized to sell insurance in this State for any insurable building against flood, the board of trustees shall provide the Commissioner and the Office of State Fire Marshal with a copy of the policy of insurance. If the policy of insurance is cancelled, terminated, or changed for any reason, the board of trustees shall notify the Commissioner and the Office of State Fire Marshal within five days of the effective date of the cancellation, termination, or change.

(2) Insuring public education property against loss from all insurable hazards, as that term is defined in G.S. 58-31A-1, in the program of insurance operated under Part 1 of Article 31A of Chapter 58 of the General Statutes. If a board of trustees elects to not insure an institution's public education property pursuant to this subdivision, the provisions of G.S. 58-31A-25(d) shall apply with respect to that institution's eligibility to receive State funds.

(d) If the ~~Commissioner of Insurance~~ State Fire Marshal determines that any person has willfully failed to comply with the provisions of subsections (a), (b), and (c) of this section, the ~~Commissioner of Insurance~~ State Fire Marshal may order, for each separate violation, a civil penalty under ~~the procedures in G.S. 58-2-70(d).~~ Article 78A of Chapter 58 of the General Statutes, notwithstanding G.S. 58-78A-6(a). Every 24 hours without such insurance constitutes a separate violation."

SECTION 32.3.(r) Effective May 1, 2026, G.S. 58-78A-1(b) is amended by adding two new subdivisions to read:

"(22) Administration of the State Public Education Property Insurance Fund under Part 1 of Article 31A of this Chapter.

(23) Administration of the Public Property Insurance Enterprise Fund and the State Property Self-insurance Fund under Article 31B of this Chapter."

SECTION 32.3.(s) Effective May 1, 2026, Article 31 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-31-16. Coverage for property not included in the State Property Self-insurance Fund.**

(a) The State Fire Marshal is authorized to acquire coverage for any property under the control of a State department, agency, or institution that is either exempt from Part 2 of Article 31B of this Chapter or for which there is no coverage under Article 31B of this Chapter.

(b) The cost for any coverage acquired for a State department, agency, or institution under this section shall be paid in full by that State department, agency, or institution."

SECTION 32.3.(t) G.S. 58-31-20, as amended by Section 6.4(a) of S.L. 2024-1, reads as rewritten:

"**§ 58-31-20. Use and occupancy and business interruption insurance.**

(a) ~~Upon~~ The State Fire Marshal may acquire use and occupancy or business interruption insurance upon the request of any State department, agency, or ~~institution, use and occupancy and business interruption insurance shall be provided on state-owned~~ institution for specifically designated State-owned property of ~~such~~ that department, agency, or ~~institution which is insured by the State Property Fire Insurance Fund.~~ institution.

(b) Premiums for ~~such~~ any use and occupancy or business interruption insurance coverage requested under this section shall be paid by each requesting department, ~~agency~~ agency, or institution in accordance with rates fixed by the ~~State Fire Marshal. Losses covered by such insurance may be paid for out of the State Property Fire Insurance Fund in the same manner as fire losses.~~ Office of State Fire Marshal that covers the costs of the insurance in full.

(c) The State Fire Marshal, with the approval of the Governor and Council of State, ~~is authorized and empowered to~~ shall purchase from insurers admitted to do business in North Carolina ~~such~~ use and occupancy or business interruption insurance ~~or reinsurance~~ products as may be necessary ~~to protect the State Property Fire Insurance Fund against loss with respect to such insurance coverage.~~to meet the coverage requested by a State department, agency, or institution under this section."

SECTION 32.3.(u) Effective May 1, 2026, G.S. 63A-24(a)(4) reads as rewritten:

"(4) Article ~~31~~ 31B of Chapter 58 of the General Statutes shall not apply to a building located on State lands that is (i) privately owned or privately leased and (ii) located within the North Carolina Global TransPark, provided the requirements of ~~G.S. 58-31-2~~ G.S. 58-31B-40 are met."

SECTION 32.3.(v) Except as otherwise provided, this section is effective when it becomes law.

PART XXXIII. INSURANCE – INDUSTRIAL COMMISSION [RESERVED]

PART XXXIV. LIEUTENANT GOVERNOR [RESERVED]

PART XXXV. MILITARY AND VETERANS AFFAIRS

CODIFY NORTH CAROLINA VETERANS CEMETERY TRUST FUND/VETERANS' CEMETERIES UPGRADE & MAINTENANCE

SECTION 35.1.(a) Article 8A of Chapter 65 of the General Statutes is amended by adding the following new sections to read:

"**§ 65-45. North Carolina Veterans Cemetery Trust Fund.**

There is hereby established the North Carolina Veterans Cemetery Trust Fund (hereinafter "Fund"), a special fund within the Department of Military and Veterans Affairs. The Fund shall be maintained as a special fund and shall be administered by the Department to carry out the

operations and maintenance of the State's veterans' cemeteries. Interest accruing from the monies in the Fund shall be credited to the Fund. The Fund shall consist of the following sources of funding:

(1) All interest and investment earnings received on monies in the Fund.

(2) Any other funds, as directed by the General Assembly.

"**§ 65-45.1. Veterans' cemeteries; reporting requirements.**

Not later than September 15 of each year, the Department of Military and Veterans Affairs shall submit a report to the Joint Legislative Oversight Committee on General Government, the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division on all of the following:

(1) The overall condition of each of the State's veterans' cemeteries, including any known issues that require maintenance and/or repair in the upcoming State fiscal year.

(2) The total funds spent at each of the State's veterans' cemeteries for maintenance and/or repair and any other expenses in the prior State fiscal year and the source of the funds.

(3) The number of full- and part-time employees assigned to work at each of the State's veterans' cemeteries in the prior State fiscal year.

(4) The number of veterans and the legal spouses and eligible dependents of veterans who were interred at each of the State's veterans' cemeteries in the prior State fiscal year, and the type of interment for each veteran, legal spouse, and eligible dependent."

SECTION 35.1.(b) Section 17.4 of S.L. 2020-78 is repealed.

SECTION 35.1.(c) The Department of Military and Veterans Affairs may use up to four hundred thousand dollars ($400,000) of the interest earned on the North Carolina Veterans Cemetery Trust Fund to create up to four positions to maintain and operate the existing State veterans' cemeteries.

SECTION 35.1.(d) G.S. 147-69.2 reads as rewritten:

"**§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

…

(25) North Carolina Veterans Cemetery Trust Fund.

…."

SECTION 35.1.(e) Using funds appropriated to the Department of Military and Veterans Affairs for the 2025-2027 fiscal biennium for capital improvements, the Department shall have installed in a prominent location on the grounds of each of the State's four veterans' cemeteries a plaque on which is inscribed President Abraham Lincoln's promise to veterans and their families made during his Second Inaugural Address, which is as follows: "To care for him who shall have borne the battle, and for his widow, and his orphan." The Department may spend up to forty thousand dollars ($40,000) for all four plaques. Funds appropriated for capital improvements for the 2025-2027 fiscal biennium that remain after the Department has paid for the plaques shall be used for capital improvements.

STATUTORY CHANGES

SECTION 35.2. Article 14 of Chapter 143B of the General Statutes reads as rewritten:

"Article 14.

"Department of Military and Veterans Affairs

"Part 1. General Provisions.

…

"**§ 143B-1211. Powers and duties of the Department of Military and Veterans Affairs.**

It shall be the duty of the Department of Military and Veterans Affairs to do all of the following:

…

(10) Manage and maintain the State's veterans nursing homes and cemeteries and their associated assets to the standard befitting those who have worn the uniform of the Armed Forces according to federal guidelines. Plan for expansion and grow the capacity of these facilities and any new ~~facilities as required pending the availability of designated funds.~~facilities. Funds to perform the duties required by this subdivision shall be spent pursuant to appropriation by the General Assembly; provided, however, the expenditure of funds for the State's veterans nursing homes shall be in accordance with G.S. 143B-1294(c). The Department may enter into contracts to perform the duties required by this subdivision.

…

"**§ 143B-1218. Veterans Life Center; challenge grant to provide rehabilitation and reintegration services to veterans.**

(a) There is hereby established in the ~~Department of Military and Veterans Affairs~~ Office of State Budget and Management (hereinafter "OSBM") a challenge grant program for the Veterans Life Center (hereinafter "Center"), a nonprofit corporation, which shall be administered by the ~~Department~~ OSBM as provided in this section. Funds appropriated by the General Assembly for the challenge grant program shall be used to allocate funds to the Center for the purpose of providing rehabilitation and reintegration services and support to veterans across the State, and those funds shall not be used for any other purpose without the express authorization of the General Assembly.

(b) The maximum amount of State funds that may be disbursed to the Center under this section is seven hundred fifty thousand dollars ($750,000) in each fiscal year. The ~~Department~~ OSBM shall disburse State funds on a dollar-for-dollar basis each quarter so that the Center will receive a State dollar for each non-State dollar raised by the Center each quarter, but in no case shall the ~~Department~~ OSBM disburse State funds to the Center if the Center has not raised non-State funds in that quarter of the fiscal year. The Center shall demonstrate, to the satisfaction of the ~~Department,~~ OSBM, that it has raised the non-State funds required by this subsection prior to the disbursement of State funds. The Center shall not supplant, shift, or reallocate Center funds for the purpose of achieving the non-State dollars required by this subsection.

(b1) Notwithstanding the provisions of subsection (b) of this section, if the OSBM does not disburse grant funds to the Veterans Life Center in a fiscal year because the Center did not satisfy the requirements of the grant contract between the OSBM and the Center on or before June 30 of that fiscal year, the grant funds shall not revert on June 30 but shall remain available to the OSBM to disburse to the Center in the following fiscal year as long as the Center satisfies the grant contract requirements. In such a case, the OSBM is authorized to disburse grant funds to the Veterans Life Center in an amount greater than seven hundred fifty thousand dollars ($750,000) in a fiscal year because the amount disbursed is for both the prior fiscal year and the current fiscal year.

(c) Not later than July 1 of each year, the ~~Department~~ OSBM shall submit a written report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on all of the following information, and the Center shall provide the information to the ~~Department~~ OSBM in the manner and time period requested by the ~~Department~~ OSBM for purposes of preparing the report:

…

"Part 9. Priority in Employment Assistance for Veterans of the Armed Forces of the United States.

…

"**§ 143B-1285. Implementation and performance measures.**

The ~~North Carolina Commission on Workforce Preparedness~~ NC Works Commission shall:

…

"Part 10. State Veterans Home.

…

"**§ 143B-1291. ~~Establishment.~~Establishment of State veterans homes; closing homes.**

(a) Establishment. – The State of North Carolina shall construct, maintain, and operate veterans homes for the aged and infirm veterans resident in this State under the administrative authority and control of the Department of Military and Veterans Affairs. There is vested in the Department ~~any and all~~ the powers and authority ~~that may be~~ necessary to enable it to establish and operate the ~~homes and to~~ homes; provided, however, funds to construct, maintain, and operate the homes shall be pursuant to appropriation by the General Assembly except as provided in G.S. 143B-1294(c). The Department shall issue rules necessary to operate the homes in compliance with applicable State and federal statutes and regulations. The Department may enter into contracts to construct and maintain veterans homes in accordance with the provisions of Articles 3, 3C, 3D, and 8 of Chapter 143 of the General Statutes and procedures established by the Division of Purchase and Contract and the Office of State Construction. The Department may enter into contracts to operate veterans homes as provided in G.S. 143B-1295.

(b) Report Condition Assessment Results. – If the Department determines, based upon an assessment conducted by the Office of State Construction, the Department, or an entity with whom the Department has contracted to conduct the assessment, that a State veterans home requires repair in order to maintain the home in a safe and habitable condition, the Department shall, not later than 24 hours after receiving the assessment report, submit a report of the assessment findings to the Joint Legislative Oversight Committee on General Government, the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division. The report shall, at a minimum, include the name of the State agency or other entity that conducted the assessment, the reason for the assessment, the dangerous conditions found, the Department's recommendations for remedying the dangerous conditions, and the estimated costs of remedying the dangerous conditions.

…

"**§ 143B-1293. North Carolina Veterans Home Trust Fund.**

…

(c) Use of Fund. – The trust fund created in subsection (a) of this section shall be used by the Department of Military and Veterans Affairs to do the following:

(1) To pay for the care of veterans in said State veterans homes;

(2) To pay the general operating expenses of the State veterans homes, including the payment of salaries and wages of officials and employees of said homes; and

(3) To pay the costs to remodel, repair, construct, modernize, or add improvements to buildings and facilities at the homes.

…

"**§ 143B-1294. Funding.**

…

(c) All funds received by the Department shall be deposited in the North Carolina Veterans Home Trust Fund, except for any funds deposited into special agency accounts established pursuant to G.S. 143B-1293(d)(3). The Veterans' Affairs Commission shall authorize the expenditure of all funds from the North Carolina Veterans Home Trust Fund. The Veterans'

Affairs Commission may delegate authority to the Assistant Secretary of Veterans Affairs for the expenditure of funds from the North Carolina Veterans Home Trust Fund for operations of the State Veterans Nursing Homes. The delegation of authority shall apply only to the person holding the office of Secretary of the Department at the time the vote is undertaken, and a new vote to delegate authority must be undertaken by the Commission each time a person is appointed to serve as Secretary or designated to serve as chair of the Commission under G.S. 143B-1221.

"**§ 143B-1295. Contracted operation of homes.**

The Department of Military and Veterans Affairs, in consultation with the Veterans' Affairs ~~Commission~~ Commission, may contract with persons or other nongovernmental entities to operate each State veterans home. Contracts for the procurement of services to manage, administer, and operate any State veterans home shall be awarded on a competitive basis through the solicitation of proposals and through the procedures established by statute and the Division of Purchase and Contract. A contract may be awarded to the vendor whose proposal is most advantageous to the State, taking into consideration cost, program suitability, management plan, excellence of program design, key personnel, corporate or company resources, financial condition of the vendor, experience and past performance, and any other qualities deemed necessary by the ~~Veterans' Affairs Commission~~ Department and set out in the solicitation for proposals. Any contract awarded under this section shall not exceed five years in length. The ~~Veterans' Affairs Commission~~ Department is not required to select or recommend the vendor offering the lowest cost proposal but shall select or recommend the vendor who, in the opinion of the ~~Commission,~~ Department, offers the proposal most advantageous to the veterans and the State of North Carolina.

"**§ 143B-1296. Program staff.**

The Department shall appoint and fix the salary of ~~an Administrative Officer~~ a Program Director for the State veterans home program. The ~~Administrative Officer~~ Program Director shall be an honorably discharged veteran who has served in active military service in the Armed Forces of the United States for other than training purposes. The ~~Administrative Officer~~ Program Director shall direct the establishment of the State veterans home program, coordinate the master planning, land acquisition, and construction of all State veterans homes under the procedures ~~of~~ established by the Office of State Construction, and oversee the ongoing operation of ~~said~~ the veterans homes. The ~~Division~~ Department may hire any required additional administrative staff to ~~help~~ assist with administrative and operational responsibilities at each established State veterans home.

…

"**§ 143B-1300. Report and budget.**

(a) The ~~Assistant Secretary for Veterans Affairs shall report annually to the Secretary of the~~ Department of Military and Veterans Affairs ~~and~~ shall report annually to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on the activities of the State Veterans Homes Program. This report shall contain an accounting of all monies received and expended, statistics on residents in the homes during the year, recommendations to the ~~Secretary, the Governor,~~ Governor and the General Assembly ~~as to the program,~~ on ways to improve the services provided by the homes, and such other matters as may be deemed pertinent.

…

"**§ 143B-1301. Detailed annual report.**

By March 1 of odd-numbered years and September 1 of even-numbered years, the Department of Military and Veterans Affairs shall report to the Joint Legislative Oversight Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, and the Fiscal Research Division on the status of the State Veterans Homes program by providing a general overview of the State Veterans Homes and a specific description of each facility which shall include, at a minimum, all of the following:

…

(1a) Facility condition assessment, including any structural, mechanical, plumbing, electrical, or other issue that affects the integrity of the facility that should be repaired or replaced within the 12 months immediately following submission of the report required by this section.

…

Part 11. North Carolina Military Affairs Commission.

…

"**§ 143B-1311. Membership.**

…

(b) The voting members of the Commission shall be appointed as follows:

(1) Thirteen members appointed by the Governor, consisting of:

…

h. One person who is a resident of North Carolina with a long-term connection to the State and who is a current or retired member of a reserve component of the United States Air Force, Army, Navy, Space Force, or ~~Marines~~ Marine Corps and who is involved in a military affairs organization or involved in military issues through civic, commercial, or governmental relationships.

…

(h) The initial meeting of the Commission shall be within 30 days of the effective date of this act at a time and place to be determined by the Secretary of Commerce. The first order of business at the initial meeting of the Commission shall be the adoption of bylaws and establishment of committees, after which the Commission shall meet upon the call of the ~~Chairman or the Secretary of the Department of Military and Veterans Affairs.~~ chair. The members shall receive no compensation for attendance at meetings, except a per diem expense reimbursement. Members of the Commission who are not officers or employees of the State shall receive reimbursement for subsistence and travel expenses at rates set out in G.S. 138-5 from funds made available to the Commission. Members of the Commission who are officers or employees of the State shall be reimbursed for travel and subsistence at the rates set out in G.S. 138-6 from funds made available to the Commission. The Department of Military and Veterans Affairs shall use funds within its budget for the per diem, subsistence, and travel expenses authorized by this subsection.

…."

ARMED FORCES TO INCLUDE UNITED STATES SPACE FORCE

SECTION 35.3.(a) G.S. 1-82 reads as rewritten:

"**§ 1-82. Venue in all other cases.**

In all other cases the action must be tried in the county in which the plaintiffs or the defendants, or any of them, reside at its commencement, or if none of the defendants reside in the State, then in the county in which the plaintiffs, or any of them, reside; and if none of the parties reside in the State, then the action may be tried in any county which the plaintiff designates in the plaintiff's summons and complaint, subject to the power of the court to change the place of trial, in the cases provided by statute; provided that any person who has resided on or been stationed in a United States Army, Navy, Marine Corps, Coast Guard, Space Force, or Air Force installation or reservation within this State for a period of one (1) year or more next preceding the institution of an action shall be deemed a resident of the county within which such installation or reservation, or part thereof, is situated and of any county adjacent to such county where such person stationed at such installation or reservation lives in such adjacent county, for the purposes of this section. The term person shall include military personnel and the spouses and dependents of such personnel."

SECTION 35.3.(b) G.S. 14-395 is repealed.

SECTION 35.3.(c) G.S. 17C-10.1 reads as rewritten:

"**§ 17C-10.1. Certification of military service members and veterans with law enforcement training and experience.**

…

(g) As used in this section, the following terms mean:

(1) Branches of military service. – The United States Armed Forces: Air Force; Army; ~~Marine;~~ Marine Corps; Navy; Space Force; active, reserve, Air/Army National Guard components; and the Coast Guard.

…."

SECTION 35.3.(d) G.S. 45-21.12A reads as rewritten:

"**§ 45-21.12A. Power of sale barred during periods of military service.**

…

(d) Definitions. – The following definitions apply in this section:

(1) Military service. –

a. In the case of a member of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard:

…."

SECTION 35.3.(e) G.S. 47-81.2 reads as rewritten:

"**§ 47-81.2. Before United States Army, etc., officers, and other service members.**

In all cases where instruments and writings have been proved or acknowledged before any commissioned officer of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard or any officer of the United States Merchant Marine having the rank of lieutenant, senior grade, or higher, such proofs or acknowledgments, where valid in other respects, are hereby ratified, confirmed and declared valid. All proofs or acknowledgments made by any military personnel authorized by the Congress of the United States are hereby ratified, confirmed, and declared valid and shall not require the affixation of a seal where valid in other respects."

SECTION 35.3.(f) G.S. 50-18 reads as rewritten:

"**§ 50-18. Residence of military personnel; payment of defendant's travel expenses by plaintiff.**

In any action instituted and prosecuted under this Chapter, allegation and proof that the plaintiff or the defendant has resided or been stationed at a United States Army, Navy, Marine Corps, Coast Guard, Space Force, or Air Force installation or reservation or any other location pursuant to military duty within this State for a period of six months next preceding the institution of the action shall constitute compliance with the residence requirements set forth in this Chapter; provided that personal service is had upon the defendant or service is accepted by the defendant, within or without the State as by law provided.

…."

SECTION 35.3.(g) G.S. 50A-351 reads as rewritten:

"**§ 50A-351. Definitions.**

The following definitions apply in this Article:

…

(18) Uniformed service. – Service which includes (i) the active and reserve components of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast ~~Guard of the United States;~~ Guard; (ii) the Merchant Marine, the commissioned corps of the Public Health Service, or the commissioned corps of the National Oceanic and Atmospheric Administration of the United States; or (iii) the National Guard."

SECTION 35.3.(h) G.S. 58-58-335 reads as rewritten:

"**§ 58-58-335. Definitions.**

As used in this Part:

…

(1a) "Armed Forces" means all components of the United States Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard.

…."

SECTION 35.3.(i) G.S. 88B-25 reads as rewritten:

"**§ 88B-25. Exemptions.**

The following persons are exempt from the provisions of this Chapter while engaged in the proper discharge of their professional duties:

…

(4) Commissioned medical or surgical officers of the United States Army, Air Force, Navy, ~~Marine,~~ Marine Corps, Space Force, or Coast Guard.

…."

SECTION 35.3.(j) G.S. 115C-12 reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish all needed rules and regulations for the system of free public schools, subject to laws enacted by the General Assembly. In accordance with Sections 7 and 8 of Article III of the North Carolina Constitution, the Superintendent of Public Instruction, as an elected officer and Council of State member, shall administer all needed rules and regulations adopted by the State Board of Education through the Department of Public Instruction. The powers and duties of the State Board of Education are defined as follows:

…

(18) Duty to Develop and Implement a Uniform Education Reporting System, Which Shall Include Standards and Procedures for Collecting Fiscal and Personnel Information. –

…

f. The State Board of Education shall develop a process for local school administrative units to annually identify enrolled military-connected students using the Uniform Education Reporting System. The identification of military-connected students shall not be used for the purposes of determining school achievement, growth, and performance scores as required by G.S. 115C-12(9)c1. The identification of military-connected students is not a public record within the meaning of G.S. 132-1 and shall not be made public by any person, except as permitted under the provisions of the Family Educational and Privacy Rights Act of 1974, 20 U.S.C. § 1232g. For purposes of this section, a "military-connected student" means a student enrolled in a local school administrative unit who has a parent, step-parent, sibling, or any other person who resides in the same household serving in the active or reserve components of the United States Army, Navy, Air Force, Marine Corps, Coast Guard, Space Force, or National Guard. Beginning in the 2016-2017 school year, and annually thereafter, the identification of military-connected students for all local school administrative units shall be completed by January 31 of each school year.

…."

SECTION 35.3.(k) G.S. 116-143.3 reads as rewritten:

"**§ 116-143.3. Tuition of qualifying federal services members and their spouses and dependents.**

(a) Definitions. – The following definitions apply in this section:

…

(2) Armed Forces. – The United States Air Force, Army, Coast Guard, Marine Corps, Space Force, and Navy; the North Carolina National Guard; and any reserve component of the foregoing.

…."

SECTION 35.3.(*l*) G.S. 116-235 reads as rewritten:

"**§ 116-235. Board of Trustees; additional powers and duties.**

…

(b) Students. –

(1) Admission of Students. – The School shall admit students in accordance with criteria, standards, and procedures established by the Board of Trustees. To be eligible to be considered for admission, an applicant must be either a legal resident of the State, as defined by G.S. 116-143.1(a)(1), or a student whose parent is an active duty member of the Armed Forces, as defined by ~~G.S. 116-143.3(2),~~ G.S. 116-143.3(a)(2), who is abiding in this State incident to active military duty at the time the application is submitted, provided the student shares the abode of that parent; eligibility to remain enrolled in the School shall terminate at the end of any school year during which a student becomes a nonresident of the State. The Board of Trustees shall ensure, insofar as possible without jeopardizing admission standards, that an equal number of qualified applicants is admitted to the program and to the residential summer institutes in science and mathematics from each of North Carolina's congressional districts. In no event shall the differences in the number of qualified applicants offered admission to the program from each of North Carolina's congressional districts be more than two and one-half percentage points from the average number per district who are offered admission.

…."

SECTION 35.3.(m) G.S. 143B-1224 reads as rewritten:

"**§ 143B-1224. Definitions.**

As used in this Part the terms defined in this section shall have the following meaning:

…

(2) "Armed Forces" means the United States Army, Navy, Marine Corps, Air Force, Space Force, and Coast Guard, including their reserve components.

…."

SECTION 35.3.(n) G.S. 163-258.2 reads as rewritten:

"**§ 163-258.2. Definitions.**

As used in this Article:

…

(6) "Uniformed service" means any of the following:

a. Active and reserve components of the United States Army, Navy, Air Force, Marine Corps, Space Force, and Coast ~~Guard of the United States.~~Guard.

…

(7) "Uniformed-service voter" means an individual who is qualified to vote and is one of the following:

a. A member of the active or reserve components of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard ~~of the United States~~ who is on active duty.

…."

DMVA/ECONOMIC DEVELOPMENT PARTNERSHIP OF NC TRANSFER

SECTION 35.5. G.S. 143B-1217 reads as rewritten:

"**§ 143B-1217. Military Presence Stabilization Fund.**

…

(b) Notwithstanding the provisions of G.S. 143B-1214 and subsection (a) of this section, funds appropriated to the Military Presence Stabilization Fund may be used for the following purposes:

…

~~(8) Fully fund a position at the North Carolina Economic Development Center.~~

…."

PART XXXVI. REVENUE

INCREASE DOR REIMBURSEMENT FOR WHITE GOODS DISPOSAL ADMINISTRATIVE EXPENSES

SECTION 36.1. G.S. 105-187.24 reads as rewritten:

"**§ 105-187.24. Use of tax proceeds.**

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, not to exceed ~~four hundred twenty-five thousand dollars ($425,000)~~ five hundred thousand dollars ($500,000) a year, as reimbursement to the Department.

…."

INCREASE DOR REIMBURSEMENT FOR SCRAP TIRE DISPOSAL ADMINISTRATIVE EXPENSES

SECTION 36.2. G.S. 105-187.19 reads as rewritten:

"**§ 105-187.19. Use of tax proceeds.**

(a) The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, not to exceed ~~four hundred twenty-five thousand dollars ($425,000)~~ five hundred thousand dollars ($500,000) a year, as reimbursement to the Department.

…."

DOR/DIT MICROSOFT LICENSING

SECTION 36.3.(a) Notwithstanding G.S. 143B-1325(d), not later than July 1, 2026, the Department of Revenue (hereinafter "DOR") shall enter into a memorandum of understanding with the Department of Information Technology (hereinafter "DIT") establishing the terms for the provision and management of Microsoft software licenses under statewide agreements negotiated by the DIT.

SECTION 36.3.(b) Not later than March 1, 2027, the DOR, in conjunction with the State Chief Information Officer, shall report to the Joint Legislative Oversight Committee on General Government, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division on other services provided by the DIT that could be used by the DOR.

TAX FRAUD ANALYTICS

SECTION 36.5. Of the funds appropriated in this act to the Department of Revenue, the sum of four million four hundred thousand dollars ($4,400,000) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium shall be used to continue and expand the

Department's tax fraud analysis contract through the Government Data Analytics Center (GDAC). These funds shall be used in each fiscal year to fund detection analytics, software, information reporting, collections case management, collections optimization, managed services, and technical infrastructure. The Department of Revenue shall continue to coordinate with the GDAC and utilize the subject matter expertise and technical infrastructure available through existing GDAC public-private partnerships for fraud detection and analytics infrastructure.

PART XXXVII. SECRETARY OF STATE

SOS/PUBLICATIONS DIVISION DUTIES & MODERNIZE SOS STATUTES

SECTION 37.1.(a) G.S. 65-111 reads as rewritten:

"**§ 65-111. County commissioners to provide list of public and abandoned cemeteries.**

Each board of county commissioners shall have the following duties and responsibilities:

…

~~(3) To furnish to the Department and the Publications Division in the Department of the Secretary of State copies of the lists of such public and abandoned cemeteries, to the end that it may furnish to the boards of county commissioners, for the use of the persons in control of such cemeteries, suitable literature, suggesting methods of taking care of such places.~~"

SECTION 37.1.(b) G.S. 147-36 reads as rewritten:

"**§ 147-36. Duties of Secretary of State.**

It is the duty of the Secretary of State:

(1) To perform such duties as may then be devolved upon the Secretary by resolution of the two houses of the General ~~Assembly or either of them.~~Assembly.

(2) To attend the Governor, whenever required by the Governor, for the purpose of receiving documents that have passed the great seal.

(3) To receive and keep all conveyances and mortgages belonging to the State.

(4) To distribute annually the statutes and the legislative journals.

(5) To distribute the acts of Congress received at the Secretary's office in the manner prescribed for the statutes of the State.

~~(6) To keep a receipt book, in which the Secretary shall take from every person to whom a grant shall be delivered, a receipt for the same; but may enclose grants by mail in a registered letter at the expense of the grantee, unless otherwise directed, first entering the same upon the receipt book.~~

…

(9) To maintain a Division of ~~Publications to compile data on the State's several governmental agencies and for legislative reference.~~Publications.

…."

SECTION 37.1.(c) G.S. 147-50 reads as rewritten:

"**§ 147-50. Publications of State officials and department heads furnished to certain institutions, agencies, etc.**

(a) Every State official and every head of a State department, ~~institution~~ institution, or agency issuing any printed report, bulletin, map, or other publication shall, ~~on~~ upon request, furnish printed copies of such reports, bulletins, maps or other publications to the following institutions in the number set out below:

University of North Carolina at Chapel Hill	25 copies;
University of North Carolina at Charlotte	2 copies;
University of North Carolina at Greensboro	2 copies;
North Carolina State University at Raleigh	2 copies;
East Carolina University at Greenville	2 copies;

Duke University	25 copies;
Wake Forest College	2 copies;
Davidson College	2 copies;
North Carolina Supreme Court Library	2 copies;
North Carolina Central University	5 copies;
Western Carolina University	2 copies;
Appalachian State University	2 copies;
University of North Carolina at Wilmington	2 copies;
North Carolina Agricultural and Technical State University	2 copies;
Legislative Library	2 ~~copies;~~copies.

(b) ~~and~~ An institution listed in subsection (a) of this section may request an electronic copy in lieu of any printed report, bulletin, map, or other publication.

(c) State official and heads of State departments, institutions, and agencies shall furnish printed copies of reports, bulletins, maps, and other publications to governmental officials, ~~agencies and departments~~ agencies, departments, and ~~to~~ other educational institutions, in the discretion of the issuing official and subject to the supply available, such number as may be ~~requested: and Provided that five sets of all such reports, bulletins and publications heretofore issued, insofar as the same are available and without necessitating reprinting, shall be furnished to the North Carolina Central University.~~ requested. Governmental officials, agencies, departments, and other educational institutions may request an electronic copy in lieu of printed copies.

(d) The provisions ~~in~~ of this section shall not be interpreted to include any of the appellate division reports or advance sheets distributed by the Administrative Office of the Courts. Except for reports, bulletins, and other publications issued for free distribution, this section shall not apply to the North Carolina State Museum of Natural Sciences."

SECTION 37.1.(d) G.S. 147-34, 147-41, 147-43, and 147-54 are repealed.

SECTION 37.1.(e) The Office of the Secretary of State shall retain at least one printed copy or an electronic copy of all records collected pursuant to G.S. 65-111(3), 147-36(6), 147-41, 147-43, and 147-54 that are in the possession of the Office prior to the date this act becomes law.

