GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

SESSION LAW 2026-41
SENATE BILL 257

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 2026."

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 the 2026-2027 fiscal year, according to the following schedule:

Current Operations - General Fund	**FY 2026-2027**
EDUCATION	
North Carolina Community College System	
Requirements	2,377,387,825
Less: Receipts	517,764,731
Net Appropriation	**1,859,623,094**
Department of Public Instruction	
Requirements	15,644,285,634
Less: Receipts	3,143,924,416
Net Appropriation	**12,500,361,218**
Eastern NC School for the Deaf	
Requirements	12,518,679
Less: Receipts	1,136,162

Net Appropriation	**11,382,517**
Governor Morehead School	
Requirements	11,850,015
Less: Receipts	268,112
Net Appropriation	**11,581,903**
NC School for the Deaf	
Requirements	14,055,368
Less: Receipts	1,199,400
Net Appropriation	**12,855,968**
THE UNIVERSITY OF NORTH CAROLINA	
NC School of Science and Mathematics	
Requirements	49,107,483
Less: Receipts	3,866,717
Net Appropriation	**45,240,766**
NC State University - Academic Affairs	
Requirements	1,052,919,903
Less: Receipts	482,308,834
Net Appropriation	**570,611,069**
NC State University - Ag. Research	
Requirements	83,589,800
Less: Receipts	20,124,784
Net Appropriation	**63,465,016**
NC State University - Coop. Extension	
Requirements	67,417,787
Less: Receipts	20,874,550
Net Appropriation	**46,543,237**
North Carolina Central University	
Requirements	153,904,790
Less: Receipts	55,332,154
Net Appropriation	**98,572,636**
NC A&T University	
Requirements	274,609,534
Less: Receipts	101,266,524
Net Appropriation	**173,343,010**
UNC at Asheville	
Requirements	73,336,418
Less: Receipts	22,235,324
Net Appropriation	**51,101,094**
UNC at Chapel Hill - Academic Affairs	
Requirements	854,417,482
Less: Receipts	456,319,558

Net Appropriation	**398,097,924**
UNC at Chapel Hill - Area Health Ed.	
Requirements	56,855,450
Less: Receipts	10,000,000
Net Appropriation	**46,855,450**
UNC at Chapel Hill - Health Affairs	
Requirements	390,135,573
Less: Receipts	140,736,020
Net Appropriation	**249,399,553**
UNC at Charlotte	
Requirements	527,139,845
Less: Receipts	193,055,102
Net Appropriation	**334,084,743**
UNC at Greensboro	
Requirements	309,110,059
Less: Receipts	104,122,976
Net Appropriation	**204,987,083**
UNC at Pembroke	
Requirements	115,288,721
Less: Receipts	19,814,868
Net Appropriation	**95,473,853**
UNC at Wilmington	
Requirements	350,377,159
Less: Receipts	133,137,430
Net Appropriation	**217,239,729**
UNC BOG - Aid to Private Institutions	
Requirements	3,459,300
Less: Receipts	0
Net Appropriation	**3,459,300**
UNC BOG - Institutional Programs	
Requirements	569,302,552
Less: Receipts	125,580,660
Net Appropriation	**443,721,892**
UNC BOG - Related Ed. Programs	
Requirements	1,145,513,992
Less: Receipts	212,180,487
Net Appropriation	**933,333,505**
UNC School of the Arts	
Requirements	58,876,330
Less: Receipts	16,904,167
Net Appropriation	**41,972,163**

UNC System Office	
Requirements	56,638,010
Less: Receipts	6,539,916
Net Appropriation	**50,098,094**
Western Carolina University	
Requirements	200,233,223
Less: Receipts	35,643,773
Net Appropriation	**164,589,450**
Elizabeth City State University	
Requirements	55,875,597
Less: Receipts	7,362,050
Net Appropriation	**48,513,547**
Fayetteville State University	
Requirements	108,437,643
Less: Receipts	18,850,653
Net Appropriation	**89,586,990**
East Carolina Univ. - Academic Affairs	
Requirements	453,446,645
Less: Receipts	179,318,884
Net Appropriation	**274,127,761**
East Carolina Univ. - Health Affairs	
Requirements	124,705,025
Less: Receipts	14,708,326
Net Appropriation	**109,996,699**
Appalachian State University	
Requirements	358,921,568
Less: Receipts	149,058,973
Net Appropriation	**209,862,595**
Winston-Salem State University	
Requirements	93,743,876
Less: Receipts	25,000,103
Net Appropriation	**68,743,773**
HEALTH AND HUMAN SERVICES	
Aging	
Requirements	164,563,887
Less: Receipts	111,576,146
Net Appropriation	**52,987,741**
Central Management and Support	
Requirements	385,692,933
Less: Receipts	178,178,831
Net Appropriation	**207,514,102**

Child and Family Well-Being	
Requirements	666,710,326
Less: Receipts	601,952,099
Net Appropriation	**64,758,227**
Child Development and Early Education	
Requirements	1,054,815,320
Less: Receipts	768,185,952
Net Appropriation	**286,629,368**
Emp. & Indep. For People with Disabilities	
Requirements	204,072,496
Less: Receipts	157,565,848
Net Appropriation	**46,506,648**
Health Benefits	
Requirements	41,595,561,785
Less: Receipts	34,139,674,916
Net Appropriation	**7,455,886,869**
Health Services Regulation	
Requirements	85,752,070
Less: Receipts	58,955,502
Net Appropriation	**26,796,568**
Mental Hlth/Dev. Disabl./Subs. Use Serv.	
Requirements	1,938,942,645
Less: Receipts	1,122,175,412
Net Appropriation	**816,767,233**
Public Health	
Requirements	526,105,940
Less: Receipts	395,665,205
Net Appropriation	**130,440,735**
Services for the Blind/Deaf/Hard of Hearing	
Requirements	47,634,622
Less: Receipts	38,468,926
Net Appropriation	**9,165,696**
Social Services	
Requirements	2,285,166,840
Less: Receipts	2,049,279,656
Net Appropriation	**235,887,184**
AGRIC., NATURAL, AND ECON. RES.	
Department of Agriculture and Consumer Services	
Requirements	338,026,730
Less: Receipts	151,731,090
Net Appropriation	**186,295,640**

Department of Commerce	
Requirements	261,741,986
Less: Receipts	121,248,858
Net Appropriation	**140,493,128**
Department of Environmental Quality	
Requirements	407,424,929
Less: Receipts	295,492,045
Net Appropriation	**111,932,884**
Department of Labor	
Requirements	50,874,493
Less: Receipts	22,097,336
Net Appropriation	**28,777,157**
Department of Natural and Cultural Resources	
Requirements	411,241,224
Less: Receipts	83,445,196
Net Appropriation	**327,796,028**
Wildlife Resources Commission	
Requirements	104,807,099
Less: Receipts	85,896,024
Net Appropriation	**18,911,075**
JUSTICE AND PUBLIC SAFETY	
Administrative Office of the Courts	
Requirements	874,651,040
Less: Receipts	20,940,059
Net Appropriation	**853,710,981**
Indigent Defense Services	
Requirements	236,861,595
Less: Receipts	44,664,280
Net Appropriation	**192,197,315**
Department of Adult Correction	
Requirements	2,381,191,438
Less: Receipts	173,601,796
Net Appropriation	**2,207,589,642**
Department of Justice	
Requirements	126,129,920
Less: Receipts	56,977,721
Net Appropriation	**69,152,199**
Department of Public Safety	
Requirements	869,970,582
Less: Receipts	211,381,717
Net Appropriation	**658,588,865**

State Bureau of Investigation	
Requirements	248,109,808
Less: Receipts	123,309,608
Net Appropriation	**124,800,200**
North Carolina State Highway Patrol	
Requirements	70,653,685
Less: Receipts	19,513,371
Net Appropriation	**51,140,314**
GENERAL GOVERNMENT	
Administration	
Requirements	84,248,416
Less: Receipts	12,849,251
Net Appropriation	**71,399,165**
Administrative Hearings	
Requirements	12,742,689
Less: Receipts	3,711,124
Net Appropriation	**9,031,565**
Auditor	
Requirements	41,983,332
Less: Receipts	10,645,662
Net Appropriation	**31,337,670**
Budget and Management	
Requirements	15,859,415
Less: Receipts	2,237,951
Net Appropriation	**13,621,464**
Budget and Management - Special Approp.	
Requirements	353,975,000
Less: Receipts	343,875,000
Net Appropriation	**10,100,000**
Controller	
Requirements	49,456,837
Less: Receipts	11,890,383
Net Appropriation	**37,566,454**
Elections	
Requirements	31,376,868
Less: Receipts	16,722,959
Net Appropriation	**14,653,909**
General Assembly	
Requirements	120,631,851
Less: Receipts	12,293,238
Net Appropriation	**108,338,613**

Governor	
Requirements	8,159,235
Less: Receipts	1,220,759
Net Appropriation	**6,938,476**
Housing Finance Agency	
Requirements	45,660,105
Less: Receipts	35,000,000
Net Appropriation	**10,660,105**
Human Resources	
Requirements	14,950,845
Less: Receipts	2,894,142
Net Appropriation	**12,056,703**
Industrial Commission	
Requirements	19,691,232
Less: Receipts	19,151,768
Net Appropriation	**539,464**
Insurance	
Requirements	53,971,407
Less: Receipts	52,137,292
Net Appropriation	**1,834,115**
Insurance - Fire Marshal	
Requirements	53,686,984
Less: Receipts	53,295,288
Net Appropriation	**391,696**
Lieutenant Governor	
Requirements	1,511,568
Less: Receipts	115,628
Net Appropriation	**1,395,940**
Military and Veterans Affairs	
Requirements	10,033,792
Less: Receipts	682,928
Net Appropriation	**9,350,864**
Revenue	
Requirements	212,077,810
Less: Receipts	76,292,706
Net Appropriation	**135,785,104**
Secretary of State	
Requirements	22,325,486
Less: Receipts	924,315
Net Appropriation	**21,401,171**

Treasurer	
Requirements	103,382,943
Less: Receipts	103,173,869
Net Appropriation	**209,074**
Treasurer - Other Retirement Plans/Benefits	
Requirements	24,796,831
Less: Receipts	0
Net Appropriation	**24,796,831**
INFORMATION TECHNOLOGY	
Department of Information Technology	
Requirements	166,742,408
Less: Receipts	72,415,459
Net Appropriation	**94,326,949**
RESERVES AND LOTTERY	
General Fund Reserve	
Requirements	0
Less: Receipts	0
Net Appropriation	**0**
General Fund Reserve - Pay Plan	
Requirements	25,000,000
Less: Receipts	0
Net Appropriation	**25,000,000**
Total Requirements	**82,456,429,733**
Less: Total Receipts	**48,082,142,970**
Total Net Appropriation	**34,374,286,763**

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 the 2026-2027 fiscal year is as follows:

	FY 2026-2027
Unapprop. Balance FY 2025-26	**2,533,648,181**
Actual/Anticipated Reversions	500,000,000
Estimated FY 2025-26 Overcollections	978,615,741
Add'l Est. FY 2025-26 Savings Reserve Statutory Reservations	(123,930,831)
SL 2026-1, Medicaid & HHS Adjust./ Other Critical Needs	(86,665,000)
Total, Prior Year-End Fund Balance	**3,801,668,091**
Consensus Revenue Forecast	
Tax Revenue	33,876,600,000
Non-Tax Revenue	1,556,100,000
Total, Tax & Non-Tax Revenue	**35,432,700,000**

Revenue Changes	
Adjustments to Tax Revenue	101,000,000
Adjustments to Non-Tax Revenue	208,478,908
Total, Revenue Changes	**309,478,908**
Statutorily Required Reservations of Revenue	
Savings Reserve	(12,975,000)
State Capital and Infrastructure Fund	(1,139,200,000)
Total, Statutorily Required Reservations of Rev.	**(1,152,175,000)**
Discretionary Reservations of Revenue	
Savings Reserve	(450,000,000)
Stabilization and Inflation Reserve	(1,325,485,236)
Information Technology Reserve	(153,000,000)
Medicaid Contingency Reserve	(333,000,000)
State Emergency Response and Disaster Relief Fund	(350,000,000)
Economic Development Project Reserve	(170,900,000)
Regional Economic Development Reserve	(200,000,000)
Housing Reserve	(35,000,000)
Total, Discretionary Reservations of Revenue	**(3,017,385,236)**
Revised, Total General Fund Availability	**35,374,286,763**
Less General Fund Net Appropriations	34,374,286,763
Unappropriated Balance Remaining	**1,000,000,000**

SECTION 2.2.(b) Savings Reserve. – In addition to the transfer required under G.S. 143C-4-2, the State Controller shall transfer to the Savings Reserve the sum of four hundred fifty million dollars ($450,000,000) in nonrecurring funds in the 2026-2027 fiscal year.

SECTION 2.2.(c) Cash Flow IT Reserve. – This subsection authorizes the following information technology projects and represents the (i) maximum amount of funding from all sources that may be expended on each project, (ii) total amount of funding from all sources allocated to the project for the 2026-2027 fiscal year, inclusive of amounts appropriated in this act and S.L. 2025-97, and (iii) amount of future funding remaining to be allocated to the project. Total project authorization for existing projects includes total allocations provided in previous acts of the General Assembly. An additional action by the General Assembly is required to increase the maximum authorization for any of the projects listed. It is the intent of the General Assembly to fund information technology projects on a cash flow basis and to plan for future project funding based upon projected availability in the Information Technology Reserve. Actual project appropriations for the 2026-2027 fiscal year for this act are provided in subsection (d) of this section. Nothing in this subsection 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.

	Agency/Department Existing Projects	**Total Project Authorization**	**FY 26-27 Allocation**	**Remaining Project Allocation**
(1)	DPI–School Busin. Sys. Modernization	$185,000,000	$0	$51,600,000

(2)	NCCCS–ERP Modernization	208,937,023	25,000,000	102,937,023
(3)	DEQ–Permit Transformation	31,500,000	3,500,000	5,960,000
(4)	OSBM–IBIS	21,700,000	850,000	0
(5)	OSHR–Human Capital Management	9,471,000	2,691,000	0
(6)	SBOE–SEIMS Project (Phase III)	60,000,000	15,000,000	45,000,000
(7)	DIT–Cybersecurity	92,753,306	42,000,000	0
(8)	DIT-NC HealthConnex	16,200,000	3,800,000	0
	Agency/Department New Projects			
(1)	Adult Correction–OPUS Project	50,000,000	18,000,000	32,000,000
(2)	OSC–Payroll System Replacement	20,215,000	10,397,000	9,818,000
(3)	DIT–Data Storage Modernization	25,000,000	25,000,000	0
(4)	SBI–HQ Data Center Hardware	3,196,995	3,196,995	0
(5)	SBI–Network & Cybersecurity Uplift	2,346,226	2,346,226	0
(6)	SBI–Criminal Info & ID Systems (Phase I)	3,000,000	3,000,000	0

SECTION 2.2.(d) IT Reserve. – The State Controller shall reserve to the Information Technology Reserve established in Section 2.2(h) of S.L. 2021-180 from funds available in the General Fund the sum of one hundred fifty-three million dollars ($153,000,000) in nonrecurring funds for the 2026-2027 fiscal year and the sum of four million one hundred thirty-three thousand one hundred forty-two dollars ($4,133,142) in nonrecurring funds for the 2026-2027 fiscal year from the Federal Infrastructure Match Reserve established in Section 2.2(m) of S.L. 2022-74. The State Controller shall transfer funds available in the Information Technology Reserve to State agencies and departments for information technology projects in accordance with the following schedule, and the funds transferred are appropriated for the fiscal year in which they are transferred:

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

(1)	North Carolina Community College System (Budget Code: 26802)	$25,000,000
(2)	Department of Environmental Quality (Budget Code: 24317)	3,500,000
(3)	Department of Adult Correction (Budget Code 15010)	18,000,000
(4)	State Bureau of Investigation (Budget Code: 15020)	8,543,221
(5)	Office of State Controller (Budget Code: 14160)	10,397,000
(6)	State Board of Elections (Budget Code: 18025)	15,000,000
(7)	Department of Information Technology (Budget Code: 14660)	70,800,000

SECTION 2.2.(e) 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, and the funds transferred are appropriated for the fiscal year in which they are transferred:

	State Agency or Department	**2026-2027**
(1)	Department of Environmental Quality (Budget Code: 64311)	$17,784,000
(2)	Department of Environmental Quality (Budget Code: 64320)	27,439,000
(3)	Department of Environmental Quality (Budget Code: 14300)	850,000

The State Controller shall transfer the sum of four million one hundred thirty-three thousand one hundred forty-two dollars ($4,133,142) for the 2026-2027 fiscal year from the Federal Infrastructure Match Reserve to the Information Technology Reserve established in Section 2.2(h) of S.L. 2021-180.