PAPER FILING FEE

SECTION 37.2.(a) Article 2 of Chapter 55D of the General Statutes is amended by adding a new section to read:

"**§ 55D-19. Paper filing fee.**

The Office of the Secretary of State may collect a fee of up to ten dollars ($10.00) each time a document is submitted for filing in typewritten or printed form when that same document could be accepted for filing in electronic form. Funds collected under this section shall be deposited in a new budget fund as created by the Office of State Budget and Management within Budget Code 23200 and shall only be used for the following purposes: (i) to support activities that will reduce the processing or response time for services provided by the Office, (ii) to improve or streamline the online filing system maintained by the Office, or (iii) to cover costs directly associated with the handling of mail by the Office."

SECTION 37.2.(b) Not later than February 15, 2027, the Office of the Secretary of State shall report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on the fees collected pursuant to G.S. 55D-19, as enacted in subsection (a) of this section, including the amount of the fees collected and the purposes for which the fees were used.

SECTION 37.2.(c) This section becomes effective January 1, 2026.

SECURITIES SALESMAN DUAL REGISTRATION

SECTION 37.3.(a) G.S. 78A-36 reads as rewritten:

"**§ 78A-36. Registration requirement.**

(a) It is unlawful for any person to transact business in this State as a dealer or salesman unless he is registered under this Chapter. No dealer shall be eligible for registration under this Chapter, or for renewal of registration hereunder, unless such dealer is at the time registered as a dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

(b) It is unlawful for any dealer to employ a salesman unless the salesman is registered. The registration of a salesman is not effective during any period when he is not associated with a particular dealer registered under this Chapter. When a salesman begins or terminates those activities which make him a salesman, the salesman as well as the dealer shall promptly notify the Administrator.

The Administrator may by rule or order require the return of a salesman's license upon the termination of those activities which make him a salesman or, if such return is impossible, require a bond or evidence satisfactory to the Administrator of such impossibility. No salesman may be registered with more than one ~~dealer.~~dealer unless each of the dealers which employs or associates with the salesman is under common ownership or control, or the registration is otherwise allowed by a rule or order of the Administrator.

(c) Every registration expires on the thirty-first day of March of each year (or such other date not more than one year from its effective date as the Administrator may by rule or order provide) unless renewed."

SECTION 37.3.(b) G.S. 78A-37 reads as rewritten:

"**§ 78A-37. Registration procedure.**

…

(b) Every applicant for initial or renewal registration shall pay a filing fee of three hundred dollars ($300.00) in the case of a dealer and one hundred twenty-five dollars ($125.00) in the case of a ~~salesman.~~ salesman registered with one dealer. The Administrator may by rule reduce the registration fee proportionately when the registration will be in effect for less than a full year. If a salesman applicant for initial or renewal registration pays a filing fee to be registered with more than one dealer, as authorized by G.S. 78A-36(b), the additional fee or fees paid shall be deposited in the Dual Registration Fees Special Fund, which is hereby created in the Office of the Secretary of State. Funds from the special fund shall be available for expenditure only upon an act of appropriation by the General Assembly.

…."

SECTION 37.3.(c) This section becomes effective October 1, 2025, and applies to registration applications and renewals filed on or after that date.

PART XXXVIII. TREASURER

TREASURER INVESTMENT MODERNIZATION PART I: TECHNICAL REORGANIZATION OF ARTICLE 6 OF CHAPTER 147 OF THE GENERAL STATUTES

SECTION 38.1.(a) Article 6 of Chapter 147 of the General Statutes is amended to add the following new Parts:

(1) Part 1, to be entitled "General" and consisting of G.S. 147-65 through G.S. 147-69.

(2) Part 2, to be entitled "Investments and Funds" and consisting of G.S. 147-69.1 through G.S. 147-69.7.

(3) Part 3, to be entitled "Reports and Audits" and consisting of G.S. 147-69.8 through G.S. 147-69.70.

(4) Part 4, to be entitled "North Carolina Investment Authority" and consisting of G.S. 147-70.1 through G.S. 147-73.2.
(5) Part 5, to be entitled "Department Bookkeeping and Deposits" and consisting of G.S. 147-74 through G.S. 147-86.2.

SECTION 38.1.(b) G.S. 147-65 is recodified as G.S. 147-65.2.
SECTION 38.1.(c) G.S. 147-66 is repealed.
SECTION 38.1.(d) G.S. 147-69.3A is recodified as G.S. 147-67.1.
SECTION 38.1.(e) G.S. 147-69.11 is recodified as G.S. 147-73.2.
SECTION 38.1.(f) G.S. 147-69.7 is recodified as G.S. 147-70.6.
SECTION 38.1.(g) G.S. 147-70 is recodified as G.S. 147-68.3.
SECTION 38.1.(h) G.S. 147-71 is recodified as G.S. 147-68.4.
SECTION 38.1.(i) G.S. 147-72 is repealed.
SECTION 38.1.(j) G.S. 147-73 is repealed.
SECTION 38.1.(k) G.S. 147-75 is recodified as G.S. 147-66.2.
SECTION 38.1.(*l*) G.S. 147-75.1 is recodified as G.S. 147-68.5.
SECTION 38.1.(m) G.S. 147-86.2 is recodified as G.S. 147-68.6.
SECTION 38.1.(n) Subsection (i2) of G.S. 147-69.3 is recodified as subsection (b) of G.S. 147-65.2, as created by subsection (b) of this section.
SECTION 38.1.(o) This section is effective when it becomes law.

TREASURER INVESTMENT MODERNIZATION PART II: CREATION OF THE NORTH CAROLINA INVESTMENT AUTHORITY

SECTION 38.2.(a) Part 1 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, is amended by adding a new section to read:

"**§ 147-65.1. Definitions.**

The following definitions apply in this Article:

(1) Board of Directors. – The Board of Directors of the North Carolina Investment Authority.
(2) Chief Investment Officer or CIO. – The Chief Investment Officer of the Investment Authority.
(3) Department. – The Department of State Treasurer.
(4) Escheats Fund. – The Escheats Fund established under Article 1A of Chapter 116B of the General Statutes.
(5) Investment Authority. – The North Carolina Investment Authority, established under Part 4 of this Article.
(6) Reserved for future codification purposes.
(7) Retirement Systems. – This term includes all of the following retirement systems:
    a. The Teachers' and State Employees' Retirement System, established under Article 1 of Chapter 135 of the General Statutes.
    b. The Consolidated Judicial Retirement System, established under Article 4 of Chapter 135 of the General Statutes.
    c. The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, established under Article 86 of Chapter 58 of the General Statutes.
    d. The Local Governmental Employees' Retirement System, established under Article 3 of Chapter 128 of the General Statutes.
    e. The Legislative Retirement System of North Carolina, established under Article 1A of Chapter 120 of the General Statutes.
    f. The North Carolina National Guard Pension Fund, established under Article 3 of Chapter 127A of the General Statutes.

g. The Registers of Deeds' Supplemental Pension Fund, established under Article 3 of Chapter 161 of the General Statutes.
h. The Retiree Health Benefit Fund, established under G.S. 135-7(f).
i. The North Carolina Teachers' and State Employees' Benefit Trust, established under G.S. 135-7(g).

(8) Treasurer. – The State Treasurer."

SECTION 38.2.(b) Part 4 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, reads as rewritten:

"Part 4. North Carolina Investment Authority.

"**§ 147-70.1. Creation of Investment Authority.**

(a) Creation. – The North Carolina Investment Authority is created as a body corporate and politic having the powers and jurisdiction as provided under this Article or any other law. The Investment Authority is a State agency for the performance of essential governmental and public functions. The Investment Authority is located within, but independent from the control of, the Department of State Treasurer. The Investment Authority shall have perpetual succession.

(b) Independence. – The Investment Authority, in carrying out its statutory responsibilities, shall be independent of any fiscal control exercised by the Director of the Budget, the Department of Administration, and the Department of State Treasurer, including for organizational, staffing, procurement, and budgetary purposes. Except as provided under subsection (c) of this section and unless otherwise explicitly provided by law, the Investment Authority is exempt from the State Budget Act, and the provisions of Chapter 143C of the General Statutes do not apply to the Investment Authority.

(c) Fiduciary Funds. – In order for the Investment Authority to effectively operate the investment programs under its management, all funds while under management of the Investment Authority are Fiduciary Funds described under subdivisions (8) through (10) of G.S. 143C-1-3(a) and shall be accounted for as specified in G.S. 147-69.3(f).

"**§ 147-70.2. Powers and duties of the Investment Authority.**

(a) In addition to the authority granted to the Investment Authority under this Article or any other law, the Investment Authority shall have all of the powers necessary to execute the provisions of this Part, including, at a minimum, the following powers:

(1) The right to sue and be sued.
(2) To take, demand, receive, and possess all kinds of real and personal property necessary and proper for its purposes.
(3) To bargain, sell, grant, alienate, or dispose of all real and personal property as it may lawfully acquire.

(b) The Investment Authority shall have the right to acquire fidelity bonds, fiduciary insurance, directors' and officers' insurance, or errors and omissions coverage, as determined by the Investment Authority board. This right is independent of any purchase of insurance by the State Treasurer under G.S. 147-67.1.

(c) Pursuant to G.S. 143B-1320(b), the Investment Authority shall be exempt from the provisions of Article 15 of Chapter 143B of the General Statutes.

"**§ 147-70.3. Taxation of Investment Authority.**

(a) Property owned or acquired by the Authority is exempt from all taxes imposed by the State or any political subdivision of the State.

(b) The Investment Authority shall not be subject to State income taxes.

(c) This section shall not be construed to apply in any way to individual members of the Board of Directors or any employee of the Investment Authority.

"**§ 147-70.4. Confidentiality of Investment Authority records.**

Any record or other information received or generated by the Investment Authority in order to negotiate at arm's length investment transactions that constitute a trade secret, as defined in G.S. 66-152, is not public record and is exempt from the requirements of Chapter 132 of the

General Statutes until the applicable negotiation is completed and unless the record or information substantiates a conflict with the duties of the Investment Authority under G.S. 147-70.6(a).

"**§ 147-70.5. Criminal record checks.**

(a) The Investment Authority may obtain from the State and National Repositories of Criminal Histories or from any other lawful source the criminal history of any of the following individuals:

(1) A current or prospective permanent or temporary employee of the Investment Authority.

(2) A contractor with the Investment Authority.

(3) An employee or agent of a contractor with the Investment Authority who is performing or will perform work for the Investment Authority.

(4) A volunteer of the Investment Authority.

(5) Any other individual otherwise engaged by the Investment Authority who will have access to health or financial information or data maintained by the Investment Authority that is confidential or otherwise nonpublic.

(b) The Investment Authority may deny employment to or dismiss any individual identified under subdivisions (1), (2), (4), and (5) of subsection (a) of this section who refuses to consent to a criminal history record check or to the use of fingerprints or other identifying information required by the State or National Repositories of Criminal Histories. Any refusal shall constitute just cause for the employment denial or the dismissal from employment.

(c) The Investment Authority may extend a conditional offer of employment pending the results of a criminal history record check authorized by this section.

…

"**§ 147-71.1. Board of Directors.**

(a) Membership. – The Investment Authority shall be governed by a Board of Directors. The Board of Directors shall consist of the following voting members:

(1) The State Treasurer, who shall serve as an ex officio member.

(2) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121.

(3) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121.

(4) One member appointed by the Governor, subject to confirmation by the General Assembly by joint resolution.

(5) One member appointed by the State Treasurer, subject to confirmation by the General Assembly by joint resolution.

(b) Terms. – The four appointive directors of the Board of Directors shall be appointed for staggered six-year terms, except for the initial term. The initial term of the director appointed by the President Pro Tempore of the Senate is one year. The initial term of the director appointed by the Speaker of the House of Representatives is two years. The initial term of the director appointed by the State Treasurer is three years. The initial term of the director appointed by the Governor is four years. An appointive director whose term has expired but whose qualified successor has not been appointed shall continue to serve on the Board of Directors until a qualified successor is duly appointed, including by the State Treasurer after a holdover period of six months or more as provided for under subsection (e) of this section.

(c) Qualifications to Serve. – No appointed director of the Board of Directors shall hold any other public office in North Carolina, except that an appointed director may also have membership on either or both of the Boards of Trustees under G.S. 128-28 and G.S. 135-6. All appointed members of the Board of Directors shall have expert knowledge of investments and a minimum of a 10-year track record of successful management in pension, endowment, or other

relevant investment management fields. The State Treasurer shall determine the sufficiency of a prospective member's expert knowledge.

(d) Disqualifications to Serve. – An individual is not eligible to serve on the Board of Directors if any of the following apply to that individual:

(1) The individual has been indicted or charged with, been convicted of, pleaded guilty or nolo contendere to, or forfeited bail concerning a felony, or a misdemeanor involving fraud, theft, or dishonesty under the laws of any jurisdiction in the United States.

(2) The individual has had a judgment entered against him or her by a court of competent jurisdiction in a civil matter involving a breach of fiduciary duties.

(3) The individual has been the subject of an adverse action by the Securities and Exchange Commission which resulted in any sanction, payment of a fine, injunction, or other negative finding, whether individually or as a partner, principal member, managing director, or other position of leadership of any entity subject to the penalty or finding.

(4) The individual, or the individual's spouse or immediate family member, is or becomes employed by the Department of State Treasurer or by a service provider engaged to invest or assist in the oversight of assets overseen by the Investment Authority.

(5) The individual, or the individual's spouse or immediate family member, is an endorser, obligor, or provider of surety for, or is a borrower of, any money loaned to or borrowed from the assets overseen by the Board of Directors.

(d1) Removal of Appointive Members. – A duly appointed member of the Board of Directors may be removed by the applicable appointing authority for misfeasance, malfeasance, or nonfeasance.

(e) Vacancies. – Any vacancy in a position held by an appointive member shall be filled by a new appointment made by the applicable appointing authority for the vacant seat. If a seat on the Board of Directors is vacant or held over for six months or more without an appointment by the applicable appointing authority of an individual meeting the qualifications in this section, then the State Treasurer may nominate a member for approval by the Board of Directors. Any individual appointed to fill a vacancy shall serve only for the unexpired term. A vacancy automatically occurs upon the death or resignation of a member of the Board of Directors or upon the failure of a member of the Board of Directors to do any of the following:

(1) Attend meetings for three consecutive meetings unless excused by majority vote of the other Board of Directors members.

(2) Cure a conflict of interest within 30 days of identification of the conflict.

(3) Agree to abide by the ethics policy adopted by the Board of Directors.

(f) Reappointment. – Any member of the Board of Directors is eligible for reappointment, except that no appointive member of the Board of Directors may serve for more than two consecutive, full, six-year terms without at least a one-year break in membership on the Board of Directors.

(g) Oath. – Each appointive member of the Board of Directors shall take an oath of office to administer the duties of office faithfully and impartially, and a record of the oath shall be filed in the office of the Secretary of State.

(h) Officers. – The following shall apply to officers of the Board of Directors:

(1) The State Treasurer shall serve as chair of the Board of Directors.

(2) The State Treasurer shall designate a vice-chair from among the remaining members of the Board of Directors. The term of the vice-chair extends to the earlier of either three years or the date of expiration of the vice-chair's then current term as a member of the Board of Directors. In the absence of the State

Treasurer or the Treasurer's designee, the vice-chair shall preside over the proceedings of the Board of Directors.

(3) The Board of Directors shall appoint and prescribe the duties of a secretary, who need not be a member of the Board of Directors. The secretary is the custodian of all books, documents, and papers filed with the Board of Directors and the minute book or journal of the Board of Directors. The secretary shall keep a record of the proceedings of the Board of Directors. The secretary has the authority to make copies of all minutes and other records and documents of the Board of Directors.

(i) Designees. – The State Treasurer is authorized to appoint a designee. No other member of the Board of Directors is authorized to appoint a designee.

(j) Compensation and Reimbursement. – Members of the Board of Directors shall receive no compensation for their services. For attendance at meetings of the Board of Directors or any committee of the Board of Directors, and for other services for the Investment Authority, members of the Board of Directors shall receive per diem, subsistence, and travel allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.

(k) Meetings and Voting. – The Board of Directors shall meet at least quarterly. A meeting may be called by the State Treasurer or by a majority of the Board of Directors. The State Treasurer or the Treasurer's designee shall establish the agenda for each meeting. A minimum of three members of the Board of Directors is required for quorum. The affirmative vote of a majority of the members of the Board of Directors present at a meeting of the Board of Directors that has been duly called and held is required for any action taken by the Investment Authority, except that the State Treasurer's vote shall prevail in the event of a tied vote.

"**§ 147-71.2. Duties of the Board of Directors.**

(a) Investment-Related Powers and Duties. – The Board of Directors has all of the following investment-related powers and duties:

(1) The Board of Directors has the authority to approve all of the following:

a. Investment policy statements to include investment objectives, strategic asset allocation, and policy benchmarks.

b. Risk budgets, including related limits for key risk indicators.

c. The appointment of a master global custodian bank.

d. Annual operating budgets for investment programs.

e. Market-oriented compensation plans.

(2) The Board of Directors shall periodically review all of the following:

a. Investment performance and investment manager appointment and termination activities.

b. Investment strategies, policies, and tactical considerations.

c. Asset liability studies.

d. Performance benchmarks and key risk indicators.

e. Audited investment financial statements and audit reports pursuant to G.S. 147-69.9.

f. Independent evaluation of governance, operations, and investment practices.

g. Periodic cost-effectiveness studies of the investment programs.

(3) The Board of Directors shall appoint a Chief Investment Officer of the Investment Authority.

(4) With respect to Retirement Systems' assets, at least biennially, the Board of Directors shall approve an absolute risk operating range. The absolute risk operating range shall be expressed in equity and debt allocation equivalency terms and shall meet all of the following criteria:

a. The range is deemed appropriate in seeking to maximize long-term returns.

b. The risk is not considered undue relative to other similarly situated U.S. public pension funds. An assessment of compliance with this requirement related to undue risk shall be construed in a manner consistent with subsections (c) and (d) of G.S. 147-70.6.

c. In setting the range, the Board of Directors has taken into consideration all of the factors affecting the funding of the Retirement Systems and each of the Retirement Systems' ability to meet its financial obligations.

(5) The Board of Directors shall utilize the approved absolute risk operating range under subdivision (4) of this subsection to recommend investment return assumptions to (i) the Board of Trustees of the Local Governmental Retirement System, (ii) the Board of Trustees of the Teachers' and State Employees' Retirement System, and (iii) the actuaries engaged to prepare annual actuarial valuations.

(b) Annual Internal Budget. – The Board of Directors shall not approve an annual internal budget for the Investment Authority that exceeds three basis points of a rolling three-year average of total assets invested by the Investment Authority, unless the Investment Authority reasonably determines that, because of special circumstances, including applicable investment restrictions, it is clearly not prudent to do so. The annual internal budget includes expenditures directly associated with services retained by the Investment Authority in accordance with subsection (c) of this section and employee compensation and benefits. The Investment Authority's approved annual internal budget as well as the Investment Authority's actual spending for the prior fiscal year shall be annually reported to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division.

(c) Authority to Contract for Services. – Notwithstanding Article 3 of Chapter 143 of the General Statutes, G.S. 114-2.3, and G.S. 147-17, the Investment Authority is authorized to independently retain the services of appraisers, auditors, actuaries, attorneys, investment consultants, statisticians, custodians, information technology professionals, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.

(d) Setting of Compensation Plans. – In order to promote achievement of long-term investment objectives and to retain key public employees with investment functions, the Investment Authority is authorized to establish, consistent with the Investment Authority's fiduciary duties, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment programs. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the investment program. The Investment Authority shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually.

"**§ 147-71.3. Liability of Board of Directors.**

An individual serving on the Board of Directors shall be immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, except where any of the following apply:

(1) The individual was not acting within the scope of that individual's official duties.

(2) The individual was not acting in good faith.

(3) The individual committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.

(4) The individual derived an improper personal financial benefit, either directly or indirectly, from the transaction.

(5) The individual incurred the liability from the operation of a motor vehicle.

…

"**§ 147-72.1. Chief Investment Officer.**

(a) Principal Executive Officer. – The Chief Investment Officer is the Investment Authority's principal executive officer and is responsible to the Board of Directors.

(b) Appointment and Term. – The CIO shall be appointed by a majority vote of the Board of Directors, and any vacancy may be so filled by the Board of Directors. An individual appointed as the CIO shall have expert knowledge of investments and a minimum of a 15-year track record of successful management in pension, endowment, or other relevant investment management arenas. The term of employment and compensation of the CIO is set by the Board of Directors, except that each term of employment shall be limited to five years or less. The CIO is eligible for multiple terms of employment without interruption. The CIO may be removed from office by the Board of Directors.

(c) Employment of Staff. – The Chief Investment Officer shall employ staff necessary to assist the CIO and the Board of Directors in carrying out duties and responsibilities under this Article or as prescribed in any other law. Unless otherwise provided by law, Investment Authority employees shall serve at the pleasure of the CIO and any vacancies in these positions may be filled by the CIO. The CIO may designate managerial, professional, and policy-making positions as exempt from the North Carolina Human Resources Act, in accordance with G.S. 126-5(c1). Compensation of employees is set by the CIO within the limits set by the compensation plan approved by the Board of Directors under G.S. 147-71.2.

(d) Contract Negotiation. – The CIO may negotiate, renegotiate, and execute contracts with third parties in the performance of the CIO's duties and responsibilities under this Article. Any delegation of authority by the Board of Directors shall require Board of Directors approval and shall reserve certain strategic decisions and extraordinary investment decisions to the Board of Directors. Contract execution with master global custodian banks and external auditors shall be done only after approved by the Board of Directors.

…

"**§ 147-73.2. Ethics policies.**

To ensure that the ~~State Treasurer's~~ Investment Authority investment programs operate under a strong governance framework with rigorous internal controls and a high degree of operational transparency and are managed with the highest ethical and professional standards and in the most efficient and effective manner possible, the ~~State Treasurer, after consultation with the Investment Advisory Committee, is authorized and required to~~ Board of Directors shall adopt policies and procedures on the following topics:

(1) Requiring that the ~~Department of State Treasurer's Investment Management Division~~ Investment Authority adopt a code of ethics.

(2) Requiring all employees of the ~~Department~~ Investment Authority who have responsibility for matters related to investments to be provided with training with respect to the discharge of their duties and responsibilities to the funds.

(3) Governing gifts to employees of the ~~Department~~ Investment Authority who have responsibility for matters related to investments.

(4) Imposing limitations on external investment managers' use of placement agents and other persons that appear before the ~~Department~~ Investment Authority to ensure that these persons play only a proper role in investment opportunities.

(5) As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest."

SECTION 38.2.(c) Rules, codes of ethics, policies, and procedures adopted by the State Treasurer in effect on June 30, 2025, that are impacted by the change in authority from the State Treasurer or Department of State Treasurer to the Investment Authority under this section shall remain in effect until amended by law, amended by the Investment Authority, or repealed.

SECTION 38.2.(d) Before January 1, 2026, when the Investment Authority shall begin to manage investments as provided under Section 38.3 of this act, funds appropriated to the Department of State Treasurer and funds available to the Department of State Treasurer under G.S. 147-69.3 may be used to pay any expenses of the Investment Authority.

SECTION 38.2.(e) G.S. 147-65.2, as created by Section 38.1(b) and Section 38.1(n) of this act, reads as rewritten:

"**§ 147-65.2. Salary of State ~~Treasurer.~~Treasurer and certain Department employees.**

(a) State Treasurer. – The salary of the State Treasurer shall be as established in the Current Operations Appropriations Act. In addition to the salary set by the General Assembly in the Current Operations Appropriations Act, longevity pay shall be paid on the same basis as is provided to employees of the State who are subject to the North Carolina Human Resources Act.

(b) ~~In order to promote achievement of long term investment objectives and to retain key public employees with investment functions, the~~ Certain Departmental Employees. – The State Treasurer is authorized to establish, consistent with the duties of the State ~~Treasurer's fiduciary duties,~~ Treasurer as prescribed by law, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment ~~programs, who shall be~~ programs. In accordance with G.S. 126-5(c12), these employees are exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned ~~directly from the investment program.~~ and paid equitably among the funds and programs utilizing the services of these employees in a manner prescribed by the State Treasurer. The Treasurer shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually."

SECTION 38.2.(f) G.S. 126-5 reads as rewritten:

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

…

(c1) Except as to Articles 6 and 7 of this Chapter, this Chapter does not apply to any of the following:

…

(23) The Executive Administrator of the State Health Plan for Teachers and State Employees.

(24) Employees of the State Health Plan for Teachers and State Employees as designated by law or by the Executive Administrator of the Plan.

…

(40) The Chief Investment Officer of the North Carolina Investment Authority established under Part 4 of Article 6 of Chapter 147 of the General Statutes.

(41) Employees of the North Carolina Investment Authority established under Part 4 of Article 6 of Chapter 147 of the General Statutes who possess specialized

skills or knowledge necessary for the proper administration of investment programs and who are employed in a position designated by the Chief Investment Officer as exempt in accordance with G.S. 147-72.1.

…

(c12) Except as to G.S. 126-13, 126-14, 126-14.1, and Articles 6, 7, 14, 15, and 16 of this Chapter, this Chapter does not apply to employees of the Department of State Treasurer possessing specialized skills or knowledge necessary for the proper administration of investment programs and compensated pursuant to ~~G.S. 147-69.3(i2).~~G.S. 147-65.2(b).

…."

SECTION 38.2.(g) G.S. 143C-1-3 is amended by adding a new subsection to read:

"(e) Notwithstanding subsections (a) and (b) of this section, funds under the management of the North Carolina Investment Authority are exempt from this Chapter and shall be accounted for as provided in Article 6 of Chapter 147 of the General Statutes."

SECTION 38.2.(h) This section is effective July 1, 2025, and subsections (e) and (f) of this section apply to employees hired on or after that date.

TREASURER INVESTMENT MODERNIZATION PART III: NORTH CAROLINA INVESTMENT AUTHORITY TO MANAGE INVESTMENTS AND BEGIN CARRYING OUT STATUTORY DUTIES JANUARY 1, 2026

SECTION 38.3.(a) Part 2 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, reads as rewritten:

"Part 2. Investments and Funds

"**§ 147-69.1. Investments authorized for General Fund and Highway Funds assets.**

(a) The Governor and Council of State, with the advice and assistance of the State ~~Treasurer, shall~~ Treasurer and the Investment Authority, may adopt ~~such~~ rules ~~and regulations as shall be~~ necessary and appropriate ~~to implement the provisions~~ for the implementation of this section.

(b) This section applies to funds ~~held by~~ deposited with the State Treasurer to the credit ~~of:~~of all of the following:

(1) The General ~~Fund;~~Fund.

(2) The Highway Fund and Highway Trust Fund.

(c) It ~~shall be~~ is the duty of the ~~State Treasurer~~ Investment Authority to invest the cash of the funds enumerated in subsection (b) of this section in excess of the amount required to meet the current needs and demands on ~~such~~ those funds, selecting from among the following:

(1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.

(2) Obligations of the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the International Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.

(3) Repurchase Agreements with respect to one or more of the following:

a. Securities issued or guaranteed by the United States government or its agencies.

b. Securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York.

c. Securities eligible for investment by this section executed by a registered broker-dealer that is subject to the rules and regulations of

the U.S. Securities and Exchange Commission and is a member in good standing of the Financial Industry Regulatory Authority.

(4) Obligations of the State of North Carolina.

(5) Certificates of deposit and other deposit accounts of financial institutions under any of the following conditions:

a. With financial institutions with a physical presence in the State for the purpose of receiving commercial or retail deposits; provided that any principal amount of such deposit in excess of the amount insured by the federal government or any agency thereof, be fully secured by surety bonds, or be fully collateralized; provided further that the rate of return or investment yield may not be less than that available in the market on United States government or agency obligations of comparable maturity.

b. With financial institutions with a physical presence inside or outside the State, in accordance with all of the following conditions:

1. The funds are initially deposited through a bank or savings and loan association in the State that is an official depository and that is selected by the State Treasurer, provided that the rate of return or investment yield shall not be less than that available in the market on United States government or agency obligations of comparable maturity.

2. The selected bank or savings and loan association arranges for the redeposit of the funds in deposit accounts of the State in one or more federally insured banks or savings and loan associations wherever located, provided that no State funds shall be deposited in a bank or savings and loan association that at the time holds other deposits from the State.

3. The full amount of principal and any accrued interest of each deposit account are covered by federal deposit insurance.

4. The selected bank or savings and loan association acts as custodian for the State with respect to the deposit in the State's account.

5. On the same date that the State funds are redeposited, the selected bank or savings and loan association receives an amount of federally insured deposits from customers of other financial institutions wherever located equal to or greater than the amount of the funds invested by the State through the selected bank or savings and loan association pursuant to this sub-subdivision.

…

(7) Prime quality commercial paper that, when acquired, bears the highest rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and does not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.

(8) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that when bills or drafts are acquired, the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations that bear the highest rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally

recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligations.

(9) Asset-backed securities (whether considered debt or equity) provided, when acquired, the securities bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest rating by any nationally recognized rating service which rates the particular securities.

(10) Corporate bonds and notes provided they, when acquired, bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.

(d) Unless otherwise provided by law, the interest or income received and accruing from all deposits or investments of such cash balances shall be paid into the State's General Fund, except that all interest or income received and accruing on the monthly balance of the Highway Fund and Highway Trust Fund shall be paid into the State Highway Fund and Highway Trust Fund. The cash balances of the several funds may be combined for deposit or investment purposes; and when such combined deposits or investments are made, the interest or income received and accruing from all deposits or investments shall be prorated among the funds in conformity with applicable law and the rules and regulations adopted by the Governor and Council of State.

…

"**§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

(1) The Teachers' and State Employees' Retirement System of North Carolina.

(2) The Consolidated Judicial Retirement System of North Carolina.

(3) The State Health Plan for Teachers and State Employees.

…

(5) The Disability Salary Continuation Income Plan of North Carolina.

(6) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.

(7) The North Carolina Local Governmental Employees' Retirement System.

(8) The Legislative Retirement System of North Carolina.

(9) The Escheat Fund.

(10) The Legislative Retirement Fund.

(11) The State Education Assistance Authority.

(12) The State Property Fire Insurance Fund.

…

(16) The Liability Insurance Trust Fund.

(16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-350.40.

(17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.

(17a) North Carolina Veterans Home Trust Fund.

(17b) North Carolina National Guard Pension Fund.

(17c) Retiree Health Benefit Fund.

(17d) The Election Fund.

(17e) The North Carolina State Lottery Fund.

(17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).
(17g) Funds deposited with the State Treasurer by Local Government Other Post-Employment Benefits Trusts pursuant to G.S. 159-30.1.
(17h) The Local Government Law Enforcement Special Separation Allowance Fund.
(17i) The North Carolina Conservation Easement Endowment Fund.
(17j) The Conservation Grant Fund.
(17k) The Wildlife Endowment Fund.
(17*l*) The Ecosystem Restoration Fund.
(17m) The Needs-Based Public School Capital Fund.
(17n) The Riparian Buffer Restoration Fund.
(18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act.
(19) The Swain County Settlement Trust Fund.
(20) Institutional funds of the colleges of the North Carolina Community College System.
(21) The Disability Income Plan of North Carolina.
…
(23) The Catawba Unit No. 1 Decommissioning Trust Fund and the Catawba Unit No. 2 Decommissioning Trust Fund established by North Carolina Municipal Power Agency Number 1, as described in G.S. 159B-18(b)(6).
(24) Funds deposited with the State Treasurer by charter schools pursuant to G.S. 115C-218.15(f).

(b) It shall be the duty of the ~~State Treasurer~~ Investment Authority to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on these funds. The ~~State Treasurer~~ Investment Authority may invest the funds as provided in this subsection in the manner authorized by subsection (e) of this section. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the ~~State Treasurer~~ Investment Authority to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter. Notwithstanding anything in this section to the contrary, the ~~State Treasurer~~ Investment Authority shall categorize investment management arrangements according to the primary investment type or primary strategy utilized under the arrangement authorized under subsection (e) of this section. No investment management arrangement may be categorized in more than one of the subdivisions of this section. The ~~State Treasurer~~ Investment Authority shall select from among the following investments subject to ~~the following~~ any stipulated limitations and ~~requirements:~~requirements:

(1) Investments authorized by G.S. 147-69.1(c)(1)-(7).
(2) General obligations of other states of the United States.
(3) General obligations of cities, counties and special districts in North Carolina.
(4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if, when acquired, the obligations are within one of the four highest rating categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either

"BBB" or "Baa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission.

…

(6) Asset-backed ~~securities (whether~~ securities, whether considered debt or ~~equity),~~ equity, if, when acquired, the obligations are within one of the four highest ratings categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission.

(6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems ~~set forth in~~ under this subsection, the ~~State Treasurer~~ Investment Authority shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions ~~(b)(1)~~ (1) through (6) of this ~~section~~ subsection shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.

…

(6c) ~~With respect to~~ Retirement Systems' assets ~~referred to in subdivision (b)(8), they~~ may be invested, within or outside the United States, in obligations, debt securities, and asset-backed securities, whether considered debt or equity, including obligations and securities convertible into other securities, that do not meet the requirements of any of subdivisions ~~(b)(1)~~ (1) through (6) of this ~~section~~ subsection nor subdivision ~~(b)(7)~~ (7) of this ~~section. The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems.~~subsection.

(7) Retirement Systems' assets ~~referred to in subdivision (8) of this subsection~~ may be invested in strategies managed primarily for the purpose of owning real estate or related debt financing, excluding asset-backed financing and timberlands, located within or outside the United States. ~~The amount invested under this subdivision shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.~~

(8) ~~With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, the Registers of Deeds' Supplemental Pension Fund, and the Retiree Health Benefit Fund (hereinafter referred to collectively as the Retirement Systems), they~~ Retirement Systems' assets may be invested in a strategy composed primarily of equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of the exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States as long as the investments meet the conditions of this subdivision. ~~The investments authorized for the Retirement Systems under this subdivision are subject to the following limitations:~~

…

~~a1. The aggregate amount of the investments cannot exceed sixty-five percent (65%) of the market value of all invested assets of the Retirement Systems.~~

~~b. The aggregate amount of the investment invested through investment companies described in sub-subdivision (e)(4)b. of this section shall not exceed eight and one-half percent (8.5%) of the market value of all invested assets of the Retirement Systems, except that the market value of group trusts and individual, common, or collective trust funds of banks and trust companies shall not be applied against this limit.~~

…

(9) ~~With respect to~~ Retirement Systems' ~~assets, as defined in subdivision (b)(8) of this subsection, they~~ assets may be invested in (i) a strategy composed primarily of private equity, or corporate buyout transactions, within or outside the United States or (ii) an arrangement authorized under subsection (e) of this section with the primary purpose to engage in other strategies not expressly authorized by any other subdivision of this subsection. ~~The amount invested under this subdivision shall not exceed eight and three-quarters percent (8.75%) of the market value of all invested assets of the Retirement Systems.~~

(9a) ~~With respect to~~ Retirement Systems' ~~assets, as defined in subdivision (b)(8) of this subsection, they~~ assets may be invested, within or outside the United States, in obligations, debt securities, asset-backed securities, whether considered debt or equity, and other investments that are acquired by the ~~Treasurer~~ Investment Authority for the primary purpose of ~~providing protection against risks associated with inflation, along with~~ owning real assets or related debt financing, including, but not limited to, timberland, natural resources, commodities, infrastructure, transportation, agriculture, and other tangible and intangible real assets. ~~The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems.~~

…

(10a) ~~With respect to Retirement Systems' assets, as defined in subdivision (8) of this subsection, the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of this subsection shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems; and the~~ The aggregate market value of all assets invested pursuant to subdivisions ~~(6c) and (7), sub-subdivision b. of subdivision (8), and subdivisions (9) and (9a)~~ (6c), (7), (8), (9), and (9a) of this subsection shall not exceed ~~thirty-five percent (35%)~~ eighty percent (80%) of the market value of all invested assets of the Retirement ~~Systems.~~Systems, including any digital assets invested pursuant to G.S. 147-69.2E(c).

(10b) The market value of illiquid investments, as determined by the Board of Directors, shall not exceed forty percent (40%) of the market value of all invested assets of the Retirement System.

…

(12) It is the intent of the General Assembly that the Escheat Fund provide a perpetual and sustainable source of funding for the purposes authorized by the State Constitution. Accordingly, the following provisions ~~apply:~~apply to the assets of the Escheat Fund:

a. ~~With respect to~~ The Investment Authority may invest the assets of the Escheat ~~Fund, in addition to~~ Fund in those investments authorized by subdivisions (1) through (6) of this ~~subsection, up to ten percent (10%)~~ subsection. Up to eighty percent (80%) of the assets may be invested in the investments authorized under subdivisions (6c) through (9a) of

this ~~subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those subdivisions, and provided that the State Treasurer~~ subsection. The Investment Authority may invest the assets as provided in subsection (e) of this section.

…

~~c. The State Treasurer shall invest, in addition to those investments authorized by sub-subdivision a. ten percent (10%) of the net assets of the Escheat Fund as authorized under G.S. 147-69.2A.~~

~~(b1) The State Treasurer shall appoint an Investment Advisory Committee, which shall consist of seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and four members selected from the general public. All appointed members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.~~

(b2) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (b)(1) through (6), subdivision (b)(6c), and subdivision (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital, and interest or other investment income earned thereon shall be prorated and credited to the contributing hospital on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the cost of administering investments pursuant to this subsection and expenditures authorized under this section.

(b3) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (a)(16a) of this section in any of the investments authorized under subdivisions (1) through (6), subdivision (6c) and subdivision (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other investment income earned thereon shall be prorated and credited to the University of North Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the cost of administering investments pursuant to this subsection and expenditures authorized under this section.

(b4) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (17g) of subsection (a) of this section in any of the investments authorized under

subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. Funds deposited pursuant to this subsection by a Local Government Other Post-Employment Benefits Trust and interest or other investment income earned from those funds shall be prorated and credited to the contributing trust on the basis of the amounts contributed, figured according to sound accounting principles. For investments under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of participation pursuant to this subsection. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b5) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Local Government Law Enforcement Special Separation Allowance Fund in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from that Fund made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b6) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Catawba Unit No. 1 Decommissioning Trust Fund and the Catawba Unit No. 2 Decommissioning Trust Fund in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from the Funds made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b7) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Swain County Settlement Trust Fund in any of the investments authorized under subdivision (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from that Fund made under subdivision (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars ($100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b8) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (24) of subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. For investments from that Fund made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to fifty thousand dollars ($50,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering investments and expenditures authorized under this section.

…

(d) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivisions (17i), (17j), (17k), (17*l*), and (17n) of subsection (a) of this section in any of the investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this subsection. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the costs of administering the funds and expenditures authorized under this section. Funds deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation Easement Endowment Fund, the Conservation Grant Fund, the Ecosystem Restoration Fund, the Riparian Buffer Restoration Fund, or the Wildlife Endowment Fund, as applicable, and interest or other investment income earned thereon shall be prorated and credited to the North Carolina Conservation Easement Endowment Fund, the Conservation Grant Fund, the Ecosystem Restoration Fund, the Riparian Buffer Restoration Fund, or the Wildlife Endowment Fund on the basis of the amounts contributed to the respective Funds, figured according to sound accounting principles.

(e) Investments made pursuant to this section may be made as internally managed investments by the ~~State Treasurer~~ Investment Authority or may be made through third-party investment management arrangements, under the following conditions:

(1) Internally managed portfolios shall be subject to industry standard portfolio ~~guidelines developed with periodic consultation by the Investment Advisory Committee.~~guidelines.

(2) In assessing whether to invest directly or to utilize indirect third-party investment management arrangements, the ~~State Treasurer~~ Investment Authority shall consider all relevant material factors ~~he or she considers relevant to the decision~~ consistent with the ~~Treasurer's~~ Investment Authority's fiduciary duties under ~~G.S. 147-69.7,~~ G.S. 147-70.6, including financial, operational, and investment expertise and resources, alignment of interests and investor protections, transparency and repeatability of investment process, risk controls, and cost-effectiveness.

~~(3) For any third-party investment management arrangements, the investment manager must have total assets under management of at least one hundred million dollars ($100,000,000) at the inception of the investment management arrangement with the State Treasurer.~~

(4) Third-party investment management arrangements may be with persons and legal entities located within or outside the United States, including through any of the following:

a. Contractual arrangements in which the investment manager has delegated discretion and authority to invest assets.

b. Investment companies as defined under United States generally accepted accounting principles as promulgated by the Financial Accounting Standards Board, including without limitation entities registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks and trust companies; limited partnerships; limited liability companies or other limited liability investment vehicles; and insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies.

Any limited liability investment vehicles organized by the ~~State Treasurer~~ Investment Authority shall be deemed investment companies for the purposes of this ~~subsection.~~subdivision.

(5) Investment companies shall provide annual audited financial statements to the ~~State Treasurer,~~ Investment Authority, unless the ~~State Treasurer~~ Investment Authority waives the requirement after conducting a cost-benefit analysis.

(6) In connection with any investment otherwise authorized under this section, the ~~State Treasurer~~ Investment Authority may enter into an indemnification agreement provided that, under any agreement, the liability of the ~~State Treasurer~~ Investment Authority will be limited to the amount of the ~~State Treasurer's~~ Investment Authority's contractual investment.

…

"**§ 147-69.2E. Investments in digital assets.**

(a) The following definitions apply in this section:

(1) Designated funds. – Any of the funds described in G.S. 147-69.1(b) and G.S. 147-69.2(a).

(2) Digital asset. – A virtual currency, cryptocurrency, native electronic asset, stablecoin, nonfungible token, or any other asset that is only digital and that confers economic, proprietary, or access rights or powers.

(3) Private key. – A unique element of cryptographic data used for signing transactions on a blockchain that is known to the owner of the unique element.

(4) Secure custody solution. – A technological product or a blended product and service that employs advanced security measures to safeguard private keys and prevent unauthorized access.

(b) The Investment Authority may invest the cash of the designated funds in digital assets only after approval by the Board of Directors. The approval shall be based on an independent assessment by a third-party consultant that all of the following requirements for proposed investments have been met:

(1) The digital assets are maintained with a secure custody solution.

(2) The potential investment is appropriate for the designated fund's circumstances from a total portfolio perspective.

(3) The control environment meets institutional investment industry requirements for independent risk and compliance oversight, operational robustness, and regulatory compliance.

(c) An investment in digital assets from any of the designated funds shall not exceed, in the aggregate, five percent (5%) of the balance of the designated fund.

"**§ 147-69.3. Administration of ~~State Treasurer's~~ Investment Authority's investment programs.**

(a) The State Treasurer shall deposit with the Investment Authority assets of the funds under G.S. 147-69.1 and the special funds under G.S. 147-69.2. The Investment Authority shall establish, maintain, administer, manage, and operate ~~within the Department of State Treasurer~~ one or more investment programs for the deposit ~~and~~ to the credit of the State Treasurer of the investment of assets ~~pursuant to the provisions of G.S. 147-69.1 and G.S. 147-69.2. Different~~ of the funds under G.S. 147-69.1 and the special funds under G.S. 147-69.2. Funds of each of the Retirement Systems and other funds held by the ~~State Treasurer~~ Investment Authority may be invested collectively or separately in the ~~State Treasurer's~~ Investment Authority's discretion consistent with the fiduciary duties ~~stated in G.S. 147-69.7.~~under G.S. 147-70.6.

(b) Any official, board, commission, other public authority, local government, school administrative unit, charter school, local ABC board, or community college of the State having custody of any funds not required by law to be deposited with and invested by the State Treasurer or the Investment Authority may deposit all or any portion of those funds with the ~~State Treasurer~~ Investment Authority for investment in one of the investment programs ~~established pursuant to~~ authorized under this section, subject to any provisions of law with respect to eligible ~~investments, provided that any~~ investments. Any occupational licensing board as defined in

G.S. 93B-1 may participate in one of the investment programs ~~established pursuant to~~ authorized under this section regardless of whether or not the funds were required by law to be deposited with and invested by the State ~~Treasurer.~~ Treasurer or the Investment Authority. In the absence of specific statutory provisions to the contrary, any ~~of those~~ funds described in this subsection may be invested by the Investment Authority in accordance with the provisions of G.S. 147-69.2 and 147-69.3. Upon request from any depositor eligible under this subsection, the State Treasurer may authorize moneys invested pursuant to this subsection to be withdrawn by warrant on the State Treasurer.

(c) The ~~State Treasurer's~~ Investment Authority's investment programs shall be so managed ~~that~~ that, in the judgment of the ~~State Treasurer~~ Investment Authority, funds may be readily converted into cash when needed.

(d) Except as provided by G.S. 147-69.1(d), the total return earned on investments shall accrue pro rata to the fund whose assets are ~~invested according to the formula prescribed by the State Treasurer with the approval of the Governor and Council of State.~~invested.

(e) The ~~State Treasurer~~ Investment Authority has full powers as a fiduciary to hold, purchase, sell, assign, transfer, lend and dispose of any of the securities or investments in which any of the investment programs created pursuant to this section have been invested, and may reinvest the proceeds from the sale of those securities or investments and any other investable assets of the program.

(f) The cost of administration, management, and operation of investment programs established pursuant to this section shall be apportioned and paid equitably among the programs in a manner prescribed by the ~~State Treasurer.~~ Investment Authority, including through administrative fees if approved by the Board of Directors. To the extent not otherwise chargeable directly to the income or assets of a specific investment program or pooled investment vehicle, the cost of administration, management, and operation of investment programs established pursuant to this section shall be paid from the income and assets of the investment programs. Any apportionment and payment under this section shall be accounted for in a manner determined by the ~~State Treasurer.~~Investment Authority.

~~(g) The State Treasurer is authorized to retain the services of independent appraisers, auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.~~

(g1) Notwithstanding G.S. 114-8.3, the Investment Authority's designated attorneys shall review all proposed investment contracts and all proposed contracts for investment-related services entered into pursuant to the Investment Authority's authority under this Article. All of the following apply to the required review:

(1) This review shall include confirmation that a proposed contract meets all of the following criteria:
  a. The proposed contract is in proper legal form.
  b. The proposed contract is legally enforceable to the extent governed by North Carolina law.
  c. The proposed contract accomplishes the intended purposes of the contract.

(2) The Investment Authority's designated attorneys shall establish procedures regarding the review.

(3) The required review does not constitute approval or disapproval of the policy merit, or lack thereof, of the proposed contract.

(4) A designated attorney under this subsection includes any attorney employed or retained by the Investment Authority to review contracts as required by this subsection.

(5) For purposes of this subsection, "investment contract" means investments to be acquired, held, or sold, directly or indirectly, by or for the Investment Authority or an investment entity created by the Investment Authority, either on its own behalf or on behalf of another beneficial owner.

…

~~(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year.~~

…

(i3) The ~~Treasurer~~ Investment Authority may invest in the countries of Sudan and South Sudan to the extent not prohibited by the United States Government, or to the extent that such investment is part of an index or index replication strategy, a commingled fund, limited partnership, or similar investment vehicle, or a derivative instrument.

(j) Subject to the provisions of G.S. 147-69.1(d), the ~~State Treasurer shall~~ Investment Authority may adopt any rules necessary to carry out the provisions of this section.

…

"**§ 147-69.4A. Support and assistance; Supplemental Retirement Board of Trustees.**

(a) The Supplemental Retirement Board of Trustees, as established under G.S. 135-96, may request the Investment Authority to provide monitoring, evaluation, reporting, and other support or assistance for the investments of the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

(b) Upon the consent of the Investment Authority to provide requested support or assistance under this section, the Investment Authority's responsibilities shall be documented in a Statement of Investment Policy approved by the Supplemental Retirement Board of Trustees.

(c) In providing any support or assistance under this section, the Investment Authority shall discharge its duties as a fiduciary to the participants in the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

"**§ 147-69.5. Local Government Law Enforcement Special Separation Allowance Fund.**

The Local Government Law Enforcement Special Separation Allowance Fund is established as a fund in the Office of the State Treasurer under the management of the ~~Treasurer.~~ Investment Authority. The Fund consists of contributions made by entities authorized to make contributions to the Fund and interest and other investment income earned by the Fund. Contributions to the Fund are irrevocable. Assets of the Fund may be used only to provide law enforcement special separation allowance benefits to individuals who are former employees of a unit of local government that contributes to the Fund and are entitled to law enforcement special separation allowance payable by the unit. The assets of the Fund are not subject to the claims of creditors of an entity that contributes to the Fund.

"**§ 147-69.6. Swain County Settlement Trust Fund.**

(a) The Swain County Settlement Trust Fund is established as a special fund in the Office of the State Treasurer under the management of the ~~Treasurer. The Treasurer~~ Investment Authority. The Investment Authority may invest the assets of the Fund in any of the investments authorized under subdivisions (b)(1) through (6) and subdivision (b)(8) of G.S. 147-69.2. The Fund shall consist of the proceeds of any payments made by the United States in settlement of the 1943 agreement between Swain County and the United States Department of Interior, such other contributions as Swain County or other entities may choose to make to the Fund, and the interest and other investment income earned by the Fund. For the purposes of this section, the initial balance of the Fund shall be defined as fifty-two million dollars ($52,000,000).

…."

SECTION 38.3.(a1) G.S. 147-69.2A is repealed.

SECTION 38.3.(b) Part 3 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Section 38.1 of this act, reads as rewritten:

"Part 3. Reports and Audits.

"**§ 147-69.8. Annual report on new investment authority.**

Whenever the General Assembly broadens the investment authority of the ~~State Treasurer~~ Investment Authority as to the General Fund, the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, or any idle funds, the ~~State Treasurer~~ Investment Authority shall annually report in detail to the General Assembly the investments made under such new authority, including the returns on those investments, earnings, changes to value, and gains and losses in disposition of such investments. The report shall be made no later than the first six months of each calendar year, covering performance in the prior fiscal year. As to each type of new investment authority, the report shall be made for at least four years. To the extent the information required by this section is also required in the reports under G.S. 147-69.12, the ~~State Treasurer~~ Investment Authority may combine reports or make cross-reference to those reports.

"**§ 147-69.9. Third-party audit of State Treasurer's investments.**

(a) In addition to all other audits and reports required by the law, the State ~~Treasurer~~ Treasurer, with the active assistance of the Investment Authority, shall prepare and issue, at the end of each fiscal ~~year beginning with the 2015-2016 fiscal year,~~ year, a set of consolidated stand-alone financial statements regarding investments authorized in G.S. 147-69.1 and G.S. 147-69.2. These financial statements shall be audited by a commercial independent third-party audit firm selected and engaged by the State ~~Treasurer.~~ Treasurer, in consultation with the Investment Authority. The audit firm's report and the financial statement shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representative Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within six months after the closing of the reporting period.

(b) The management discussion and analysis section of the report accompanying the financial statements shall be prepared by the Investment Authority and shall include a discussion of the investment programs' risk and returns compared to benchmarks, total management fees and incentives paid, and comparison to peer cost benchmarks.

"**§ 147-69.10. Investment policies and performance reviews of Retirement Systems investment programs.**

(a) On at least a biennial basis, the ~~State Treasurer~~ Chief Investment Officer shall present an investment policy statement to the ~~Investment Advisory Committee~~ Board of Directors for ~~the Committee's consultation.~~ approval. The investment policy statement must include descriptions of investment objectives and strategy, roles and responsibilities, permissible asset classes, asset allocation targets and ranges, risk management and compliance guidelines, and evaluation criteria necessary to measure investment performance.

(b) At least once every four years, the ~~State Treasurer~~ Investment Authority shall engage a commercial independent expert firm, pursuant to ~~G.S. 147-69.3(g),~~ G.S. 147-71.2(c), to evaluate the governance, operations, and investment practices of the ~~State Treasurer~~ Investment Authority in order to develop recommendations for improvement. ~~The State Treasurer must consult with the Investment Advisory Committee to develop the scope of the evaluation.~~ The report of the independent expert firm shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within 30 days of receipt.

"**§ 147-69.12. Reporting on the ~~State Treasurer's~~ Investment Authority's investment programs.**

~~(a) No later than the tenth day of February, May, August, and November of each year, the State Treasurer shall report on all investments for which the State Treasurer is in any way~~

~~responsible, including investments made from the Escheat Fund and return on investment as provided in G.S. 147-69.2A. This report shall be made for the Escheat Fund in lieu of the report required by G.S. 147-69.8. The State Treasurer's quarterly report shall include each of the following:~~

~~(1) A specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the State in the management of the Retirement Systems defined in G.S. 147-69.2(b)(8). In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of G.S. 147-69.2 increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement Systems as of the prior fiscal year end, then the quarterly report provided shall describe how that increase complies with the duties described in G.S. 147-69.7 and the consequent expected impact on the risk profile of the Retirement Systems' assets.~~

~~(2) A specific listing of all investments made with certified green managers and companies and funds that support sustainable practices, including the names of the companies, managers, and funds, the amount invested, and the State's return on investment.~~

~~(3) For bank balances:~~

~~a. The State's total bank balance with the State Treasurer, including the amount of cash on hand and money on deposit.~~

~~b. For each bank or other qualified depository utilized by the State Treasurer to hold cash balances, (i) the name of each depository and (ii) current quarter-end cash balances.~~

~~(4) For the State Treasurer's cash management programs:~~

~~a. Total assets.~~

~~b. Duration of investments.~~

~~c. Rate of return, including a comparison to an appropriate benchmark, if available.~~

~~(5) For the Retirement Systems, as defined in G.S. 147-69.2(b)(8), reported separately for each asset class authorized by G.S. 147-69.2(b):~~

~~a. Total assets.~~

~~b. Rate of return, including a comparison to an appropriate benchmark, if available.~~

~~c. Percentage of the total assets that are invested in the asset class and the limitation, if any, on the percentage under G.S. 147-69.2(b).~~

~~(6) For each investment program created under G.S. 147-69.3:~~

~~a. The financial condition of each investment program.~~

~~b. A full and complete statement of all moneys invested by virtue of the provisions of G.S. 147-69.1 and G.S. 147-69.2.~~

~~c. The nature and character of the investments.~~

~~d. The revenues derived from the investments, net of fees and expenses.~~

~~e. The costs of administering, managing, and operating the investment programs, including the recapture of any investment commissions.~~

~~f. The location on the State Treasurer's Web site where the public may find a statement of the investment policies for the revenues invested.~~

~~g. Any other information that may be helpful in understanding the State Treasurer's investment policies, investment practices, and investment results.~~

~~h. Any other information requested by the House of Representatives and Senate Finance Committees.~~

~~i. The location on the State Treasurer's Web site where the public may find a list of new commitments to external investment managers.~~

~~j. The location on the State Treasurer's Web site where the public may find information on the use of placement agents by investment managers.~~

~~(7) For all other investments with or on behalf of the State or any of its agencies or institutions:~~

~~a. The particular agency or institution, fund, rate of return, and duration of the investment.~~

~~b. The amount of deposit on all noninterest bearing accounts.~~

(a1) On a monthly basis, the Investment Authority shall report on the performance of all investments for which the Investment Authority is in any way responsible. The monthly report shall include all of the following information:

(1) The beginning and ending market value of each investment program and deposits or withdrawals.

(2) The rate of return, net of all fees, and expenses for various time periods, including comparisons to an appropriate benchmark, if available. For the Retirement Systems' investment program, asset class level information shall also be provided.

(3) The asset allocation of each investment program and compliance with any statutory limitations or limitations set by the Board of Directors.

(4) All of the following information for each investment program:

a. The location on the Investment Authority's website where the public may find a statement of the investment policies.

b. The location on the Department's or Investment Authority's website where the public may find a list of new commitments to external investment managers and on the use of placement agents by investment managers.

c. Any other information that may be helpful in understanding the Investment Authority's investment policies, investment practices, and investment results.

(b) No later than the date set by G.S. 147-69.9 for the submission of consolidated stand-alone financial statements, the ~~State Treasurer~~ Investment Authority shall report annually on the fees and performance of all externally and internally managed investments for the Retirement ~~Systems defined in G.S. 147-69.2(b)(8).~~ Systems. Externally managed investments shall be reported on the basis of each investment vehicle or investment manager, as applicable. Internally managed investments shall be reported on a portfolio-by-portfolio basis. The ~~State Treasurer's~~ Investment Authority's annual report shall include all of the following, as applicable, reported separately for each investment:

(1) The name, commitment amount, statutory classification, and inception year.

(2) Either a statement that the investment is managed internally by the staff of the ~~State Treasurer~~ Investment Authority or the names of the external investment manager and the investment vehicle for that investment.

(3) ~~Value~~ The value of the investment.

(4) ~~Dollar~~ The dollar amount of the management fees and incentive fees.

(5) For ~~investment-grade fixed income or public equity investments,~~ public market investment manager accounts, the periodic net annualized time-weighted rate of return for that fiscal year and since inception, reported net of fees.

(6) For all investments other than ~~investment-grade fixed income or public equity investments,~~ public market investment manager accounts, all of the following:
a. The net annualized internal rate of return and investment multiple since inception, reported net of fees.
b. The total cash contributions or other investments ~~made by the State Treasurer.~~made.
c. The total distribution received ~~by the State Treasurer~~ with respect to that investment since inception, reported net of fees.

~~(7) For any fund-of-funds investment vehicles, the aggregate management fees and incentive fees for the underlying investment managers or investment vehicles used by the external investment manager.~~

(8) If any placement agent fees relating to the investment were directly or indirectly borne by the ~~State Treasurer~~ Investment Authority or Retirement Systems, a list of the amount and type of those fees.

(c) The Treasurer shall report to the Governor annually the exact balance in the treasury to the credit of the State, with a summary of the receipts and payments of the treasury during the preceding fiscal year, and so far as practicable an account of the same down to the termination of the current calendar year.

(d) The reports required by this section shall be delivered to the Joint Legislative Commission on Governmental Operations, chairs of the House of Representatives and Senate Appropriations Committees, chairs of the House of Representative and Senate Finance Committees, Fiscal Research Division, Governor, Council of State, and State Auditor. The reports shall also be made available for public ~~review, including by posting on the State Treasurer's Web site.~~

~~A copy of a report on any State Treasurer investment program shall be sent to~~ review by the official, institution, board, commission, or other agency investing in ~~that program.~~the programs, including by posting on the Investment Authority's website."

SECTION 38.3.(c) G.S. 147-70.6, as created by Section 38.1 of this act, reads as rewritten:

"**§ 147-70.6. Discharge of duties to funds.**

(a) The ~~State Treasurer~~ Investment Authority, including the Board of Directors, shall discharge ~~his or her~~ all duties with respect to each fund or investment program held by the Investment Authority to the credit of the State Treasurer, including each of the ~~funds,~~ funds enumerated in ~~G.S. 147-69.2 as follows:~~G.S. 147-69.1 and G.S. 147-69.2, in all of the following manners:

(1) Solely in the interest of the intended beneficiaries of the fund, if any.
(2) For the exclusive purpose of carrying out the purpose of the fund, including providing benefits to participants and beneficiaries, and paying reasonable expenses of administering the fund.
(3) With the care, skill, and caution that a prudent investor would use after considering the purposes, distribution requirements, and other circumstances then prevailing.
(4) Impartially, taking into account any differing interests of participants and beneficiaries.
(5) Incurring only costs that are appropriate and reasonable.
(6) In accordance with a good-faith interpretation of the provisions of G.S. 147-69.2 and any other applicable law governing the fund.

(b) In investing and managing assets of ~~the~~ any fund or investment program pursuant to subsection (a) of this section, the ~~State Treasurer:~~Investment Authority shall do all of the following:

(1) ~~Shall consider~~ Consider all of the following circumstances:

a. General economic conditions.
b. The possible effect of inflation or deflation.
c. The role that each investment or course of action plays within the overall portfolio of the fund.
d. The expected total return from income and the appreciation of capital.
e. Needs for liquidity, regularity of income, and preservation or appreciation of capital.
f. With respect to the Retirement Systems ~~defined in G.S. 147-69.2(b)(8)~~ and any other pension plans, the adequacy of funding for the Retirement Systems or other pension plan based on reasonable actuarial factors.
g. The purpose of the fund, if established.

(2) ~~Shall diversify~~ Diversify the investments of the ~~fund~~ fund, unless the ~~State Treasurer~~ Investment Authority reasonably determines that, because of special circumstances, including applicable investment restrictions, it is clearly prudent not to do so.

(3) ~~Shall make~~ Make a reasonable effort to verify facts relevant to the investment and management of assets of the funds.

~~(4) Shall invest only in those investments authorized by law consistent with the provisions of Article 6 of Chapter 146 of the General Statutes.~~

(5) ~~Shall, in~~ In the evaluation of an investment, or in the evaluation or exercise of any right appurtenant to an investment, consider only pecuniary ~~factors:~~factors as follows:

a. For the purposes of this section, a pecuniary factor is a factor that has a material effect on the financial risk or financial return of an investment based on appropriate investment horizons consistent with the purpose of the fund, if established.
b. Environmental or social considerations are pecuniary factors only if they present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories. The weight given to those factors shall solely reflect a prudent assessment of their impact on risk and return.

~~(6) May,~~

(b1) In investing and managing assets of any fund or investment program pursuant to subsection (a) of this section, the Investment Authority may, in the evaluation or exercise of any right appurtenant to an investment, reasonably conclude that not exercising ~~such a~~ that right is in the best interest of the fund's beneficiaries.

(c) Compliance by the ~~State Treasurer~~ Investment Authority with this section must be determined in light of the facts and circumstances existing at the time of the ~~Treasurer's~~ Investment Authority's decision or action and not by hindsight.

(d) The ~~State Treasurer's~~ Investment Authority's investment and management decisions must be evaluated not in isolation but in the context of the portfolio of the fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund.

(e) Notwithstanding any ~~of the foregoing, the State Treasurer~~ other provision of this section to the contrary, the Investment Authority shall have no duty to assist or advise any official, board, commission, local government, other public authority, school administrative unit, local ABC board, community college of the State, or other person, trust, agency, institution, or entity in connection with any of the following decisions and directions with respect to any funds

to be deposited with the State Treasurer and invested by the ~~State Treasurer:~~Investment Authority.

(1) The voluntary decision to deposit or withdraw funds in accordance with applicable law in one or more of the ~~State Treasurer's~~ Investment Authority's investment programs.

(2) The voluntary direction as to the allocation of deposited funds in accordance with applicable law among the ~~State Treasurer's~~ Investment Authority's investment programs.

(3) Any other decision or direction by which the depositor exercises control over assets deposited or to be deposited with the State Treasurer or the Investment Authority in accordance with applicable law."

SECTION 38.3.(d) G.S. 147-71.2(a), as enacted by Section 38.2(b) of this act, is amended by adding a new subdivision to read:

"(6) The Board of Directors has the following liquidity monitoring duties:

a. Upon the quarterly receipt of liquidity monitoring requirements from the Chief Investment Officer, the Board of Directors shall ensure that a portion of the Retirement Systems' invested assets are at all times available to be converted in an orderly fashion to cash proceeds sufficient to meet projected net benefit payments and highly probable contractual obligations.

b. The Board of Directors shall annually certify the allocation of illiquid investment.

c. If the Board of Directors determines that liquidity is insufficient, then the Board of Directors may direct the CIO to pause new contractual commitments to illiquid investments or implement other mitigation activities."