SECTION 2.2.(f) Stabilization and Inflation Reserve. – The State Controller shall reserve to the Stabilization and Inflation Reserve established in Section 2.2(q) of S.L. 2022-74 from funds available in the General Fund the sum of one billion three hundred twenty-five million four hundred eighty-five thousand two hundred thirty-six dollars ($1,325,485,236) in nonrecurring funds for the 2026-2027 fiscal year. The State Controller shall transfer funds available in the Stabilization and Inflation Reserve to State agencies and departments in accordance with the following schedule, and the funds transferred are appropriated for the fiscal year in which they are transferred:

	State Agency or Department	**2026-2027**
(1)	Department of Public Instruction (Budget Code: 13510)	$349,937,195
(2)	Eastern NC School for the Deaf (Budget Code: 13540)	973,389
(3)	Governor Morehead School (Budget Code: 13520)	185,348

(4)	NC School for the Deaf	
	(Budget Code: 13530)	1,010,536
(5)	North Carolina Community College System	
	(Budget Code: 16800)	80,446,750
(6)	The University of North Carolina	
	(Budget Code: 16010)	2,530,699
	(Budget Code: 16011)	116,580,660
	(Budget Code: 16012)	15,245,000
	(Budget Code: 16020)	43,025,000
	(Budget Code: 16030)	3,100,000
	(Budget Code: 16040)	1,000,000
	(Budget Code: 16050)	500,000
	(Budget Code: 16065)	6,000,000
	(Budget Code: 16075)	792,000
(7)	Department of Agriculture and Consumer Services	
	(Budget Code: 13700)	58,561,436
(8)	Department of Commerce	
	(Budget Code: 14600)	855,971
(9)	Department of Environmental Quality	
	(Budget Code: 14300)	82,452,423
(10)	Department of Labor	
	(Budget Code: 13800)	3,190,466
(11)	Department of Natural and Cultural Resources	
	(Budget Code: 14800)	31,528,482
(12)	Wildlife Resources Commission	
	(Budget Code: 14350)	695,684
(13)	Department of Insurance	
	(Budget Code: 13900)	962,869
(14)	Department of Military and Veterans Affairs	
	(Budget Code: 13050)	682,928
(15)	Department of Secretary of State	
	(Budget Code: 13200)	561,565
(16)	Insurance – Office of State Fire Marshal	
	(Budget Code: 139xx)	30,473,250
(17)	Office of Administrative Hearings	
	(Budget Code: 18210)	2,189,604
(18)	Office of State Budget and Management	
	(Budget Code: 13005)	1,131,549
	(Budget Code: 13085)	104,275,000
(19)	Office of the Lieutenant Governor	
	(Budget Code: 13100)	115,628
(20)	Office of the State Auditor	
	(Budget Code: 13300)	3,279,793
(21)	State Board of Elections	
	(Budget Code: 18025)	1,620,959
(22)	Office of the State Controller	
	(Budget Code: 14160)	362,914
(23)	General Assembly	
	(Budget Code: 11000)	11,732,238
(24)	Department of Revenue	
	(Budget Code:14700)	1,635,155

(25)	Office of the Governor	
	(Budget Code: 13000)	80,465
(26)	Industrial Commission	
	(Budget Code: 13902)	233,092
(27)	Department of Administration	
	(Budget Code: 14100)	672,374
(28)	Office of State Human Resources	
	(Budget Code: 14111)	102,254
(29)	Department of Health and Human Services	
	(Budget Code: 14410)	7,059,031
	(Budget Code: 14411)	1,048,161
	(Budget Code: 14420)	15,106,501
	(Budget Code: 14430)	6,454,058
	(Budget Code: 14435)	11,719,236
	(Budget Code: 14440)	22,120,738
	(Budget Code: 14445)	22,078,021
	(Budget Code: 14460)	95,177,033
	(Budget Code: 14480)	767,875
	(Budget Code: 14450)	109,680
	(Budget Code: 14470)	445,940
(30)	Department of Information Technology	
	(Budget Code: 14660)	1,139,537
(31)	Administrative Office of the Courts	
	(Budget Code: 12000)	19,730,252
(32)	Department of Adult Corrections	
	(Budget Code: 15010)	132,088,909
(33)	Department of Justice	
	(Budget Code: 13600)	6,729,442
(34)	Department of Public Safety	
	(Budget Code: 14550)	13,929,262
(35)	Indigent Defense Services	
	(Budget Code: 12001)	8,969,429
(36)	North Carolina State Highway Patrol	
	(Budget Code: 15030)	19,513,371
(37)	State Bureau of Investigation	
	(Budget Code: 15020)	91,198,419

SECTION 2.2.(g) Economic Development Project Reserve. – The State Controller shall reserve to the Economic Development Project Reserve established in Section 2.2(m) of S.L. 2021-180 from funds available in the General Fund the sum of one hundred seventy million nine hundred thousand dollars ($170,900,000) in nonrecurring funds for the 2026-2027 fiscal year. The State Controller shall transfer funds available in the Economic Development Project Reserve to State agencies and departments in accordance with the following schedule, and the funds transferred are appropriated for the fiscal year in which they are transferred:

	State Agency or Department	**2026-2027**
(1)	North Carolina Community College System	
	(Budget Code: 16800)	$12,000,000
(2)	Department of Commerce – Economic Development	
	(Budget Code: 14602)	25,000,000

Provided the condition set forth in Section 11.7 of this act is satisfied, the State Controller shall transfer from the Reserve the amount necessary to effectuate the purpose set forth in Section 11.7 of this act.

SECTION 2.2.(h) Regional Economic Development Reserve. – The State Controller shall reserve to the Regional Economic Development Reserve established in Section 2.2(n) of S.L. 2023-134 from funds available in the General Fund the sum of two hundred million dollars ($200,000,000) in nonrecurring funds for the 2026-2027 fiscal year. The State Controller shall transfer funds available in the Regional Economic Development Reserve in accordance with the following schedule, and the funds transferred are appropriated for the fiscal year in which they are transferred:

	State Agency or Department	**2026-2027**
(1)	Office of State Budget and Management – Spec. Approp. (Budget Code: 13085)	$200,000,000

SECTION 2.2.(i) Medicaid Contingency Reserve. – The State Controller shall reserve to the Medicaid Contingency Reserve described in G.S. 143C-4-11 from funds available in the General Fund the sum of three hundred thirty-three million dollars ($333,000,000) in nonrecurring funds for the 2026-2027 fiscal year. The State Controller shall transfer from funds available in the Medicaid Contingency Reserve to the Department of Health and Human Services, Division of Health Benefits, Budget Code 14445, the sum of two hundred million dollars ($200,000,000) in nonrecurring funds for the 2026-2027 fiscal year to support the State share of Medicaid costs, and the funds transferred are appropriated for the fiscal year in which they are transferred.

SECTION 2.2.(j) SERDRF. – The State Controller shall reserve to the State Emergency Response and Disaster Relief Fund established in G.S. 166A-19.42 from funds available in the General Fund the sum of three hundred fifty million dollars ($350,000,000) in nonrecurring funds for the 2026-2027 fiscal year. The State Controller shall transfer from funds available in the State Emergency Response and Disaster Relief Fund to State agencies and departments in accordance with the following schedule, and the funds transferred are appropriated for the fiscal year in which they are transferred:

	State Agency or Department	**2026-2027**
(1)	Department of Public Safety – NCNG (Budget Code: 14550)	$5,000,000
(2)	Office of State Budget and Management (Budget Code: 23027)	355,000,000

SECTION 2.2.(k) Housing Reserve. – The State Controller shall reserve to the Housing Reserve established in Section 2.2(k) of S.L. 2022-74 from funds available in the General Fund the sum of thirty-five million dollars ($35,000,000) in nonrecurring funds for the 2026-2027 fiscal year. The State Controller shall transfer from funds available in the Housing Reserve to the Housing Finance Agency, Budget Code 13010, the sum of thirty-five million dollars ($35,000,000) in nonrecurring funds for the 2026-2027 fiscal year, and the funds transferred are appropriated for the fiscal year in which they are transferred.

SECTION 2.2.(*l*) Reservations Not Appropriation. – Except as otherwise specifically provided, nothing in this section shall be construed as appropriating funds reserved pursuant to this section. 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 the 2026-2027 fiscal year, according to the following schedule:

Highway Fund	**FY 2026-27**
Administration	$128,530,727
Division of Highways	
Administration	55,675,557
Construction	106,543,078
Maintenance	2,219,437,661
Governor's Highway Safety Program	351,695
OSHA	358,030
Aid to Municipalities	
Powell Bill	185,875,000
Intermodal Divisions	
Ferry	101,127,728
Public Transportation	69,570,554
Aviation	190,405,416
Rail	45,367,607
Division of Motor Vehicles	179,593,423
Other State Agencies, Reserves, Transfers	85,994,141
Capital Improvements	12,669,383
Highway Fund Total	**$3,381,500,00**

HIGHWAY FUND AVAILABILITY

SECTION 3.2. The Highway Fund availability used in developing the budget for the 2026-2027 fiscal year is as follows:

	FY 2026-2027
Beginning Balance	**$0**
Consensus Revenue Forecast	
Motor Fuels Tax	1,916,800,000
Licenses and Fees	1,141,800,000
Sales Tax Transfer	176,300,000
Short-Term Lease	124,500,000
Investment Income	24,400,000
Transportation Commerce Tax	13,800,000
NCRR Dividend	4,800,000
Adjustments to Availability	
DMV Credit Card Fees Adjustment (S.L. 2026-1)	(13,100,000)
NCRR Dividend For Helene (S.L. 2025-26)	(4,800,000)
Mecklenburg County Emissions Inspection Fees	(3,000,000)
Total Highway Fund Availability	**$3,381,500,000**

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 the 2026-2027 fiscal year, according to the following schedule:

Highway Trust Fund	**FY 2026-27**
Program Administration	$45,117,311
Bond	121,436,275
Turnpike Authority	49,000,000
State Ports Authority	45,000,000
FHWA State Match	6,048,440
Strategic Prioritization Funding	
Plan for Transportation Investments	2,300,657,974
Transfer to Visitor Center	640,000
Highway Trust Fund Total	**$2,567,900,000**

HIGHWAY TRUST FUND AVAILABILITY

SECTION 3.4. The Highway Trust Fund availability used in developing the budget for the 2026-2027 fiscal year budget is as follows:

	FY 2026-2027
Beginning Balance	**$0**
Consensus Revenue Forecast	
Highway Use Tax	1,181,500,000
Motor Fuels Tax	636,400,000
Sales Tax Transfer	528,900,000
Fees	177,700,000
Investment Income	44,300,000
Adjustments to Availability	
Duplicate Registration Card Fees	(900,000)
Total Highway Trust Fund Availability	**$2,567,900,000**

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 the 2026-2027 fiscal year, as follows:

(1) All budget codes listed in the Governor's Recommended Base Budget for the 2026-2027 fiscal year, 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 the 2026-2027 fiscal year.

SECTION 4.1.(b) Receipts collected in the 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.

EDUCATION LOTTERY FUNDS

SECTION 4.2.(a) Section 2A.1(a) of S.L. 2025-89 reads as rewritten:

"**SECTION 2A.1.(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	258,252,612	258,252,612
Public School Repair & Renovation	50,000,000	50,000,000
Scholarship Reserve Fund for Public Colleges and Universities ~~17,748,769~~2,697,968	17,748,769	
Children of Wartime Veterans Scholarship	11,070,964	11,070,964
School Transportation ~~186,033,702~~257,311,891	182,193,702	
TOTAL ALLOCATION ~~$1,087,272,612~~$1,143,500,000"	**$1,083,432,612**	

SECTION 4.2.(b) Notwithstanding G.S. 18C-164(b3), the sum of fifty-six million five hundred sixty-seven thousand three hundred eighty-eight dollars ($56,567,388) in net revenues from the 2025-2026 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 2026-2027 fiscal year. Funds remaining after the allocation described in this subsection shall be appropriated to the Needs-Based Public School Capital Fund.

SECTION 4.2.(c) Subsection (b) of this section becomes effective June 30, 2026. The remainder of this section becomes effective July 1, 2026.

NEEDS-BASED PUBLIC SCHOOL CAPITAL FUND GRANT PRIORITIZATION

SECTION 4.3.(a) G.S. 115C-546.10 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 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.

If a county has multiple local school administrative units, nothing in this section shall prohibit the eligibility for a grant under this Article if the county received a grant for a different local school administrative unit in a prior year."

SECTION 4.3.(b) For the 2026-2027 fiscal year Needs-Based Public School Capital Fund grant cycle, in addition to the priorities identified in G.S. 115C-546.10, the Department shall prioritize awarding grants to proposed Career and Technical Education Centers that will serve an entire public school unit.

INDIAN GAMING EDUCATION REVENUE FUND APPROPRIATIONS

SECTION 4.4. Section 2A.2(a) of S.L. 2025-89 reads as rewritten:

"**SECTION 2A.2.(a)** 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**
~~Textbooks and Digital Resources~~Instructional Materials Allotment	$10,000,000	$10,000,000
Classroom Materials Allotment	15,500,000	~~3,500,000~~9,000,000
Total Appropriation	**$25,500,000**	**~~$13,500,000~~$19,000,000**"

CIVIL PENALTY AND FORFEITURE FUND

SECTION 4.5. Section 2A.3(a) of S.L. 2025-89 reads as rewritten:

"**SECTION 2A.3.(a)** 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 Education	31,493,768	~~31,493,768~~32,493,768
State Public School Fund	186,041,640	~~166,041,640~~196,506,232
Total Appropriation	**$235,535,408**	**~~$215,535,408~~$247,000,000**"

ARPA TEMPORARY SAVINGS FUND/CHILDREN'S HOSPITAL

SECTION 4.6.(a) Funds appropriated in this act from the ARPA Temporary Savings Fund (Budget Fund 230518) to North Carolina Children's Health, Inc., a nonprofit corporation, in the amount of two hundred eight million five hundred thousand dollars ($208,500,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to construct, on behalf of the State of North Carolina, a new children's hospital in the Triangle area that includes a behavioral health hospital. These funds shall not revert at the end of the 2026-2027 fiscal year but shall remain available until the project is complete.

SECTION 4.6.(b) The Department of Health and Human Services shall disburse these funds to North Carolina Children's Health, Inc., no later than 90 days after this act becomes law.

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, except for subdivision (f1)(1) of G.S. 143C-6-23.

(2) Directed grants shall be distributed as follows:

a. A directed grant of one hundred thousand dollars ($100,000) or less may be disbursed as a single lump sum in the discretion of the Director of the Budget.

b. A directed grant of more than one hundred thousand dollars ($100,000) but less than one million dollars ($1,000,000) shall be disbursed in monthly or quarterly installments in the discretion of the Director of the Budget.

c. A directed grant of more than one million dollars ($1,000,000) shall be disbursed in installments of twenty-five percent (25%), with the initial installment disbursed up front and each subsequent installment disbursed only after the non-State entity has expended the funds previously disbursed.

A State agency administering a directed grant shall make the first distribution of funds to a non-State entity that has met all applicable requirements necessary to receive that distribution as soon as practicable, but no later than 100 days 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 each directed grant until all funds are fully disbursed and expended. At a minimum, the report shall include, for each directed grant, (i) the grant amount, (ii) the date of the initial contact, (iii) the date the non-State entity completed all requirements, and (iv) the date of the initial disbursement and subsequent disbursements, as applicable.

(4) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, nonrecurring funds appropriated in this act for the 2026-2027 fiscal year as directed grants that are unexpended or unencumbered shall not revert until June 30, 2029.

(5) A non-State entity that is the intended recipient of a directed grant shall satisfy all requirements necessary to receive the grant funds and request initial disbursement of those funds from the State agency administering the grant no later than one year after this act becomes law. Notwithstanding the reversion date provided in subdivision (4) of this subsection or any other provision of law to the contrary, if a non-State entity has not satisfied all requirements necessary to receive the directed grant funds and requested disbursement of

those funds within the period required by this subdivision, then the grant funds shall revert at the end of that one-year period.

(6) When a directed grant is changed either in the purpose for which it is to be used or by reallocating it to another non-State entity, the applicable reversion periods set forth in subdivisions (4) and (5) of this subsection shall be based on the date the change is enacted.

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

SECTION 5.2.(c) This section expires on June 30, 2029.

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.(a) For vacant position reductions identified in the Committee Report described in Section 45.2 of this act that are not associated with specific position numbers, State agencies shall achieve the required savings through the elimination of vacant positions selected by the agency. The agency may determine the number of positions eliminated so long as the required reduction is fully achieved from vacant position eliminations.

SECTION 5.4.(b) Each State agency with vacant position reductions shall report to the Fiscal Research Division by December 1, 2026, 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.

SECTION 5.4.(c) Notwithstanding subsection (a) of this section or any other provision of law:

(1) The Department of Adult Correction shall not take any reductions from vacant positions assigned to the following budget funds:
   a. General Health (108150).
   b. Mental Health (108151).
   c. Dental Health (108152).
   d. Pharmacy Services (108153).

(2) The Department of Public Instruction shall not take any reductions from vacant positions associated with the following positions and position numbers:
   a. Accounting Manager I (60090948).
   b. School Educator I (60041738).
   c. School Educator II (60039559, 60039575, 60041757).

REDIRECT INVESTMENT INCOME FROM CERTAIN FUNDS TO STRENGTHEN GENERAL FUND

SECTION 5.5.(a) SCIF. – G.S. 143C-4-3.1(b) reads as rewritten:

"(b) Creation and Source of Funds. – The State Capital and Infrastructure Fund (the Fund) is established as a special fund in the General Fund to be administered by the Office of State Budget and Management to carry out the provisions of this section. With the exception of debt service obligations, appropriations from the Fund may be administered by other State agencies as deemed necessary by the Office of State Budget and Management. ~~Interest and investment earnings received on monies in the Fund shall be credited to the Fund.~~ The Fund shall consist of the following additional sources:

…."

SECTION 5.5.(b) Needs-Based Public School Capital Fund. – G.S. 115C-546.10 reads as rewritten:

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

There is created the Needs-Based Public School Capital Fund (the Fund) as ~~an interest-bearing,~~ a 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:

…."