SECTION 38.3.(e) G.S. 147-72.1, as enacted by Section 38.2(b) of this act, is amended by adding a new subsection to read:

"(e) Management of Retirement Systems Investments. – The Chief Investment Officer shall manage the Retirement Systems investments to remain within the approved absolute risk operating range set by the Board of Directors in accordance with G.S. 147-71.2(a)(4)."

SECTION 38.3.(f) Rules adopted by the State Treasurer in effect as of December 31, 2025, and that are impacted by the change in authority under this section shall remain in effect until amended by the Investment Authority, amended by law, or repealed.

SECTION 38.3.(g) G.S. 128-29(c) reads as rewritten:

"(c) Custodian of Funds. – The State Treasurer shall be the custodian of the several funds and shall deposit these funds with the Investment Authority to invest ~~their~~ these assets in accordance with ~~the provisions of G.S. 147-69.2 and 147-69.3.~~ Article 6 of Chapter 147 of the General Statutes. All payments from said funds shall be made by ~~him~~ the State Treasurer only upon vouchers signed by two persons designated by the Board of Trustees. The secretary of the Board of Trustees shall furnish said Board a surety bond in a company authorized to do business in North Carolina in such amount as shall be required by the Board, the premium to be paid from the expense fund."

SECTION 38.3.(h) G.S. 135-7(c) reads as rewritten:

"(c) Custodian of Funds; Disbursements; Bond of Director. – The State Treasurer shall be the custodian of the several funds and shall deposit these funds with the Investment Authority to invest ~~their~~ these assets in accordance with ~~the provisions of G.S. 147-69.2 and 147-69.3.~~Article 6 of Chapter 147 of the General Statutes."

SECTION 38.3.(i) The State Treasurer shall examine the feasibility of allowing members of the Supplemental Retirement Income Plan and members of the 457(b) Deferred Compensation Plan to elect to invest in digital assets, as defined in G.S. 147-69.2E enacted under

subsection (a) of this section, which are held as exchange-traded products. If the State Treasurer determines this investment election is appropriate and, after reviewing the Treasurer's findings, the Supplemental Retirement Board of Trustees (Board) agrees, then the Treasurer and Board may adopt rules to implement allowing State employees to elect to invest in digital assets, including all of the following:

(1) Identification of appropriate investment vehicles.

(2) After determining whether a maximum contribution allowable for members of the Supplemental Retirement Income Plan and members of the 457(b) Deferred Compensation Plan should be established, the amount of that maximum contribution.

(3) Educational materials to inform State employees about digital asset basics and digital asset investment risks.

(4) Any other rules the Treasurer deems necessary.

SECTION 38.3.(j) In cooperation with the State Treasurer, the State Bureau of Investigation, local law enforcement agencies, and other statewide law enforcement agencies, shall study the feasibility of establishing the North Carolina Digital Asset Reserve (Reserve), with the purpose of retaining digital assets seized and forfeited to the State. The study shall include at least the following:

(1) The State agency or department best suited to administer the Reserve.

(2) The best method to hold assets in the Reserve.

(3) The process for placing seized or forfeited assets in the Reserve.

(4) The best method to time sales from the Reserve to maximize revenue to the Civil Penalty and Forfeiture Fund and benefit local boards of education.

(5) Any other issues the stakeholders deem necessary.

The State Bureau of Investigation shall report the results of this study, including proposed legislation to create, implement, and administer the Reserve, to the Joint Legislative Oversight Committee on General Government no later than March 1, 2026.

SECTION 38.3.(k) Subsections (i) and (j) of this section are effective when this act becomes law. The remainder of this section is effective January 1, 2026.

PART XXXVIII-A. OCCUPATIONAL LICENSING BOARDS

REQUIRE LICENSURE OF EDUCATIONAL INTERPRETERS AND TRANSLITERATORS

SECTION 38A.1.(a) G.S. 90D-3 reads as rewritten:

"**§ 90D-3. Definitions.**

The following definitions apply in this Chapter:

…

(3) Educational interpreter or <u>educational</u> transliterator. – A person who provides accessible communication, using the most understandable language model, to individuals in prekindergarten through grade 12 or in any institution of higher education.

(4) Interpreter. – A person who practices the act of interpreting as defined in this section. <u>The term includes an educational interpreter as defined in subdivision (3) of this section.</u>

…

(9) Transliterator. – A person who practices the art of transliterating as defined in this section. <u>The term includes an educational transliterator as defined in subdivision (3) of this section.</u>"

SECTION 38A.1.(b) G.S. 90D-4(b) reads as rewritten:

"(b) The provisions of this Chapter do not apply to:

…

~~(5) Educational interpreters or transliterators.~~

…."

SECTION 38A.1.(c) G.S. 90D-7 reads as rewritten:

"**§ 90D-7. Requirements for licensure.**

(a) Upon application to the Board and the payment of the required fees, an applicant may be licensed as an interpreter or transliterator if the applicant meets all of the following qualifications:

(1) Is 18 years of age or older.

(2) Is of good moral character as determined by the Board.

(3) Meets one of the following criteria:

a. Repealed by Session Laws 2023-137, s. 45(a), effective December 1, 2023, and applicable to licenses and provisional licenses issued or renewed by the North Carolina Interpreter and Transliterator Licensing Board after that date.

b. Is nationally certified by the Registry of Interpreters for the Deaf, Inc., (RID), or another nationally recognized body that issues certificates or assessments for interpreting approved by the Board by rule.

c. Holds a valid Testing, Evaluation and Certification Unit, Inc., (TECUnit) national certification in cued language transliteration.

d. Repealed by Session Laws 2023-137, s. 45(a), effective December 1, 2023, and applicable to licenses and provisional licenses issued or renewed by the North Carolina Interpreter and Transliterator Licensing Board after that date.

e. Holds a current Cued Language Transliterator State Level Assessment (CLTSLA) level 3 or above classification.

f. Holds a current Educational Interpreter Performance Assessment (EIPA) level 4.0 or above classification and passed the EIPA written test.

(b) Repealed by Session Laws 2014-115, s. 42(b), effective August 11, 2014.

(c) The Department of Public Safety may provide a criminal record check to the Board for a person who has applied for a new, provisional, or renewal license through the Board. The Board shall provide to the Department of Public Safety, along with the request, the fingerprints of the applicant, any additional information required by the Department of Public Safety, and a form signed by the applicant consenting to the check of the criminal record and to the use of the fingerprints and other identifying information required by the State or national repositories. The applicant's fingerprints shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of the fingerprints to the Federal Bureau of Investigation for a national criminal history check. The Board shall keep all information pursuant to this subdivision privileged, in accordance with applicable State law and federal guidelines, and the information shall be confidential and shall not be a public record under Chapter 132 of the General Statutes.

The Department of Public Safety may charge each applicant a fee for conducting the checks of criminal history records authorized by this subsection."

SECTION 38A.1.(d) G.S. 90D-8 reads as rewritten:

"**§ 90D-8. Provisional license.**

(a) Upon application to the Board and the payment of the required fees, an applicant may be issued a one-time provisional license as an interpreter or transliterator if the applicant meets all of the following qualifications:

(1) Is at least 18 years of age.

(2) Is of good moral character as determined by the Board.

(3) Completes two continuing education units approved by the Board. These units must be completed for each renewable year.

(4) Holds at least a two-year associate degree in interpreting from an accredited institution and satisfies one of the following:

a. Holds a quality assurance North Carolina Interpreter Classification System (NCICS) level C classification.

b. Holds a valid National Association of the Deaf (NAD) level 2 or 3 certification.

c. Holds a current Educational Interpreter Performance Assessment (EIPA) level 3.5 or above ~~classification.~~classification and passed the EIPA written test.

d. Repealed by Session Laws 2005-299, s. 2, effective August 22, 2005.

e. Repealed by Session Laws 2023-137, s. 45(b), effective October 10, 2023.

f. Holds any other certificate or assessment issued by a nationally recognized body approved by the Board by rule.

(a1) Upon application to the Board, payment of the required fees, and meeting the requirements for a provisional license under subdivisions (1) and (2) of subsection (a) of this section, the Board may also issue a provisional license to any of the following categories of persons seeking a provisional license:

(1) A deaf interpreter who completes 16 hours of training in interpreting coursework or workshops, including role and function or ethics, and 20 hours in the 12 months immediately preceding the date of application in the provision of interpreting services.

(2) An oral interpreter who completes a total of 40 hours of training in interpreting coursework or workshops related to oral interpreting.

(3) A cued language transliterator who holds a current TECUnit Cued Language Transliterator State Level Assessment (CLTSLA) level 2 or above classification.

(4) A person providing interpreting or transliterating services who has a recognized credential from another state in the field of interpreting or transliterating.

(5) An interpreter or transliterator who ~~has~~ meets both of the following:

a. Has accumulated 200 hours per year in the provision of interpreting or transliterating services, in this State or another state, totaling 400 hours for the two years immediately preceding the date of application. An applicant must provide documentation of hours when applying for a provisional license under this category, subject to verification by the Board.

b. Holds any certificate or assessment issued by a nationally recognized body approved by the Board by rule.

(b) A provisional license issued under this section shall be valid for one year. Upon expiration, a provisional license may be renewed for an additional one-year period in the discretion of the Board. However, a provisional license shall not be renewed more than ~~three~~ two times. The Board may, in its discretion, grant an extension after the ~~third~~ second time the provisional license has been renewed under circumstances to be established in rules adopted by the Board.

(c) Repealed by Session Laws 2014-115, s. 42(b), effective August 11, 2014."

SECTION 38A.1.(e) G.S. 115C-110.2 reads as rewritten:

"**§ 115C-110.2. Interpreters/transliterators.**

Each interpreter or transliterator employed by a local educational agency to provide services to hearing-impaired students must annually complete 15 hours of job-related training that has been approved by the local educational agency. Continuing education hours completed in compliance with licensure renewal requirements adopted by the North Carolina Interpreter and Transliterator Licensing Board pursuant to G.S. 90D-11 may be applied toward the 15 hours of job-related training, to the extent those hours are relevant to the interpreter's or transliterator's job-based duties and approved by the local educational agency."

SECTION 38A.1.(f) For an educational interpreter or educational transliterator who was issued a provisional license pursuant to G.S. 90D-8 and the provisional license expired prior to the effective date of this section, if the educational interpreter or educational transliterator continues to qualify for a provisional license pursuant to G.S. 90D-8, as amended by subsection (d) of this section, then the North Carolina Interpreter and Transliterator Licensing Board shall issue a new initial provisional license upon application to the Board and the payment of the required fee for a provisional license. Notwithstanding G.S. 90D-8(b), the Board shall not grant an extension after a second renewal to a provisional license issued pursuant to this section.

SECTION 38A.1.(g) Subsection (f) of this section expires on September 30, 2027.

SECTION 38A.1.(h) The North Carolina Interpreter and Transliterator Licensing Board and the State Board of Education may adopt rules to implement the provisions of this section.

SECTION 38A.1.(i) This section becomes effective October 1, 2026.

MODIFY THE LAWS OF MARRIAGE AND FAMILY THERAPY LICENSURE

SECTION 38A.2.(a) G.S. 90-270.56 reads as rewritten:

"**§ 90-270.56. Reciprocal licenses.**

The Board ~~may~~ shall issue a license as a marriage and family therapist ~~or a marriage and family therapy associate~~ by reciprocity to any person who applies for the license as prescribed by the Board and who at all times during the application process:

(1) Has been licensed and actively practicing for ~~five~~ at least two continuous years and is currently licensed as a marriage and family therapist ~~or marriage and family therapy associate~~ in another state.

(2) Has an unrestricted license in good standing in the other state.

(3) Has no unresolved complaints in any jurisdiction.

(4) Has passed the National Marriage and Family Therapy ~~examination.~~examination or the clinical examination required by the licensing board that regulates marriage and family therapy in the State of California."

SECTION 38A.2.(b) G.S. 90-270.63 reads as rewritten:

"**§ 90-270.63. Criminal history record checks of applicants for licensure as a marriage and family therapist and a marriage and family therapy associate.**

(a) Definitions. – The following definitions shall apply in this section:

(1) Applicant. – A person applying for licensure as a licensed marriage and family therapy associate pursuant to G.S. 90-270.54A or licensed marriage and family therapist pursuant to ~~G.S. 90-270.54.~~G.S. 90-270.54 or G.S. 90-270.56.

…."

SECTION 38A.2.(c) The North Carolina Marriage and Family Therapy Licensure Board may adopt rules to implement the provisions of this section.

SECTION 38A.2.(d) This section becomes effective October 1, 2025, and applies to applications for licensure on or after that date.

PART XXXIX. GENERAL GOVERNMENT – MISCELLANEOUS

STATE SYMBOLS AND OTHER OFFICIAL ADOPTIONS

SECTION 39.1.(a) Chapter 145 of the General Statutes is amended by adding the following new sections to read:

"**§ 145-52. Official State cookie.**

The Moravian cookie is adopted as the official cookie of the State of North Carolina.

"**§ 145-53. State star.**

The Moravian star is adopted as the official star of the State of North Carolina.

"**§ 145-54. State television show.**

"The Andy Griffith Show" is adopted as the official television show of the State of North Carolina.

"**§ 145-55. State balloon rally.**

The Carolina BalloonFest, held in October of every year in the City of Statesville, is adopted as the official balloon rally of the State of North Carolina.

"**§ 145-56. State veterans history museum.**

The Veterans History Museum of the Carolinas, located in Transylvania County, is adopted as the official Veterans History Museum of the State of North Carolina.

"**§ 145-57. State rice festival.**

The North Carolina Rice Festival held the first weekend in March of every year at the Brunswick Town State Historic Site in the community of Winnabow is adopted as the official rice festival of the State of North Carolina.

"**§ 145-58. State saltwater reptile.**

The loggerhead sea turtle (Caretta caretta) is adopted as the official saltwater reptile of the State of North Carolina.

"**§ 145-59. Official Fried Apple Pie Festival.**

The Fried Apple Pie Festival, held the first Saturday in the month of May of every year in the Town of Sparta, is adopted as the official Fried Apple Pie Festival of the State of North Carolina."

SECTION 39.1.(b) This section is effective when it becomes law.

PART XL. INFORMATION TECHNOLOGY

BROADBAND FUND FLEXIBILITY

SECTION 40.1.(a) G.S. 143B-1373.2 is repealed.

SECTION 40.1.(b) G.S. 143B-1374 is repealed.

SECTION 40.1.(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 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 will deploy installation materials 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 40.1.(d) For the purposes 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 40.1.(e) The Department of Information Technology may provide emergency funding to communications services providers to rebuild, repair, or replace broadband

infrastructure damaged by Hurricane Helene, including 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 recovery 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 40.1.(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 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 40.1.(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 of this ~~act, so long as the total allocations for the programs remain the same.~~act."

SECTION 40.1.(h) The Department of Information Technology, working with the North Carolina Pandemic Recovery Office in the Office of State Budget and Management, shall ensure that all federal laws, regulations, and guidance, including reporting requirements, are followed in the reallocation of funding between projects funded with federal State Fiscal Recovery Funds described in this section.

SECTION 40.1.(i) Subsection (c) of this section becomes effective June 30, 2025, and the remainder of this section becomes effective July 1, 2025.

CHANGES TO THE BROADBAND POLE REPLACEMENT PROGRAM

SECTION 40.2.(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.~~ 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.~~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.~~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 40.2.(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.

DATA ANALYTICS POSITIONS REPORT

SECTION 40.3. On or before March 1, 2026, the Department of Information Technology shall submit a report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the five analytics and data interpretation positions provided in S.L. 2021-180, including how the positions have assisted in the building of capacity across State government and management of resources more effectively, and a list of projects initiated or completed for each affected State agency.

DIT RATE INCREASES/INTERNAL SERVICE FUND

SECTION 40.4.(a) For any increases to rates charged to State agencies during the 2025-2027 fiscal biennium, the Department of Information Technology shall give agencies a credit from funds available in the Internal Service Fund (Code 74660) in an amount equal to the estimated amount of increase relative to the rates assessed during the 2024-2025 fiscal year.

SECTION 40.4.(b) Section 38.1A of S.L. 2023-134 reads as rewritten:

"**SECTION 38.1A.** The Department of Information Technology shall include in the rates submitted pursuant to G.S. 143B-1333 an additional amount not exceeding three million five hundred fifty thousand dollars ($3,550,000) for each year of the 2023-2025 and 2025-2027 fiscal ~~biennium~~ bienniums to be charged to agencies for the Security Operations Center and Privacy Office Support. The rates shall not include and agencies shall not be charged the one million one hundred twenty-six thousand dollars ($1,126,000) requested for other positions within the Department."

FUNDS FOR REGIONAL BROADBAND REPAIRS AND REDUNDANCY

SECTION 40.5.(a) Notwithstanding any provision of G.S. 143B-1373 or any other provision of law to the contrary, from funds available in the Growing Rural Economies with Access to Technology fund, established in G.S. 143B-1373(b), the Department of Information Technology shall provide thirteen million nine hundred nineteen thousand three hundred thirty dollars ($13,919,330) in the form of a grant to MCNC, a nonprofit organization, for projects to repair and establish regional redundancy to fiber networks impacted in the western part of the State in the Pisgah and Nantahala National Forests that have an estimated completion later than December 31, 2026.

SECTION 40.5.(b) From funds available in the Broadband Make Ready Accelerator appropriation in S.L. 2021-180, the Department of Information Technology shall provide twenty-nine million four hundred ninety-two thousand two hundred eighty-eight dollars ($29,492,288) in the form of a grant to MCNC, a nonprofit organization, for the projects to rebuild and reinforce fiber networks impacted in the western part of the State and that are likely to be completed before December 31, 2026.

LONGITUDINAL DATA SYSTEM CHANGES

SECTION 40.6. Chapter 116E of the General Statutes reads as rewritten:

"**Chapter 116E.**

"**~~Education~~ North Carolina Longitudinal Data System.**

"**§ 116E-1. Definitions.**

(1) ~~"Center" means the~~ Center. – The Governmental Data Analytics Center as established in Part 8 of Article 15 of Chapter 143B of the General Statutes.

(1a) CJIS. – The federal Criminal Justice Information Systems in 28 C.F.R. Part 20.

(2) ~~"De-identified data" means a~~ De-identified data. – A data set in which parent and student identity information, including the unique student identifier and student social security number, has been removed.

(3) ~~"FERPA" means the~~ FERPA. – The federal Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g.

(3a) HIPAA. – The federal Health Insurance Portability and Accountability Act of 1996.

(3b) IDEA. – The federal Individuals with Disabilities Education Act, 20 U.S.C. §§ 1400, et seq.

(3c) Public school. – As defined in G.S. 115C-5(7a).

(4) ~~"Student data" means data~~ Student data. – Data relating to student performance. Student data includes State and national assessments, course enrollment and completion, grade point average, remediation, retention, degree, diploma or credential attainment, enrollment, discipline records, and demographic data. Student data does not include juvenile delinquency records, criminal records, and medical and health records.

(5) ~~"System" means the~~ System. – The North Carolina Longitudinal Data ~~System.~~System, including components referred to as the North Carolina Longitudinal Data Service.

(6) ~~"Unique Student Identifier" or "UID" means the~~ Unique Student Identifier or UID. – The identifier assigned to each student by one of the following:

a. A ~~local school administrative unit~~ public school based on the identifier system developed by the Department of Public Instruction.

b. An institution of higher education, nonpublic school, or other State agency operating or overseeing an educational program, if the student has not been assigned an identifier by a ~~local school administrative unit.~~public school.

(7) ~~"Workforce data" means data~~ Workforce data. – Data relating to employment status, wage information, geographic location of employment, and employer information.

"**§ 116E-2. Purpose of the North Carolina Longitudinal Data System.**

~~(a)~~ The North Carolina Longitudinal Data System is a statewide data system that contains individual-level student data and workforce data from all levels of education and the State's workforce. The purpose of the System is to do the following:

(1) Facilitate and enable the exchange of student data among agencies and institutions within the State.

(2) Generate timely and accurate information about student performance that can be used to improve the State's education system and guide decision makers at all levels.

(3) Facilitate and enable the linkage of student data and workforce data.

~~(b) The linkage of student data and workforce data for the purposes of the System shall be limited to no longer than five years from the later of the date of the student's completion of secondary education or the date of the student's latest attendance at an institution of higher education in the State.~~

…

"**§ 116E-4. Powers and duties of the Center.**

(a) The Center shall have the following powers and duties with respect to the System:

…

(4) Before the use of any individual data in the System, the Center shall do the following:

a. Create and publish an inventory of the ~~individual student~~ data proposed to be accessible in the ~~System and required to be reported by State and federal education mandates.~~System.

b. Develop and implement policies to comply with ~~FERPA~~ FERPA, IDEA, HIPAA, CJIS, the Internal Revenue Code, and any other privacy ~~measures,~~ measures relevant to data available to the System, as required by law or the Center.

c. Develop a detailed data security and safeguarding plan that includes the following:

1. Authorized access and authentication for authorized access.
2. Privacy compliance standards.
3. Privacy and security audits.
4. Breach notification and procedures.
5. Data retention and disposition policies.

(5) Oversee routine and ongoing compliance with ~~FERPA~~ FERPA, IDEA, HIPAA, CJIS, the Internal Revenue Code, and other relevant privacy laws and policies.

(6) Ensure that any contracts that govern databases that are outsourced to private vendors include express provisions that safeguard privacy and security and include penalties for noncompliance.

~~(7) Designate a standard and compliance time line for electronic transcripts that includes the use of UID to ensure the uniform and efficient transfer of student data between local school administrative units and institutions of higher education.~~

(8) Review research requirements and set policies for the approval of data requests from State and local agencies, the General Assembly, and the public.

(9) Establish an advisory committee on data quality to advise the Center on issues related to data auditing and tracking to ensure data validity.

(b) The Center shall adopt rules according to Chapter 150B of the General Statutes as provided in G.S. 116E-6 to implement the provisions of this Article.

(c) The Center shall report annually to the Joint Legislative Education Oversight Committee, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Information Technology beginning July 1, 2019. The report shall include the following:

(1) An update on the implementation of the System's activities.

(2) Any proposed or planned expansion of System data.

(3) Any other recommendations made by the Center, including the most effective and efficient configuration for the System.

"**§ 116E-5. North Carolina Longitudinal Data System.**

(a) There is created the North Carolina Longitudinal Data System. The System shall be located administratively within the Department of ~~Public Instruction but shall exercise its powers and duties independently of the Department of Public Instruction and the State Board of Education.~~Information Technology.

(b) The System shall allow users to do the following:

(1) Effectively organize, manage, disaggregate, and analyze individual student and workforce data.

(2) Examine student progress and outcomes over time, including preparation for postsecondary education and the workforce.

(c) The System shall be considered an authorized representative of the Department of Public Instruction, The University of North Carolina, and the North Carolina System of Community Colleges under applicable federal and State statutes for purposes of accessing and compiling student record data for research purposes.

(d) The System shall perform the following functions and duties:

(1) Serve as a data broker for the System, including data maintained by the following:

a. The Department of Public Instruction.

b. Local boards of education, ~~local school administrative units,~~ public schools, and charter schools.

c. The University of North Carolina and its constituent institutions.

d. The Community Colleges System Office and local community colleges.

e. The North Carolina Independent College and Universities, Inc., and private colleges or universities.

f. Nonpublic schools serving elementary and secondary students.

g. The Department of ~~Commerce, Division of Employment Security.~~Commerce.

h. The Department of Revenue.

i. The Department of Health and Human Services.

j. The Department of Labor.

(2) Ensure routine and ongoing compliance with FERPA, IDEA, HIPAA, CJIS, the Internal Revenue Code, and other relevant privacy laws and policies, including the following:

a. The required use of de-identified data in data research and reporting.

b. The required disposition of information that is no longer needed.

c. Providing data security, including the capacity for audit trails.

d. Providing for performance of regular audits for compliance with data privacy and security standards.

e. Implementing guidelines and policies that prevent the reporting of other potentially identifying data.

(3) Facilitate information and data requests for State and federal education reporting with existing State agencies as appropriate.

(4) Facilitate approved public information requests.

(5) Develop a process for obtaining information and data requested by the General Assembly and Governor of current de-identified data and research.

(e) Use of data accessible through the System shall be regulated in the following ways:

(1) Direct access to data shall be restricted to authorized staff of the System.

(2) Only de-identified data shall be used in the analysis, research, and reporting conducted by the System.

(3) The System and recipients of data in fulfillment of approved data requests shall only use ~~aggregate~~ aggregated data in ~~the release of data in reports and in response to data requests.~~public reports.

(4) Data that may be identifiable based on the size or uniqueness of the population under consideration shall not be reported in any form by the System.

(5) The System shall not release information that may not be disclosed under FERPA, IDEA, HIPAA, CJIS, the Internal Revenue Code, and other relevant privacy laws and policies.

(6) Individual or personally identifiable data accessed through the System shall not be a public record under G.S. 132-1.

(f) The System may receive funding from the following sources:

(1) State appropriations.

(2) Grants or other assistance from ~~local school administrative units,~~ public schools, community colleges, constituent institutions of The University of North Carolina, or private colleges and universities.

(3) Federal grants.

(4) Any other grants or contributions from public or private entities received by the System.

(g) Ownership of all data collected and maintained by the System remains with the contributors to the System. Management and disclosure of data by the System does not change ownership of the data.

"**§ 116E-6. Data sharing.**

(a) ~~Local school administrative units,~~ Public schools, charter schools, community colleges, constituent institutions of The University of North Carolina, and State agencies shall do all of the following:

(1) Comply with the data requirements and implementation schedule for the System as set forth by the Center.

(2) Transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed by the Center under G.S. 116E-5.

(b) Private colleges and universities, the North Carolina Independent Colleges and Universities, Inc., and nonpublic schools may transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed under G.S. 116E-5.

(c) All data sharing supported by the System shall comply with all applicable federal and State data and data privacy laws and regulations."

MAKE PERMANENT HIGHWAY PATROL IT EXEMPTION AND EXTEND STATE BUREAU OF INVESTIGATION AND EMERGENCY MANAGEMENT IT PILOT

SECTION 40.7.(a) G.S. 143B-1320(b) reads as rewritten:

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

SECTION 40.7(b). Section 38.4 of Session Law 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:

(1) Information technology architecture and planning.
(2) Information technology personnel management.
(3) Information technology project management.
(4) Information technology purchasing and procurement decisions and methodologies.
(5) Hardware acquisition, configuration, implementation, and management.
(6) Software acquisition, configuration, implementation, and management.
(7) Data center locations, operations, and management.
(8) Network topology, operations, and management.
(9) System and data security, including disaster recovery planning.
(10) Reporting requirements.
(11) Any future transfers of information technology personnel, operations, projects, assets, and information technology budgets to the Department of Information Technology.

"**SECTION 38.4.(b)** This section expires on June 30, ~~2025.~~2027."

SECTION 40.7.(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.~~

b. Repealed by Session Laws 2024-57, s. 3E.1(v), effective December 11, 2024.

c. Division of Emergency Management.

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

PART XLI. SALARIES AND BENEFITS

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY INCREASE

SECTION 41.1.(a) Effective July 1, 2025, except as provided by subsection (b) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2025, is awarded a legislative salary increase in the 2025-2026 fiscal year, as follows:

(1) A cost-of-living adjustment in the amount of two and one-half percent (2.5%).

(2) Any other salary adjustment otherwise allowed or provided by law.

SECTION 41.1.(b) For the 2025-2027 fiscal biennium, the following persons are not eligible to receive the legislative salary increases provided by subsection (a) of this section:

(1) Employees of local boards of education.

(1a) Local community college employees.

(2) Employees of The University of North Carolina.

(3) Clerks of superior court compensated under G.S. 7A-101.

(4) Officers and employees to which Section 41.14 of this Part applies.

(5) Officers and employees to which Section 41.15 of this Part applies.

(5a) Officers and employees to which Section 41.15A of this Part applies.

(6) Officers and employees to which Section 41.16 of this Part applies.

(7) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the Department of Adult Correction, the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, the North Carolina School for the Deaf, and the State Board of Education who are paid based on the Teacher Salary Schedule.

SECTION 41.1.(c) Part-time employees shall receive the increases authorized by this section on a prorated and equitable basis.

SECTION 41.1.(d) No eligible State-funded employee shall be prohibited from receiving the full salary increases provided in this section solely because the employee's salary after applying the legislative salary increase is above the maximum of the salary range prescribed by the State Human Resources Commission.

LABOR MARKET ADJUSTMENT RESERVE

SECTION 41.2A.(a) Of the Labor Market Adjustment Salary Reserve funds appropriated in this act, agencies shall award salary adjustments to identified employees pursuant to the following requirements:

(1) Any increase provided to an employee shall not exceed the greater of fifteen thousand dollars ($15,000) or fifteen percent (15%) of their current base salary.

(2) Any increase provided to an employee may not result in the employee's salary exceeding the maximum salary of the salary range associated with the position.

(3) No more than twenty-five percent (25%) of the agency's permanent employees may receive a salary increase from the funds appropriated for this purpose.

(4) Funds may not be awarded to employees in positions with salaries set in law or paid based on an experience-based salary schedule that is eligible to receive funding from the Pay Plan Reserve.

(5) Funds must be used to increase salaries paid to employees and shall not be used to supplant other funding sources or for any other purpose.

SECTION 41.2A.(b) The Director of the Budget may adjust a State agency's budgeted receipts to provide an equivalent Labor Market Adjustment Salary Reserve for the 2025-2027 fiscal biennium subject to the requirements in subsection (a) of this section, provided that sufficient receipts are available. Agency receipts needed to implement this section are appropriated for the 2025-2026 fiscal year and the 2026-2027 fiscal year.

SECTION 41.2A.(c) The Office of State Human Resources (OSHR) shall compile a single report detailing how these funds were distributed by each agency. The OSHR shall develop a uniform reporting mechanism for agencies that displays the salary increases made for each position classification, the average increase provided to employees in each position classification, and the market-based justification for the awarded salary increases. Agencies receiving Labor Market Adjustment Salary Reserve appropriations shall report to the OSHR by December 15, 2025. By January 15, 2026, the OSHR shall submit the report containing the agency responses to the Fiscal Research Division.

PERSONAL SERVICES BUDGET REALLOCATION

SECTION 41.2B.(a) The General Assembly finds that attracting and retaining competent State employees is essential to provide efficient and effective public services. The General Assembly further finds that State agencies, departments, and institutions with a consistent number of vacant positions would benefit from salary increases to improve employee recruitment and retention.

SECTION 41.2B.(b) To better align personal services budgets, the sum of one hundred sixty-two million six hundred thirty-four thousand five hundred ninety-three dollars ($162,634,593) in recurring net General Fund appropriations for each year of the 2025-2027 fiscal biennium that supports vacant positions across State agencies, departments, and institutions is eliminated. This reduction represents the savings from an estimated elimination of twenty percent (20%) of vacant State-funded positions across State agencies, departments, and institutions.

SECTION 41.2B.(c) For each General Fund budget code, the savings derived from the vacant position reduction under subsection (b) of this section shall be provided to the same budget code for Labor Market Adjustment Reserve salary adjustments and additional adjustments to salary schedules.

SECTION 41.2B.(d) This section does not apply to any of the following:

(1) State-funded local employees of community colleges.

(2) State-funded local employees of local public school units.

(3) The General Assembly.

SECTION 41.2B.(e) Of the Labor Market Adjustment Reserve funds provided to the Administrative Office of the Courts in accordance with subsection (c) of this section, the sum of five hundred seventy-five thousand two hundred twenty-eight dollars ($575,228) in recurring funds for each year of the 2025-2027 fiscal biennium shall be applied to increases to the Magistrates salary schedule in Section 41.8 of this act.

GOVERNOR AND COUNCIL OF STATE

SECTION 41.3.(a) Effective July 1, 2025, G.S. 147-11(a) reads as rewritten:

"**§ 147-11. Salary and expense allowance of Governor; allowance to person designated to represent Governor's office.**

(a) The salary of the Governor shall be ~~two hundred three thousand seventy-three dollars ($203,073)~~ two hundred eight thousand one hundred fifty dollars ($208,150) annually, payable monthly."

SECTION 41.3.(b) Effective July 1, 2025, the annual salaries for members of the Council of State, payable monthly, are set as follows:

Council of State	Annual Salary
Lieutenant Governor	$172,594
Attorney General	172,594
Secretary of State	172,594
State Treasurer	172,594
State Auditor	172,594
Superintendent of Public Instruction	172,594
Agriculture Commissioner	172,594
Insurance Commissioner	172,594
Labor Commissioner	172,594

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 41.4. Effective July 1, 2025, the annual salaries, payable monthly, for the following executive branch officials are as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$144,365
State Controller	201,022
Commissioner of Banks	162,028
Chair, Board of Review, Division of Employment Security	158,931
Members, Board of Review, Division of Employment Security	156,989
Chairman, Parole Commission	158,931
Full-time Members of the Parole Commission	146,948
Chairman, Utilities Commission	180,159
Members of the Utilities Commission	162,028
Executive Director, North Carolina Agricultural Finance Authority	140,590
State Fire Marshal	142,526

JUDICIAL BRANCH

SECTION 41.5.(a) Effective July 1, 2025, the annual salaries, payable monthly, for the following judicial branch officials are as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	$208,150
Associate Justice, Supreme Court	202,747
Chief Judge, Court of Appeals	199,541
Judge, Court of Appeals	194,362

Judge, Senior Regular Resident Superior Court	178,606
Judge, Superior Court	173,353
Chief Judge, District Court	171,737
Judge, District Court	166,686
Chief Administrative Law Judge	148,354
District Attorney	171,520
Assistant Administrative Officer of the Courts	155,610
Public Defender	171,520
Director of Indigent Defense Services	172,779

SECTION 41.5.(b) The district attorney of a judicial district, with the approval of the Administrative Officer of the Courts, and the public defender of a judicial district, with the approval of the Commission on Indigent Defense Services, shall set the salaries of assistant district attorneys and assistant public defenders in that district such that the average salary of those assistants in that district does not exceed one hundred four thousand four hundred thirty-nine dollars ($104,439) and the minimum salary of any assistant is at least fifty-six thousand fifty-four dollars ($56,054), effective July 1, 2025.

CLERKS OF SUPERIOR COURT

SECTION 41.6. Effective July 1, 2025, G.S. 7A-101(a) reads as rewritten:

"**§ 7A-101. Compensation.**

(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula, according to the following schedule:

Assistants and Deputies	Annual Salary
0-19	~~$111,726~~$115,190
20-29	~~123,488~~127,316
30-49	~~135,248~~139,441
50-99	~~147,010~~151,567
100 and above	~~149,949~~154,597

If the number of State-funded assistant and deputy clerks of court as determined by the Administrative Office of Court's workload formula changes, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for that new number, except that the salary of an incumbent clerk shall not be decreased by any change in that number during the clerk's continuance in office."

ASSISTANT AND DEPUTY CLERKS OF COURT

SECTION 41.7. Effective July 1, 2025, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$40,482~~$41,737
Maximum	~~74,792~~77,111

Deputy Clerks	Annual Salary
Minimum	~~$36,315~~$37,441
Maximum	~~58,740~~60,561"

MAGISTRATES

SECTION 41.8. Effective July 1, 2025, G.S. 7A-171.1(a)(1) reads as rewritten:

"(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6:

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$47,228~~$48,881
Step 1	~~$50,714~~$52,489
Step 2	~~$54,475~~$56,382
Step 3	~~$58,457~~$60,503
Step 4	~~$63,228~~$65,441
Step 5	~~$68,973~~$71,387
Step 6	~~$75,415.~~$78,055."

LEGISLATIVE EMPLOYEES

SECTION 41.9.(a) Effective July 1, 2025, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2025, shall be legislatively increased by two and one-half percent (2.5%).

SECTION 41.9.(b) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 41.10. Effective July 1, 2025, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred thirty-three thousand nine hundred thirty-six dollars ($133,936),~~ one hundred thirty-seven thousand two hundred eighty-four dollars ($137,284), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this ~~paragraph.~~subsection."

SERGEANTS-AT-ARMS AND READING CLERKS

SECTION 41.11. Effective July 1, 2025, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant at arms and the reading clerk in each house shall be paid a salary of ~~five hundred twenty-eight dollars ($528.00)~~ five hundred forty-one dollars ($541.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants at arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

COMMUNITY COLLEGES

SECTION 41.12.(a) Effective July 1, 2025, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of two and one-half percent (2.5%).

SECTION 41.12.(b) Effective July 1, 2025, the minimum salaries for nine-month, full-time curriculum community college faculty are as follows:

Educational Level	Minimum Salary
Vocational Diploma/Certificate or Less	$44,198
Associate Degree or Equivalent	44,813
Bachelor's Degree	47,479
Master's Degree or Education Specialist	49,845
Doctoral Degree	53,255

SECTION 41.12.(c) No full-time faculty member shall earn less than the minimum salary for the faculty member's education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA

SECTION 41.13. Effective July 1, 2025, the Board of Governors of The University of North Carolina shall provide SHRA employees, EHRA employees, and teachers employed by the North Carolina School of Science and Mathematics with an across-the-board salary increase in the amount of two and one-half percent (2.5%).

CORRECTIONAL OFFICERS/YOUTH COUNSELORS/YOUTH COUNSELOR TECHNICIANS/YOUTH SERVICES BEHAVIORAL SPECIALISTS – SALARY SCHEDULE

SECTION 41.14.(a) State employees serving as correctional officers in the Department of Adult Correction shall be compensated at a specific pay rate on the basis of a salary schedule determined according to the duration of the employee's correctional officer work experience.

SECTION 41.14.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific pay rate set on the basis of a salary schedule determined according to the duration of the employee's work experience, as follows:

(1) Youth Counselor Technicians shall be paid under the Correctional Officer I salary schedule.

(2) Youth Services Behavioral Specialists shall be paid under the Correctional Officer II salary schedule.

(3) Youth Counselors shall be paid under the Correctional Officer III salary schedule.

SECTION 41.14.(b) Effective July 1, 2025, the following annual salary schedule will apply for the 2025-2027 fiscal biennium under subsections (a) and (a1) of this section:

Experience	COI	COII	COIII
0	40,281	41,606	44,496
1	43,099	44,518	47,612
2	45,687	47,236	50,470
3	47,971	49,549	52,993
4	49,888	51,531	55,112
5	51,386	53,076	56,765
6+	52,414	54,138	57,901

SECTION 41.14.(c) If an employee will not receive a salary increase under this section because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

STATE HIGHWAY PATROL SALARY SCHEDULE

SECTION 41.15.(a) Effective July 1, 2025, law enforcement officers of the State Highway Patrol shall be compensated pursuant to an experience-based salary schedule and shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 41.15.(b) The following annual salary schedule applies for the 2025-2027 fiscal biennium under subsection (a) of this section:

Years of Experience	FY 2025-27
0	$57,602
1	61,346
2	65,333
3	69,579
4	74,102
5	78,918
6+	84,048

SECTION 41.15.(c) If an employee will not receive a salary increase under this section because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE/INCREASES

SECTION 41.15A.(a) Law enforcement officers of the State Bureau of Investigation and Alcohol Law Enforcement shall be compensated pursuant to an experience-based salary schedule and shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 41.15A.(b) The following annual salary schedule applies for the 2025-2027 fiscal biennium under subsection (a) of this section:

Years of Experience	FY 2025-27
0	$55,878
1	59,511
2	63,379
3	67,499
4	71,887
5	76,560
6+	81,537

SECTION 41.15A.(c) If an employee will not receive a salary increase under this section because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

PROBATION AND PAROLE OFFICERS/JUVENILE COURT COUNSELORS – SALARY SCHEDULE

SECTION 41.16.(a) Probation and parole officers shall be compensated pursuant to the experience-based salary schedule based on the officer's respective work experience, as established in subsection (b) of this section.

SECTION 41.16.(a1) State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be compensated under the probation and parole officer salary schedule.

SECTION 41.16.(b) Effective July 1, 2025, the following annual salary schedule applies for the 2025-2027 fiscal biennium under subsections (a) and (a1) of this section:

Years of Experience	FY 2025-27
0	$48,633
1	51,794
2	55,162
3	58,747
4	62,566
5	66,633
6+	70,964

SECTION 41.16.(c) If an employee will not receive a salary increase under this section because the employee's salary exceeds the scheduled salary level, then the employee shall receive an annual salary increase equal to the amount of the across-the-board legislative salary increase authorized in this Part.

STATE AGENCY TEACHERS

SECTION 41.17. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the Department of Adult Correction, the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, the North Carolina School for the Deaf, and the State Board of Education who are paid based on the Teacher Salary Schedule shall be paid as authorized under this act.

MOST STATE EMPLOYEES

SECTION 41.19. Unless otherwise expressly provided by this Part, the annual salaries in effect for the following persons on June 30, 2025, shall be legislatively increased as provided by this act:

(1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
(2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.
(3) Permanent, part-time State employees.
(4) Temporary and permanent hourly State employees.

ALL STATE-SUPPORTED PERSONNEL

SECTION 41.20.(a) The legislative salary increases authorized by this act shall be paid effective on July 1, 2025, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2025.

SECTION 41.20.(b) The Director of the Budget is granted flexibility to administer the compensation increases enacted by this act. The State employer contribution rates enacted by this act for retirement and related benefits may be deemed by the Director of the Budget for administrative purposes to become effective after July 1 to provide flexibility in the collection and reconciliation of salary-related contributions as required by law, provided the estimated amount contributed to any affected employee benefit trust equals the amount that would have been contributed to the employee benefit trust if the enacted employer contribution rates had been effective on July 1.

SECTION 41.20.(c) This section applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED INCREASES

SECTION 41.21.(a) The Office of State Budget and Management shall ensure that the appropriations made by this act for legislatively mandated salary increases and employee benefits are used only for those purposes.

SECTION 41.21.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases and 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 legislatively mandated salary increases and employee benefits.

SECTION 41.21.(c) Funds appropriated for legislatively mandated salary and 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 41.21.(d) Any funds appropriated for legislatively mandated salary and employee benefit increases in excess of the amounts required to implement the increases shall be credited to the Pay Plan Reserve.

SECTION 41.21.(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 legislatively mandated salary increases and employee benefits. This report shall include at least the following information for each State agency:

(1) The total amount of funds that the agency received for legislatively mandated salary increases and 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 legislatively mandated salary increases and employee benefits.

(4) The amount of funds credited to the Pay Plan Reserve.

MAKE APPLYING FOR STATE JOBS EASIER

SECTION 41.21A.(a) Article 5 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"**§ 126-14.3A. Increasing efficiency of State job application process.**

(a) The Office of State Human Resources (OSHR) shall streamline the job application process for State positions by enabling applicants to upload resumes or website profiles. An electronic tool shall be utilized to import information from these documents into the State job application format, making the process more efficient while still collecting information necessary for merit-based hiring under G.S. 126-14.2 and G.S. 126-14.3. Applicants remain responsible for ensuring all information required for initial screening appears correctly in their completed State job application after importing their resume or profile.

(b) For job applications requiring references, supplemental questions, or other information not typically found on resumes and not needed for initial screening, State agencies may collect this information later in the selection process, such as during job interviews.

(c) Beginning in 2026 and then annually thereafter, the OSHR shall present the State application form and demonstrate the import process to the State Human Resources Commission to receive the Commission's informal feedback."

SECTION 41.21A.(b) The Office of State Human Resources shall modify the State job application process in accordance with this section by no later than November 1, 2025.

SECTION 41.21A.(c) This section is effective when it becomes law.

AUTHORIZE STATE AGENCIES TO CREATE CONTINUOUS POSTINGS WITHOUT THE NEED FOR OUTSIDE APPROVAL

SECTION 41.21B.(a) G.S. 126-14.3 reads as rewritten:

"**§ 126-14.3. Open and fair competition.**

The State Human Resources Commission shall adopt rules or policies to:

…

(3) Require that a closing date shall be posted for each job opening, unless the employing agency, department, office, board, commission, system, or institution has approved an exception for critical ~~classifications has been approved by the State Human Resources Commission or as a special exception through the Office of State Human Resources.~~classifications.

…."

SECTION 41.21B.(b) Unless the employing agency, department, office, board, commission, system, or institution determines otherwise, exceptions for critical classifications shall remain in effect if they were previously granted under G.S. 126-14.3(3) by the State Human Resources Commission or the Office of State Human Resources.

SECTION 41.21B.(c) This section is effective when it becomes law.

AUTHORIZE STATE AGENCIES TO HIRE ONE OF THE MOST QUALIFIED CANDIDATES FROM A PREVIOUS POSTING

SECTION 41.21C.(a) Article 5 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"**§ 126-14.2A. Hiring candidate from most qualified pool in previous posting.**

(a) In addition to the authority granted by G.S. 126-3.1, the Council of State, the executive branch agencies, the Community Colleges System Office, and The University of North Carolina are authorized to hire, without posting, into a vacant position if all of the following conditions are met:

(1) The employer previously posted for recruitment, in accordance with G.S. 126-7.1 and G.S. 126-14.3, a position that has the same or comparable classification as the position that is currently vacant.

(2) The person who is being hired applied for the previous vacant position.

(3) The employer selected the person to be in the pool of the most qualified persons for the previous vacant position, in accordance with G.S. 126-14.2, but did not hire that person.

(4) For the current vacant position, the person being hired meets the minimum education and experience requirements for the classification and has a salary set within the vacant position's classification range.

(b) Except as otherwise provided, the hiring process authorized under this section is exempt from the provisions of this Chapter, including any procedural or substantive requirements such as publicly posting the position, requiring a new application, holding a new interview or conducting new reference checks, and following the priorities for certain types of applicants under State law. This exemption for the hiring process does not affect whether the position is subject to this Chapter once the employee is hired.

(c) The hiring process authorized under this section is not exempt from the following provisions of this Chapter:

(1) G.S. 126-14.

(2) G.S. 126-14.1.

(3) G.S. 126-14.5.
(4) Article 6.
(5) Article 7."

SECTION 41.21C.(b) This section is effective when it becomes law.

AUTHORIZE OSHR TO MODERNIZE PERSONNEL SYSTEM FOR LOCAL AND STATE EMPLOYEES SUBJECT TO HUMAN RESOURCES ACT

SECTION 41.21D.(a) G.S. 150B-2 reads as rewritten:

"**§ 150B-2. Definitions.**

As used in this Chapter, the following definitions apply:

…

(8a) Rule. – Any agency regulation, standard, or statement of general applicability that implements or interprets an enactment of the General Assembly or Congress or a regulation adopted by a federal agency or that describes the procedure or practice requirements of an agency. The term includes the establishment of a fee and the amendment or repeal of a prior rule. The term does not include the following:

…

i. Job classification standards, job qualifications, ~~and salaries~~ salaries, and policies established for State and local government positions under the jurisdiction of the State Human Resources ~~Commission.~~Commission, so long as those standards, qualifications, salaries, and policies directly affect only applicants for employment, current employees, or the resolution of matters related to past employment.

…."

SECTION 41.21D.(b) This section is effective when it becomes law.

GRANT EMPLOYING AGENCY FLEXIBILITY/HIRING/PAY/CLASSIFICATION

SECTION 41.21E.(a) Article 1 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"**§ 126-3.1. Employing agency flexibility.**

(a) For the purposes of this section, an "employing agency" means the Council of State, State agencies in the executive branch of government, the Community College System Office, and The University of North Carolina.

(b) An employing agency is granted flexibility, notwithstanding other provisions of this Chapter to the contrary, to do all of the following:

(1) Offer qualified applicants for employment the option to have their applications considered for future positions at the same agency and at other agencies within the same or comparable classification.
(2) Permit agencies to recruit and hire applicants from job postings that apply to all vacancies in a particular classification across all State agencies.
(3) Classify or reclassify positions according to the State Human Resources Commission (SHRC) classification system, provided employees meet the minimum requirements for the classification.
(4) Establish employee salaries within SHRC-determined salary ranges for respective position classifications.

(c) Nothing in this section diminishes the powers of the State Human Resources Commission or the Director of the Office of State Human Resources under any other provision of this Chapter or relating to corrective actions taken when an employing agency fails to comply with this section."

SECTION 41.21E.(b) This section is effective when it becomes law or July 1, 2025, whichever is later.

PERMANENT HIRING OF CERTAIN EMPLOYEES/SPECIFIC CONDITIONS

SECTION 41.21F.(a) Article 1 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"**§ 126-6.4. Temp-to-perm hiring.**

(a) The Council of State, the executive branch agencies, the Community College System Office, and The University of North Carolina may directly hire temporary employees into vacant positions if all of the following conditions are met:

(1) The permanent position to be filled must be vacant.

(2) The temporary employee must have worked for a minimum of six months in a substantially equivalent role with satisfactory performance. This six-month period excludes any mandatory breaks required under G.S. 126-6.3.

(3) The temporary employee must meet the minimum education and experience requirements established for the position classification and their salary must be set within the approved classification range.

(4) The temporary employee must have been originally hired through the North Carolina Office of State Human Resources Temporary Solutions Program.

The Director of the Office of State Human Resources may waive the requirements specified in subdivision (3) of this subsection, including both the minimum education and experience requirements and the requirement that salary be set within the classification range.

(b) Except as otherwise provided, a hiring under this section is exempt from the provisions of this Chapter, including any procedural or substantive requirements such as publicly posting the position, requiring a new application, holding a new interview or conducting new reference checks, and following the priorities for certain types of applicants under State law. This exemption for the hiring process does not affect whether the position is subject to this Chapter once the employee is hired.

(c) The hiring process authorized under this section is not exempt from the following provisions of this Chapter:

(1) G.S. 126-14.

(2) G.S. 126-14.1.

(3) G.S. 126-14.5.

(4) Article 6.

(5) Article 7."

SECTION 41.21F.(b) This section is effective when it becomes law.

CONFORMING CHANGES AND RULES/EXTEND FLEXIBILITY TO EXEMPT MANAGERIAL AND WARDEN POSITIONS

SECTION 41.21G.(a) G.S. 126-5 reads as rewritten:

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

…

(c7) Except as to the policies, rules, and plans established by the Commission pursuant to G.S. 126-4(1), 126-4(2), 126-4(3), 126-4(4), 126-4(5), 126-4(6), 126-14.3, and except as to ~~G.S. 126-14.2, G.S. 126-34.02(b)(1)~~ G.S. 126-3.1, 126-14.2, 126-14.2A, 126-14.3A, 126-34.02(b)(1), and ~~(2),~~ 126-34.02(b)(2), and Articles 6 and 7 of this Chapter, this Chapter does not apply to exempt managerial positions.

…

(c17) Except as to the policies, rules, and plans established by the Commission pursuant to G.S. 126-4(1), 126-4(2), 126-4(3), 126-4(4), 126-4(5), 126-4(6), ~~126-7,~~ 126-14.3, and except as to the provisions of ~~G.S. 126-14.2, G.S. 126-34.1(a)(2),~~ G.S. 126-3.1, 126-14.2, 126-14.2A,

126-14.3A, 126-34.02(b)(1), 126-34.02(b)(2), and Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to a warden of an adult corrections facility.

(c18) Except as to the policies, rules, and plans established by the Commission pursuant to G.S. 126-4(1), 126-4(2), 126-4(3), 126-4(4), 126-4(5), 126-4(6), 126-4(7), and 126-14.3, and except as to the provisions of ~~G.S. 126-14.2, 126-34.02(b)(1)~~ G.S. 126-3.1, 126-14.2, 126-14.2A, 126-14.3A, 126-34.02(b)(1), and ~~(2)~~ 126-34.02(b)(2), and Articles 6 and 7 of this Chapter, this Chapter does not apply to the warden of a State adult correctional facility. Employees in these positions shall be public servants under G.S. 138A-3(70) and shall file Statements of Economic Interest under G.S. 138A-22. Employees in these positions shall receive the protections of former G.S. 126-5(e) if the employees were hired before the date of its repeal and have the minimum cumulative service to qualify under that subsection.

…."

SECTION 41.21G.(b) The State Human Resources Commission shall repeal or amend its rules to make changes that are consistent with this Part, utilizing temporary rulemaking where necessary.

SECTION 41.21G.(c) This section is effective when it becomes law.

SALARY-RELATED CONTRIBUTIONS

SECTION 41.22.(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 41.22.(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	17.44%	17.44%	6.84%	38.36%	18.90%
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	24.97%	29.97%	14.24%	45.69%	26.23%

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 41.22.(c) Effective July 1, 2026, the State's employer contribution rates budgeted for retirement, health, and related benefits as a percentage of covered salaries for the 2026-2027 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	18.09%	18.09%	6.84%	43.26%	21.28%
Health	7.69%	7.69%	7.69%	7.69%	7.69%
Disability	0.09%	0.09%	0.09%	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	26.00%	31.00%	14.62%	50.95%	28.97%

The rate for health includes two percent (2%) for the Public Employee Health Benefit Fund and five and sixty-nine hundredths percent (5.69%) for the Retiree Health Benefit Fund.

SECTION 41.22.(d) 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 41.22.(e) Effective July 1, 2026, the annual employer contributions for the 2026-2027 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 nine hundred five dollars ($8,905).

SECTION 41.22.(f) 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."

ONE-TIME, COST-OF-LIVING SUPPLEMENT PAYMENTS FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE

CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 41.22A.(a) G.S. 135-5 is amended by adding the following new subsections to read:

"(aaaa) After September 1, 2025, but on or before October 31, 2025, a one-time, cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article.

(bbbb) After September 1, 2026, but on or before October 31, 2026, a one-time, cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2026, and whose retirement commenced on or before September 1, 2026. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2026, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article."

SECTION 41.22A.(b) G.S. 135-65 is amended by adding the following new subsections to read:

"(*ll*) After September 1, 2025, but on or before October 31, 2025, a one-time, cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article.

(mm) After September 1, 2026, but on or before October 31, 2026, a one-time, cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2026, and whose retirement commenced on or before September 1, 2026. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2026, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article."

SECTION 41.22A.(c) G.S. 120-4.22A is amended by adding the following new subsections to read:

"(ff) In accordance with subsection (a) of this section, after September 1, 2025, but on or before October 31, 2025, a one-time, cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article.

(gg) In accordance with subsection (a) of this section, after September 1, 2026, but on or before October 31, 2026, a one-time, cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2026, and whose retirement

commenced on or before September 1, 2026. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2026, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article."

ENHANCE BENEFITS UNDER NORTH CAROLINA FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND AND MAKE TECHNICAL CHANGES TO THE RELATED STATUTES

SECTION 41.23.(a) G.S. 58-86-55 reads as rewritten:

"**§ 58-86-55. Monthly pensions upon attaining the age of 55 years.**

(a) The monthly pension benefit under this section is one hundred eighty dollars ($180.00) and is payable per month from the Pension Fund unless otherwise provided.

(a1) Any member who has served 20 years as an ~~"eligible firefighter" or "eligible~~ eligible firefighter or eligible rescue squad ~~worker"~~ worker in the State of North Carolina, as provided in ~~G.S. 58-86-25 and G.S. 58-86-30,~~ this Article, and who has attained the age of 55 years is entitled to be paid a monthly pension ~~from this fund. The monthly pension shall be in the amount of one hundred seventy-five dollars ($175.00) per month. Any retired firefighter receiving a pension shall, effective January 1, 2025, receive a pension of one hundred seventy-five dollars ($175.00) per month.~~benefit under this section.

~~(b) Members shall pay fifteen dollars ($15.00) per month as required by G.S. 58-86-35 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad member" shall receive a pension prior to July 1, 1983.~~

(c) A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid ~~from the fund a monthly benefit in an amount of one hundred seventy-five dollars ($175.00) per month~~ a monthly pension benefit under this section beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the ~~board who~~ Board, and the Board may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. ~~Any~~ G.S. 58-86-41 shall not apply to a disabled ~~member shall not be required to make the monthly payment of fifteen dollars ($15.00) as required by G.S. 58-86-35 and G.S. 58-86-40.~~member.

(d) A member who is totally and permanently disabled for any ~~cause,~~ cause other than ~~line-of-duty,~~ those under subsection (c) of this section and who leaves the fire or rescue squad service because of this disability and who has at least 10 years of service with the ~~pension fund,~~ Pension Fund may be permitted to continue making a monthly contribution ~~of fifteen dollars ($15.00)~~ in the amount required under G.S. 58-86-41 to the fund until the member has made contributions for a total of 240 months. ~~The~~ Upon attaining the age of 55, that member shall ~~upon attaining the age of 55 years~~ be entitled to receive a monthly pension ~~as provided by~~ benefit under this section. All applications for disability are subject to the approval of the ~~board who~~ Board, and the Board may appoint physicians to examine and evaluate the disabled member prior to approval of the ~~application~~ application, and annually thereafter.

(d1) Benefits payable from the Pension Fund shall be paid in the following manner when a member is killed in the line of duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

(1) If the member had been receiving a monthly pension ~~fund~~ benefit under this section prior to being killed in the line of duty, then there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible and has not accepted a return of contributions, ~~an amount of one hundred~~

~~seventy-five dollars ($175.00) per month~~ the monthly pension benefit amount beginning the month following the member's month of death, payable until the beneficiary's death. If the member became a member prior to July 1, 2018, and had not designated a principal beneficiary prior to being killed in the line of duty, there shall be paid to the member's living spouse upon the spouse's application to the Board, ~~an amount of one hundred seventy-five dollars ($175.00) per month~~ the monthly pension benefit amount beginning the month following the member's month of death, payable until the spouse's death.

(2) If the member had been receiving a monthly pension ~~fund~~ benefit under this section prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (1) of this subsection, then a lump sum payment equal to the difference between the amount paid into the member's separate account by or on behalf of the member and the amount received by the member as a pensioner ~~will~~ shall be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be paid to the member's estate.

(3) If the member had not yet begun receiving a monthly pension benefit under this section prior to being killed in the line of duty, then there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible and has not accepted a return of contributions, ~~an amount of one hundred seventy-five dollars ($175.00) per month~~ the monthly pension benefit amount beginning the month following the month the member would have attained age 55, or if the member had already attained age 55, beginning the month following the member's month of death, payable until the beneficiary's death. If the member became a member prior to July 1, 2018, and had not designated a principal beneficiary prior to being killed in the line of duty, then there shall be paid to the member's living spouse upon the spouse's application to the Board, ~~an amount of one hundred seventy-five dollars ($175.00) per month~~ the monthly pension benefit amount beginning the month following the month the member would have attained age 55, or if the member had attained age 55, beginning the month following the member's month of death, payable until the spouse's death.

(4) If the member had not yet begun receiving a monthly pension benefit under this section prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (3) of this subsection, then a lump sum payment equal to the member's contributions will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.

~~A beneficiary under this subsection shall not be required to make the monthly payment of fifteen dollars ($15.00) as required by G.S. 58-86-35 and G.S. 58-86-40~~ G.S. 58-86-41 shall not apply after ~~the~~ a member has been killed in the line of duty.

(e) ~~A member who, because the~~ If a member has at least 10 years of service with the Pension Fund and that member's (i) residence is annexed by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, ~~or whose~~ (ii) department is closed because of an annexation by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, or ~~whose~~ (iii) volunteer department is taken over by a city or county, and because of ~~such~~ the annexation or takeover the member is unable to perform as a firefighter or rescue squad worker of any status, ~~and if the member has at least 10 years of service with the pension fund, may~~ then the member shall be permitted to continue making a monthly contribution ~~of fifteen dollars ($15.00)~~ in the amount required under G.S. 58-86-41 to the fund until the member has made contributions for a total of 240 months. ~~The~~ Upon completion of the total 240 months of contributions, and upon a member ~~upon~~ attaining ~~the age of 55 years and completion of such~~

~~contributions~~ age 55, the member shall be entitled to receive a monthly pension ~~as provided by~~ benefit under this section. Any application to make monthly contributions under this section shall be subject to a finding of eligibility by the Board of Trustees upon application of the member.

(f) The ~~pensions~~ benefits provided under this Article shall be in addition to all other pensions or benefits under any other statutes of the State of North Carolina or the United States, notwithstanding any exclusionary provisions of other pensions or retirement systems provided by law."

SECTION 41.23.(b) Article 86 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-86-41. Amount due for membership; payments credited to separate member accounts.**

(a) Unless otherwise provided under this Article, each member of the Pension Fund shall pay the sum of fifteen dollars ($15.00) per month to the Pension Fund for membership in the fund for a period not to exceed 20 years.

(b) Unless otherwise provided under this Article, all payments due in any calendar year shall be made no later than March 31 subsequent to the end of the calendar year in which the payment was due.

(c) The Pension Fund shall not award fully credited service based on payments received later than March 31 subsequent to the end of the calendar year in which the month occurred unless the payment is applied as provided in G.S. 58-86-45(a1).

(d) Payments made in accordance with this section shall be credited to the separate account of the member and shall be kept by the custodian in a manner that allows the payments to be made available upon a member's withdrawal from membership or retirement."

SECTION 41.23.(c) G.S. 58-86-35 reads as rewritten:

"**§ 58-86-35. Firefighters' application for membership in ~~fund; monthly payments by members; payments credited to separate accounts of members;~~ Pension Fund; termination of membership.**

(a) ~~Those firefighters~~ Firefighters who are eligible for membership in the Pension Fund pursuant to G.S. 58-86-25 may apply to the ~~board~~ Board for membership. ~~Each firefighter upon becoming a member of the fund shall pay the director of the fund the sum of fifteen dollars ($15.00) per month; each payment shall be made no later than March 31 subsequent to the end of the calendar year in which the month occurred. The Pension Fund shall not award fully credited service based on payments received later than March 31 subsequent to the end of the calendar year in which the month occurred unless the payment is applied as provided in G.S. 58-86-45(a1). The monthly payments shall be credited to the separate account of the member and shall be kept by the custodian so it is available for payment on withdrawal from membership or retirement.~~

(b) A member may elect to terminate membership in the ~~fund~~ Pension Fund at any time and request the refund of payments previously made to the fund. ~~However, a~~ A member's delinquency in making the monthly payments required by this ~~section~~ Article does not result in the termination of membership without ~~such~~ an election to terminate membership in the Pension Fund made by the member."

SECTION 41.23.(d) G.S. 58-86-40 reads as rewritten:

"**§ 58-86-40. Rescue squad worker's application for membership in ~~funds; monthly payments by members; payments credited to separate accounts of members;~~ Pension Fund; termination of membership.**

(a) ~~Those rescue~~ Rescue squad workers eligible for membership in the Pension Fund pursuant to G.S. 58-86-30 may apply to the ~~board~~ Board for membership. ~~Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for membership. Each eligible rescue squad worker upon becoming a member shall pay the director of the fund the sum of fifteen dollars ($15.00) per month; each payment shall be made no later than March 31~~

~~subsequent to the end of the calendar year in which the month occurred. The Pension Fund shall not award fully credited service based on payments received later than March 31 subsequent to the end of the calendar year in which the month occurred unless the payment is applied as provided in G.S. 58-86-45(a1). The monthly payments shall be credited to the separate account of the member and shall be kept by the custodian so it is available for payment on withdrawal from membership or retirement.~~

(b) A member may elect to terminate membership in the ~~fund~~ Pension Fund at any time and request the refund of payments previously made to the fund. ~~However, a~~ A member's delinquency in making the monthly payments required by this ~~section~~ Article does not result in the termination of membership without ~~such~~ an election to terminate membership in the Pension Fund made by the member."