SECTION 5.5.(c) Needs-Based Public School Capital Fund Conforming Change. – G.S. 147-69.2(a)(17m) is repealed.

SECTION 5.5.(d) Water Infrastructure Fund. – G.S. 159G-22(a) reads as rewritten:

"(a) Fund Established. – The Water Infrastructure Fund is established as a special revenue fund. The Fund is comprised of the accounts set out in this section. The Fund provides revenue through its accounts for loans and grants as provided in this Chapter to meet the water infrastructure needs of the State. The Treasurer is responsible for distributing and investing all revenue received by the Fund. Accounts to which federal funds are credited must be kept separate from accounts that do not receive federal funds. Interest and other investment income earned ~~by the Fund~~ on accounts to which federal funds are credited accrues to ~~it~~ those accounts and must be allocated to the account to which the income is attributable. ~~Accounts to which federal funds are credited must be kept separate from accounts that do not receive federal funds.~~ Interest and other investment income from all other accounts must be credited to the General Fund. A payment of the principal of or interest on a loan made from an account of the Fund must be credited to the account from which the loan was made."

SECTION 5.5.(e) Information Technology Fund. – G.S. 143B-1332 reads as rewritten:

"**§ 143B-1332. Information Technology Fund.**

There is established a special revenue fund to be known as the Information Technology Fund, which may receive transfers or other credits as authorized by the General Assembly. Money may be appropriated from the Information Technology Fund to support the operation and administration that meet statewide requirements, including planning, project management, security, email, State portal operations, early adoption of enterprise efforts, and the administration of systemwide procurement procedures. Funding for participating agency information technology projects shall be appropriated to the Information Technology Fund and may be reallocated by the State CIO, if appropriate, following coordination with the impacted agencies and written approval by the Office of State Budget and Management. Any redirection of agency funds shall immediately be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division with a detailed explanation of the reasons for the redirection. Expenditures involving funds appropriated to the Department from the Information Technology Fund shall be made by the State CIO. ~~Interest earnings on the Information Technology Fund balance shall be credited to the Information Technology Fund.~~"

SECTION 5.5.(f) School Technology Fund. – G.S. 115C-102.6D(b) reads as rewritten:

"(b) Funds in the State School Technology Fund shall be allocated to local school administrative units as directed by the General Assembly. ~~Funds allocated to each local school administrative unit shall be credited with interest by the State Treasurer pursuant to G.S. 147-69.2 and G.S. 147-69.3.~~"

SECTION 5.5.(g) Helene Fund. – Interest earned on State funds credited to the Hurricane Helene Disaster Recovery Fund established in Section 4.1 of S.L. 2024-51, excluding funds received pursuant to Section 6.2 of S.L. 2024-51, shall be credited to the General Fund.

MODIFICATIONS TO THE STATE BUDGET ACT AND CLARIFICATIONS TO THE REQUIREMENT TO CONSULT WITH THE JOINT LEGISLATIVE COMMISSION ON GOVERNMENTAL OPERATIONS

SECTION 5.6.(a) 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~~ budget code as enacted by the General Assembly and as provided by ~~G.S. 143C-6-4.~~subdivisions (2) and (3) of G.S. 143C-6-4(b) if the overexpenditure would result in a State agency's total requirements for that budget code to exceed that agency's certified budget for a fiscal year for that purpose or program by more than three percent (3%).

…

(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.~~ Assembly pursuant to G.S. 143C-8-7. The budget for each capital project must include projected revenues in an amount not less than projected expenditures.

…."

SECTION 5.6.(b) G.S. 143C-1-1 reads as rewritten:

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

…

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

…

(3a) Budget fund purpose statement. – A brief description of all purposes or programs funded within a unique six-digit budget fund that provides information on the overall objectives of expenditures within the fund.

…

(11a) Emergency. – As defined in G.S. 166A-19.3.

…

(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.

…

(21a) Prior year earned revenue. – Departmental receipts comprising all reimbursements of expenditures, including federal reimbursements, paid from State funds that are earned in a fiscal year but not realized or received until a subsequent fiscal year.

…

(23) Purpose or program. – A group of objects or line items for support of a specific ~~activity~~ service, activity, or function of a State agency outlined in a recommended or enacted budget that is designated by a ~~nine-digit fund code~~ five-digit budget code and a unique six-digit budget fund 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 5.6.(c) G.S. 143C-1-2 reads as rewritten:

"**§ 143C-1-2. Appropriations: constitutional requirement; reversions.**

…

(b) Reversions. – ~~Unless otherwise provided by law, at~~ At the end of the fiscal year the unexpended, unencumbered balance of an ~~appropriation~~ appropriation, including prior year earned revenue, reverts to the fund from which the appropriation was ~~made;~~ made, except ~~that (i) an~~ as follows:

(1) An appropriation to the General Assembly shall not revert unless otherwise provided by the Legislative Services ~~Commission, (ii) an~~ Commission.

(2) An appropriation for a capital improvement project shall revert as provided by ~~G.S. 143C-8-11, and (iii) an~~ G.S. 143C-8-11.

(3) An appropriation for the implementation of information technology (IT) projects shall not revert until the project is implemented or abandoned.

(4) Prior year earned revenue received in response to an emergency by a State entity other than the Department of Transportation shall revert to the Savings Reserve in the year in which it is received.

(5) An appropriation for which the reversion is otherwise specifically provided by law."

SECTION 5.6.(d) G.S. 143C-2-5 reads as rewritten:

"**§ 143C-2-5. Grants and contracts database.**

(a) The Director of the Budget shall require the Office of State Budget and ~~Management,~~ Management (OSBM), with the support of the Department of Information Technology, to build and maintain a database and website for providing a single, searchable website on State spending for grants and ~~contracts to be known as NC OpenBook.~~contracts.

…

(c) All State institutions, departments, bureaus, agencies, or commissions that maintain a website shall be required to include an access link to the ~~NC OpenBook~~ website maintained by OSBM pursuant to subsection (a) of this section on the home page of the agency website. Each agency shall also prominently display a search engine on the agency website home page to allow for ease of searching for information, including contracts and grants, on the agency's website."

SECTION 5.6.(e) 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, budget fund purpose statements and 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.

…

c. The Recommended Base Budget shall include accurate projections of receipts, expenditures, and fund balances. Estimated receipts, including tuition collected by university or community college institutions, shall be adjusted to reflect actual collections from the previous fiscal year, unless the Director recommends a change that will result in collections in the budget year that differ from prior year actuals, or the Director otherwise determines there is a more reasonable basis upon which to accurately project receipts. If receipts are projected to decrease, the corresponding expenditure shall be decreased in a like amount. Revenue and expenditure detail provided in the Budget Support Document shall be no less detailed than the ~~two-digit~~ three-digit level in the North Carolina ~~Accounting~~ Financial System Uniform Chart of Accounts as prescribed by the State Controller.

…

(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).

(8) The Governor's Recommended State Budget shall include an accurate projection of expenditures for the State's employer contribution to the Teachers' and State Employees' Retirement System. This projection shall be no less than the total of the estimated compensation for all members of the system to be paid from the funding source multiplied by the anticipated required employer contribution rate, as provided under G.S. 135-8(d)(3a), for each fiscal year of the biennium, including adjustments under the contribution rate policy adopted by the Board of Trustees of the Teachers' and State Employees' Retirement System.

…."

SECTION 5.6.(f) G.S. 143C-5-4 reads as rewritten:

"**§ 143C-5-4. Enactment deadline; procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.**

…

(b) Procedure for Budget Continuation. – If a fiscal year begins for which no Current Operations Appropriations Act providing for current operations of State government during that fiscal year has become law, then the following procedures shall be followed and the following limitations shall apply:

…

(9) Grant funds. – ~~Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded during the current fiscal year that are for less than two million five hundred thousand dollars ($2,500,000), do not require State matching funds, and will not be used for a capital project. 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 during the current fiscal year to respond to an emergency 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 during the current fiscal year only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations. 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 allowable amount set forth in this subdivision and shall be incorporated into the authorized budget of the recipient State agency. Notwithstanding the provisions of this subdivision, no State agency may accept a grant if 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. Nothing in this subdivision shall be construed to prohibit or limit expenditures that are authorized under subdivision (1) of this subsection. For purposes of this subdivision, the term (i) "emergency" is as defined in G.S. 166A-19.3 and (ii) "grant" means funds received from a grant that was not included in the base budget for the fiscal year in which the grant was awarded.~~State agencies shall, in applying for, accepting, budgeting, and spending grant funds, comply with the requirements of G.S. 143C-5-4.1."

SECTION 5.6.(g) Article 5 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-5-4.1. State agency grant funds.**

(a) Application and Acceptance. – State agencies may, with approval of the Director, apply for and accept grants not otherwise appropriated in a Current Operations Appropriations Act provided that the following criteria are met:

(1) The grant funds will not be used for a new capital improvement project, unless the grant funds will be used to fund (i) advanced planning through the working drawing phase of capital improvement projects pursuant to G.S. 143C-8-7 or (ii) an increase in cost of a capital improvement project pursuant to G.S. 143C-8-8.

(2) Acceptance of the grant will not obligate the State to make future expenditures relating to the program receiving the grant funds and will not otherwise result in a financial obligation as a consequence of acceptance.

(3) Sufficient funds exist within the current appropriations to the State agency applying for or accepting the grant to meet any applicable matching requirement for the grant.

(4) The Office of State Budget and Management confirms that the State agency complied with the requirements of this subsection.

(b) Notice. – 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 receiving a grant award notification. With respect to grants awarded in response to an

emergency, the State agency shall additionally (i) comply with the requirements of G.S. 120-76.1(a1) and (ii) report to the chairs of the Joint Legislative Emergency Management Oversight Committee regarding the total amount of all grants awarded to respond to the emergency within 30 days of receiving the grant award notification.

(c) Budgeting and Spending. – The Office of State Budget and Management shall coordinate with recipient State agencies to budget and spend grant funds according to the annual program needs and within the parameters of the respective granting entities. Notwithstanding G.S. 143C-6-4, State agencies may, with the approval of the Director, budget and spend grant funds as follows:

(1) Small grants. – Grants of less than two million five hundred thousand dollars ($2,500,000) may be budgeted and spent as indicated in the granting entity's notice of award.

(2) Emergency response grants. – Up to the greater of one percent (1%) or ten million dollars ($10,000,000) of the total amount of grants awarded during the current fiscal year to respond to an emergency may be budgeted and spent as indicated in the granting entity's notice of award.

(3) Other grants. – Grants in excess of the limitations provided in subdivisions (1) and (2) of this subsection may be budgeted and spent only after consultation with the Joint Legislative Commission on Governmental Operations pursuant to G.S. 120-76.1(b).

(4) Personnel budgeting and spending. – Grant funds budgeted and spent on personnel shall only be used for personnel employed on a time-limited basis.

(d) Appropriation of Grant Funds. – Grant funds budgeted and spent pursuant to this section are appropriated up to the applicable allowable amount set forth in subsection (c) of this section and shall be incorporated into the authorized budget of the recipient State agency."

SECTION 5.6.(h) G.S. 143C-6-4 reads as rewritten:

"**§ 143C-6-4. Budget Adjustments Authorized.**

…

(b1) ~~If~~ Consistent with G.S. 120-76.1(a)(1), if the overexpenditure would cause a department's total requirements for a ~~fund~~ budget code to exceed the department's certified budget for a fiscal year for that ~~fund~~ budget code by more than three percent (3%), the Director shall consult with the Joint Legislative Commission on Governmental Operations prior to authorizing the overexpenditure.

(b2) Subsection (b) of this section shall not be construed to authorize ~~budget~~ either of the following:

(1) Budget adjustments that cause General Fund expenditures, excluding expenditures from General Fund receipts, to exceed General Fund appropriations for a department.

(2) Budget adjustments using prior year earned revenue other than those adjustments necessary to revert the funds pursuant to G.S. 143C-1-2(b).

(c) Overexpenditures Reported. – ~~The~~ In addition to the prior consultation required by G.S. 120-76.1(a)(1), the Director shall report quarterly, beginning October 31, to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on overexpenditures approved by the Director under subdivisions (2) and (3) of subsection (b) of this section.

…."

SECTION 5.6.(i) Article 6 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-6-5.1. Certain gifts or donations prohibited.**

Unless otherwise specified by law, State agencies may not accept a gift or donation that would obligate the State to make future expenditures relating to the program receiving the gift or donation or would otherwise result in a financial obligation as a consequence of acceptance."

SECTION 5.6.(j) G.S. 143C-6-11 reads as rewritten:

"**§ 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.

…

(p) ~~[FEMA Reimbursement.]~~ FEMA Reimbursement. – The Department of Transportation shall expeditiously seek reimbursement from the federal government for all qualifying disaster expenditures. No later than the end of each month, the Department shall submit a report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division that contains an itemized list of all disaster expenditures that qualify for federal reimbursement for which reimbursement is still pending and the expected amount, including the total amount spent for each disaster, the expected amount of reimbursement to be received for each disaster, the reimbursement amount received to date, the dates the work plans and reimbursement applications were submitted, and the expected dates of reimbursement.

…."

SECTION 5.6.(k) G.S. 143C-6-13 is repealed.

SECTION 5.6.(*l*) G.S. 143C-9-3 reads as rewritten:

"**§ 143C-9-3. Settlement Reserve Fund.**

(a) Fund Established. – The Office of the State Controller shall establish the "Settlement Reserve Fund" ~~is established~~ (Fund) as a special fund to receive clear proceeds from ~~tobacco~~ litigation settlement agreements or final orders or judgments of a ~~court in litigation between tobacco companies and the states.~~court.

(a1) ~~Each year,~~ Fund Proceeds. – The State Controller shall maintain accounting records sufficient to separately identify and attribute, for each settlement, all receipts credited to and expenditures from the Fund. Except as otherwise provided herein, the clear proceeds from litigation settlement agreements shall be deposited in the Fund and accounted for as follows:

(1) Clear proceeds from penalties, forfeitures, and fines belonging to the public schools shall not be received by the Fund but shall instead be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(2) Of the proceeds from tobacco litigation settlement agreements or final orders or judgments of a court in litigation between tobacco companies and the states, there is annually appropriated the sum of twenty-five million dollars ($25,000,000) from the ~~Settlement Reserve~~ Fund ~~is appropriated~~ to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit corporation, and these funds shall not be subject to G.S. 143C-6-23.

(3) The remainder of the funds credited to the ~~Settlement Reserve~~ Fund each fiscal year ~~shall~~ shall, (i) if the settlement agreement or court order imposes

spending restrictions, remain in the Fund until appropriated by the General Assembly or (ii) if otherwise, be transferred to the General Fund and included in General Fund availability as nontax revenue.

(b), (c) Repealed by Session Laws 2011-145, s. 6.11(i), effective July 1, 2011.

(d) Certain Funds Credited. – Unless prohibited by federal law, federal funds provided to the State by block grant or otherwise as part of federal legislation implementing a settlement between United States tobacco companies and the states shall be credited to the ~~Settlement Reserve~~ Fund. Unless otherwise encumbered or distributed under a settlement agreement or final order or judgment of the court, funds paid to the State or a State agency pursuant to a tobacco litigation settlement agreement, or a final order or judgment of a court in litigation between tobacco companies and the states, shall be credited to the ~~Settlement Reserve~~ Fund."

SECTION 5.6.(m) Subsection (*l*) of this section is effective when it becomes law and applies to proceeds payable to the State or a State agency from any settlement agreement or court order entered into after that date.

CHILDREN'S HOSPITAL ANTITRUST/STATE ACTION IMMUNITY

SECTION 5.7.(a) G.S. 116-350 is amended by adding a new subdivision to read:

"(3a) North Carolina Children's Health or NCC. – A pediatric health facility and associated sites that (i) receive State funding and (ii) are developed by the System in partnership with Duke University Health System, Inc."

SECTION 5.7.(b) Part 1 of Article 37A of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-350.70. State action.**

Subject to the provisions and limitations of this Part and Part 2 of this Article, the Board may enter into cooperative agreements with Duke University Health System, Inc., Duke University, any component of The University of North Carolina, NCC, or any combination thereof for the provision of pediatric research, health care, and discovery, including the development and joint operation of NCC, without regard to the effect on market competition. In partnering with Duke University Health System, Inc., Duke University, The University of North Carolina, NCC, or any combination thereof for these purposes, the System is acting according to State policy by ensuring (i) pediatric health care is made available to all parts of North Carolina and (ii) North Carolina is at the forefront of pediatric research, health care delivery, and innovation. The activities by the System pursuant to this section constitute "State action" for purposes of antitrust law. The General Assembly intends that these agreements are immune from the application of federal and State antitrust law."

CONSUMER PROTECTIONS FOR ENTERTAINMENT EVENT TICKET SALES AND RESALES

SECTION 5.8.(a) Chapter 75 of the General Statutes is amended by adding a new Article to read:

"Article 9.

"Entertainment Event Ticket Sales and Resales."

SECTION 5.8.(b) The following provisions are to be located in Article 9 of Chapter 75 of the General Statutes, as established by subsection (a) of this section:

(1) Subsection (a) of G.S. 75-44 is recodified as G.S. 75-151, to be titled "Definitions."

(2) Subsection (b) of G.S. 75-44 is recodified as G.S. 75-152, to be titled "Ticket price transparency."

(3) Subsection (c) of G.S. 75-44 is recodified as G.S. 75-157, to be titled "Enforcement."

SECTION 5.8.(c) Article 9 of Chapter 75 of the General Statutes, as established by subsection (a) of this section, reads as rewritten:

"Article 9.

"Entertainment Event Ticket Sales and Resales.

"**§ 75-151. Definitions.**

As used in this ~~section~~ Article, the following definitions apply:

(1) Bot. – Any machine, device, computer program, or computer software used to purchase tickets that, on its own or with human assistance, bypasses security measures or access control systems on a retail ticket purchasing platform or other controls or measures on a retail ticket purchasing platform that assist in implementing a limit on the number of tickets that can be purchased for an entertainment event.

(2) Clearly and conspicuously disclose. – To present information in a manner that is difficult to miss and easily understandable, including by meeting the following standards:

a. In the case of a visual disclosure, its size, contrast, location, the length of time it appears, and other characteristics stand out from and are equal to or greater in size than any accompanying text or other visual elements so that it is easily noticed, read, and understood.

b. It is unavoidable.

c. It uses diction and syntax understandable to ordinary consumers and appears in each language in which the representation that requires the disclosure appears.

d. It is not contradicted, mitigated by, or inconsistent with any other communication made to a consumer.

(3) Entertainer. – An individual, group, or team that performs at an entertainment event.

~~(1)~~(4) Entertainment event. – A sporting game or contest, concert, or other entertainment performance with a live presentation element in this State for which attendance is available to the public through the purchase of a ticket.

(5) Fan club. – A membership-based program, established by an entertainer, venue, or event organizer, or an agent or affiliate of such, that offers members the opportunity to purchase tickets for an entertainment event prior to the tickets being offered for sale to the general public.

~~(2)~~(6) Mandatory fee. – Any fee or surcharge that a consumer must pay in order to purchase a ticket to an entertainment event.

~~(3)~~(7) Resale. – The second or subsequent sale of a ticket ~~through a website or other electronic means.~~by any method, including in-person transactions, telephone, mail, email, facsimile, or electronic means through websites or mobile applications.

~~(4)~~(8) Reseller. – A person engaged in the resale of tickets. This term includes agents and affiliates of a reseller.

~~(5)~~(9) Secondary ticket exchange. – An electronic marketplace that enables persons to sell, purchase, and resell tickets. This term includes agents and affiliates of a secondary ticket exchange.

(10) Speculative ticket. – A ticket not in the actual or constructive possession of a reseller at the time of listing, sale, or advertisement, including tickets not owned by the reseller or under contract to be transferred to the reseller at the time of sale.

~~(6)~~(11) Ticket issuer. – The person that is the first seller of tickets for an entertainment event, including a musician or musical group, an operator of a venue, sponsor

or a promoter of an entertainment event, a sports team participating in an entertainment event, a sports league whose teams are participating in an entertainment event, a theater company, a marketplace or service operated for consumers to make an initial purchase of tickets, or an agent of any of the persons listed in this subdivision.

~~(7)~~(12) Ticketing link website. – A website that purports to sell entertainment event tickets when no transactions occur on the website but instead links or redirects to a reseller or secondary ticket exchange website.

(13) Ticketing session. – The period of time beginning when the price of a ticket to an entertainment event is first displayed to a person through a website or application and ending when the person has not purchased the ticket within the time period prescribed by the secondary ticket exchange, ticket issuer, or reseller.

"**§ 75-152. Ticket price transparency.**

A secondary ticket exchange, ticket issuer, or reseller shall meet the following requirements when listing a ticket for sale or resale:

(1) At any time the price of the ticket is displayed to the purchaser, the listing shall clearly and conspicuously disclose the total price of the ticket, including all mandatory fees and the maximum order processing fee, if any.

(2) The total price of the ticket initially displayed at the beginning of a ticketing session shall not be increased during that ticketing session, except by the addition of the charges permitted under subdivision (4) of this ~~subsection.~~section.

(3) The listing shall clearly and conspicuously disclose to the consumer the existence and actual dollar amount of each mandatory fee, if any, prior to the completion of the transaction. The descriptor used to identify each mandatory fee shall not be deceptive or misleading.

(4) The following charges are not mandatory fees and may be added to the ticket price and shall be disclosed to the purchaser prior to purchase of the ticket:

a. Actual charges required to deliver a non-electronic ticket to the address specified by the purchaser by the delivery method designated by the purchaser.

b. Taxes or fees imposed on the transaction by any government.

c. A reasonable fee for processing the order.

(5) The listing shall clearly and conspicuously disclose to the consumer the location of the seat corresponding to the ticket, including the row and section number, or if there is no assigned seat, the general admission area.

(6) The issuer, reseller, or secondary ticket exchange shall clearly and conspicuously disclose in the listing and at the point-of-sale whether this is an initial sale or resale of a ticket, including the following:

a. If a ticket is being resold through a secondary ticket exchange that is not the ticket issuer, the secondary ticket exchange shall clearly and conspicuously disclose that it is not the ticket issuer and provide an active link and the website address of where a consumer may purchase a ticket from the ticket issuer.

b. If the secondary ticket exchange is also the ticket issuer, the secondary ticket exchange shall clearly and conspicuously disclose on each page or interface when a consumer is participating in the resale process.

"**§ 75-153. Prohibition of speculative ticket sales.**

In addition to any other restrictions imposed by a ticket issuer, a reseller or secondary ticket exchange shall not (i) sell or offer to sell speculative tickets or (ii) resell more than one copy of the same ticket to an entertainment event.

"**§ 75-154. Access to presale and fan club tickets.**

(a) A ticket issuer, reseller, or secondary ticket exchange shall not resell a ticket before it has been made available to the public through the ticket's initial sale, unless it is authorized by an entertainer, venue, or event organizer.

(b) A ticket reseller or secondary ticket exchange shall not purchase, sell, or resell a ticket through a fan club ticket presale or fan club program unless authorized by the fan club.

"**§ 75-155. Ticketing website use of branding and intellectual property.**

In any advertisements, promotional materials, or online content, including websites, website addresses, and social media, a reseller, secondary ticket exchange, and operator of a ticketing link website shall not do any of the following:

(1) Use the name, graphic, logo, image, trademark, trade dress, or any other intellectual property of an entertainer, venue, or event organizer without prior authorization.

(2) Resemble the branding of or otherwise visually imply a connection to an entertainer, venue, or event organizer, even if there has not been a violation of an intellectual property right, if the resemblance was intentionally designed to create the false appearance of an agent, affiliate, or other relationship with an entertainer, venue, or event organizer when no such relationship exists.

(3) State or imply an affiliation with or endorsement by an entertainer, venue, or event organizer, including by using words like "official," when no such relationship or endorsement exists.

"**§ 75-156. Prohibition on circumvention of internet ticket sales limitations.**

A person shall not use or create a bot to perform any of the following actions:

(1) Purchase tickets for any single internet ticket sale.

(2) Use multiple Internet Protocol (IP) addresses, purchaser accounts, or email addresses to purchase tickets for any single internet ticket sale in excess of the purchase limit imposed by the ticket issuer or eight tickets, whichever is less.

(3) Circumvent or disable an electronic queue, waiting period, presale code, or other sales volume limitation system associated with an internet ticket sale.

(4) Circumvent or disable a security measure, access control system, or any other control or measure used to facilitate authorized entry to an event.

"**§ 75-157. Enforcement.**

(a) A violation of this ~~section~~ Article is an unfair trade practice under G.S. 75-1.1 and is subject to all of the investigative, enforcement, and penalty provisions of an unfair trade practice under this ~~Article.~~Chapter.

(b) In addition to any other relief or penalty allowed under this Chapter or other State law, a court may issue a civil penalty of up to fifteen thousand dollars ($15,000) per day that a violation of this Article has occurred and the greater of (i) one thousand dollars ($1,000) or (ii) five times the total ticket price, per ticket listed, advertised, sold, or resold in violation of this Article.

(c) If a court finds that a violation of this Article was willful, the court may impose an additional civil penalty of ten thousand dollars ($10,000) per ticket sold or resold in violation of this Article.

(d) The Attorney General shall ensure consumers are able to report violations of this Article on the Department of Justice's website and by telephone.

(e) No later than August 1 of each year, the Attorney General shall report to the Joint Legislative Oversight Committee on Justice and Public Safety on the number and types of

enforcement actions taken pursuant to this Article. A copy of the report shall also be made publicly available on the Department of Justice's website."

SECTION 5.8.(d) This section becomes effective October 1, 2026, and applies to tickets sold or resold on or after that date.

VETO OVERRIDE TECHNICAL CORRECTIONS

SECTION 5.9.(a) Technical corrections for House Bill 171, 2025 Regular Session.

SECTION 5.9.(a1) If House Bill 171, 2025 Regular Session, becomes law, G.S. 143-162.8(i), as enacted by that act, reads as rewritten:

"(i) Beginning ~~February 1, 2026,~~ February 1, 2028, and annually thereafter, each State agency and unit of local government shall prepare and publicly post on its website, as well as submit to the Office of the State Auditor, a report detailing the actions taken to comply with this section. The report must include each instance where a program or policy was revised or prohibited due to a conflict with this section. The State Auditor shall compile this information and submit a consolidated report to the Joint Legislative Commission on Governmental Operations and the General Assembly by ~~April 1, 2026,~~ April 1, 2028, and then annually thereafter."

SECTION 5.9.(a2) If House Bill 171, 2025 Regular Session, becomes law, Section 1.1(c) of that act reads as rewritten:

"**SECTION 1.1.(c)** This section becomes effective ~~July 1, 2026,~~ July 1, 2027, and applies to acts or omissions occurring on or after that date. All State agencies shall develop forms, rules, and procedures to comply with the provisions of G.S. 126-14.7(f) as enacted by this act."

SECTION 5.9.(a3) If House Bill 171, 2025 Regular Session, becomes law, Section 1.2(b) of that act reads as rewritten:

"**SECTION 1.2.(b)** This section becomes effective ~~July 1, 2026,~~ July 1, 2027, and applies to acts or omissions occurring on or after that date. All State agencies and units of local government shall develop forms, rules, and procedures to comply with the provisions of G.S. 143-162.8(k) as enacted by this act."

SECTION 5.9.(a4) If House Bill 171, 2025 Regular Session, becomes law, Section 2.1 of that act reads as rewritten:

"**SECTION 2.1.** Except as otherwise provided, this act becomes effective ~~December 1, 2025,~~ July 1, 2027, and applies to acts or omissions occurring on or after that date."

SECTION 5.9.(b) Technical corrections for S.L. 2026-19.

SECTION 5.9.(b1) Section 1(a)(4) of S.L. 2026-19 reads as rewritten:

"(4) No later than ~~August 1, 2025,~~ October 1, 2026, report the Memorandum of Agreement and departmental policies required by this section to the Joint Legislative Oversight Committee on Justice and Public Safety."

SECTION 5.9.(b2) Section 1(b)(4) of S.L. 2026-19 reads as rewritten:

"(4) No later than ~~August 1, 2025,~~ October 1, 2026, report the Memorandum of Agreement and departmental policies required by this section to the Joint Legislative Oversight Committee on Justice and Public Safety."

SECTION 5.9.(b3) Section 1(c)(4) of S.L. 2026-19 reads as rewritten:

"(4) No later than ~~August 1, 2025,~~ October 1, 2026, report the Memorandum of Agreement and State Highway Patrol policies required by this section to the Joint Legislative Oversight Committee on Justice and Public Safety."

SECTION 5.9.(b4) Section 1(e) of S.L. 2026-19 reads as rewritten:

"**SECTION 1.(e)** The State Auditor shall perform an audit to determine the compliance of each State agency with the requirements of this section and shall report the results of the audit to the General Assembly no later than ~~December 31, 2025.~~December 31, 2026."

SECTION 5.9.(b5) Section 2(c) of S.L. 2026-19 reads as rewritten:

"**SECTION 2.(c)** By ~~January 15, 2026,~~ January 15, 2027, the DHHS shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division all of the following:

…."

SECTION 5.9.(b6) Section 3(c) of S.L. 2026-19 reads as rewritten:

"**SECTION 3.(c)** By ~~January 15, 2026,~~ January 15, 2027, the Department of Commerce, the Housing Finance Agency, and all local housing authorities established under Chapter 157 of the General Statutes shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on both of the following:

…."

SECTION 5.9.(b7) Section 4 of S.L. 2026-19 reads as rewritten:

"**SECTION 4.** Notwithstanding any provision of State law and to the extent permitted by federal law, by ~~January 15, 2026,~~ January 15, 2027, the Department of Commerce, Division of Employment Security, shall adopt and implement a policy to verify, for unemployment benefits purposes, that all applicants are legally authorized to reside in the United States prior to the first payment of benefits."

SECTION 5.9.(c) Technical correction for S.L. 2026-20.

SECTION 5.9.(c1) Section 4 of S.L. 2026-20 reads as rewritten:

"**SECTION 4.** For the certification due ~~September 1, 2025,~~ September 1, 2026, as required by G.S. 115C-76.210(c), as enacted by Section 2 of this act, each public school unit shall also include information on the initial implementation of this act, including reductions in force and spending, changes to job titles and position descriptions, and how savings achieved from these actions have been directed."

SECTION 5.9.(d) Technical corrections for S.L. 2026-21.

SECTION 5.9.(d1) Section 3 of S.L. 2026-21 reads as rewritten:

"**SECTION 3.** For the certification due ~~September 1, 2025,~~ September 1, 2026, as required by G.S. 116-417(c), as enacted by Section 2 of this act, each public institution of higher education shall also include information on the initial implementation of this act, including reductions in force and spending, changes to job titles and position descriptions, and how savings achieved from these actions have been directed."

SECTION 5.9.(d2) G.S. 115D-5(aa) and (bb), as enacted by S.L. 2026-21, are recodified as G.S. 115D-6.3, to be entitled "Policies on diversity, equity, inclusion, and free speech." G.S. 115D-5(aa) is recodified as subsection (a) of G.S. 115D-6.3 and G.S. 115D-5(bb) is recodified as subsection (b) of G.S. 115D-6.3.

SECTION 5.9.(e) Subsections (a1), (a2), (a3), and (a4) of this section are effective on the date that House Bill 171, 2025 Regular Session, becomes law. The remainder of this section is effective when it becomes law.

VARIOUS BOARD CHANGES

SECTION 5.10.(a) Capital Facilities Finance Agency. – G.S. 159D-38 reads as rewritten:

"**§ 159D-38. Capital facilities finance agency.**

(a) There is created a body politic and corporate to be known as "North Carolina Capital Facilities Finance Agency" which shall be constituted a public agency and an instrumentality of the State for the performance of essential public functions. The agency shall be governed by a board of directors composed of seven members. Two of the members of the board shall be the State Treasurer and the State Auditor, both of whom shall serve ex officio. The remaining directors of the agency shall be residents of the State and shall not hold other public office. The General Assembly upon the recommendation of the President Pro Tempore of the Senate shall appoint one director in accordance with G.S. 120-121, the General Assembly upon the recommendation of the Speaker of the House of Representatives shall appoint one director in

accordance with G.S. 120-121, the State Treasurer shall appoint two directors, and the Governor shall appoint ~~three directors~~ one director of the agency. The five appointive directors of the agency shall be appointed for staggered four-year terms, two being appointed initially for one year by the President of the Senate and the Speaker of the House, respectively, ~~and one for two years, one for three years~~ one appointee by the State Treasurer for two years, the other State Treasurer appointee for three years, and ~~one~~ the Governor's appointee for four ~~years, respectively, as designated by the Governor.~~ years. Each director shall continue in office until a successor is duly appointed and qualified, except that any person appointed to fill a vacancy shall serve only for the unexpired term. Any vacancy in a position held by an appointive member shall be filled by a new appointment made by the officer who originally made the appointment. Any member of the board of directors is eligible for reappointment. Each appointive member of the board of directors may be removed by the Governor for misfeasance, malfeasance or neglect of duty after reasonable notice and a public hearing, unless the notice and hearing are in writing expressly waived. 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. The Governor shall designate from among the members of the board of directors a chair and a vice-chair, whose terms extend to the earlier of either two years or the date of expiration of their then current terms as members of the board of directors of the agency. The board of directors shall elect and appoint and prescribe the duties of a secretary-treasurer and any other officers it considers necessary or advisable, which officers need not be members of the board of directors.

…."

SECTION 5.10.(a1) Staggering. – The transition of two appointments to the Capital Facilities Finance Board from the Governor to the State Treasurer set forth in the amendments to G.S. 159D-38 in subsection (a) of this section shall apply to the seats appointed by the Governor that next expire or become vacant.

SECTION 5.10.(b) Local Government Commission. – G.S. 159-3(a) reads as rewritten:

"**§ 159-3. Local Government Commission established.**

(a) The Local Government Commission consists of nine members. The State Treasurer, the State Auditor, ~~the Secretary of State,~~ and the Secretary of Revenue each serve ex officio; the remaining ~~five~~ six members are appointed to four-year terms as follows: ~~three~~ one by the Governor, ~~one~~ two by the General Assembly upon the recommendation of the President Pro Tempore in accordance with G.S. 120-121, ~~and one~~ two by the General Assembly upon the recommendation of the Speaker of the House in accordance with ~~G.S. 120-121. Of the three members appointed~~ G.S. 120-121, and one by the State Treasurer. The member appointed by the ~~Governor, one~~ Governor shall be or have been the mayor or a member of the governing board of a city and one shall be or have been a member of a county board of commissioners. The State Treasurer is chairman ex officio of the Local Government Commission. Membership on the Commission is an office that may be held concurrently with one other office, as permitted by G.S. 128-1.1."