SECTION 41.23.(e) G.S. 58-86-45 reads as rewritten:

"**§ 58-86-45. Additional retroactive membership.**

…

(a1) Any firefighter or rescue squad worker who is 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina may purchase credit for any periods of service to any chartered fire department or rescue squad not otherwise creditable by making a lump sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, which payment shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on a retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made ~~pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable.~~in accordance with G.S. 58-86-41.

(b) An eligible firefighter or rescue squad worker who is not yet 35 years old may apply to the Board for membership in the ~~fund~~ Pension Fund at any time. Upon becoming a member, the worker may make a lump sum payment ~~of fifteen dollars ($15.00) per month~~ in the amount required under G.S. 58-86-41 at the time of the payment for each month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the ~~board~~ Board upon advice from actuary for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

(c) A member of the Pension Fund who is not yet 35 years old may receive credit for the prior service upon making a lump sum payment ~~of fifteen dollars ($15.00)~~ in the amount required under G.S. 58-86-41 at the time of the payment for each month since the worker first became eligible, plus interest at an annual rate to be set by the Board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable, for any firefighter or rescue squad worker who is not yet 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina."

SECTION 41.23.(f) The Revisor of Statutes shall replace the phrase "G.S. 58-86-35 or G.S. 58-86-40" with the phrase "G.S. 58-86-41" in each instance it appears in G.S. 58-86-2.

SECTION 41.23.(g) This section applies to pension benefit amounts payable from the Pension Fund due to a member or beneficiary on or after January 1, 2026. If a member or beneficiary becomes eligible to receive a pension benefit from the Pension Fund on or before

December 31, 2025, but the pension benefit amount is paid from the Pension Fund on or after January 1, 2026, then the pension benefit amount due to the member or beneficiary shall be the amount applicable to the pension benefit amount that was effective for each respective month to which the benefit applies.

SECTION 41.23.(h) This section is effective January 1, 2026.

INCREASE BENEFITS PAYABLE UNDER NORTH CAROLINA NATIONAL GUARD PENSION FUND

SECTION 41.24.(a) G.S. 127A-40 reads as rewritten:

"**§ 127A-40. Pensions for the members of the North Carolina National Guard.**

(a) Every member and former member of the North Carolina National Guard who meets the requirements of this section shall receive, commencing at age 60, a pension of one hundred ~~five~~ eight dollars ~~($105.00)~~ ($108.00) per month for 20 years' creditable military service with an additional ten dollars and ~~fifty cents ($10.50)~~ eighty cents ($10.80) per month for each additional year of ~~such~~ creditable military service; provided, however, that the total pension shall not exceed two hundred ~~ten~~ sixteen dollars ~~($210.00)~~ ($216.00) per month. ~~The requirements for~~

(a1) To receive a pension ~~are that~~ under this section, each member ~~shall:~~shall meet all of the following requirements:

(1) ~~Have~~ The individual served and qualified for at least 20 years' creditable military service, including National Guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.

(2) ~~Have at~~ At least 15 years of the ~~aforementioned~~ service required under subdivision (1) of this subsection was as a member of the North Carolina National Guard.

(3) ~~Have~~ The individual received an honorable discharge from the North Carolina National Guard.

…."

SECTION 41.24.(b) This section applies to pension benefit amounts payable from the Pension Fund due to a member on or after January 1, 2026. If a member becomes eligible to receive a pension benefit from the Pension Fund on or before December 31, 2025, but the pension benefit amount is paid from the Pension Fund on or after January 1, 2026, then the pension benefit amount due to the member shall be the amount applicable to the pension benefit amount that was effective for each respective month to which the benefit applies.

SECTION 41.24.(c) This section is effective January 1, 2026.

PROVIDE AN ADDITIONAL SPECIAL SEPARATION ALLOWANCE OPTION FOR STATE AND LOCAL LAW ENFORCEMENT OFFICERS WITH AT LEAST THIRTY YEARS OF CREDITABLE SERVICE

SECTION 41.25.(a) G.S. 143-166.41 reads as rewritten:

"**§ 143-166.41. Special separation ~~allowance.~~allowance options for State law enforcement officers.**

(a) Annual Special Separation Allowance. – Notwithstanding any other provision of law, every sworn law-enforcement officer ~~as defined by G.S. 135-1(11c) or G.S. 143-166.30(a)(4)~~ employed by a State department, agency, or institution who qualifies under this section shall ~~receive,~~ receive an annual special separation allowance beginning in the month in which ~~he~~ the officer retires on a basic service retirement under the provisions of ~~G.S. 135-5(a), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to him for each year of creditable service.~~ G.S. 135-5(a). The allowance shall be paid in equal installments on the payroll frequency used by the ~~employer. To qualify for the allowance the officer shall:~~

~~(1) Have (i) completed 30 or more years of creditable service or, (ii) have attained 55 years of age and completed five or more years of creditable service; and~~

~~(2) Not have attained 62 years of age; and~~

~~(3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance.~~employer from which the officer retired.

…

(b) ~~As used in this section, "creditable service" means the~~ Definitions. – The following definitions apply in this section:

(1) Allowance. – The annual special separation allowance for State law enforcement officers provided for under this section.

(2) Creditable service. – The service for which credit is allowed under the retirement system of which the officer is a ~~member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined or as a probation/parole officer as defined in G.S. 135-1(17a).~~member.

(3) Law enforcement officer. – As defined in either G.S. 135-1 or G.S. 143-166.30(a).

(4) Officer. – A law enforcement officer.

(5) Probation/parole officer. – As defined in G.S. 135-1.

(b1) Eligibility for Allowance and Calculation of Allowance Amount. – To be eligible for an allowance under this section, an officer is required to meet one of the following sets of criteria that shall also determine the allowance amount:

(1) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual base rate of compensation most recently applicable to the officer for each year of that officer's creditable service:

a. The officer (i) has completed 30 or more years of creditable service or (ii) is 55 years of age or older and completed five or more years of creditable service.

b. The officer is less than 62 years of age.

c. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

d. At least fifty percent (50%) of the officer's creditable service is as a law enforcement officer, or for service prior to July 1, 2017, as a probation/parole officer.

(2) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation at the time the officer attained 30 years of service multiplied by 30:

a. Prior to attaining 62 years of age, the officer has completed 30 or more years of creditable service, at least fifty percent (50%) of which was as a law enforcement officer, or for service prior to July 1, 2017, as a probation/parole officer.

b. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

If an officer meets all of the criteria under each subdivision of this subsection, then the employer making the allowance payments shall allow the officer to choose which of the two calculation formulas to use for that officer's allowance. This election by the officer is a one-time, irrevocable election and shall be made prior to the first allowance payment. If no election is made by the officer, then the calculation amount under subdivision (2) of this subsection shall be used.

(c) Cessation of Payment. – Payment of the allowance to a retired officer under the provisions of this section shall cease at the first ~~of:~~occurrence of one of the following:

(1) The death of the ~~officer;~~officer.

(2) The last day of the month in which either of the following applies:

a. If the officer is receiving an allowance in an amount determined under subdivision (b1)(1) of this section, the officer attains 62 years of ~~age; or~~age.

b. If the officer is receiving an allowance in an amount determined under subdivision (b1)(2) of this section, there has been a period of receiving the allowance that is equivalent to the total of 62 years minus the age at which the officer first completed 30 years of creditable service.

(3) The first day of reemployment by any State department, agency, or institution, except that this subdivision does not apply to an officer returning to State employment in a position exempt from the North Carolina Human Resources Act in an agency other than the agency from which that officer retired.

(d) Impact of Other Benefits or Actions. – This section does not affect the benefits to which an individual may be entitled from State, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by the General Assembly for employees of the State or retired employees of the State.

(e) Eligibility Determinations. – The head of each State department, agency, or institution shall determine the eligibility of employees for the benefits provided ~~herein.~~under this section.

(f) Transfer of Funds. – The Director of the Budget may authorize from time to time the transfer of funds within the budgets of each State department, agency, or institution necessary to carry out the purposes of this ~~Article.~~ section. These funds shall be taken from ~~those~~ funds appropriated to the department, agency, or institution for salaries and related fringe benefits.

(g) Responsibility for Payment. – The head of each State department, agency, or institution shall make the payments set forth in ~~subsection (a)~~ this section to those persons certified under subsection (e) of this section from funds available under subsection ~~(f).~~(f) of this section."

SECTION 41.25.(b) G.S. 143-166.42 reads as rewritten:

"**§ 143-166.42. Special separation ~~allowances~~ allowance options for local law enforcement officers.**

(a) Annual Special Separation Allowance. – On and after January 1, 1987, every sworn law enforcement officer ~~as defined by G.S. 128-21(11d) or G.S. 143-166.50(a)(3)~~ employed by a local government employer who qualifies under this section shall ~~receive,~~ receive an annual special separation allowance beginning in the month in which the officer retires on a basic service retirement under the provisions of ~~G.S. 128-27(a), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.~~ G.S. 128-27(a). The allowance shall be paid in equal installments on the payroll frequency used by the ~~employer. To qualify for the allowance, the officer shall:~~

~~(1) Have (i) completed 30 or more years of creditable service or (ii) have attained 55 years of age and completed five or more years of creditable service; and~~

~~(2) Not have attained 62 years of age; and~~

~~(3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance.~~employer from which the officer retired.

(b) ~~As used in this section, "creditable service" means the service~~ Definitions. – The following definitions apply in this section:

(1) Allowance. – The annual special separation allowance for local law enforcement officers provided for under this section.

(2) Creditable service. – The service for which credit is allowed under the retirement system of which the officer is a ~~member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined.~~member.

(3) Law enforcement officer. – As defined in G.S. 128-21 or G.S. 143-166.50(a).

(4) Officer. – Law enforcement officer.

(b1) Qualification for Allowance and Calculation of Allowance. – To be eligible for an allowance under this section, an officer is required to meet one of the following sets of criteria, which shall also determine the allowance amount:

(1) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual base rate of compensation most recently applicable to the officer for each year of that officer's creditable service:

a. The officer (i) has completed 30 or more years of creditable service or (ii) is 55 years of age or older and completed five or more years of creditable service.

b. The officer is less than 62 years of age.

c. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

d. At least fifty percent (50%) of the officer's creditable service is as a law enforcement officer.

(2) For officers meeting all of the following criteria, the annual special separation allowance to be paid is equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation at the time the officer attained 30 years of service multiplied by 30:

a. Prior to attaining 62 years of age, the officer has completed 30 or more years of creditable service, at least fifty percent (50%) of which was as a law enforcement officer.

b. The officer has completed at least five years of continuous service as a law enforcement officer immediately preceding the officer's service retirement. Any break in this required continuous service that is a result of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive an allowance under this subdivision so long as the officer returned to service within 45 days after the disability benefits had ceased and is otherwise qualified to receive the allowance.

If an officer meets all of the criteria under each subdivision of this subsection, then the employer making the allowance payments shall allow the officer to choose which of the two calculation formulas to use for that officer's allowance. This election by the officer is a one-time, irrevocable election and shall be made prior to the first allowance payment. If no election is made by the officer, then the calculation amount under subdivision (2) of this subsection shall be used.

(c) Cessation of Payment. – Payment of the allowance to a retired officer under the provisions of this section shall cease at the first ~~of:~~occurrence of one of the following:

(1) The death of the ~~officer;~~officer.

(2) The last day of the month in which either of the following applies:

a. If the officer is receiving an allowance in an amount determined under subdivision (b1)(1) of this section, the officer attains 62 years of ~~age; or~~age.

b. If the officer is receiving an allowance in an amount determined under subdivision (b1)(2) of this section, there has been a period of receiving the allowance that is equivalent to the total of 62 years minus the age at which the officer first completed 30 years of creditable service.

(3) The first day of reemployment by a local government employer in any capacity.

(c1) Exceptions to the Cessation of Payments. – Notwithstanding the provisions of subdivision (3) of subsection (c) of this section, payments to a retired officer shall not cease when a local government employer employs a retired officer ~~for any of the following:~~in any of the following manners:

(1) In a public safety position in a capacity not requiring participation in the Local Governmental Employees' Retirement System.

(2) In service to a county board of elections on an election day or during the hours for early voting under Part 5 of Article 14A of Chapter 163 of the General Statutes in a capacity that complies with G.S. 128-21(19) and does not result in cessation or suspension of the retiree's benefit from the Local Government Employees' Retirement System.

(d) Impact of Other Benefits or Actions. – This section does not affect the benefits to which an individual may be entitled from State, local, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by local government employers or for retired employees of local governments.

(e) Eligibility Determinations. – The governing body of each local employer shall determine the eligibility of employees for the benefits provided ~~herein.~~under this section.

(f) Responsibility for Payment. – The governing body of each local employer shall make the payments set forth in ~~subsection (a) of~~ this section to those persons certified under subsection (e) of this section from funds available."

SECTION 41.25.(c) This section becomes effective July 1, 2025, and applies to law enforcement officers retiring on or after that date.

EXPAND ELIGIBILITY UNDER THE PUBLIC SAFETY EMPLOYEES' DEATH BENEFITS ACT TO INCLUDE INDIVIDUALS KILLED ON THE WAY TO OR FROM WORK

SECTION 41.27(a) G.S. 143-166.2 reads as rewritten:

"**§ 143-166.2. Definitions.**

The following definitions apply in this Article:

…

(9) Official duties. – All duties to which an individual is assigned as part of the individual's job function. This term shall also include those duties performed by an individual while (i) en route to, engaged in, or returning from duty or training; (ii) in the course of responding to, engaged in, or returning from a call by the department of which the individual is a member; or (iii) in the course of responding to, engaged in, or returning from a call for assistance from any department or organization within the State of North Carolina or within a service area contiguous to the borders of the State of North Carolina when served or aided by a department from within the State of North Carolina. While within the State of North Carolina, any covered person who renders service or assistance, of his or her own volition, at the scene of an emergency, is performing his or her official duties when both of the following apply:

…."

SECTION 41.27.(b) This section is effective when it becomes law and applies to applicable deaths of covered persons occurring on or after that date.

PART XLII. CAPITAL

CAPITAL IMPROVEMENT & REPAIRS AND RENOVATIONS APPROPRIATIONS

SECTION 42.1.(a) The following agency capital improvement projects have been assigned a project code for reference to allocations in this Part, past allocations, and for intended project support by the General Assembly for future fiscal years:

Agency Capital Improvement Project	**Project Code**
Department of Agriculture and Consumer Services	
Raleigh State Farmers Market–Improvements	DACS23-3
Research Stations–New Maintenance Shop Facilities	DACS23-8
Research Stations–Multipurpose Facilities	DACS23-10
NCFS–New County Offices, Region 3	DACS23-11
Department of Administration	
State Government Executive Headquarters	DOA22-1
Department of Instruction Building Renovation	DOA22-3
Service Campus	DOA23-1
Archdale Building Demolition	DOA23-3
Caswell Square Demolition	DOA23-4
Parking Deck–Wilmington Street	DOA23-5
Department of Public Instruction	

NC School for the Deaf	
Superintendent's House	DPI25-1
Department of Public Safety	
State Highway Patrol–	
Auditorium	DPS23-3
Training Academy Facilities Enhancement–Phases 3-6	DPS23-4
Cadet Dormitory 1	DPS23-7
National Guard–	
NCNG Matching Fund	NG23-1
Ballentine Building	NG23-2
Constable Building	NG23-3
Rocky Mount Complex/MILCON	NG23-4
Special Forces Complex	NG23-5
General Assembly	
Education Campus Project	NCGA21-3
Department of Transportation	
North Carolina Global TransPark Authority–	
Aircraft Maintenance Repair & Overhaul Facility	TRAN23-1
The University of North Carolina	
Appalachian State University–	
Peacock Hall/Business	UNC/ASU21-1
Innovation Campus	UNC/ASU21-2
Hickory Campus	UNC/ASU22-1
Walker Hall–Interior Renovation	UNC/ASU23-1
University of North Carolina at Charlotte–	
Smith Hall–Comprehensive Renovation	UNC/CLT23-1
Colvard Hall–Comprehensive Renovation	UNC/CLT23-2
University of North Carolina at Chapel Hill–	
Gardner Hall–Comprehensive Renovation	UNC/CH23-1
Elizabeth City State University–	
Sky Bridge	UNC/ECS21-2
Jenkins Hall/Dixon Hall–Labs/Classroom/Bldg. Renovation	UNC/ECS23-2
Safety & Security	UNC/ECS25-1
East Carolina University–	
Brody School of Medicine	UNC/ECU21-1
Howell Science Building North–Comprehensive Renovation	UNC/ECU23-1
Leo Jenkins Building/Health Sciences–Comprehensive Renovation	UNC/ECU23-2
Fayetteville State University–	
Butler Targeted Renovation	UNC/FSU23-1
North Carolina Agricultural & Technical State University–	
Marteena Hall–Renovation, Phase 2	UNC/A&T23-1
Health and Human Sciences Bldg.	UNC/A&T23-2
North Carolina Central University–	
Edmonds Classroom Building–Comprehensive Renovation	UNC/NCC23-2
University Theater Renovation	UNC/NCC23-3
North Carolina State University–	
Mann Hall–Renovation, Phase 2	UNC/NCS23-1

Dabney Hall–Renovation, Phase 2	UNC/NCS23-2
Polk Hall–Renovation, Phase 2	UNC/NCS23-3
Engineering Classroom Building	UNC/NCS23-5
Advanced Research & Test Reactor	UNC/NCS23-6
Poe Hall	UNC/NCS25-1
North Carolina School of Science and Math–	
Durham Campus	
Renovation of Residence Halls	UNC/SSM23-2
Academic Commons Addition	UNC/SSM23-4
Temporary Housing	UNC/SSM25-1
University of North Carolina at Asheville–	
Lipinsky Hall–Comp. Modernization/Addition	UNC/AVL23-1
Carol Belk Theatre	UNC/AVL25-1
University of North Carolina at Greensboro–	
Moore Building–Renovation	UNC/GBO23-1
University of North Carolina at Pembroke–	
Health Sciences Center	UNC/PEM21-1
Givens Performing Arts Center	UNC/PEM23-1
University of North Carolina School of the Arts–	
New High School Residence Hall	UNC/SA23-2
University of North Carolina at Wilmington–	
Cameron Hall–Comprehensive Renovation/Expansion	UNC/WIL23-1
Kenan Auditorium–Comprehensive Renovation/Expansion	UNC/WIL23-2
DeLoach Hall–Modernization	UNC/WIL23-3
Health Education/I.S.A.T. Building	UNC/WIL23-4
Western Carolina University–	
Replacement Engineering Building	UNC/WCU23-1
Winston-Salem State University–	
Eller Hall–Renovation & Elevator Addition	UNC/WSS23-1
Pegram Hall–Renovation & Elevator Addition	UNC/WSS23-2
PBS North Carolina	UNC/PBS23-1
UNC Board of Governors–	
NC Care Hospital Investment	UNC/BOG23-2
Children's Hospital	UNC/BOG23-3
Systems Office–Project Management Personnel	UNC/BOG25-1
Repairs and Renovations–The University of North Carolina	UNC/R&R21
Repairs and Renovations–State Agencies (non-UNC)	R&R21
SCIF-Related Personnel	PERS21

SECTION 42.1.(b) This subsection authorizes the following capital projects in the 2025-2027 fiscal biennium based upon projected cash flow needs for the authorized projects. The authorizations provided in this subsection represent the maximum amount of funding from the State Capital and Infrastructure Fund that may be expended on each project and do not reflect authorizations from other non-State Capital and Infrastructure Fund sources. An additional action by the General Assembly is required to increase the maximum authorization for any of the projects listed:

Capital Improvements–

State Capital and Infrastructure Fund	**Previous Project Authorization**	**New/Updated Project Authorization**
NCGA21-3	$320,000,000	$331,300,000
DPI25-1	N/A	2,500,000

DPS23-3	35,000,000	53,466,000
DPS23-7	43,336,785	72,572,000
NG23-1	24,000,000	28,000,000
NG23-2	12,500,000	13,300,000
NG23-3	16,428,582	18,678,582
DOA22-1	88,000,000	0
UNC/ASU21-1	40,000,000	45,000,000
UNC/ASU21-2	54,000,000	74,000,000
UNC/ECS21-2	2,500,000	7,500,000
UNC/ECS25-1	N/A	12,000,000
UNC/NCC23-2	12,999,424	19,499,424
UNC/NCS23-1	30,000,000	40,000,000
UNC/NCS23-6	3,000,000	16,000,000
UNC/NCS24-1	5,000,000	185,000,000
UNC/AVL23-1	26,150,000	30,150,000
UNC/AVL25-1	N/A	3,000,000
UNC/SSM23-2	28,988,042	43,988,042
UNC/SSM25-1	N/A	2,180,000
UNC/PEM23-1	61,000,000	131,004,985
UNC/WIL24-1	8,000,000	83,000,000
UNC/WCU23-1	95,300,000	157,900,000
UNC/BOG23-2	150,000,000	0
UNC/BOG23-3	319,746,392	216,246,392
UNC/BOG25-1	N/A	4,000,000

SECTION 42.1.(c) 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 42.1.(d) 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 42.1.(e) In order to position North Carolina State University to receive future federal funding, the University shall use funds allocated for project code UNC/NCS23-6 to conduct advanced planning for a new advanced research and test reactor at the University, to include reactor design, surveys, site characterization, safety and environmental assessments, and preliminary facility design. In addition, project funds shall be used to engage regulatory entities and key stakeholders.

SIX-YEAR INTENDED PROJECT ALLOCATION SCHEDULE

SECTION 42.2. It is the intent of the General Assembly to fund capital improvement projects on a cash flow basis and to plan for future project funding based upon projected availability in the State Capital and Infrastructure Fund. Nothing in this section shall be construed (i) to appropriate funds or (ii) as an obligation by the General Assembly to appropriate funds for

the projects listed in future years. The following schedule lists capital improvement projects that will begin or be completed in fiscal years outside of the 2025-2027 fiscal biennium and estimated amounts (in thousands) needed for completion of those projects:

Project Code	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31
PERS21	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9
UNC/R&R21	200,000	200,000	200,000	200,000	200,000	200,000
R&R21	200,000	200,000	200,000	200,000	200,000	200,000
DACS23-3	2,000	4,000	4,000	N/A	N/A	N/A
DACS23-8	2,000	1,000	1,000	1,000	N/A	N/A
DACS23-10	2,000	2,000	2,200	N/A	N/A	N/A
DACS23-11	N/A	1,500	1,500	N/A	N/A	N/A
DOA22-3	N/A	N/A	21,000	N/A	24,000	N/A
DOA23-1	N/A	N/A	1,000	20,244	12,500	N/A
DOA23-3	N/A	N/A	N/A	11,000	N/A	N/A
DOA23-4	N/A	N/A	15,000	N/A	N/A	N/A
DOA23-5	N/A	N/A	20,000	20,000	N/A	N/A
DPS23-3	14,791.5	25,774.5	8,500	N/A	N/A	N/A
DPS23-4	N/A	N/A	N/A	19,000	48,500	77,600
DPS23-7	14,472.4	42,931.7	8,834.2	N/A	N/A	N/A
NG23-4	1,000	N/A	5,500	N/A	N/A	N/A
NG23-5	N/A	N/A	800	4,000	3,200	N/A
TRAN23-1	60,000	65,000	50,000	N/A	N/A	N/A
UNC/ASU22-1	12,300	14,350	10,250	N/A	N/A	N/A
UNC/ASU23-1	N/A	9,900	6,300	N/A	N/A	N/A
UNC/CLT23-1	N/A	12,600	19,800	N/A	N/A	N/A
UNC/CLT23-2	N/A	N/A	4,500	N/A	15,000	25,500
UNC/CH23-1	N/A	N/A	2,500	10,000	N/A	10,000
UNC/ECU21-1	N/A	N/A	84,007.28	85,742.7	N/A	N/A
UNC/ECU23-1	8,237.5	20,162.5	12,300	N/A	N/A	N/A
UNC/ECU23-2	N/A	N/A	1,890	N/A	10,000	7,010
UNC/PEM21-1	30,500	24,400	4,250	N/A	N/A	N/A
UNC/PEM23-1	N/A	N/A	32,150	22,750	30,000	40,005
UNC/ECS23-2	N/A	N/A	1,250	N/A	11,250	N/A
UNC/FSU23-1	N/A	N/A	2,075	N/A	12,000	6,675
UNC/A&T23-1	N/A	N/A	N/A	N/A	5,335	N/A
UNC/A&T23-2	5,335	N/A	2,000	18,912	29,455	69,798
UNC/NCC23-2	N/A	4,549.8	7,149.7	6,500	N/A	N/A
UNC/NCC23-3	N/A	2,975	4,675	N/A	N/A	N/A
UNC/NCS23-1	27,000	N/A	N/A	N/A	2,000	8,000
UNC/NCS23-2	24,000	28,000	20,000	N/A	N/A	N/A
UNC/NCS23-3	18,900	22,050	15,750	N/A	N/A	N/A
UNC/NCS23-5	5,000	N/A	35,000	67,000	80,000	13,000
UNC/NCS24-1	25,049	74,957.9	79,993.4	N/A	N/A	N/A
UNC/SSM23-2	3,000	4,800	6,500	7,938	9,000	N/A
UNC/SSM23-4	1,000	N/A	9,000	N/A	N/A	N/A
UNC/GBO23-1	N/A	8,470	13,310	N/A	N/A	N/A
UNC/SA23-2	N/A	N/A	2,450	8,575	N/A	13,475
UNC/WIL23-1	2,000	5,725	17,770	10,550	N/A	N/A
UNC/WIL23-2	1,200	4,000	N/A	8,840	5,400	N/A

UNC/WIL23-3	N/A	N/A	3,000	4,860	N/A	N/A
UNC/WIL24-1	N/A	N/A	29,644	23,723	21,633	N/A
UNC/WCU23-1	N/A	9,530	39,955	87,415	19,000	N/A
UNC/WSS23-1	N/A	N/A	N/A	N/A	1,080	5,140
UNC/WSS23-2	N/A	N/A	N/A	N/A	1,600	8,000
UNC/PBS23-1	10,000	7,325	18,412.5	8,812.5	N/A	N/A
UNC/BOG25-1	1,000	1,000	1,000	1,000	N/A	N/A

NON-GENERAL FUND/NON-SCIF CAPITAL PROJECT AUTHORIZATIONS

SECTION 42.3.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund and non-State Capital and Infrastructure Fund sources available to the appropriate department:

Name of Project	**Amount of Non-General Fund/Non-SCIF Funding Authorized**	
	FY 2025-2026	**FY 2026-2027**
Department of Natural and Cultural Resources		
Jennette's Pier Aquarium–		
Solar Covered Walkway	$450,000	$0
Roanoke Island Aquarium–		
Invertebrate Tank	500,000	0
Pine Knoll Shores Aquarium–		
Invertebrate Tank	2,000,000	0
NC Zoo–		
Elephant Shelters & Barn Bollard Repair	2,500,000	2,500,000
State Historic Sites–		
House in the Horseshoe–		
Alston House Rehabilitation	445,000	445,000
Department of Agriculture and Consumer Services		
State Fairgrounds Infrastructure Improvements	0	5,000,000
NC Forest Service Nursery Greenhouse	0	350,000
Department of Public Safety		
Alcoholic Beverage Control–		
ABC Warehouse Repairs	1,150,000	0
Wildlife Resources Commission		
Sykes Depot Greenhouse	331,600	0
D7 Storage Building	400,000	0
Caswell Shooting Range Renovation	3,850,000	0
Coastal Restoration and Resiliency	6,500,000	0
Ransom Road Depot	9,000,000	0
Land Acquisition	5,000,000	5,000,000
WRC Game Land Improvements	0	2,000,000
McKinney Lake Hatchery Building Replacement	1,300,000	0
Table Rock Hatchery Residence	0	640,000
WRC New Shooting Range	0	2,000,000
New Tillery Office Depot	0	1,500,000
Agency Infrastructure Repairs & Renovations	1,500,000	1,500,000
Boating Access Repairs & Renovations	800,000	800,000
Caswell Depot Expansion	100,000	0
TOTAL AMOUNT OF NON-GENERAL FUND/NON-SCIF CAPITAL PROJECTS		

AUTHORIZED	**$35,826,000**	**$21,375,000**

SECTION 42.3.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars ($75,000) for the 2025-2026 fiscal year and the sum of seventy-five thousand dollars ($75,000) for the 2026-2027 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

SECTION 42.3.(c) G.S. 120-76.1 reads as rewritten:

"**§ 120-76.1. Prior consultation with the Commission; reporting requirements.**

(a) The Governor shall consult the Commission before doing any of the following:

(1) Authorizing expenditures in excess of the total requirements of a purpose or program as enacted by the General Assembly and as provided by G.S. 143C-6-4.

(2) Proceeding to reduce programs subsequent to a reduction of ten percent (10%) or more in the federal fund level certified to a department and any subsequent changes in distribution formulas.

(3) Taking measures under Article III, Section 5(3) of the North Carolina Constitution to effect necessary economies in State expenditures required for balancing the budget due to a revenue shortfall, including, but not limited to, (i) making loans among funds, (ii) personnel freezes or layoffs, (iii) capital project reversions, (iv) program eliminations, and (v) use of reserves. However, if the Commission fails to meet within 10 calendar days of a request from the Governor for its consultation, the Governor may proceed to take the actions the Governor deems appropriate and necessary and shall then report those actions at the next meeting of the Commission.

~~(4) Approving a new capital improvement project funded from gifts, grants, receipts, special funds, self-liquidating indebtedness, and other funds or any combination of funds for the project not specifically authorized by the General Assembly. The budget for each capital project must include projected revenues in an amount not less than projected expenditures.~~

…."

VARIOUS CAPITAL CHANGES

SECTION 42.4.(a) G.S. 143C-1-1(d) reads as rewritten:

"(d) Definitions. – The following definitions apply in this Chapter:

…

(5) Capital improvement. – A term that includes real property acquisition, new construction or rehabilitation of existing facilities, and repairs and renovations over one hundred fifty thousand dollars ~~($100,000)~~ ($150,000) in value.

…."

SECTION 42.4.(d) Section 7(b) of S.L. 2019-230, as amended by Section 40.3(b) of S.L. 2022-74, reads as rewritten:

"**SECTION 7.(b)** There is appropriated from the State Capital and Infrastructure Fund to the Growing Rural Economies with Access to Technology Fund the sum of ~~twenty~~ five million dollars ~~($20,000,000)~~($5,000,000) for each fiscal year from the ~~2019-2020~~2025-2026 fiscal year through the 2028-2029 fiscal year."

SECTION 42.4.(e) Section 40.1(i) of S.L. 2023-134 is repealed.

NATIONAL GUARD PROJECTS

SECTION 42.5.(a) From the funds allocated in this Part for Project Code NG23-1, the Office of State Budget and Management may disburse to the Department of Public Safety funds needed to provide a State match for federal funds for projects included in the latest Armory and Facilities Development Plan developed pursuant to G.S. 127A-210 and designated by the Adjutant General of the North Carolina National Guard in an amount not exceeding six million dollars ($6,000,000) during the 2025-2026 fiscal year.