SECTION 5.10.(b1) Staggering. – Notwithstanding G.S. 159-3, as amended by this section, the current members of the Local Government Commission (Commission) shall each finish their current respective terms on the Commission. Prior to the expiration or termination of each member's current term, the new member for that seat shall be appointed pursuant to G.S. 159-3, as amended by this section. The newly created seats for one recommendation by the President Pro Tempore of the Senate, one recommendation by the Speaker of the House of Representatives, and one appointment by the State Treasurer shall be filled within 30 days of this section becoming law as described below.

The three newly created seats that become eligible for appointment after this section becomes law shall be appointed for four-year terms in the following order:

(1) The first seat which becomes available shall be filled by the recommendation of the President Pro Tempore of the Senate.

(2) The second seat which becomes available shall be filled by the recommendation of the Speaker of the House of Representatives.

(3) The third seat which becomes available shall be filled by the appointment by the State Treasurer.

SECTION 5.10.(b2) The Local Government Commission shall adopt temporary rules to implement the provisions of subsections (b) and (b1) of this section and shall adopt permanent rules to replace the temporary rules. Those temporary rules shall remain in effect until permanent rules that replace those rules becomes effective.

SECTION 5.10.(c) Local Government Employees' Retirement System. – Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

"**§ 128-28.1. Board of Trustees.**

(a) Membership. – The Board of Trustees, as established under G.S. 128-28(b), shall consist of the following members:

(1) The State Treasurer, who shall serve as an ex officio, voting member.

(2) A voting member appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives, in accordance with G.S. 120-121, who is an active mayor, county commissioner, county manager, city manager, town manager, or other member of the governing body of a city or town that is participating in the Retirement System.

(3) A voting member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121, who is an active mayor, county commissioner, county manager, city manager, town manager, or other member of the governing body of a city or town that is participating in the Retirement System.

(4) A voting member appointed by the Governor, subject to confirmation by the General Assembly by joint resolution, who is a law enforcement officer participating in the Retirement System.

(5) A voting member appointed by the Governor, subject to confirmation by the General Assembly by joint resolution, who is an active or retired member of the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.

(6) A voting member appointed by the State Treasurer, subject to confirmation by the General Assembly by joint resolution, who is an active, Fair Labor Standards Act nonexempt, local governmental employee of an employer.

(7) A voting member appointed by the State Treasurer, subject to confirmation by the General Assembly by joint resolution, who is a retired, Fair Labor Standards Act nonexempt, local governmental employee of an employer.

(b) Terms. – The appointive members of the Board of Trustees shall serve four-year terms. An appointive member whose term has expired but whose qualified successor has not been appointed shall continue to serve on the Board of Trustees 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 (f) of this section.

(c) Qualifications to Serve. – No appointed member of the Board of Trustees shall hold any other public office in North Carolina. All appointed members of the Board of Trustees shall possess expertise in pension systems.

(d) Disqualifications to Serve. – An individual is not eligible to serve on the Board of Trustees if any of the following apply to that individual:

(1) The individual has been indicted or charged with, been convicted of, pled guilty or nolo contendere to, or forfeited bail concerning a felony or a

misdemeanor involving fraud, theft, or dishonesty under the law of any jurisdiction in the United States.

(2) The individual has had a judgement 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 that 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 other immediate family member, is or becomes employed by the State Treasurer or by a service provider engaged to assist in the administration of the Retirement System overseen by the Retirement Systems Division of the Department of State Treasurer.

(e) Removal of Appointive Members. – A duly appointed member of the Board of Trustees may be removed by the applicable appointing authority.

(f) 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 Trustees 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 Trustees. Any individual appointed to fill a vacancy shall serve only for the unexpired term or until the vacancy is filled by the applicable appointing authority. A vacancy automatically occurs upon the death or resignation of a member of the Board of Trustees or upon the failure of a member of the Board of Trustees to do any of the following:

(1) Attend three consecutive meetings of the Board of Trustees, unless excused by the majority vote of the other Board of Trustees 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 Trustees.

(g) Reappointment. – Any member of the Board of Trustees is eligible for reappointment, except that no appointive member of the Board of Trustees may serve for more than two consecutive, full, four-year terms without at least a one-year break in membership on the Board of Trustees.

(h) Oath. – Each appointive member of the Board of Trustees shall take an oath of office to diligently and honestly administer the duties of the Board of Trustees and to not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Retirement System. The oath shall be subscribed to by the member making it, certified by the officer before whom it is taken, and a record of the oath shall be immediately filed in the office of the Secretary of State. If the member is a local government official that has taken an oath of office in connection with the local governmental office the official is currently holding, then that oath for local governmental office is sufficient and the official having had taken that oath is not required to take the oath provided for under this subsection.

(i) Officers. – The following shall apply to officers of the Board of Trustees:

(1) The State Treasurer shall serve as the chair of the Board of Trustees.

(2) The State Treasurer shall appoint and prescribe the duties of a secretary, who is not required to be a member of the Board of Trustees. The secretary is the custodian of all documents and papers filed with the Board of Trustees and the minute book or journal of the Board of Trustees. The secretary shall keep a record of the proceedings of the Board of Trustees. The secretary has the authority to make copies of all minutes and other records and documents of the Board of Trustees.

(j) Designees. – The State Treasurer may appoint a designee. No other member of the Board of Trustees is authorized to appoint a designee.

(k) Compensation and Reimbursement. – Except for members whose salaries or any portion of whose salaries are paid from State funds, members of the Board of Trustees shall receive one hundred dollars ($100.00) per day during sessions of the Board. Members of the Board of Trustees shall be reimbursed for all necessary expenses, in accordance with G.S. 138-5 and G.S. 138-6, that the member incurs through service on the Board.

(*l*) Meeting and Voting. – The Board of Trustees shall meet at least quarterly. A meeting may be called by the State Treasurer or by a majority of the Board of Trustees. The State Treasurer or the State Treasurer's designee shall establish the agenda for each meeting. A minimum of four voting members of the Board of Trustees is required for a quorum. The affirmative vote of a majority of the members of the Board of Trustees present at a meeting of the Board of Trustees that has been duly called and held is required for any action taken, except that the State Treasurer's vote shall prevail in the event of a tied vote."

SECTION 5.10.(c1) G.S. 128-28(c) reads as rewritten:

"(c) Members of Board. – The Board ~~shall consist of (i) five members of the Board of Trustees of the Teachers' and State Employees' Retirement System appointed under G.S. 135-6(b): the State Treasurer; the Superintendent of Public Instruction; the two members appointed by the General Assembly; and one of the two members appointed by the Governor who are not members of the teaching profession or State employees; and (ii) eight members designated by the Governor. The members designated by the Governor are as follows:~~membership is as provided under G.S. 128-28.1.

~~(1) One member shall be a mayor or a member of the governing body of a city or town participating in the Retirement System.~~

~~(2) One member shall be a county commissioner of a county participating in the Retirement System.~~

~~(3) One member shall be a law enforcement officer employed by an employer participating in the Retirement System.~~

~~(4) One member shall be a county manager of a county participating in the Retirement System.~~

~~(5) One member shall be a city or town manager of a city or town participating in the Retirement System.~~

~~(6) One member shall be an active, Fair Labor Standards Act nonexempt, local governmental employee of an employer.~~

~~(7) One member shall be a retired, Fair Labor Standards Act nonexempt, local governmental employee of an employer.~~

~~(8) One member shall be an active or retired member of the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.~~

~~The Governor shall designate eight members on April 1 of years in which an election is held for the office of Governor, or as soon thereafter as possible, and each of the eight members designated by the Governor shall serve on the Board in addition to the regular duties of the member's city, town, or county office. If for any reason any member appointed pursuant to subdivisions (1) through (6) of this subsection vacates the city, town, or county office or employment that the member held at the time of this designation, the Governor shall designate another member to serve until the next regular date for the designation of members to serve on the Board.~~"

SECTION 5.10.(c2) Subsections (d), (e), and (f) of G.S. 128-28 are repealed.

SECTION 5.10.(c3) Notwithstanding any other provision of law, all of the following apply to the positions on the Local Governmental Employees' Retirement System (LGERS) Board of Trustees authorized to be appointed under G.S. 128-28(c) prior to the enactment of G.S. 128-28.1 under subsection (c) of this section:

(1) The term of the Superintendent of Public Instruction shall terminate and that position on the LGERS Board of Trustees shall be eliminated in accordance with G.S. 128-28.1 on the date this section becomes effective.

(2) Any seat on the LGERS Board of Trustees that is vacant on the date this section becomes effective shall be eliminated in accordance with G.S. 128-28.1.

(3) Any member of the LGERS Board of Trustees who is serving a holdover, expired term on the date this section becomes effective may continue serving the holdover, expired term on the date this section is effective and G.S. 128-28.1(f) shall apply.

(4) Any member of the LGERS Board of Trustees who is serving a current, unexpired term on the date this section becomes effective may continue to serve the remainder of that member's unexpired term and G.S. 128-28.1 shall apply upon the expiration of that member's most recent term or upon the vacancy of the seat by that member.

SECTION 5.10.(c4) Subsections (c) through (c3) of this section are effective when they become law or July 1, 2027, whichever is later.

SECTION 5.10.(d) Teachers' and State Employees' Retirement System Board Changes. – Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"**§ 135-6.2. Board of Trustees.**

(a) Membership. – The Board of Trustees, as established under G.S. 135-6(a), shall consist of the following members:

(1) The State Treasurer, who shall serve as an ex officio, voting member.

(2) The Director of the Office of State Human Resources, who shall serve as an ex officio, nonvoting member.

(3) A voting member appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives, in accordance with G.S. 120-121, who is not an active or retired teacher or State employee nor an employee or retiree of a unit of local government.

(4) A voting member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121, who is not an active or retired teacher or State employee nor an employee or retiree of a unit of local government.

(5) A voting member appointed by the Governor, subject to confirmation by the General Assembly by joint resolution, who is not an active or retired teacher or State employee nor an employee or retiree of a unit of local government.

(6) A voting member appointed by the Governor, subject to confirmation by the General Assembly by joint resolution, who is an active or retired law enforcement officer employed by the State or member of the North Carolina National Guard.

(7) A voting member appointed by the State Treasurer, subject to confirmation by the General Assembly by joint resolution, who is an active teacher or State employee.

(8) A voting member appointed by the State Treasurer, subject to confirmation by the General Assembly by joint resolution, who is a retired teacher or State employee drawing a retirement allowance.

(b) Terms. – The appointive members of the Board of Trustees shall serve four-year terms. An appointive member whose term has expired but whose qualified successor has not been appointed shall continue to serve on the Board of Trustees 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 (f) of this section.

(c) Qualifications to Serve. – No appointed member of the Board of Trustees shall hold any other public office in North Carolina. All appointed members of the Board of Trustees shall possess expertise in pension systems.

(d) Disqualifications to Serve. – An individual is not eligible to serve on the Board of Trustees if any of the following apply to that individual:

(1) The individual has been indicted or charged with, been convicted of, pled guilty or nolo contendere to, or forfeited bail concerning a felony or a misdemeanor involving fraud, theft, or dishonesty under the law of any jurisdiction in the United States.

(2) The individual has had a judgement 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 that 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 other immediate family member, is or becomes employed by the Department of State Treasurer or by a service provider engaged to assist in the administration of the Retirement System overseen by the Retirement Systems Division of the Department of State Treasurer.

(e) Removal of Appointive Members. – A duly appointed member of the Board of Trustees may be removed by the applicable appointing authority.

(f) 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 Trustees 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 Trustees. Any individual appointed to fill a vacancy shall serve only for the unexpired term or until the vacancy is filled by the applicable appointing authority. A vacancy automatically occurs upon the death or resignation of a member of the Board of Trustees or upon the failure of a member of the Board of Trustees to do any of the following:

(1) Attend three consecutive meetings of the Board of Trustees, unless excused by the majority vote of the other Board of Trustees 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 Trustees.

(g) Reappointment. – Any member of the Board of Trustees is eligible for reappointment, except that no appointive member of the Board of Trustees may serve for more than two consecutive, full, four-year terms without at least a one-year break in membership on the Board of Trustees.

(h) Oath. – Each appointive member of the Board of Trustees shall take an oath of office to diligently and honestly administer the duties of the Board of Trustees and to not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Retirement System. The oath shall be subscribed to by the member making it, certified by the officer before whom it is taken, and a record of the oath shall be immediately filed in the office of the Secretary of State.

(i) Officers. – The following shall apply to officers of the Board of Trustees:

(1) The State Treasurer shall serve as the chair of the Board of Trustees.

(2) The State Treasurer shall appoint and prescribe the duties of a secretary, who is not required to be a member of the Board of Trustees. The secretary is the custodian of all documents and papers filed with the Board of Trustees and the minute book or journal of the Board of Trustees. The secretary shall keep a record of the proceedings of the Board of Trustees. The secretary has authority to make copies of all minutes and other records and documents of the Board of Trustees.

(j) Designees. – The State Treasurer and the Director of the Office of State Human Resources are each authorized to appoint a designee. No other member of the Board of Trustees is authorized to appoint a designee.

(k) Compensation and Reimbursement. – Except for members whose salaries or any portion of whose salaries are paid from State funds, members of the Board of Trustees shall receive one hundred dollars ($100.00) per day during sessions of the Board. Members of the Board of Trustees shall be reimbursed for all necessary expenses, in accordance with G.S. 138-5 and G.S. 138-6, that the member incurs through service on the Board.

(*l*) Meeting and Voting. – The Board of Trustees shall meet at least quarterly. A meeting may be called by the State Treasurer or by a majority of the Board of Trustees. The State Treasurer or the State Treasurer's designee shall establish the agenda for each meeting. A minimum of four voting members of the Board of Trustees is required for a quorum. The affirmative vote of a majority of the members of the Board of Trustees present at a meeting of the Board of Trustees that has been duly called and held is required for any action taken, except that the State Treasurer's vote shall prevail in the event of a tied vote."

SECTION 5.10.(d1) TSERS Conforming Changes. – G.S. 135-6(b) reads as rewritten:

"(b) Membership of Board; Terms. – The Board ~~shall consist of the following 13 members:~~membership is as provided under G.S. 135-6.2.

~~(1) The State Treasurer, ex officio.~~

~~(2) The Superintendent of Public Instruction, ex officio.~~

~~(2a) The Director of the Office of State Human Resources, ex officio.~~

~~(3) Eight members to be appointed by the Governor and confirmed by the Senate of North Carolina. One of the appointive members shall be a member of the teaching profession of the State; one of the appointive members shall be a retired teacher who is drawing a retirement allowance, appointed by the Governor for a term of four years commencing July 1, 1969, and quadrennially thereafter; one shall be a retired State employee who is drawing a retirement allowance, appointed by the Governor for a term of four years commencing July 1, 1977, and quadrennially thereafter; one to be a general State employee, and two who are not members of the teaching profession or State employees; two to be appointed for a term of two years, two for a term of three years and one for a term of four years; one appointive member shall be a law-enforcement officer employed by the State, appointed by the Governor, for a term of four years commencing April 1, 1985. One member shall be an active or retired member of the North Carolina National Guard appointed by the Governor for a term of four years commencing July 1, 2013. At the expiration of these terms of office the appointment shall be for a term of four years.~~

~~(4) Two members appointed by the General Assembly, one appointed upon the recommendation of the Speaker of the House of Representatives, and one appointed upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. Neither of these members shall be an active or retired teacher or State employee or an employee of a unit of local~~

~~government. The initial members appointed by the General Assembly shall serve for terms expiring June 30, 1983. Thereafter, their successors shall serve for two-year terms beginning July 1 of odd-numbered years. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122.~~"

SECTION 5.10.(d2) Subsections (c), (d), and (e) of G.S. 135-6 are repealed.

SECTION 5.10.(d3) G.S. 135-6.1 is recodified as G.S. 135-13.1. The Revisor of Statutes shall replace the phrase "G.S. 135-6.1" with the phrase "G.S. 135-13.1" in G.S. 126-22(c) and subsections (f) and (j) of G.S. 135-8.

SECTION 5.10.(d4) TSERS Staggering. – Notwithstanding any other provision of law, all of the following apply to the positions on the Teachers' and State Employees' Retirement System (TSERS) Board of Trustees authorized to be appointed under G.S. 135-6 prior to the enactment of G.S. 135-6.2 under subsection (d) of this section:

(1) The term of the Superintendent of Public Instruction shall terminate and that position on the TSERS Board of Trustees shall be eliminated in accordance with G.S. 135-6.2 on the date this section becomes effective.

(2) The status of the Director of the Office of State Human Resources (OSHR) as a voting member shall cease and the Director of OSHR shall no longer be a voting member on the date this section becomes effective, in accordance with G.S. 135-6.2.

(3) Any seat on the TSERS Board of Trustees that is vacant on the date this section becomes effective shall be eliminated in accordance with G.S. 135-6.2.

(4) Any member of the TSERS Board of Trustees who is serving a holdover, expired term on the date this section becomes effective may continue serving the holdover, expired term on the date this section is effective and G.S. 135-6.2(f) shall apply.

(5) Any member of the TSERS Board of Trustees who is serving a current, unexpired term on the date this section becomes effective may continue to serve the remainder of that member's unexpired term and G.S. 135-6.2 shall apply upon the expiration of that member's most recent term or upon vacancy of the seat by that member.

SECTION 5.10.(d5) Subsections (d) through (d4) of this section are effective when they become law or July 1, 2027, whichever is later.

SECTION 5.10.(e) Supplemental Board of Trustees. – G.S. 135-96 reads as rewritten:

"**§ 135-96. Supplemental Retirement Board of Trustees.**

(a) Establishment. – The Supplemental Retirement Board of Trustees is established to administer the following plans:

(1) The Supplemental Retirement Income Plan established under ~~the provisions of this Article and the~~ this Article.