SECTION 42.5.(b) No later than June 1, 2027, and every two years thereafter until project completion, the Department shall report on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) The status of all projects undertaken pursuant to this section.
(2) The estimated total cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project, including federal matching funds.
(6) Facilities planned for closure or reversion.
(7) A list of projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

DOWNTOWN GOVERNMENT COMPLEX

SECTION 42.7.(a) The Department of Administration shall sell the property situated on the parcel of land in the City of Raleigh, with Wake County real estate ID# 0179265, commonly known as 304 N. Dawson Street, for fair market value. No service charge into the State Land Fund shall be deducted from or levied against the proceeds of the sale of the property listed in this subsection. Notwithstanding G.S. 146-30, the proceeds of the sale of the property listed in this subsection shall be handled in accordance with the following priority:

(1) First, in accordance with the provisions of any trust or other instrument of title whereby title to the subject real property was acquired by the State.
(2) Second, to reimburse the Department of Administration for any funds expended in the sale of the subject real property.
(3) Third, to be deposited into the State Capital and Infrastructure Fund, established in G.S. 143C-4-3.1.

The Department of Administration shall obtain an appraisal assessing the value for the property listed in this subsection according to their best and highest use and shall submit the appraisal to the Joint Legislative Oversight Committee on Capital Improvements and the Fiscal Research Division no later than January 1, 2026.

SECTION 42.7.(b) The Department of Administration shall prepare a plan that, within 18 months of the effective date of this section, would consolidate and move the offices of the State Records Center and any storage or satellite facilities related to the State Records Center to another location outside of the downtown government complex. The Department of Administration shall consider options for lease or purchase and shall submit its plan and cost estimates to the Joint Legislative Oversight Committee on Capital Improvements and the Fiscal Research Division no later than March 1, 2026.

SECTION 42.7.(c) This section is effective when it becomes law.

UNC BOARD OF GOVERNORS APPROVAL/CAPITAL EXPENDITURES

SECTION 42.8. G.S. 116-31.11 reads as rewritten:

"**§ 116-31.11. Powers of Board regarding certain fee negotiations, contracts, and capital improvements.**

(a) Notwithstanding G.S. 143-341(3) and G.S. 143-135.1, the Board shall, with respect to the design, construction, or renovation of buildings, utilities, and other property developments of The University of North Carolina requiring the estimated expenditure of public money of four million dollars ($4,000,000) or less:

(1) Conduct the fee negotiations for all design contracts and supervise the letting of all construction and design contracts.

(2) Develop procedures governing the responsibilities of The University of North Carolina and its affiliated and constituent institutions to perform the duties of the Department of Administration and the Director or Office of State Construction under G.S. 133-1.1(d) and G.S. 143-341(3).

(3) Develop procedures and reasonable limitations governing the use of open-end design agreements, subject to G.S. 143-64.34 and the approval of the State Building Commission.

(4) Use existing plans and specifications for construction projects, where feasible. Prior to designing a project, the Board shall consult with the Department of Administration on the availability of existing plans and specifications and the feasibility of using them for a project.

(b) The Board may delegate its authority under subsection (a) of this section to a constituent or affiliated institution if the institution is qualified under guidelines adopted by the Board and approved by the State Building Commission and the Director of the Budget.

(c) The University shall use the standard contracts for design and construction currently in use for State capital improvement projects by the Office of State Construction of the Department of Administration.

(d) A contract may not be divided for the purpose of evading the monetary limit under this section.

(e) Notwithstanding any other provision of this Chapter, the Department of Administration shall not be the awarding authority for contracts awarded pursuant to this section.

(e1) The Board shall be responsible for making the final determination on all budgeted expenditures and project scope for capital improvement projects at The University of North Carolina and its constituent institutions.

(f) The Board of Governors shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g)."

USE OF CAPITAL FUNDS ON SUSTAINABILITY ELEMENTS

SECTION 42.9.(a) G.S. 143C-8-7.1 reads as rewritten:

"**§ 143C-8-7.1. Procedures for disbursement of capital funds.**

(a) Appropriations made by an act of the General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities; for acquiring sites for them where necessary; for acquiring buildings and land for State government purposes and other purposes as set forth in G.S. 143C-4-3.1; and shall be disbursed for the purposes provided by that act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been issued by the Governor as Director of the Budget, which shall not be unreasonably withheld. The allotment shall be issued upon

compliance with the provisions of this Chapter. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations within 30 days.

(b) Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

(c) Capital improvement projects authorized by an act of the General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in that act. Capital improvement projects authorized by an act of the General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment. Amounts contracted for projects authorized by the General Assembly cannot exceed the total project cost authorization.

(d) Disbursement of funds from the State Capital and Infrastructure Fund for projects authorized by an act of the General Assembly shall be made as needed to initiate or advance a capital project. Funds authorized for any particular project shall remain in the State Capital and Infrastructure Fund until such time as disbursement is necessary to satisfy a financial obligation for that project.

(e) Funds disbursed for capital improvement projects may not be used for certification under Leadership in Energy and Environmental Design (LEED), Green Globes, Living Building Challenge, or other similar environmental or sustainability certification or rating by an equivalent or greater, nationally recognized certification or rating system, unless the estimated operating costs for the first 10 years post-construction would be less than the cost of construction or renovation if the project were not subject to the requirements of this section plus the estimated operating costs for the first 10 years post-construction. All third-party certification costs before and after construction or renovation shall be included in determining construction and operating costs."

SECTION 42.9.(b) G.S. 115D-9 reads as rewritten:

"**§ 115D-9. Powers of State Board regarding certain fee negotiations, contracts, and capital improvements.**

(a) The expenditures of any State funds for any capital improvements of existing institutions shall be subject to the prior approval of the State Board of Community Colleges and the Governor. The expenditure of State funds at any institution herein authorized to be approved by the State Board under G.S. 115D-4 shall be subject to the terms of the State Budget Act unless specifically otherwise provided in this Chapter.

(b) Notwithstanding G.S. 143-341(3), the State Board of Community Colleges may, with respect to design, construction, repair, or renovation of buildings, utilities, and other State-funded property developments of the North Carolina Community College System requiring the estimated expenditure of public money of four million dollars ($4,000,000) or less:

(1) Conduct the fee negotiations for all design contracts and supervise the letting of all construction and design contracts.

(2) Develop procedures governing the responsibilities of the North Carolina Community College System and its community colleges to perform the duties of the Department of Administration and the Director or Office of State Construction under G.S. 133-1.1(d) and G.S. 143-341(3).

(3) Use existing plans and specifications for construction projects, where feasible. Prior to designing a project, the State Board shall consult with the Department of Administration on the availability of existing plans and specifications and the feasibility of using them for a project.

(c) The State Board may delegate its authority under subsection (b) of this section to a community college if the community college is qualified under guidelines adopted by the State Board.

(d) The North Carolina Community College System shall use the standard contracts for design and construction currently in use for State capital improvement projects by the Office of State Construction of the Department of Administration.

(e) A contract may not be divided for the purpose of evading the monetary limit under this section.

(f) Notwithstanding any other provision of this Chapter, the Department of Administration shall not be the awarding authority for contracts awarded under subsections (b) or (c) of this section.

(g) For projects two million dollars ($2,000,000) or more, funded with public money, the Community Colleges System Office shall report no later than October 1 of each year to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).

(h) The provisions of G.S. 143-341(3) shall not apply to a capital improvement project funded with non-State funds or for projects less than two million dollars ($2,000,000) that have been delegated pursuant to subsection (c) of this section if the State Board of Community Colleges determines that the college has the expertise necessary to manage the project unless the assistance of the Office of State Construction is requested.

(i) Capital improvement projects involving the use of State funds shall not include certification under Leadership in Energy and Environmental Design (LEED), Green Globes, Living Building Challenge, or other similar environmental or sustainability certification or rating by an equivalent or greater, nationally recognized certification or rating system, unless the estimated operating costs for the first 10 years post-construction would be less than the cost of construction or renovation if the project were not subject to the requirements of this section plus the estimated operating costs for the first 10 years post-construction. All third-party certification costs before and after construction or renovation shall be included in determining construction and operating costs."

USE OF CAPITAL FUNDS FOR PUBLIC-PRIVATE PARTNERSHIPS

SECTION 42.10. G.S. 143C-8-7.1 reads as rewritten:

"**§ 143C-8-7.1. Procedures for disbursement of capital funds.**

(a) Appropriations made by an act of the General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities; for acquiring sites for them where necessary; for acquiring buildings and land for State government purposes and other purposes as set forth in G.S. 143C-4-3.1; and shall be disbursed for the purposes provided by that act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been issued by the Governor as Director of the Budget, which shall not be unreasonably withheld. The allotment shall be issued upon compliance with the provisions of this Chapter. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of

the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations within 30 days.

(a1) State funds appropriated for a capital improvement project at a State agency that is not a public-private partnership project shall not be used in conjunction with or for the benefit of a public-private partnership project without express authorization by an act of the General Assembly. For the purposes of this subsection, the term "public-private partnership" means a capital improvement project undertaken for the benefit of a governmental entity and a private entity that may involve a contract, a financing arrangement, or other agreement, and includes construction of a public facility or other improvements, including paving, grading, utilities, infrastructure, reconstruction, or repair, and may include both public and private facilities.

(b) Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

(c) Capital improvement projects authorized by an act of the General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in that act. Capital improvement projects authorized by an act of the General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment. Amounts contracted for projects authorized by the General Assembly cannot exceed the total project cost authorization.

(d) Disbursement of funds from the State Capital and Infrastructure Fund for projects authorized by an act of the General Assembly shall be made as needed to initiate or advance a capital project. Funds authorized for any particular project shall remain in the State Capital and Infrastructure Fund until such time as disbursement is necessary to satisfy a financial obligation for that project."

STATE CAPITOL LONG-TERM MASTER MAINTENANCE PLAN CHANGES

SECTION 42.11.(a) Section 40.1 of S.L. 2021-180 reads as rewritten:

"…

"**SECTION 40.1.(j)** For project code NCGA21-4, the Legislative Services Office shall utilize the funds allocated to develop and update a long-term master maintenance plan for the State Capitol Building, including the Capitol Square, ~~with a focus on~~ to include the roof and structural integrity of the structure and potential capital repairs, rehabilitation, renovation, and restoration expenditures for the ~~structure and its~~ structure, infrastructure system ~~components.~~ components, and the update and preservation of the grounds. In addition, the Legislative Services Office shall, in recognition of America's semiquincentennial celebration, place a monument on the grounds of the State Capitol that celebrates North Carolina's contributions in the Revolutionary War and shall also place on the grounds of the State Capitol a monument of the Reverend William Franklin "Billy" Graham, Jr. The Legislative Services Office shall seek input from the Department of Administration, the Department of Natural and Cultural ~~Resources~~ Resources, and The North Carolina State Capitol Foundation, Inc., to ensure the integrity and historic significance of the structure is properly considered and maintained.

"**SECTION 40.1.(k)** For project code NCGA21-4, the General Assembly shall be considered the funded agency, pursuant to G.S. 143-135.26(1) and, notwithstanding G.S. 143-341 or any other provision of law to the contrary, shall have final authority over any rehabilitation, renovation, or restoration activity identified by the long-term master maintenance

plan developed pursuant to subsection (j) of this section. The Department of Administration and the Department of Natural and Cultural Resources shall provide resources and guidance to the Legislative Services Office on any rehabilitation, renovation, or restoration activity undertaken pursuant to ~~this subsection.~~ subsections (j) and (k) of this section. Any rehabilitation, renovation, or restoration activity undertaken pursuant to this subsection shall be in compliance with G.S. 143-138.

…."

SECTION 42.11.(b) G.S. 121-9(h) reads as rewritten:

"(h) Preservation and Custodial Care of State Capitol. – The rotunda, corridors, and stairways of the first floor of the State Capitol and all portions of the second, third, and loft floors of the said building shall be placed in the custody of the Department of Natural and Cultural Resources; and the Department shall, subject to the availability of funds for the purpose, care for and administer these areas for the edification of present and future generations. The aforesaid areas shall be preserved as historic shrines and shall be maintained insofar as practicable as they shall appear following the restoration of the Capitol. The Department of Natural and Cultural Resources is authorized to deny the use of the legislative chambers for meetings in order that they, with their historic furnishings, may be better preserved for posterity; provided, however, ~~that~~ that, upon request of the Legislative Services Officer or by resolution, the General Assembly may hold therein such sessions or other purposes as it may ~~by resolution~~ deem proper.

The Department of Natural and Cultural Resources is hereby entrusted with the responsibilities herein specified as being the agency with the experience best qualified to preserve and administer historic properties in a suitable manner. However, for the purposes of carrying out the provisions of this section, it is hereby directed that such cooperation and assistance shall be made available to the said Department of Natural and Cultural Resources and such labor supplied, as may be feasible, by the Department of Administration.

The offices and working areas of the first floor as well as all washrooms and the exterior of the Capitol shall remain under the jurisdiction of the Department of Administration: Provided, however, that the Department of Administration shall seek the advice of the Department of Natural and Cultural Resources in matters relating to any alteration, renovation, and furnishing of said offices and areas."

PART XLIII. TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND

SECTION 43.1.(a) Subsections (b) and (c) of Section 41.1 of S.L. 2023-134 are repealed.

SECTION 43.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2027-28	$3,399 million
For Fiscal Year 2028-29	$3,553 million
For Fiscal Year 2029-30	$3,612 million
For Fiscal Year 2030-31	$3,666 million
For Fiscal Year 2031-32	$3,723 million

SECTION 43.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2027-28	$2,614 million
For Fiscal Year 2028-29	$2,685 million
For Fiscal Year 2029-30	$2,738 million
For Fiscal Year 2030-31	$2,780 million
For Fiscal Year 2031-32	$2,853 million

SECTION 43.1.(d) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop a 10-year revenue forecast. The 10-year revenue forecast developed under this subsection shall be used (i) to develop the five-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

CONTINGENCY FUNDS

SECTION 43.2.(a) The funds appropriated in this act to the Department of Transportation, Construction – Contingency Fund Code for the 2025-2027 fiscal biennium shall be allocated statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, railroad infrastructure, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subsection require prior approval by the Secretary of Transportation. Funds allocated under this subsection shall not revert at the end of the applicable fiscal year but shall remain available until expended. The use of funds that do not revert under this subsection is not restricted to the fiscal year in which the funds were allocated.

SECTION 43.2.(b) The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to subsection (a) of this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

TRANSPORTATION DISASTER RECOVERY FOR HURRICANE HELENE

SECTION 43.3.(a) Cash Flow Reallocation. – For the 2025-2027 fiscal biennium, the Department of Transportation may reallocate funds as necessary for cash flow and federal matching purposes related to recovery from Hurricane Helene.

SECTION 43.3.(b) Cash Watch Weekly Report. – In addition to the other items published in the weekly report required under G.S. 143C-6-11(n), the Department shall include the total sum of Hurricane Helene expenditures and the total sum of federal reimbursements received by the Department. This requirement shall remain in effect until recovery is complete and the Department has received all federal reimbursements.

DISASTER REIMBURSEMENT REPORTS

SECTION 43.4. Article 2A of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-44.2F. Disaster reimbursement reports.**

(a) Disaster Detailed Report. – No later than the end of each month, the Department of Transportation shall submit a report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on disaster expenditures that qualify for federal reimbursement. The report shall be categorized by disaster and include the following information:

(1) Project number.
(2) Project description.
(3) Highway division.
(4) County.
(5) Total project expenditures to date.
(6) Federal disaster program eligibility.
(7) Estimated expenditures eligible for reimbursement.
(8) Date of initial reimbursement submission.
(9) Date of last reimbursement submission.
(10) Eligible expenditures submitted for reimbursement.

(11) Anticipated reimbursement.
(12) An explanation if the anticipated amount of reimbursement is less than the estimate of expenditures eligible for reimbursement.
(13) Reimbursements received to date.

(b) Disaster Summary Report. – No later than the end of each quarter, the Department shall submit a summary report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division for all disaster expenditures resulting from a disaster that occurred on or after January 1, 2016, and that qualify for federal reimbursement. The report shall be by disaster and contain the source of federal reimbursement and the total eligible expenditures as of the date of the report.

(c) Failure to Submit Report. – If the Department fails to submit a report under this section within 60 days of the required submission date, the Secretary of the Department shall provide to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division an explanation for not submitting the required report."

POWELL BILL FUNDS

SECTION 43.5. For the 2025-2027 fiscal biennium:

(1) The Department of Transportation shall not reduce the funds appropriated under this act to the State Aid – Powell Bill Fund for allocation under the Powell Bill (G.S. 136-41.1 through G.S. 136-41.4).
(2) Notwithstanding G.S. 136-41.1(a), eligible municipalities with a population of 400,000 or more shall receive the same amount of Powell Bill Program funds allocated for the 2020-2021 fiscal year. The remaining Powell Bill Program funds shall be allocated to municipalities with a population of fewer than 400,000 in accordance with the requirements of G.S. 136-41.1(a).

MODIFICATION TO MONTHLY STATEMENT REPORT

SECTION 43.6. The Department of Transportation shall modify its monthly financial statement report, as required by G.S. 143C-6-11(q), by separating the additional registration fee charged for plug-in electric and plug-in hybrid electric vehicles charged under G.S. 20-87(13) and G.S. 20-87(13a) from staggered registration in the "Statement of Fees, Taxes, and Other" for the Highway Fund.

RENAMING OF THE OFFICE OF CIVIL RIGHTS

SECTION 43.7.(a) The North Carolina Department of Transportation's Office of Civil Rights is hereby renamed the "Office of Small Business Development."

SECTION 43.7.(b) Consistent with subsection (a) of this section, the Revisor of Statutes is authorized to change in the General Statutes the name of the Office of Civil Rights to the Office of Small Business Development.

CAPITAL INFRASTRUCTURE PLAN

SECTION 43.8. The Department of Transportation shall prepare a cash flow financing plan to fund capital replacement needs for the Division of Highways operating facilities over an eight-year period. The basis for the plan shall be the building replacement schedule found in Appendix A5 of the 2024 Report on the NCDOT Facilities Management Division Capital Projects. The plan shall include examining the disposal of unused and underutilized real property of the Department to fund this plan. The Department shall submit the plan to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division by March 15, 2026.

TRANSFER CERTAIN NONSWORN PERSONNEL FROM THE LICENSE AND THEFT BUREAU OF THE DEPARTMENT OF TRANSPORTATION TO THE STATE HIGHWAY PATROL AND ESTABLISH NEW BUDGET FUND

SECTION 43.9.(a) The following positions, including the salaries, property, and other funds allocated for the positions, are transferred from the Department of Transportation, Division of Motor Vehicles License and Theft Bureau, to the State Highway Patrol:

Position	Position Number
Program Coordinator III	60030052
Administrative Specialist II	60030907
Administrative Specialist I	60031075
Program Analyst I	60031189
Program Analyst I	60031341
Administrative Specialist II	60029790
Administrative Specialist I	60031033
Program Coordinator II	60030760
Program Coordinator II	60030921
Electronics Technician II	60030924
Administrative Specialist I	60030909
Program Coordinator III	60092620
Program Coordinator III	60030920
Program Coordinator III	60030933
Program Coordinator III	60090052
Program Supervisor I	60092613
Program Supervisor I	60092614
Program Coordinator III	60092615
Program Coordinator III	60092616
Program Coordinator III	60092617
Program Coordinator III	60092618
Program Coordinator III	60092619
Program Coordinator III	60030904
Program Coordinator III	60092622
Program Coordinator III	60092623
Program Coordinator III	60092625
Program Coordinator III	60092626
Program Coordinator III	60092627
Program Coordinator I	60029918
Program Supervisor I	60030890
Program Coordinator III	60030922
Program Coordinator I	60031074
Program Coordinator I	60031114
Program Coordinator I	60031142
Program Coordinator I	60031143
Administrative Specialist I	60030847
Program Coordinator III	60030894
Administrative Specialist I	60030899
Program Supervisor I	60030917
Administrative Specialist I	60030934
Administrative Specialist I	60031312
Program Coordinator III	65037940
Program Coordinator III	65037942
Program Supervisor I	65037786

Program Coordinator III	65037941
Program Supervisor I	60030929
Program Coordinator III	60030844
Program Coordinator I	60030893
Program Coordinator III	60030898
Program Coordinator III	60031077
Program Coordinator I	60031284
Program Coordinator I	60031320
Program Coordinator III	60030916
Program Coordinator III	60030905
Program Coordinator III	60092628
Program Coordinator III	60092629
Administrative Specialist I	60030937
Administrative Specialist I	60030962
Administrative Specialist I	60029801
Administrative Specialist I	60031024
Administrative Specialist I	60030997
Administrative Specialist I	60031026
Administrative Specialist I	60030996
Administrative Specialist I	60031140
Administrative Specialist I	60030995
Administrative Specialist I	60031193
Program Coordinator III	60031112
Program Coordinator III	60031115
Administrative Specialist I	60031076

SECTION 43.9.(b) Within the Highway Fund (Budget Code # 84210), the Office of State Budget and Management shall establish a new budget fund for ongoing support of: (i) all positions transferred from the Department of Transportation to the State Highway Patrol pursuant to Subpart III-E of S.L. 2024-57 and subsection (a) of this section and (ii) the recurring transfer of funds from the Department of Transportation to the State Highway Patrol required by Section 3E.3(b) of S.L. 2024-57.

ROAD AND BRIDGE NAMING DESIGNATIONS

SECTION 43.10. Notwithstanding any provision of law to the contrary, the Department of Transportation shall make the following naming designations:

(1) The bridge on North Carolina Highway 904 that crosses the Columbus and Robeson County Line, also known as Robeson Bridge 31, shall be renamed the "Assistant Chief Lenneau D. Hammond Bridge."

(2) Complex Street located in the Town of Tabor City shall be renamed "Shane Miller Street."

DMV DRIVER LICENSE EXAMINER AND CALL CENTER POSITIONS

SECTION 43.11.(a) Of the funds appropriated in this act to the Department of Transportation, the Department shall use (i) eight hundred thousand dollars ($800,000) to create 40 additional full-time equivalent (FTE) Driver License Examiner I and II positions in the 2025-2026 fiscal year and (ii) one million eight hundred forty-eight thousand nine hundred seventy-six dollars ($1,848,976) to create 21 additional FTE Driver License Examiner I and II positions in the 2026-2027 fiscal year.

SECTION 43.11.(b) The Department is authorized to create up to 30 additional FTE Administrative Specialist II positions in the 2025-2026 fiscal year to support the Division of Motor Vehicles Customer Contact Center.

SECTION 43.11.(c) In addition to the funds appropriated in this act, 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.

DMV IT MODERNIZATION

SECTION 43.12.(a) The ongoing efforts of the Division of Motor Vehicles (DMV) of the Department of Transportation to modernize the DMV's Information Technology (IT) systems shall include both of the following:

(1) The development of a system for the electronic submission and verification of Commercial Drivers License credentials.

(2) The development of a system to electronically track and automatically report on the number of drivers license issuance and renewal transactions processed by the DMV within each county. The reporting system shall collect all of the following for each county:

a. Drivers license issuances and renewals processed for in-county residents.

b. Drivers license issuances and renewals processed for out-of-county residents.

c. For drivers license issuances and renewals processed for out-of-county residents, the license holder's county of residence.

SECTION 43.12.(b) Beginning on October 1, 2026, and continuing until the complete development of the systems required by subsection (a) of this section, the DMV shall quarterly report both of the following to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division:

(1) A manual estimate of the drivers license issuance and renewals processed by the DMV within each county, including estimates of all of the following:

a. Drivers license issuances and renewals processed for in-county residents.

b. Drivers license issuances and renewals processed for out-of-county residents.

c. For drivers license issuances and renewals processed for out-of-county residents, the license holder's county of residence.

(2) The current status of the development of the systems required by subsection (a) of this section.

SECTION 43.12.(c) Notwithstanding any other provision of law, for each quarterly report required by subsection (b) of this section that the DMV fails to submit, the Director of the Budget shall withhold the next quarterly allotment of funds appropriated to the DMV for IT modernization for the 2026-2027 fiscal year until the report is properly submitted.

FERRY DRY DOCK USE OF FUNDS REPORT

SECTION 43.13. No later than October 1, 2025, and quarterly thereafter until the funds are expended, the Ferry Division shall submit a progress report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the use of funds appropriated by this act to the Ferry Division for marine vessel dry docking. The report shall include the following information by fiscal year:

(1) A list of all marine vessels scheduled or under contract for dry docking.

(2) The estimated cost of the work to be completed for each marine vessel sent to a private shipyard for dry dock.

(3) The actual cost of the work and the total funds used as of the report date.

SOUTH DOCK FERRY TERMINAL

SECTION 43.14. Notwithstanding any provision of law or the Committee Report described in Section 43.2 of S.L. 2023-134 to the contrary, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2023-2024 fiscal year allocated to build stacking lanes and a concrete barrier on NC 12 at the South Dock Ferry Terminal on Ocracoke shall instead be used for ramp rehabilitation on the South Dock Ferry Terminal to address safety and reliability concerns.

FERRY CAPITAL FUND MODIFICATIONS

SECTION 43.15. G.S. 136-82(d) reads as rewritten:

"(d) Use of Toll Proceeds. – The Department of Transportation shall deposit the proceeds from tolls collected on North Carolina Ferry System routes and route-generated receipts authorized under subsection (f) of this section to fund codes within the Ferry Capital Special Fund for each of the Highway Divisions in which system terminals are located and fares are earned. For the purposes of this subsection, fares are earned based on the terminals from which a passenger trip originates and terminates. Commuter pass receipts shall be deposited proportionately to each fund code based on the distribution of trips originating and terminating in each Highway Division. ~~The proceeds deposited to each fund code shall be used exclusively for prioritized North Carolina Ferry System ferry passenger vessel replacement projects in the Division in which the proceeds are earned.~~ Proceeds deposited to each fund code may be used to fund ferry passenger vessel replacement projects or supplement funds allocated for ferry passenger vessel replacement projects approved in the Transportation Improvement ~~Program.~~Program for any route in the North Carolina Ferry System."

NORTH CAROLINA RAILROAD

SECTION 43.16.(b) G.S. 124-3 reads as rewritten:

"**§ 124-3. Report of railroad, canal, etc.; contents.**

(a) The president or other chief officer of every railroad, canal, or other public work of internal improvement in which the State owns an interest, shall, report annually to the Joint Legislative Commission on Governmental ~~Operations.~~ Operations, the House of Representatives Appropriations Committee on Transportation, the Senate Appropriations Committee on the Department of Transportation, the Joint Legislative Transportation Oversight Committee, the State Auditor, and the Fiscal Research Division. This report shall include:

(1) Number of shares owned by the State.
(2) Number of shares owned otherwise.
(3) Par value of the shares.
(4) Repealed by Session Laws 2000-146, s. 3, effective July 1, 2000.
(5) Amount of bonded debt, and for what purpose contracted.
(6) Amount of other debt, and how incurred.
(7) If interest on bonded debt has been punctually paid as agreed; if not, how much in arrears.
(8) Amount of gross receipts for past year, and from what sources derived.
(9) An itemized account of expenditures for past year.
(10) A summary of all leases, sales, or acquisitions of real property to which the company has been a party since the last report.
(11) Suits at law pending against his company concerning its bonded debt, or in which title to all or any part of such road or canal is concerned.
(12) Any sales of stock owned by the State, by whose order made, and disposition of the proceeds.

(13) Annual financial statements, including notes, audited by an independent certified public accounting firm.

…."

SECTION 43.16.(c) G.S. 124-17 reads as rewritten:

"**§ 124-17. Enhanced annual report of State-owned railroad company; additional reporting requirements to Governor and General Assembly.**

(a) A State-owned railroad company shall submit an annual report to the Joint Legislative Commission on Governmental ~~Operations and~~ Operations, the Joint Legislative Transportation Oversight ~~Committee.~~ Committee, the House of Representatives Appropriations Committee on Transportation, the Senate Appropriations Committee on the Department of Transportation, the State Auditor, and the Fiscal Research Division. The report shall include the following:

(1) The information required under G.S. 124-3.

(2) A copy of the strategic plan and the capital investment plan required under G.S. 124-16.

(3) Any failures to meet strategic objectives and what corrective actions were taken under G.S. 124-16(b).

(4) Anticipated dividends for the next three fiscal years.

(5) A description of the State-owned railroad company's business, subsidiaries, and markets in which it operates.

(6) A list of the properties owned by the State-owned railroad company.

(7) A list of the directors and executive officers of the State-owned railroad company and a description of the background and experience of each.

(8) A description of the State-owned railroad company's code of ethics and conflicts of interest policy.

(9) A summary of the fees paid to an accounting firm during the year.

(10) A list of the compensation paid to directors and officers of the State-owned railroad company.

(11) A description of the State-owned railroad company's disagreements with its accountants if there has been a change in accountants.

(12) A description of any transactions between the State-owned railroad company and its directors, officers, and their family members.

(b) Upon the request of the Governor or any committee of the General Assembly, the State Auditor, or the Fiscal Research Division, a State-owned railroad company shall provide all additional information and data within its possession or ascertainable from its records. The State-owned railroad company shall not be deemed to have waived any attorney-client privilege when complying with this subsection. At the time a State-owned railroad company provides information under this section, it shall indicate whether the information is confidential. Confidential information shall be subject to subsection (c) of this section.

…

(d) A State-owned railroad company shall be subject to audit and investigation by the State Auditor under Article 5A of Chapter 147 of the General Statutes."

DMV LICENSE RENEWAL PRIVATIZATION PILOT PROGRAM

SECTION 43.17.(a) Intent. – It is the intent of the General Assembly to evaluate the feasibility, efficiency, customer service impact, and cost-effectiveness of allowing private entities to perform certain functions traditionally administered by the Division of Motor Vehicles of the Department of Transportation (DMV) by implementing pilot programs in Guilford and Harnett Counties authorizing certain third-party vendors to provide drivers license renewal services.

SECTION 43.17.(b) RFP Issuance. – No later than January 1, 2026, the DMV shall issue a Request for Proposals (RFP) to solicit bids from third-party vendors to provide renewal

services for Class C regular drivers licenses in Guilford and Harnett Counties. The RFP shall require that proposals include, at minimum, the following information:

(1) A description of the systems the third-party vendor will implement to comply with:
   a. All federal requirements and the requirements of Chapter 20 of the General Statutes.
   b. The DMV's data security protocols.
(2) The minimum requirements the third-party vendor will impose for personnel and facilities.
(3) Plans for maintaining financial sustainability while providing drivers license renewal services at a cost that does not exceed any fee established by Chapter 20 of the General Statutes.
(4) A description of performance benchmarks, including, but not limited to, provisions for customer service evaluation and customer complaint resolution, and a plan for submitting quarterly written reports to the DMV evaluating compliance with those benchmarks.
(5) A plan for transitioning back to DMV's provision of drivers license renewal services if the pilot program is not continued.

SECTION 43.17.(c) Contract Awards and Duration. – No later than July 1, 2026, the DMV shall award one or more contracts to third-party vendors in Guilford and Harnett Counties. The duration of a contract may not extend beyond January 1, 2029.

SECTION 43.17.(d) Pilot Program Implementation Date and Requirements. – The pilot program shall begin January 1, 2027, and, notwithstanding any other provision of law, the selected third-party vendors are authorized to issue renewed Class C regular drivers licenses on or after that date. No third-party vendor shall issue a renewed license unless the license meets all of the requirements for renewal pursuant to federal law and Chapter 20 of the General Statutes. A third-party vendor shall not charge any fee for renewal in excess of the fee established by statute.

SECTION 43.17.(e) Third-Party Vendor Reporting Requirements. – Each third-party vendor contracting with the DMV pursuant to this section shall quarterly submit a written report to the DMV evaluating compliance with the performance benchmarks established in the RFP.

SECTION 43.17.(f) DMV Oversight. – The DMV shall provide oversight of the pilot program, including periodic audits, and may terminate or suspend the participation of any third-party vendor for noncompliance with the General Statutes or any other program requirements, including, but not limited to, unsatisfactory customer service or customer complaint resolution.

SECTION 43.17.(g) DMV Reporting Requirements. – The DMV shall submit a first report no later than December 31, 2027, and a second report no later than December 31, 2028, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division. The reports shall evaluate the pilot program, and, at minimum, include:

(1) The number of renewals processed by third-party vendors.
(2) An evaluation of each third-party vendor's performance benchmarks.
(3) A cost-benefit and efficiency analysis.
(4) A description of all audit results.
(5) Recommendations regarding the continuation, expansion, or termination of privatized renewal services, including a plan for transitioning back to DMV provision of drivers license renewal services if the pilot program is not continued.

SECTION 43.17.(h) State-Offered Services During Pilot Program. – Nothing in this section limits the authority of State-operated DMV offices to provide drivers license renewal services in Guilford and Harnett Counties.

SECTION 43.17.(i) Sunset. – This section expires January 1, 2029.

DMV IN-HOME LICENSE RENEWAL PILOT PROGRAM

SECTION 43.18.(a) Intent. – It is the intent of the General Assembly to improve the accessibility of and customer service provided by the Division of Motor Vehicles of the Department of Transportation (DMV) by implementing a pilot program in Forsyth County authorizing either the DMV or certain third-party vendors to provide in-home drivers license renewal services. For purposes of this section, the term "in-home drivers license renewal service" means a process by which personnel, employed either by the DMV or a third-party vendor authorized by the DMV, travel to a license holder's residence to conduct the necessary procedures for drivers license renewal.

SECTION 43.18.(b) RFP Issuance. – No later than January 1, 2026, the DMV shall issue a Request for Proposals (RFP) to solicit bids from third-party vendors to provide in-home drivers license renewal services for Class C regular drivers licenses in Forsyth County. The RFP shall require that proposals include, at minimum, the following information:

(1) A description of the systems the third-party vendor will implement to comply with:
   a. All federal requirements and the requirements of Chapter 20 of the General Statutes.
   b. The DMV's data security protocols.
(2) The minimum requirements the third-party vendor will impose for personnel and facilities.
(3) Plans for acquiring access to the software and equipment necessary to provide in-home drivers license services.
(4) Plans for maintaining financial sustainability.
(5) A description of performance benchmarks, including, but not limited to, provisions for customer service evaluation and customer complaint resolution, and a plan for submitting quarterly written reports to the DMV evaluating compliance with those benchmarks.

SECTION 43.18.(c) Contract Awards and Duration. – No later than July 1, 2026, the DMV shall award one or more contracts to third-party vendors in Forsyth County. The duration of a contract may not extend beyond January 1, 2029.

SECTION 43.18.(d) Pilot Program Implementation Date and Requirements. – The pilot program shall begin January 1, 2027, and, notwithstanding any other provision of law, the selected third-party vendors are authorized to provide in-home drivers license renewal services for Class C regular drivers licenses to residents of Forsyth County on or after that date. No third-party vendor shall issue a renewed license unless the license meets all of the requirements for renewal pursuant to federal law and Chapter 20 of the General Statutes.

SECTION 43.18.(e) Fees. – Notwithstanding any other provision of law, either the DMV or a third-party vendor providing in-home drivers license renewal services may charge a fee of up to double the fee set by Chapter 20 of the General Statutes for the issuance of a renewed license.

SECTION 43.18.(f) Third-Party Vendor Reporting Requirements. – Each third-party vendor contracting with the DMV pursuant to this section shall quarterly submit a written report to the DMV evaluating compliance with the performance benchmarks established in the RFP.

SECTION 43.18.(g) DMV Oversight. – The DMV shall provide oversight of the pilot program, including periodic audits, and may terminate or suspend the participation of any

third-party vendor for noncompliance with the General Statutes or any other program requirements, including, but not limited to, unsatisfactory customer service or customer complaint resolution.

SECTION 43.18.(h) DMV Reporting Requirements. – The DMV shall submit a first report no later than December 31, 2027, and a second report no later than December 31, 2028, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division. The reports shall evaluate the pilot program, and, at minimum, include:

(1) The number of in-home renewals processed by third-party vendors.
(2) An evaluation of each third-party vendor's performance benchmarks.
(3) A cost-benefit and efficiency analysis.
(4) A description of all audit results.
(5) Recommendations regarding the continuation, expansion, or termination of privatized in-home renewal services.

SECTION 43.18.(i) State-Offered Services During Pilot Program. – Nothing in this section limits the authority of State-operated DMV offices to provide drivers license renewal services, including in-home drivers license renewal services, in Forsyth County.

SECTION 43.18.(j) Sunset. – This section expires January 1, 2029.

PILOT PROGRAM TO ALLOW COMMERCIAL DRIVER TRAINING SCHOOLS TO ADMINISTER EXAMINATIONS REQUIRED FOR DRIVERS LICENSING

SECTION 43.19.(a) The Division of Motor Vehicles shall develop a pilot program to authorize commercial driver training schools licensed under Article 14 of Chapter 20 of the General Statutes to additionally administer all examinations required for drivers licensing and permitting in accordance with G.S. 20-7, 20-11, and 20-37.13. The Division's plan for implementation of the pilot program shall include all of the following:

(1) The Division shall select at least two but not more than five counties in diverse geographic regions in which to implement the pilot program.
(2) Commercial driver training schools must offer the same examinations as those administered by the Division, using the same scoring methods and standards, and must administer examinations in compliance with all applicable State and federal requirements.
(3) Examinations may be offered by participating commercial driver training schools outside of standard Division office hours on any day of the week.
(4) The Division shall develop a process for a prospective licensee to demonstrate successful completion of an examination administered by a commercial driver training school, whereby documentation may be provided to the prospective licensee or submitted directly to the Division by the school administering the examination.
(5) Upon successful completion of examinations required for licensing or permitting administered by a commercial driver training school in accordance with the pilot program established by the Division, a prospective licensee must appear in person at a Division office to be photographed and present required documentation. The Division shall update its appointment system to provide appropriate appointment availability for purposes of the pilot program.
(6) For each type of drivers licensing – graduated, regular drivers, and commercial drivers – the Division shall develop a plan for informing prospective licensees about required examinations that will be administered by commercial driver training schools through the pilot program.
(7) The Division shall maintain complete oversight over administration of examinations by commercial driver training schools participating in the pilot

program, including providing schools with training, guidelines, and materials required to administer examinations in accordance with Division standards.

(8) The Division must take prompt and appropriate remedial action against any participating commercial driver training school that fails to comply with Division standards or applicable State and federal requirements.

SECTION 43.19.(b) The Division shall report its plan for implementation of the pilot program outlined in subsection (a) of this section to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division no later than April 1, 2026. The report shall include an examination of the anticipated costs of implementing the pilot program, the number of anticipated participating licensed commercial driver training schools in selected counties, and any recommendations or legislative proposals related to the proposed pilot program.

SECTION 43.19.(c) Nothing in this section shall limit any authorization set forth in Article 14 of Chapter 20 of the General Statutes.

SECTION 43.19.(d) The Division shall implement the pilot program on January 1, 2027. No later than January 1, 2029, the Division shall submit a report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division evaluating the effectiveness of the pilot program in improving the drivers licensing process and any recommendations related to extending, expanding, or terminating the program. The pilot program shall terminate on July 1, 2029.

VETERANS SPECIAL REGISTRATION PLATE MODIFICATIONS

SECTION 43.20.(a) G.S. 20-63 reads as rewritten:

"**§ 20-63. Registration plates furnished by Division; requirements; replacement of regular plates with First in Flight plates, First in Freedom plates, or National/State Mottos plates; surrender and reissuance; displaying; preservation and cleaning; alteration or concealment of numbers; commission contracts for issuance.**

…

(b1) The following special registration plates do not have to be a "First in Flight" plate, "First in Freedom" plate, or "National/State Mottos" plate as provided in subsection (b) of this section. The design of the plates that are not "First in Flight" plates, "First in Freedom" plates, or "National/State Mottos" plate must be developed in accordance with G.S. 20-79.4(a3). For special plates authorized in G.S. 20-79.7 on or after July 1, 2013, the Division may not issue the plate on a background under this subsection unless it receives the required number of applications set forth in G.S. 20-79.3A(a).

…

(30a) Military Veteran.

…."

SECTION 43.20.(b) G.S. 20-79.4 reads as rewritten:

"**§ 20-79.4. Special registration plates.**

…

(b) Types. – The Division shall issue the following types of special registration plates:

…

(130) Military Veteran. – Issuable to an individual who served honorably in the Armed Forces of the United States. The plate shall bear (i) the words "U.S. Military Veteran" across the top of the plate and (ii) the name and insignia of the branch of service in which the individual ~~served.~~ served on the left side of the plate. The plate authorized by this subdivision is not subject to the provisions of G.S. 20-79.3A or G.S. 20-79.8.

…."

SECTION 43.20.(c) This section becomes effective October 1, 2025.

AUTHORIZE BOARD OF TRANSPORTATION TO SET FEES

SECTION 43.21.(a) Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-17.3. Fees set by the Board of Transportation.**

(a) The Board of Transportation is authorized to set reasonable fees for the following services provided by the Department of Transportation:

(1) Express permit review under G.S. 136-93.1.
(2) Driveway connections under G.S. 136-18(29).
(3) Development and construction of school driveways under G.S. 136-18(17) and G.S. 136-18(29a).
(4) Driveways to cemeteries and rural fire district firehouses under G.S. 136-18(20) and G.S. 136-18(24).
(5) Traffic impact analysis under G.S. 136-93.1A.
(6) Petition, review, and inspection of secondary road additions under G.S. 136-18(2), 136-18(7), 136-18(8), 136-18(26), 136-18(29), 136-44.2D, 136-44.10, and 136-102.6.
(7) Various utility encroachments under G.S. 136-18(10).
(8) Grading and alteration of drainage on controlled access right-of-way under G.S. 136-18(10).
(9) Private bridges under G.S. 136-18(37).
(10) Wireless communication infrastructure under G.S. 136-18.3A.
(11) Utility right-of-way agreements under G.S. 136-19.5.
(12) Relocation of automatic license plate reader systems under G.S. 20-183.30.
(13) Openings and interference of State roads under G.S. 136-93(a).
(14) Electric vehicle charging stations at rest areas under G.S. 136-18.02.
(15) Department of Transportation owned rail corridors under G.S. 136-18(10).

(b) The Board shall conduct a public hearing before any fee is set by the Board under subsection (a) of this section.

(c) Notwithstanding G.S. 143B-350(g), the Board may not delegate the authority granted under this section to the Secretary of Transportation."

SECTION 43.21.(b) G.S. 136-18.02 reads as rewritten:

"**§ 136-18.02. Operation of electric vehicle charging stations at rest stops; report.**

(a) The Department of Transportation may operate an electric vehicle charging station at State-owned rest stops along the highways only if all of the following conditions are met:

(1) The electric vehicle charging station is accessible by the public.
(2) The ~~Department~~ Board of Transportation, in accordance with G.S. 136-17.3, has developed a mechanism to charge the user of the electric vehicle charging station a fee in order to recover the cost of electricity consumed, the cost of processing the user fee, and a proportionate cost of the operation and maintenance of the electric vehicle charging station.

(b) If the cost of the electricity consumed at the electric vehicle charging stations cannot be calculated as provided by subsection (a) of this section, the ~~Department~~ Board shall develop an alternative mechanism, other than electricity metering, to recover the cost of the electricity consumed at the vehicle charging station.

(c) The ~~Department~~ Board may consult with other State agencies and industry representatives in order to develop the mechanisms for cost recovery required pursuant to subsection (a) of this section.

…."

SECTION 43.21.(c) G.S. 136-93.1(e) reads as rewritten:

"(e) Fees. – The ~~Department~~ Board of Transportation, in accordance with G.S. 136-17.3, may determine the fees for an express application review under the express review program conducted by highway division staff. ~~Unless a contracted engineering firm is utilized, the maximum permit application fee to be charged under this section for an express review of a project application requiring all of the permits listed under subsection (a) of this section shall not exceed four thousand dollars ($4,000). Notwithstanding Chapter 150B of the General Statutes, the Department shall establish the procedure by which the amount of the fees under this subsection are established and applied for an express review program permitted by this section.~~ The fee schedule established by the ~~Department~~ Board shall be applicable to all divisions participating in an express permit review program."

SECTION 43.21.(d) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(35) The Board of Transportation with respect to fees set by the Board of Transportation pursuant to G.S. 136-17.3 and G.S. 136-93.1(e)."

SECTION 43.21.(e) Any fee imposed under Title 19A of the North Carolina Administrative Code that corresponds to a fee adopted by the Board of Transportation pursuant to G.S. 136-17.3 and G.S. 136-93.1(e), as enacted by this section, is repealed upon the effective date of the fee set by the Board.

UNIT PRICING COST

SECTION 43.22. G.S. 136-18.05(b)(1a) reads as rewritten:

"(1a) Efficiency. – The Department shall adopt procedures in all stages of the construction process to streamline project delivery, including consolidating environmental review processes, expediting multiagency reviews, accelerating right-of-way acquisitions, and pursuing design build and other processes to collapse project stages. By December 1, 2015, the Department shall establish a baseline unit pricing structure for transportation goods used in highway maintenance and construction projects and set annual targets for three years based on its unit pricing. In forming the baseline unit prices and future targets, the Department shall collect data from each Highway Division on its expenditures on transportation goods ~~during the 2015-2016 fiscal year.~~ based upon a rolling average of the three previous fiscal years. Beginning January 1, 2016, no Highway Division shall exceed a ten percent (10%) variance over a baseline unit price set for that year in accordance with this subdivision. The Department of Transportation shall institute annual tracking to monitor pricing variances. The ten percent (10%) maximum variance set under this subdivision is intended to account for regional differences requiring varying product mixes. If a Highway Division exceeds the unit pricing threshold, the Department shall submit a report to the Joint Legislative Transportation Oversight Committee, the Fiscal Research Division of the General Assembly, the chairs of the House of Representatives Appropriations Committee on Transportation, and the chairs of the Senate Appropriations Committee on the Department of Transportation no later than the fifteenth day of February following the end of the calendar year on why the variance occurred and what steps are being taken to bring the Highway Division back into compliance. In order to drive savings, unit pricing may be reduced annually as efficiencies are achieved."

WORK ZONE DYNAMIC SPEED DISPLAY SIGNS

SECTION 43.23. Of the funds appropriated from the Highway Fund to the Department of Transportation in this act, one million dollars ($1,000,000) shall be used to

purchase dynamic speed display signs and implement their use in highway work zones. For purposes of this section, the following definitions apply:

(1) Dynamic speed display signs. – A system designed to measure the speed of motor vehicles and alert drivers who are driving in excess of the posted speed limit via flashing lights and a digital message display.

(2) Highway work zone. – As defined in G.S. 20-141(j2).

EXTEND TABOR CITY PARTICIPATION IN RAILROAD REVITALIZATION PROGRAMS

SECTION 43.24.(a) Section 7.4 of G.S. 2021-189 reads as rewritten:

"**SECTION 7.4.(a)** Tabor City is authorized to participate in State and federal railroad revitalization programs necessary to ensure continued or improved rail service to the city as are authorized in Article 2D of Chapter 136 of the General Statutes. Tabor City is authorized to enter into contracts with the North Carolina Department of Transportation to provide for the nonfederal matching funds for railroad revitalization programs. Such funds may be comprised of State funds distributed under the provisions of G.S. 136-44.38 and of city funds.

SECTION 7.4.(b) This section applies only to Tabor City.

SECTION 7.4.(c) This section is effective when it becomes law and expires December 31, ~~2026.~~2028."

SECTION 43.24.(b) This section is effective when it becomes law.

SYNCHRONIZED STREETS STUDY

SECTION 43.25.(a) The Department of Transportation shall study the effectiveness and implementation of synchronized streets. For the purposes of this section, "synchronized streets" means a street where traffic signals are coordinated to allow vehicles to move through multiple intersections with minimal stops. The study shall:

(1) Consider the effectiveness of synchronized streets in areas where they have already been implemented, including the effects implementation has had on (i) motor vehicle safety, ii) motorist travel time, and iii) economic and environmental indicators.

(2) Develop criteria for the implementation of synchronized streets, that considers, at minimum:

a. Areas where the implementation of synchronized streets in lieu of alternative signaling and improved traffic flow measures would be appropriate.

b. The compatibility of synchronized streets with (i) major roads or transportation routes used for commercial or industrial purposes and (ii) vehicles requiring commercial drivers' licenses.

SECTION 43.25.(b) No later than July 1, 2026, the Department shall report the findings of the study required by this section to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

PART XLIV. FINANCE

MODIFY RATE REDUCTION TRIGGER AMOUNTS

SECTION 44.1.(a) G.S. 105-153.7(a1) reads as rewritten:

"(a1) Rate Reduction Trigger. – Notwithstanding the tax rates set out in subsection (a) of this section, if total General Fund revenue in a fiscal year set out below exceeds the trigger amount indicated for that fiscal year, then the applicable tax rate for the indicated and subsequent tax years shall be equal to the greater of (i) the prior taxable year's rate decreased by one-half percentage point (0.50%) or (ii) two and forty-nine hundredths percent (2.49%). For purposes of

this subsection, total General Fund revenue is the amount stated in the final accounting of total General Fund Reverting Net Tax and Non-Tax Revenues for the fiscal year, as reported by the Office of State Controller in August following the end of the fiscal year.

Fiscal Year	Trigger Amount	Taxable Year Beginning
FY 2025-2026	~~$33,042,000,000~~$36,306,000,000	In 2027
FY 2026-2027	~~$34,100,000,000~~$37,725,000,000	In 2028
FY 2027-2028	~~$34,760,000,000~~$39,200,000,000	In 2029
FY 2028-2029	~~$35,750,000,000~~$40,611,000,000	In 2030
FY 2029-2030	~~$36,510,000,000~~$41,968,000,000	In 2031
FY 2030-2031	~~$38,000,000,000~~$43,302,000,000	In 2032
FY 2031-2032	~~$38,500,000,000~~$44,714,000,000	In 2033
FY 2032-2033	~~$39,000,000,000~~$46,190,000,000	In 2034"

SECTION 44.1.(b) This section is effective when it becomes law.

INCREASE THE STANDARD DEDUCTION

SECTION 44.1A.(a) G.S. 105-153.5(a)(1) reads as rewritten:

"(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	~~$25,500~~$26,500
Head of Household	~~19,125~~19,875
Single	~~12,750~~13,250
Married, filing separately	~~12,750.~~13,250."

SECTION 44.1A.(b) This section is effective for taxable years beginning on or after January 1, 2026.

CREATE DEDUCTION FOR THE FIRST $5,000 RECEIVED AS TIPS

SECTION 44.1B.(a) G.S. 105-153.5(b) reads as rewritten:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

…

(17) Up to five thousand dollars ($5,000) received as tips that are required to be reported to the taxpayer's employer pursuant to section 6053(a) of the Code."

SECTION 44.1B.(b) This section is effective for taxable years beginning on or after January 1, 2026.

INSTITUTE BACK-TO-SCHOOL SALES TAX HOLIDAY

SECTION 44.2A.(a) G.S. 105-164.13C is reenacted as it existed immediately before its repeal and reads as rewritten:

"**§ 105-164.13C. Sales and use tax holiday.**

(a) The taxes imposed by this Article do not apply to any of the following items of tangible personal property if sold between 12:01 A.M. on the first Friday of August and 11:59 P.M. the following Sunday:

(1) Clothing with a sales price of one hundred dollars ($100.00) or less per item.

(2) School supplies with a sales price of one hundred dollars ($100.00) or less per item.

(2a) School instructional materials with a sales price of three hundred dollars ($300.00) or less per item.

(3) Computers with a sales price of three thousand five hundred dollars ($3,500) or less per item.
(3a) ~~Computer~~ School computer supplies with a sales price of two hundred fifty dollars ($250.00) or less per item.
(4) Sport or recreational equipment with a sales price of fifty dollars ($50.00) or less per item.

(b) The exemption allowed by this section does not apply to any of the following:
(1) Sales of clothing accessories or equipment.
(2) Sales of protective equipment.
(3) Sales of furniture.
(4) Repealed by Session Laws 2003-284, s. 45.7, effective October 1, 2003.
(5) Sales of an item for use in a trade or business.
(6) Rentals.

(c) Repealed by Session Laws 2003-284, s. 45.7, effective October 1, 2003."

SECTION 44.2A.(b) G.S. 105-164.3 reads as rewritten:

"**§ 105-164.3. Definitions.**

The following definitions apply in this Article:

…

(36) Clothing accessories or equipment. – Incidental items worn on the person or in conjunction with clothing. The term includes briefcases; cosmetics; hair notions, including barrettes, hair bows, and hair nets; handbags; handkerchiefs; jewelry; nonprescription sunglasses; umbrellas; wallets; watches; and wigs and hair pieces.

…

(192) Protective equipment. – An item for human wear and designed as protection of the wearer against injury or disease or as protections against damage or injury of other persons or property but not suitable for general use. The term includes breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welder's gloves and masks.

…

(240) School computer supply. – An item commonly used by a student in a course of study in which a computer is used. The following is an all-inclusive list: computer storage media; diskettes and compact disks; handheld electronic schedulers, except devices that are cellular phones; personal digital assistants, except devices that are cellular phones; computer printers; printer supplies for computers; printer paper; and printer ink.

(240a) School instructional material. – Written material commonly used by a student in a course of study as a reference and to learn the subject being taught. The following is an all-inclusive list: reference books; reference maps and globes; textbooks; and workbooks.

(240b) School supply. – An item commonly used by a student in a course of study. The following is an all-inclusive list: binders; book bags; calculators; cellophane tape; blackboard chalk; compasses; composition books; crayons; erasers; folders that are expandable, pocket, plastic, and manila; glue, paste, and paste sticks; highlighters; index card and index card boxes; legal pads; lunch boxes; markers; notebooks; paper that is loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, or construction paper; pencil boxes and other school supply

boxes; pencil sharpeners; pencils; pens; protractors; rulers; scissors; and writing tablets.

…

(254) Sport or recreational equipment. – An item designed for human use and worn in conjunction with an athletic or recreational activity that is not suitable for general use. The terms include ballet and tap shoes; cleated or spiked athletic shoes; gloves, including baseball, bowling, boxing, hockey, and golf; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins.

…."

SECTION 44.2A.(c) This section is effective July 1, 2026, and applies to purchases made on or after that date.

MODIFY SPORTS WAGERING REVENUE DISTRIBUTION

SECTION 44.5.(a) G.S. 105-113.128 reads as rewritten:

"**§ 105-113.128. Use of tax proceeds.**

The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue and reimbursement to the Lottery Commission for administrative expenses, in accordance with this section. The Secretary may retain the cost of administering this Article, not to exceed five hundred thousand dollars ($500,000) a year, as reimbursement to the Department. The Lottery Commission shall, no later than 20 days after the end of the month, notify the Department of its unreimbursed expenses from administering the provisions of Article 9 of Chapter 18C of the General Statutes from the previous month. The Department shall reimburse the Lottery Commission from the tax revenues collected under this Article no later than the end of the month in which the Department was notified. The Secretary shall credit the remainder of the net proceeds of the tax collected under this Article ~~are to be credited~~ in the following priority:

(1) Two million dollars ($2,000,000) annually to the Department of Health and Human Services for gambling addiction education and treatment programs.

(2) One million dollars ($1,000,000) annually to North Carolina Amateur Sports to expand opportunities for persons up to age 18 to engage in youth sports, which shall be distributed through a grant program. In making individual grants, North Carolina Amateur Sports shall comply with the following:

a. Awards shall be used to provide for the purchase of youth sports equipment, or to provide for public facility upgrades or improvements which would benefit youth sports.

b. Awards may be given only to applicants who are either local governments, including local school administrative units, or nonprofit organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

c. Awards may be given only to applicants who demonstrate that a primary purpose for the funding is to facilitate opportunities for persons up to age 18 to engage in youth sports.

d. The total dollar amount awarded each year to all applicants in any one county may not exceed one percent (1%) of the total funding available on July 1 of that year.

(3) ~~Three hundred thousand dollars ($300,000)~~ The following amounts annually ~~shall be appropriated~~ to ~~each of~~ the ~~institutions listed~~ public universities as provided and that meet the criteria in this subdivision to support collegiate athletic departments. If there are not sufficient funds for ~~each of these institutions~~ the public universities to receive ~~an appropriation of three hundred~~

~~thousand dollars ($300,000), the amount of each appropriation shall be reduced by the same proportion so that all institutions receive an appropriation of the same amount.~~ the designated amounts, the amounts shall be proportionally reduced. The ~~institutions~~ amounts and corresponding public universities are ~~listed~~ as follows:

a. ~~Appalachian State University.~~Three hundred thousand dollars ($300,000) to each public university for which the majority of its athletic teams compete in Division II of the National Collegiate Athletic Association.

b. ~~East Carolina University.~~One million dollars ($1,000,000) to each public university for which (i) the majority of its athletic teams compete in Division I of the National Collegiate Athletic Association and (ii) the men's football program, if any, does not compete in the Division I Football Bowl Subdivision of the National Collegiate Athletic Association.

~~c. Elizabeth City State University.~~

~~d. Fayetteville State University.~~

~~e. North Carolina Agricultural & Technical State University.~~

~~f. North Carolina Central University.~~

~~g. University of North Carolina at Asheville.~~

~~h. University of North Carolina at Charlotte.~~

~~i. University of North Carolina at Greensboro.~~

~~j. University of North Carolina at Pembroke.~~

~~k. University of North Carolina at Wilmington.~~

~~l. Western Carolina University.~~

~~m. Winston-Salem State University.~~

(4) ~~One~~ Three million dollars ~~($1,000,000)~~ ($3,000,000) annually to the North Carolina Youth Outdoor Engagement Commission for grants, in the discretion of the Commission, as follows:

a. Grants not to exceed five thousand dollars ($5,000) per sporting team or group per county per year requesting grant assistance to travel to in-State or out-of-state sporting events.

b. Incentive grants not to exceed twenty-five thousand dollars ($25,000) to attract State, regional, area, and national sporting events, tournaments, and programs for nonprofessional sporting participants in programs administered by city, county, and local school administrative units, or appropriate nonprofit organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Code as determined by the North Carolina Youth Outdoor Engagement Commission.

(4a) Ten million dollars ($10,000,000) annually to the North Carolina Major Events, Games, and Attractions Fund established under G.S. 143B-437.112.

(5) Of the remaining proceeds, as follows:

a. ~~Twenty~~ Seventy percent ~~(20%)~~ (70%) annually to be distributed ~~equally~~ among the ~~institutions listed~~ classes of public universities in this sub-subdivision to support collegiate athletic departments, not to supplant general funding to ~~that institution.~~ the public universities. The ~~institutions are listed as follows:~~seventy percent (70%) shall be subdivided into the following classes:

1. ~~Appalachian State University.~~Twenty percent (20%) annually to be distributed equally among the public universities identified in subdivision (3) of this section.
2. ~~East Carolina University.~~Fifty percent (50%) annually to be distributed equally among the public universities for which the men's football program competes in the Division I Football Bowl Subdivision of the National Collegiate Athletic Association.
3. ~~Elizabeth City State University.~~
4. ~~Fayetteville State University.~~
5. ~~North Carolina Agricultural & Technical State University.~~
6. ~~North Carolina Central University.~~
7. ~~University of North Carolina at Asheville.~~
8. ~~University of North Carolina at Charlotte.~~
9. ~~University of North Carolina at Greensboro.~~
10. ~~University of North Carolina at Pembroke.~~
11. ~~University of North Carolina at Wilmington.~~
12. ~~Western Carolina University.~~
13. ~~Winston-Salem State University.~~

~~b.~~ ~~Thirty percent (30%) annually to the North Carolina Major Events, Games, and Attractions Fund established under G.S. 143B-437.112.~~

c. ~~Fifty percent (50%)~~ Proceeds not otherwise credited under this section, annually to the General Fund."

SECTION 44.5.(b) This section becomes effective July 1, 2025, and applies to net proceeds credited on or after that date.

DEDUCT 85% OF OPERATING COSTS FOR VIPER FROM LOCAL SALES TAX PROCEEDS

SECTION 44.6.(a) G.S. 105-501(b) reads as rewritten:

"(b) Deductions. – The costs incurred by the State to provide the functions listed in this subsection that support local governments are deductible from the collections to be allocated each month for distribution.

(1) The Department's cost of the following for the preceding month must be deducted and credited to the Department:
   a. The Local Government Division.
   b. The Property Tax Commission.

(1a) The Department of State Treasurer's costs for personnel and operations of the Local Government Commission.

(1b) Eighty-five percent (85%) of the operating costs for the Voice Interoperability Plan for Emergency Responders (VIPER) System managed by the North Carolina Highway Patrol. For fiscal years beginning on or after July 1, 2027, the total annual costs deducted under this subdivision may not increase by more than one percent (1%) of the preceding fiscal year's operating costs.

(2) One-twelfth of the costs of the following for the preceding fiscal year must be deducted and credited to the General Fund:
   a. The School of Government at the University of North Carolina at Chapel Hill in operating a training program in property tax appraisal and assessment.
   b. Repealed by Session Laws 2011-145, s. 27.1(b), effective July 1, 2012.
   c. Seventy percent (70%) of the expenses of the Department of Revenue in performing the duties imposed by Article 2D of this Chapter."

SECTION 44.6.(b) This section becomes effective July 1, 2025, and applies to net proceeds distributed on or after that date.

GROSS PREMIUMS TAX OFFSET CHANGES

SECTION 44.7.(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 44.7.(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 44.7.(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 44.7.(d) Section 1.6(d) of S.L. 2023-7 expires on June 30, 2025.

SECTION 44.7.(e) Section 9E.11 of this act expires on the day this act becomes law.

PART XLV. MISCELLANEOUS

STATE BUDGET ACT APPLIES

SECTION 45.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 45.2.(a) The North Carolina House of Representatives Appropriations Committee Report on the Current Operations Appropriations Act of 2025, Senate Bill 257 Proposed Committee Substitute, as amended, which was distributed in the House and used to explain this act, shall indicate action by the General Assembly on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 45.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2025-2027 biennial budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted a recommended base budget to the General Assembly in the Governor's Recommended Budget for the 2025-2027 fiscal biennium, dated March 2025, and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to the recommended base budget made by the General Assembly are set out in the Committee Report.

SECTION 45.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation. In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

SECTION 45.2.(d) Notwithstanding subsection (a) of this section, the following portions of the Committee Report are for reference, and do not expand, limit, or define the text of the Committee Report:

(1) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for a particular budget code and containing no other substantive information.

(2) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for multiple fund codes within a single budget code and containing no other substantive information.

REPORT BY FISCAL RESEARCH DIVISION

SECTION 45.3. The Fiscal Research Division shall issue a report on budget actions taken by the 2025 Regular Session of the General Assembly. The report shall be in the form of a revision of the Committee Report described in Section 45.2 of this act pursuant to G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's internet website for public access.

MOST TEXT APPLIES ONLY TO THE 2025-2027 FISCAL BIENNIUM

SECTION 45.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2025-2027 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2025-2027 fiscal biennium.

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 45.5. Except where expressly repealed or amended by this act, the provisions of any legislation enacted during the 2025 Regular Session of the General Assembly affecting the State budget shall remain in effect.

EFFECT OF HEADINGS

SECTION 45.6. The headings to the Parts, subparts, and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part or subpart.

SEVERABILITY CLAUSE

SECTION 45.7. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 45.8. Except as otherwise provided, this act becomes effective July 1, 2025.