(2) The North Carolina Public Employee Deferred Compensation Plan established under ~~G.S. 143B-426.24, and the~~ G.S. 143B-426.24.

(3) The North Carolina Public School Teachers' and Professional Educators' Investment Plan established under G.S. 115C-341.2.

(b) Composition. – The Supplemental Retirement Board of Trustees consists of ~~nine~~ the following voting ~~members, as follows:~~members:

(1) ~~Six persons~~ Two members appointed by the Governor who have experience in finance and investments, one of whom shall be a State employee, and one of whom shall be a retired State or local governmental ~~employee;~~employee.

(2) One ~~person~~ member appointed by the General Assembly upon the recommendation of the Speaker of the House of ~~Representatives;~~Representatives in accordance with G.S. 120-121.

(3) One ~~person~~ member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the ~~Senate; and~~Senate in accordance with G.S. 120-121.

(4) The State Treasurer, ex officio, who shall be the Chair.

(5) Two members appointed by the State Treasurer who have experience in finance and investments.

~~(c) Effective July 1, 2016:~~

~~(1) The appointments made by the General Assembly pursuant to subdivisions (2) and (3) of subsection (b) of this section shall be for initial terms of three years, to expire June 30, 2019.~~

~~(2) Three of the appointments made by the Governor pursuant to subdivision (1) of subsection (b) of this section shall be for initial terms of one year, to expire June 30, 2017.~~

~~(3) Three of the appointments made by the Governor pursuant to subdivision (1) of subsection (b) of this section shall be for initial terms of two years, to expire June 30, 2018.~~

~~Upon the expiration of these initial terms, appointments for all members shall be for terms of three years beginning on the day following the expiration date of the previous member's term.~~

(c1) ~~A member~~ Terms. – The appointive members of the Supplemental Retirement Board of Trustees shall serve three-year terms. An appointive member whose term has expired but whose qualified successor has not been appointed shall continue to serve on the Board of Trustees until ~~the member's~~ a qualified successor is duly appointed, ~~but a holdover under this provision does not affect the expiration date of the succeeding term.~~ including by the State Treasurer after a holdover period of six months or more, as provided for under subsection (c2) of this section. No member of the Board may serve longer than any of the following:

(1) Two consecutive three-year terms.

(2) Three consecutive terms of any length, in the event that one or more of the terms is for fewer than three years in duration or the member serves a partial term as result of filling a vacancy.

(3) Eight consecutive years, regardless of term lengths.

(c2) 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 Supplemental Retirement Board of Trustees 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 Trustees. Any individual appointed to fill a vacancy shall serve only for the unexpired term or until the vacancy is filled by the applicable appointing authority. A vacancy automatically occurs upon the death or resignation of a member of the Board of Trustees or upon the failure of a member of the Board of Trustees to do any of the following:

(1) Attend three consecutive meetings of the Board of Trustees, unless excused by the majority vote of the other Board of Trustees 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 Trustees.

(d) ~~Other than ex officio members, members~~ Service at the Pleasure of the Appointing Official. – Members appointed by the Governor shall serve at the Governor's pleasure. Members appointed by the State Treasurer shall serve at the State Treasurer's pleasure.

(d1) Designees for Ex Officio Members. – An ex officio member may designate in writing, filed with the ~~Board,~~ Supplemental Retirement Board of Trustees, any employee of the member's

department to act at any meeting of the Board of Trustees from which the member is absent, to the same extent that the member could act if present in person at ~~such~~ that meeting.

(e) Authority to Retain Professional Services. – The Supplemental Retirement Board of Trustees may 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 ~~that the Board administers pursuant to this section.~~under its jurisdiction.

(f) Reserved for future codification purposes.

(g) Oath of Office. – Each appointive member of the Supplemental Retirement Board of Trustees shall take an oath to diligently and honestly administer the duties of the Board of Trustees and to not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Board of Trustees or any plan administered by the Board of Trustees. The oath shall be subscribed to by the member making it, certified by the officer before whom it is taken, and a record of the oath shall be immediately filed in the office of the Secretary of State."

SECTION 5.10.(e1) Notwithstanding any other provision of law, all of the following apply to the positions on the Supplemental Retirement Board of Trustees (Board of Trustees) authorized to be appointed under G.S. 135-96 as it existed prior to amendment under subsection (e) of this section:

(1) Any seat on the Board of Trustees that is vacant on the date this section becomes effective shall be eliminated in accordance with G.S. 135-96, as amended.

(2) Any member of the Board of Trustees who is serving a holdover, expired term on the date this section becomes effective may continue serving the holdover, expired term on the date this section is effective and G.S. 135-96(c2) shall apply.

(3) Any member of the Board of Trustees who is serving a current, unexpired term on the date this section becomes effective may continue to serve the remainder of that member's unexpired term and G.S. 135-96, as amended, shall apply upon the expiration of that member's most recent term or upon the vacancy of the seat by that member.

SECTION 5.10.(e2) Subsections (e) and (e1) of this section are effective when they become law or July 1, 2027, whichever is later.

SECTION 5.10.(f) Committee on the Actuarial Valuation of Retired Employees Health Benefits. – G.S. 135-48.12 reads as rewritten:

"**§ 135-48.12. ~~Committee on~~ Actuarial Valuation of Retired Employees' Health Benefits.**

(a) ~~There is established the Committee on Actuarial Valuation of Retired Employees' Health Benefits. The Committee~~ The Plan shall be responsible for collecting data and reviewing assumptions for the ~~sole~~ purpose of conducting required actuarial valuations of State supported retired employees' health benefits under other post-employment benefit accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation.

~~(b) The Committee on Actuarial Valuation of Retired Employees' Health Benefits shall consist of five members serving ex officio, as follows:~~

~~(1) The State Budget Officer, who shall serve as the Chair;~~

~~(2) Repealed by Session Laws 2013-373, s. 1, effective October 1, 2013.~~

~~(3) The State Controller;~~

~~(4) The State Treasurer; and~~

~~(5) The Executive Administrator for the State Health Plan for Teachers and State Employees.~~

~~(c) A majority of the members of the Committee then serving shall constitute a quorum.~~

~~(d) Each member shall be entitled to one vote on the Committee. Three affirmative votes shall be necessary for a decision by the members at any meeting of the Committee.~~

(e) The ~~Committee~~ Plan shall keep in convenient form ~~such~~ any data ~~as is~~ necessary for actuarial valuation of retired employees' health benefits under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. The Retirement Systems Division of the Department of State ~~Treasurer, Retirement Systems Division, the State Health Plan for Teachers and State Employees,~~ Treasurer and any other State agency, department, or university institution, local public school agency, or local community college institution shall provide any necessary data upon request of the ~~Committee~~ Plan for the purpose of conducting its responsibilities.

(f) The ~~Committee~~ Plan shall designate ~~either the~~ an actuary ~~under contract with the Department of State Treasurer, Retirement Systems Division, or the actuary under contract with the State Health Plan for Teachers and State Employees~~ as the technical adviser to the ~~Committee~~ Plan on matters regarding the actuarial valuation of retired employees' health benefits created by the provisions of this Chapter. The technical advisor shall perform such actuarial valuation and other duties as are required under this Chapter.

(g) The ~~Committee~~ Plan shall secure an annual calendar-year actuarial valuation of retired employees' health benefits under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. A copy of each annual calendar-year actuarial valuation shall be provided to all of the following:

(1) The State Treasurer.

(2) The State Budget Officer.

(3) The State Controller.

(4) The Teachers' and State Employees' Board of Trustees.

(5) The Fiscal Research Division.

~~(h) The Committee shall keep a record of all of its proceedings which shall be open to public inspection.~~

~~(i) The Committee shall adopt a funding policy and shall include information about the State's contribution policy, including the basis for determining contributions in the annual actuarial valuation.~~"

SECTION 5.10.(f1) G.S. 143C-4-10(b)(3) is repealed.

SECTION 5.10.(f2) Notwithstanding any other provision of law, the current terms of the members of the Committee on Actuarial Valuation of Retired Employees' Health Benefits (Committee) shall terminate on the date this act is effective, and on that date the duties of the Committee shall be transferred to the North Carolina State Health Plan for Teachers and State Employees, as applicable under G.S. 135-48.12, as amended by subsection (f) of this section.

SECTION 5.10.(g) EDPNC. – G.S. 143B-431.01(d)(2)a. reads as rewritten:

"a. The board shall be composed of 18 voting members as follows: the Secretary of Commerce, as an ex officio member, ~~eight~~ four members and the chair appointed by the Governor, two members appointed by the State Treasurer, two members appointed by the Commissioner of Labor, four members appointed by the Speaker of the House of Representatives, and four members appointed by the President Pro Tempore of the Senate. The Governor, the State Treasurer, the Commissioner of Labor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate shall each use best efforts to select members so as to reflect the diversity of the State's geography. The Speaker of the House and the President Pro Tempore shall each select their appointed members so that one-fourth come from a development tier one area, one-fourth come from a development tier two area, and no two members come from the same Collaboration for Prosperity Zone. The State Treasurer and the Commissioner of Labor shall each select their appointed members so that one-half come from

a development tier one area and one-half come from a development tier two area. The Governor shall select appointed members so that ~~two-ninths come~~ at least one member comes from a development tier one area, ~~two-ninths come~~ at least one member comes from a development tier two area, and no more than two members come from the same Collaboration for Prosperity Zone. The ~~Governor~~ Governor, the State Treasurer, and the Commissioner of Labor shall use best efforts to ensure that each member appointed by ~~the Governor~~ their respective offices has expertise in one or more of the following areas:

1. Agribusiness, as recommended by the Commissioner of Agriculture.
2. Financial services.
3. Information technology.
4. Biotechnology or life sciences.
5. Energy.
6. Manufacturing.
7. Military or defense.
8. Tourism, as recommended by the North Carolina Travel and Tourism Coalition.
9. Tourism, as recommended by the North Carolina Travel Industry Association."

SECTION 5.10.(g1) Any current member of the governing board of the nonprofit corporation with which the Department of Commerce contracts pursuant to G.S. 143B-431.01 (EDPNC) holding a seat pursuant to G.S. 143B-431.01(d)(2)a. may continue to serve the remainder of that member's unexpired term. The transition of four appointments from the Governor to other entities, as provided in subsection (g) of this section, shall apply to the seats appointed by the Governor that next expire or become vacant. Of those appointments, the first and fourth appointments shall go to the State Treasurer and the remaining appointments shall go to the Commissioner of Labor.

SECTION 5.10.(h) State Education Assistance Authority. – G.S. 116-203(b) reads as rewritten:

"(b) Membership. – The Authority shall be governed by a board of directors consisting of nine members, seven of whom shall be appointed and two of whom shall be ex officio as follows:

(1) Seven members appointed according to the following:

a. The Board of Governors of The University of North Carolina shall appoint the following members:

1. One member who shall have expertise in secondary or higher education.
2. One member who shall be or have experience as a chief financial officer or chief administrative officer from a nonpublic school that enrolls students receiving scholarship funds pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes.
3. One member who shall have expertise in finance.

b. The Governor shall appoint the following members:

~~1. One member who shall have expertise in finance.~~
2. One member who shall have expertise in secondary or higher education.
~~3. One member who shall be a member of the public at large with an interest in higher education.~~

4. One member who shall be a chief financial officer from a college or university that is a member of North Carolina Independent Colleges and Universities, Inc., appointed upon the recommendation of North Carolina Independent Colleges and Universities, Inc.

c. The State Treasurer shall appoint the following members:

1. One member who shall have expertise in finance.

2. One member who shall be a member of the public at large with an interest in higher education.

(2) The chief financial officer of The University of North Carolina shall serve as an ex officio member.

(3) The chief financial officer of the North Carolina Community College System shall serve as an ex officio member."

SECTION 5.10.(h1) Subsection (h) of this section applies to the appointment of seats expiring or the appointment to fill vacancies in seats occurring on or after the date this act becomes law. Notwithstanding G.S. 116-203(d), upon the next vacancies for seats for (i) a member who has an expertise in finance and (ii) a member who shall be a member of the public at large with an interest in higher education, the State Treasurer shall appoint the member to fill that vacant seat in accordance with G.S. 116-203(b)(1)c., as enacted by subsection (h) of this section.

SECTION 5.10.(i) State Banking Commission. – G.S. 53C-2-1 reads as rewritten:

"**§ 53C-2-1. The Commission.**

(a) The Commission consists of 15 members, including the State Treasurer, who shall serve as an ex officio member; ~~12~~ six members appointed by the State Treasurer; two members appointed by the Governor; and ~~two~~ six members appointed by the General Assembly under G.S. 120-121, ~~one~~ three of whom shall be appointed upon the recommendation of the President Pro Tempore of the Senate and ~~one~~ three of whom shall be appointed upon the recommendation of the Speaker of the House of Representatives. The ~~Governor~~ State Treasurer shall appoint to the Commission three practical bankers, one consumer finance licensee, one member who is, or is employed by a person that is, licensed under Article 19B of Chapter 53 of the General Statutes, and ~~seven public members. The member~~ one public member. One of the members appointed upon the recommendation of the President Pro Tempore of the Senate shall be a practical banker, and ~~the member~~ one of the members appointed upon the recommendation of the Speaker of the House shall be a practical banker. Members shall serve terms of four years. No individual shall serve more than two complete consecutive terms on the Commission. ~~Any~~ A vacancy occurring in the membership of the Commission shall be filled by the appropriate appointing officer for the unexpired term, except that vacancies among members appointed by the General Assembly shall be filled in accordance with G.S. 120-122. The appointed members of the Commission shall receive subsistence and travel expenses at the rates set forth in G.S. 120-3.1. This compensation shall be paid from the revenues of the OCOB.

(b) The Commission shall meet at ~~such times,~~ times prescribed by resolution of the Commission, but not less than once every three months, ~~as the Commission may by resolution prescribe,~~ and the Commission shall be convened in special session at the call of the Governor or the Commissioner. The State Treasurer shall be chair of the Commission. The Commission shall meet in ~~person, provided that it~~ person but may, so long as consistent with applicable law regarding public meetings, meet by telephone or video conference, including attendance of one or more members by telephone or video conferencing.

(c) Except as required by State or federal law, no member of the Commission shall divulge or make use of any information designated by this Chapter or by the Commissioner as confidential, and no member shall give out ~~any such~~ this information unless the information ~~shall~~

~~be~~ is required of the member at a hearing at which the member is duly subpoenaed or by a court of competent jurisdiction.

(d) A quorum of the Commission ~~shall consist~~ consists of a majority of its total membership. Subject to the standards of Chapter 138A of the General Statutes, a majority vote of the members qualified with respect to a matter who are present at the meeting where ~~such~~ the matter is considered ~~shall constitute~~ constitutes valid action of the Commission. In accordance with G.S. 138A-38(a)(6), the State Treasurer and all disqualified members who are present at a meeting shall be counted for purposes of determining whether a quorum is present.

(e) The Commission ~~is authorized to~~ may supervise, direct, and review the exercise by the Commissioner of all powers, duties, and functions vested in or exercised by the Commissioner under the banking laws of this State."

SECTION 5.10.(i1) Transition for State Banking Commission. – Notwithstanding G.S. 53C-2-1(a), as amended by subsection (i) of this section, or any other provision of law, the following applies to the transition of appointments to the State Banking Commission:

(1) Of the 12 positions appointed by the Governor under G.S. 53C-2-1(a) as it existed immediately before January 1, 2027, the positions held on the date this act becomes law by the two longest-serving Governor-appointed public members shall be the two positions appointed by the Governor under G.S. 53C-2-1(a), as amended by subsection (i) of this section. The members serving in those positions on December 31, 2026, shall continue to serve for the remainder of their respective terms. If either of those positions is vacant on December 31, 2026, the Governor shall fill the vacancy in accordance with G.S. 53C-2-1(a), as amended by subsection (i) of this section.

(2) The terms of office of the members serving on December 31, 2026, in the remaining 10 positions appointed by the Governor under G.S. 53C-2-1(a) as it existed immediately before January 1, 2027, expire on that date. Any vacancy existing on December 31, 2026, in any of those remaining 10 positions shall not be filled, and that position shall be reallocated as provided in G.S. 53C-2-1(a), as amended by subsection (i) of this section.

(3) The State Treasurer may make the six appointments, and the General Assembly may make the four additional appointments in accordance with G.S. 120-121 to the State Banking Commission authorized by G.S. 53C-2-1(a), as amended by subsection (i) of this section, before January 1, 2027, for terms beginning on that date. The terms of office of the six members first appointed by the State Treasurer and the four additional members first appointed by the General Assembly under G.S. 53C-2-1(a), as amended by subsection (i) of this section, begin January 1, 2027.

(4) The two positions appointed by the General Assembly under G.S. 53C-2-1(a) as it existed immediately before January 1, 2027, and the terms of office of any members serving in those positions on December 31, 2026, are not affected by this subsection.

SECTION 5.10.(i2) Effective Date. – This subsection and subsection (i1) of this section are effective when this act becomes law. The changes to G.S. 53C-2-1(a) made by subsection (i) of this section become effective January 1, 2027. The changes to G.S. 53C-2-1(b), (c), (d), and (e) made by subsection (i) of this section are effective when this act becomes law.

SECTION 5.10.(j) NC Lottery Commission. – G.S. 18C-111 reads as rewritten:

"**§ 18C-111. Commission membership; appointment; selection of chair; vacancies; removal; meetings; compensation.**

(a) The Commission shall consist of nine members, ~~five~~ three of whom shall be appointed by the Governor, two of whom shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, ~~and~~ two of whom shall be appointed

by the General Assembly upon the recommendation of the Speaker of the House of ~~Representatives.~~ Representatives, one of whom shall be appointed by the State Auditor, and one of whom shall be appointed by the State Treasurer, which shall also serve as the chair of the Commission. Commissioners may be removed by the appointing authority for cause. ~~The Governor shall select the chair of the Commission from among its membership, who shall serve at the pleasure of the Governor.~~

(b) ~~Of the initial appointees of the Governor, three members shall serve a term of one year, one member shall serve a term of two years, and one member shall serve a term of three years. Of the initial appointees of the General Assembly upon the recommendation of the President Pro Tempore of the Senate, one member shall serve a term of two years, and one member shall serve a term of three years. Of the initial appointees of the General Assembly upon the recommendation of the Speaker of the House of Representatives, one member shall serve a term of two years, and one member shall serve a term of three years.~~ The initial appointees of the State Auditor and the State Treasurer shall serve terms of five years. All succeeding appointments shall be for terms of five years. Members shall not serve for more than two successive terms.

(c) Vacancies shall be filled by the appointing authority for the unexpired portion of the term in which they occur.

(d) The Commission shall meet at least quarterly upon the call of the chair. A majority of the total membership of the Commission shall constitute a quorum.

(e) Members of the Commission shall receive per diem, subsistence, and travel as provided in G.S. 138-5 and G.S. 138-6."

SECTION 5.10.(j1) NC Lottery Staggering. – Any current member of the North Carolina Lottery Commission holding a seat pursuant to G.S. 18C-111 may continue to serve the remainder of that member's unexpired term. The transition of two appointments from the Governor to other entities, as provided in subsection (j) of this section, shall apply to the seats appointed by the Governor that next expire or become vacant. Of those appointments, the first appointment shall go to the State Treasurer and the remaining appointment shall go to the State Auditor.

SECTION 5.10.(k) Reserved.

SECTION 5.10.(*l*) Historical Commission/Restructuring. – G.S. 143B-63 reads as rewritten:

"**§ 143B-63. Historical Commission – members; selection; quorum; compensation.**

(a) Composition. – The North Carolina Historical Commission of the Department of Natural and Cultural Resources shall consist of 11 members appointed ~~by the Governor.~~as follows:

(1) Three members appointed by the Governor, including at least one member currently involved (i) in the teaching of history at the college or university level or (ii) in administering archives or historical collections or programs.

(2) Four members appointed by the General Assembly, two upon the recommendation of the Speaker of the House of Representatives and two upon the recommendation of the President Pro Tempore of the Senate, in accordance with G.S. 120-121. Of the members appointed by the General Assembly, at least two shall have professional training or expertise in the fields of archives, history, historic preservation, historic architecture, archaeology, or museum administration.

(3) Four members appointed by the Commissioner of Labor, including at least two members currently involved (i) in the teaching of history at the college or university level or (ii) in administering archives or historical collections or programs.

~~The members of the North Carolina Historical Commission shall include the members of the existing North Carolina Historical Commission who shall serve for a period equal to the~~

~~remainder of their current terms on the Commission, plus four additional appointees of the Governor, two of whose appointments shall expire March 31, 1979, and two of whose appointments shall expire March 31, 1981. At the end of the respective terms of office of the members, their successors shall be appointed for terms of six years and until their successors are appointed and qualify. Of the members, at least five shall have professional training or experience in the fields of archives, history, historic preservation, historic architecture, archaeology, or museum administration, including at least three currently involved in the teaching of history at the college or university level or in administering archives or historical collections or programs. Any appointment to fill a vacancy on the Commission created by resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term.~~

~~The Governor shall have the power to remove any member of the Commission from office for misfeasance, malfeasance or nonfeasance according to the provisions of G.S. 143B-13 of the Executive Organization Act of 1973.~~

(b) Terms; Vacancies; Removal. – The members of the Commission shall serve for terms of six years and until their successors are appointed and qualified. Each appointing authority may remove any member of the Commission appointed by that appointing authority from office for misfeasance, malfeasance, or nonfeasance. An appointment to fill a vacancy on the Commission created by resignation, dismissal, death, or disability of a member shall be for the remainder of the unexpired term.

(c) Per Diem and Expenses. – The members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with ~~the provisions of~~ G.S. 138-5.

(d) Quorum. – A majority of the Commission shall constitute a quorum for the transaction of business.

(e) Administrative Support. – All clerical and other services required by the Commission shall be supplied by the Secretary of Natural and Cultural Resources."

SECTION 5.10.(*l*1) Historical Commission Staggering. – The terms of the members of the North Carolina Historical Commission presently serving shall expire at the conclusion of the term for which they were appointed. Upon the expiration of the terms of the members presently serving, appointments to the Commission shall be made as follows:

(1) For the three terms expiring March 31, 2027, the Governor shall appoint three members, including at least one member currently involved (i) in the teaching of history at the college or university level or (ii) in administering archives or historical collections or programs.

(2) For the four terms expiring March 31, 2029:

a. The General Assembly shall appoint two members who have professional training or expertise in the fields of archives, history, historic preservation, historic architecture, archaeology, or museum administration. Of the two members appointed by the General Assembly, one shall be made 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.

b. The Commissioner of Labor shall appoint two members.

(3) For the four terms expiring March 31, 2031:

a. The General Assembly shall appoint two members, 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.

b. The Commissioner of Labor shall appoint two members who are currently involved (i) in the teaching of history at the college or

university level or (ii) in administering archives or historical collections or programs.

SECTION 5.10.(m) Board of Agriculture/Restructuring. – G.S. 106-2 reads as rewritten:

"**§ 106-2. Department of Agriculture and Consumer Services established; Board of Agriculture, membership, terms of office, etc.**

(a) Department and Board Established. – The Department of Agriculture and Consumer Services is created and established and shall be under the control of the Commissioner of Agriculture, with the consent and advice of a board to be established and named "The Board of Agriculture."

(b) Membership; Qualifications. – The Board of Agriculture shall consist of the Commissioner of Agriculture, who shall be an ex officio ~~member and chairman thereof and shall preside at all meetings,~~ member, and ~~of~~ 12 other members from the State, so distributed as to reasonably represent the different sections and agriculture of the ~~State.~~State, to be appointed as follows:

(1) Three members appointed by the Governor by and with the consent of the Senate, including:
   a. One member who shall be experienced in marketing to represent the marketing of products of the State.
   b. One member who shall be actively involved in the nursery business to represent the nursery industry of the State.
   c. One member who shall be a practicing general farmer to represent the general farming interest of the State.

(2) Five members appointed by the Commissioner of Agriculture by and with the consent of the Senate, including:
   a. One member who shall be a practicing poultry farmer to represent the poultry interest of the State.
   b. One member who shall be a practicing peanut grower to represent the peanut interest of the State.
   c. One member who shall be actively involved in forestry to represent the forestry interest of the State.
   d. One member who shall be a practicing pork farmer to represent the swine interest of the State.
   e. One member who shall be actively involved in the equine industry to represent the equine industry of the State.

(3) Two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, including:
   a. One member who shall be a practicing tobacco farmer to represent the tobacco farming interest of the State.
   b. One member who shall be a practicing fruit or vegetable farmer to represent the fruit and vegetable farming interest of the State.

(4) Two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, including:
   a. One member who shall be a practicing cotton grower to represent the cotton interest of the State.
   b. One member who shall be a practicing dairy farmer to represent the dairy and cattle interest of the State.

~~The Commissioner of Agriculture and the members of the Board of Agriculture shall be practicing farmers engaged in their profession. The members of the Board shall be appointed by~~

~~the Governor by and with the consent of the Senate. In the appointment of the members of the Board the Governor shall also take into consideration the different agricultural interests of the State, and shall appoint members with the following qualifications:~~

~~(1) One member who shall be a practicing tobacco farmer to represent the tobacco farming interest.~~

~~(2) One member who shall be a practicing cotton grower to represent the cotton interest.~~

~~(3) One member who shall be a practicing fruit or vegetable farmer to represent the fruit and vegetable farming interest.~~

~~(4) One member who shall be a practicing dairy farmer to represent the dairy and cattle interest of the State.~~

~~(5) One member who shall be a practicing poultryman to represent the poultry interest of the State.~~

~~(6) One member who shall be a practicing peanut grower to represent the peanut interests of the State.~~

~~(7) One member who shall be experienced in marketing to represent the marketing of products of the State.~~

~~(8) One member who shall be actively involved in forestry to represent the forestry interests of the State.~~

~~(9) One member who shall be actively involved in the nursery business to represent the nursery industry of the State.~~

~~(10) One member who shall be a practicing general farmer to represent the general farming interest.~~

~~(11) One member who shall be a practicing pork farmer to represent the swine interest of the State.~~

~~(12) One member who shall be actively involved in the equine industry to represent the equine industry of the State.~~

(b1) General Qualification. – The Commissioner of Agriculture and the members of the Board of Agriculture shall each be practicing farmers engaged in their profession.

(c) Terms. – The term of office of members of the Board shall be six years and until their successors are duly appointed and qualified.

(d) Vacancies. – Vacancies in the Board shall be filled by the ~~Governor~~ appointing authority for the remainder of the unexpired term.

(e) Chair. – The Commissioner of Agriculture shall serve as chair of the Board of Agriculture and shall preside at all meetings."

SECTION 5.10.(m1) Board of Agriculture Staggering. – Notwithstanding G.S. 106-2, as amended by subsection (m) of this section, the initial terms of the members of the Board of Agriculture appointed after the effective date of this section shall be as follows:

(1) The four members appointed in accordance with G.S. 106-2(b)(3) and G.S. 106-2(b)(4), as amended by subsection (m) of this section, shall serve terms expiring May 1, 2032.

(2) The four members appointed in accordance with G.S. 106-2(b)(1) and G.S. 106-2(b)(2)a., as amended by subsection (m) of this section, shall serve terms expiring May 1, 2030.

(3) The four members appointed in accordance with G.S. 106-2(b)(2)b., 106-2(b)(2)c., 106-2(b)(2)d., and 106-2(b)(2)e., as amended by subsection (m) of this section, shall serve terms expiring May 1, 2028.

SECTION 5.10.(m2) Board of Agriculture Staggering Continued. – A member of the Board of Agriculture appointed in accordance with subsection (m1) of this section shall replace the presently serving member who, for purposes of qualification, represents the same agricultural industry or interest.

SECTION 5.10.(m3) Board of Agriculture Staggering Continued. – Upon the expiration of the initial terms provided in subsection (m1) of this section, all vacancies shall be filled in accordance with G.S. 106-2, as amended by subsection (m) of this section.

SECTION 5.10.(n) Real Estate Commission Restructuring. – G.S. 93A-3 reads as rewritten:

"**§ 93A-3. Commission created; compensation; organization.**

(a) There is hereby created the North Carolina Real Estate Commission, hereinafter called the Commission. The Commission shall consist of nine members, ~~seven members to be appointed by the Governor, one member to be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, and one member to be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121.~~ with appointments allocated as follows: two members appointed by the Governor; two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121; two members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121; one member appointed by the State Auditor; and two members appointed by the Commissioner of Labor. At least three members of the Commission shall be licensed real estate brokers. At least two members of the Commission shall be persons who are not involved directly or indirectly in the real estate or real estate appraisal business. Members of the Commission shall serve three-year terms, so staggered that the terms of three members expire in one year, the terms of three members expire in the next year, and the terms of three members expire in the third year of each three-year period. The members of the Commission shall elect one of their members to serve as chairman of the Commission for a term of one year. ~~The Governor may remove any member of the Commission for misconduct, incompetency, or willful neglect of duty.~~ The Governor may remove any member of the Commission appointed by the Governor or appointed by the General Assembly for misconduct, incompetency, or willful neglect of duty. The State Auditor may remove the member appointed by the State Auditor for misconduct, incompetency, or willful neglect of duty. The Commissioner of Labor may remove any member appointed by the Commissioner of Labor for misconduct, incompetency, or willful neglect of duty. ~~The Governor shall have the power to fill all vacancies occurring on the Commission, except vacancies in legislative appointments shall be filled under G.S. 120-122.~~A vacancy in a seat for which the Governor is the appointing authority shall be filled by the Governor. A vacancy in a legislative appointment shall be filled in accordance with G.S. 120-122. A vacancy in a seat for which the State Auditor is the appointing authority shall be filled by the State Auditor. A vacancy in a seat for which the Commissioner of Labor is the appointing authority shall be filled by the Commissioner of Labor.

…."

SECTION 5.10.(n1) Current Members. – Notwithstanding G.S. 93A-3(a), as amended by subsection (n) of this section, members serving on the North Carolina Real Estate Commission on the date this section becomes effective may continue to serve until the expiration of their respective terms and until their successors are appointed and qualified, unless a vacancy otherwise occurs. A vacancy occurring before the expiration of a term held by a member serving on the date this section becomes effective shall be filled for the remainder of the unexpired term in the manner provided by law for that seat immediately before the date this section becomes effective.

SECTION 5.10.(n2) Staggering. – For purposes of phasing in the changes made by subsection (n) of this section, the seven seats assigned to appointment by the Governor under G.S. 93A-3(a) as it existed immediately before the date this section becomes effective, are transition seats. Successor appointments to the transition seats shall be assigned in chronological order of expiration in accordance with the following:

(1) The successor to the first expiring term 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.

(2) The successor to the second expiring term 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.

(3) The successor to the third expiring term shall be appointed by the State Auditor.

(4) The successor to the fourth and fifth expiring terms shall be appointed by the Commissioner of Labor.

(5) The successors to the sixth and seventh expiring terms shall be appointed by the Governor.

(6) A transition seat whose term has expired before the date this section becomes effective and for which no successor has been appointed and qualified shall be treated as expiring on the date this section becomes effective.

(7) If two or more transition seats expire on the same date, including any transition seat treated as expiring on the date this section becomes effective pursuant to subdivision (6) of this subsection, the appointing authorities shall be assigned among the successor appointments for those seats in the order set out in subdivisions (1) through (5) of this subsection.

(8) A vacancy in a transition seat occurring after the expiration of the term for that seat and before a successor has been appointed and qualified shall be filled by making the successor appointment for that seat in accordance with this subsection.

SECTION 5.10.(n3) Each successor appointment made pursuant to subsection (n) of this section shall be for a three-year term as provided in G.S. 93A-3(a), as amended by subsection (n) of this section. Appointments shall be made in a manner that, after all appointments to seats expiring on the same date have been made, satisfies the membership qualifications required by G.S. 93A-3(a). After a successor appointment has been made to a transition seat pursuant to subsection (n2) of this section, that seat shall be assigned to the appointing authority that made the successor appointment, and subsequent appointments to, vacancies in, and removals from that seat shall be governed by G.S. 93A-3(a), as amended by subsection (n) of this section.

SECTION 5.10.(o) Board of Community Colleges. – G.S. 115D-2.2(b) reads as rewritten:

"(b) The State Board of Community Colleges shall consist of ~~19~~ 20 members, as follows:

…

(3) The Commissioner of Labor or the Commissioner's designee shall be a member ex officio.

…."

SECTION 5.10.(o1) Subsection (o) of this section becomes effective July 1, 2027.

SECTION 5.10.(p) Industrial Commission. – G.S. 97-77 reads as rewritten:

"**§ 97-77. North Carolina Industrial Commission created; ~~members appointed by Governor;~~ appointments; terms of office; chairman.**

(a) There is hereby created a commission to be known as the North Carolina Industrial Commission, consisting of six commissioners who shall devote their entire time to the duties of the Commission. ~~The Governor shall appoint the members of the Commission for terms of six years. Three commissioners~~ Commissioners shall be appointed as follows: two by the Governor, two by the Commissioner of Labor, one by the General Assembly, upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and one by the General Assembly, upon the recommendation of the President Pro Tempore of the Senate in

accordance with G.S. 120-121. Each commissioner shall serve for a term of six years. One commissioner appointed by the Governor, one commissioner appointed by the Commissioner of Labor, and one commissioner appointed by the General Assembly, upon the recommendation of the President Pro Tempore of the Senate, shall be persons who, on account of their previous vocations, employment or affiliations, can be classed as representatives of employers. ~~Three commissioners~~ One commissioner appointed by the Governor, one commissioner appointed by the Commissioner of Labor, and one commissioner appointed by the General Assembly, upon the recommendation of the Speaker of the House of Representatives, shall be persons who, on account of their previous vocations, employment or affiliations, can be classed as representatives of employees. No person may serve more than two terms on the Commission, including any term served prior to the effective date of this section. In calculating the number of terms served, a partial term that is less than three years in length shall not be included.

(a1) ~~Appointments of commissioners~~ Commissioners appointed by the Governor and the Commissioner of Labor are subject to confirmation by the General Assembly by joint resolution. The names of commissioners to be appointed by the Governor and the Commissioner of Labor shall be submitted ~~by the Governor~~ to the General Assembly for confirmation by the General Assembly on or before March 1 of the year of expiration of the term. If the Governor or the Commissioner of Labor fails to timely submit ~~nominations,~~ a nomination, then the General Assembly shall appoint to fill the succeeding term upon the joint recommendation of the President Pro Tempore of the Senate and the Speaker of the House of Representatives in accordance with G.S. 120-121 not inconsistent with this section.

(a2) In case of death, incapacity, resignation, or any other vacancy in the office of any commissioner appointed by the Governor or the Commissioner of Labor prior to the expiration of the term of office, a nomination to fill the vacancy for the remainder of the unexpired term shall be submitted by the ~~Governor~~ appointing authority within four weeks after the vacancy arises to the General Assembly for confirmation by the General Assembly. If the Governor or the Commissioner of Labor fails to timely nominate a person to fill the vacancy, the General Assembly shall appoint a person to fill the remainder of the unexpired term upon the joint recommendation of the President Pro Tempore of the Senate and the Speaker of the House of Representatives in accordance with G.S. 120-121 not inconsistent with this section. If a vacancy in the office of any commissioner appointed by the Governor or the Commissioner of Labor arises or exists ~~pursuant to this subsection~~ when the General Assembly is not in session, and the appointment is deemed urgent by the ~~Governor,~~ Governor or the Commissioner of Labor, the commissioner may be appointed and serve on an interim basis pending confirmation by the General Assembly; provided, however, no person may be appointed to serve on an interim basis pending confirmation by the General Assembly if the person was subject to but not confirmed by the General Assembly within the preceding four years. The limitation on appointment ~~contained in this subsection~~ of any commissioner appointed by the Governor or the Commissioner of Labor includes, among other things, unfavorable action on a joint resolution for confirmation, such as the resolution failing on any reading in either chamber of the General Assembly, and failure to ratify a joint resolution for confirmation prior to adjournment of the then current session of the General Assembly. For the purpose of this subsection, the General Assembly is not in session only (i) prior to convening of the Regular Session, (ii) during any adjournment of the Regular Session for more than 10 days, and (iii) after sine die adjournment of the Regular Session.

(a3) In the case of death, incapacity, resignation, or any other vacancy in the office of any commissioner appointed by the General Assembly prior to the expiration of the commissioner's term of office, the vacancy shall be filled as provided in G.S. 120-122.

(a4) No person while in office as a commissioner may be nominated or appointed on an interim basis to fill the remainder of an unexpired term, or to a full term that commences prior to the expiration of the term that the commissioner is serving.

(b) One member, to be designated by the ~~Governor,~~ Commissioner of Labor, shall act as chairman.

(c) The chairman shall be the chief judicial officer and the chief executive officer of the Industrial Commission; such authority shall be exercised pursuant to the provisions of Chapter 126 of the General Statutes and the rules and policies of the State Human Resources Commission. Notwithstanding the provisions of this Chapter, the chairman shall have such authority as is necessary to direct and oversee the Commission. The chairman may delegate any duties and responsibilities as may be necessary to ensure the proper management of the Industrial Commission. Notwithstanding the provisions of this Chapter, Chapter 143A, and Chapter 143B of the General Statutes, the chairman may hire or fire personnel and transfer personnel within the Industrial Commission.

(d) The ~~Governor~~ Commissioner of Labor may designate one vice-chairman from the remaining commissioners."

SECTION 5.10.(p1) Notwithstanding G.S. 97-77, as amended by this section, the terms of the commissioners now serving shall expire at the conclusion of the term for which they were appointed. Upon the expiration of the terms of the commissioners now serving, appointments to the Commission shall be made as follows:

(1) For the term expiring June 30, 2026, one commissioner, classed as a representative of employees, shall be appointed by the General Assembly, upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. Should this seat become vacant before the expiration of the term, the vacancy will be filled by the General Assembly, upon recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-122.

(2) For the term expiring April 30, 2027, one commissioner, classed as a representative of employees, shall be appointed by the Governor. Should this seat become vacant before the expiration of the term, the vacancy will be filled by the Governor in accordance with G.S. 97-77(a2).

(3) For the term expiring June 30, 2028, one commissioner, classed as a representative of employers, shall be appointed by the General Assembly, upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. Should this seat become vacant before the expiration of the term, the vacancy will be filled by the General Assembly, upon recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-122.

(4) For the term expiring April 30, 2029, one commissioner, classed as a representative of employees, shall be appointed by the Commissioner of Labor. Should this seat become vacant before the expiration of the term, the vacancy will be filled by the Commissioner of Labor in accordance with G.S. 97-77(a2).

(5) For the term expiring June 30, 2030, one commissioner, classed as a representative of employers, shall be appointed by the Governor. Should this seat become vacant before the expiration of the term, the vacancy will be filled by the Governor in accordance with G.S. 97-77(a2).

(6) For the term expiring April 30, 2031, one commissioner, classed as a representative of employers, shall be appointed by the Commissioner of Labor. Should this seat become vacant before the expiration of the term, the vacancy will be filled by the Commissioner of Labor in accordance with G.S. 97-77(a2).

SECTION 5.10.(q) Except as otherwise provided, this section is effective when it becomes law.

CLARIFY AUTHORITY TO OWN WATER RESOURCES AS PART OF PUBLIC ENTERPRISE

SECTION 5.11.(a) G.S. 153A-149(c)(34) reads as rewritten:

"(34) Water. – To provide water supply and distribution ~~systems.~~services or systems, as described in G.S. 153A-274(1)."

SECTION 5.11.(b) G.S. 153A-274(1) reads as rewritten:

"(1) Water supply and distribution ~~systems.~~services or systems of all types, including dams, reservoirs, water intakes, water treatment facilities, and any infrastructure associated with that service or system."

SECTION 5.11.(c) G.S. 160A-209(c)(32) reads as rewritten:

"(32) Water. – To provide water supply and distribution ~~services.~~services or systems, as described in G.S. 160A-311(2)."

SECTION 5.11.(d) G.S. 160A-311(2) reads as rewritten:

"(2) Water supply and distribution ~~systems.~~services or systems of all types, including dams, reservoirs, water intakes, water treatment facilities, and any infrastructure associated with that service or system."

STATE BUILDING CONTRACTS

SECTION 5.12. 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:

(1) To adopt rules establishing standard procedures and criteria to assure that the designer selected for each State capital improvement project, the consultant selected for planning and studies of an architectural and engineering nature associated with a capital improvement project or a future capital improvement project and a construction manager at risk selected for each capital improvement project has the qualifications and experience necessary for that capital improvement project or the proposed planning or study project. The rules shall provide that the State Building Commission, after consulting with the funded agency, is responsible and accountable for the final selection of the designer, consultant or construction manager at risk except when the General Assembly or The University of North Carolina is the funded agency. When the General Assembly is the funded agency, the Legislative Services Commission is responsible and accountable for the final selection of the designer, consultant, or the construction manager at risk and when the University is the funded agency, it shall be subject to the rules adopted hereunder, except it is responsible and accountable for the final selection of the designer, consultant, or construction manager at risk. When the Eastern North Carolina School for the Deaf, the North Carolina School for the Deaf in Morganton, or the Governor Morehead School for the Blind are the funded agencies, those agencies shall be subject to the rules adopted hereunder, except those agencies are responsible and accountable for the final selection of the designer, consultant, design-builder, or construction manager at risk. All ~~designers and consultants~~ designers, consultants, and design-builders shall be selected within 60 days of the date funds are appropriated for a project by the General Assembly or the date of project authorization by the Director of the Budget; provided, however, the State Building Commission may grant an exception to this requirement upon written request of the funded agency if (i) no site was selected for the project before the funds were appropriated or (ii)

funds were appropriated for advance planning only; provided, further, the Director of the Budget, after consultation with the State Construction Office, may waive the 60-day requirement for the purpose of minimizing project costs through increased competition and improvements in the market availability of qualified contractors to bid on State capital improvement projects. The Director of the Budget also may, after consultation with the State Construction Office, schedule the availability of design and construction funds for capital improvement projects for the purpose of minimizing project costs through increased competition and improvements in the market availability of qualified contractors to bid on State capital improvement projects. The State Building Commission shall submit a written report to the Joint Legislative Commission on Governmental Operations on the Commission's selection of a designer for a project within 30 days of selecting the designer.

…."

CAPITAL PROJECT FUTURE FUNDING

SECTION 5.13.(a) G.S. 143C-8-6 reads as rewritten:

"**§ 143C-8-6. Recommendations for capital improvements set forth in the Recommended State Budget.**

(a) Budget Director's Recommendations. – The Director of the Budget shall recommend expenditures for repairs and renovations of existing facilities, and real property acquisition, new construction, or rehabilitation of existing facilities in the Recommended State Budget in accordance with G.S. 143C-3-5.

(b) Repairs and Renovations in the Recommended State Budget. – The Recommended State Budget shall contain for repairs and renovations of existing facilities: (i) the amount recommended for each State agency, (ii) a summary of the recommendations by project type, and (iii) the means of financing.

(c) Repairs and Renovations in the Recommended Capital Improvements Budget Support Document. – The Recommended Capital Improvements Budget Support Document shall contain for each repair and renovation project recommended in accordance with subsection (b) of this section: (i) a project description and justification, (ii) a detailed cost estimate, (iii) an estimated schedule for the completion of the project, and (iv) an explanation of the means of financing.

(d) Other Capital Projects in the Recommended State Budget. – The Recommended State Budget shall contain for each capital project involving real property acquisition, new construction, building area (sq. ft.) expansions, or the rehabilitation of existing facilities to accommodate new or expanded uses: (i) a project description and statement of need, (ii) an estimate of acquisition and construction or rehabilitation costs, and (iii) a means of financing the project.

(e) Other Capital Projects in the Capital Improvements Budget Support Document. – The Capital Improvements Budget Support Document shall contain for each capital project recommended in accordance with subsection (d) of this section: (i) a detailed project description and justification, (ii) a detailed estimate of acquisition, planning, design, site development, construction, contingency and other related costs, (iii) an estimated schedule of cash flow requirements over the life of the project, (iv) an estimated schedule for the completion of the project, (v) an estimate of revenues, if any, likely to be derived from the project, covering the first five years of operation, and (vi) an explanation of the means of financing.

(f) All Recommended Capital Projects. – The Director of the Budget shall ~~ensure~~ require that recommendations in the Recommended State Budget for repairs and renovations of existing facilities, real property acquisition, new construction, or rehabilitation of existing facilities

~~include~~ have all of the following ~~information:~~information provided by the requesting State agency before its inclusion in the Recommended State Budget:

(1) An estimate of maintenance and operating costs, including ~~personnel,~~ the following:

a. Number and type of personnel for the project, covering the first five years of ~~operation.~~ operation, by fiscal year.

b. Anticipated amounts needed for utilities for the project, covering the first five years of operation, by fiscal year.

c. Any additional anticipated operational support expenses, covering the first five years of operation, by fiscal year.

d. If no increase in ~~these~~ the expenditures listed in this subdivision is anticipated because the recommended project would replace an existing facility, then the level of expenditures for the previous five years of ~~operation~~ operation, by fiscal year, shall be included instead.

(2) A recommended funding source for the operating costs identified pursuant to subdivision (1) of this ~~subsection.~~subsection, including amounts from General Fund and non-General Fund sources.

The Office of State Budget and Management shall develop and implement a standard for State agencies to use in estimating operational and maintenance costs for various types of State capital improvement projects."

SECTION 5.13.(b) The Office of State Budget and Management shall develop and implement the standard described in this section no later than March 1, 2027.

PART V-A. THE DISASTER RECOVERY ACT OF 2026

SCOPE/DEFINITIONS

SECTION 5A.1.(a) Title. – This Part shall be known as "The Disaster Recovery Act of 2026."

SECTION 5A.1.(b) Maximum Amounts; Effectuate Savings. – The appropriations and allocations made in this Part are for maximum amounts necessary to implement this Part. Savings shall be effected where the total amounts appropriated or allocated are not required to implement this Part.

SECTION 5A.1.(c) Scope. – Unless otherwise provided, this Part applies to the North Carolina counties in the affected area, as defined in this section. Section 5A.10 of this act applies to the impacted area, as defined in this section.

SECTION 5A.1.(d) Definitions. – Unless otherwise provided, the following definitions apply in this Part:

(1) Affected area. – The counties designated before, on, or after the effective date of this act under a major disaster declaration by the President of the United States under the Stafford Act (P.L. 93-288) as a result of Hurricane Helene.

(2) Critical infrastructure. – As defined in G.S. 166A-19.70A.

(3) DACS. – The Department of Agriculture and Consumer Services.

(4) DCR. – The Division of Community Revitalization.

(5) FEMA. – The Federal Emergency Management Agency.

(6) Helene Fund. – The Hurricane Helene Disaster Recovery Fund established in Section 4.1 of S.L. 2024-51.

(7) Impacted area. – As defined in Section 1A.1(c) of S.L. 2025-92.

(8) NCEM. – The Department of Public Safety, Division of Emergency Management.

(9) SARF. – The State Acquisition and Relocation Fund.

(10) VOAD. – Volunteer Organizations Active in Disaster.

DISASTER RECOVERY APPROPRIATIONS/ALLOCATIONS

SECTION 5A.2.(a) Transfer of Unused and Underutilized Funds. – The State Controller shall transfer to the Helene Fund one hundred fifty-one million one hundred twenty-eight thousand five hundred thirty-nine dollars ($151,128,539) in funds previously appropriated or allocated to State agencies as set forth in this section:

(1) One hundred twenty million dollars ($120,000,000) previously allocated to the Department of Commerce under Section 2A.2(1) of S.L. 2025-2.

(2) Twenty-one million one hundred fifty-two thousand seven hundred sixty-two dollars ($21,152,762) previously allocated for the Department of Public Instruction as follows:

a. Eight million dollars ($8,000,000) previously allocated for capital recovery funds for public school facilities in accordance with Section 2.1(a) of S.L. 2024-53 and the Committee Report described in Section 6.1 of that act.

b. Four million three hundred ninety-five thousand one hundred sixty-five dollars ($4,395,165) previously allocated for the School Extension Learning Recovery Program in accordance with Section 2A.2(9) of S.L. 2025-2.

c. Four million one hundred seventy thousand dollars ($4,170,000) previously allocated for technology funds for public schools in accordance with Section 2.1(a) of S.L. 2024-53 and the Committee Report described in Section 6.1 of that act.

d. Three million six hundred forty-four thousand two hundred ninety dollars ($3,644,290) previously allocated for school nutrition food, supplies, and equipment loss in accordance with Section 2.1(a) of S.L. 2024-53 and the Committee Report described in Section 6.1 of that act.

e. Nine hundred forty-three thousand three hundred seven dollars ($943,307) previously allocated for lost compensation of school nutrition employees in accordance with Section 6.1(a)(2) of S.L. 2024-51, as amended by Section 5.8(c) of S.L. 2025-2.

(3) Seven hundred eighty-four thousand four hundred ninety dollars ($784,490) previously allocated to the North Carolina Community Colleges System for expanded mental health support for affected community college students in accordance with Section 2.1(a) of S.L. 2024-53 and the Committee Report described in Section 6.1 of that act.

(4) Three million nine hundred forty-four thousand six hundred forty-seven dollars ($3,944,647) previously allocated to the Department of Health and Human Services, Division of Social Services, for the Disaster Supplemental Nutrition Assistance Program in accordance with Section 2.1(a) of S.L. 2024-53 and the Committee Report described in Section 6.1 of that act, as amended by Section 2A.4(b) of S.L. 2025-2.

(6) Four million eight hundred forty-six thousand six hundred forty dollars ($4,846,640) previously allocated to the Department of Insurance, Office of State Fire Marshal, for fire department and rescue squad grants in accordance with Section 2A.3(a)(10) of S.L. 2025-26.

(7) Four hundred thousand ($400,000) previously allocated to the Department of Environmental Quality, Division of Waste Management, for a loan program for underground storage tanks in accordance with Section 4C.8(a) of S.L. 2024-53 and the Committee Report described in Section 6.1 of that act.

SECTION 5A.2.(b) Reallocation of Certain Funds; Maximum Amount; Determination Date. – On October 1, 2026, of the funds appropriated to the Department of Agriculture and Consumer Services for the Program established pursuant to Subpart II-D of S.L. 2025-2, up to twenty million dollars ($20,000,000) of unencumbered funds shall be allocated to the North Carolina Forest Service for wildfire mitigation in the affected area. Any funds in excess of that amount shall revert to the State Emergency Response and Disaster Relief Fund and remain unappropriated.

SECTION 5A.2.(c) Transfer of SARF Funds. – Of the funds remaining in the Hurricane Matthew SARF Program (Budget Code 24552, Budget Fund 206551), the sum of three million five hundred thousand dollars ($3,500,000) shall be transferred to the Department of Transportation to be used to pay for the cost difference between the Federal Highway Administration and Hazard Mitigation Grant Program payments for a property eligible for both programs that is located in the affected area. Unused funds transferred under this subsection shall revert to the Savings Reserve on June 30, 2030.

SECTION 5A.2.(d) Allocations. – The funds appropriated in Section 2.2(j) of this act to the Helene Fund shall be allocated, totaling seven hundred six million one hundred twenty-eight thousand five hundred thirty-nine dollars ($706,128,539) in nonrecurring funds for the 2026-2027 fiscal year, as follows:

(1) Five hundred fifteen million dollars ($515,000,000) to NCEM as follows:

a. Four hundred fifty million dollars ($450,000,000) to provide the nonfederal share for federal disaster recovery programs for Hurricane Helene. Up to twenty million dollars ($20,000,000) of these funds may be used by DCR for cashflow needs for the Temporary Relocation Assistance Program, established in Section 5A.7 of this act; provided that any nonfederal share needs be prioritized over this use. At the conclusion of the Temporary Relocation Assistance Program, all funds in this subdivision shall be used for the nonfederal share for federal disaster recovery programs for Hurricane Helene.

b. Thirty-five million dollars ($35,000,000) to disburse grants to VOADs actively involved in actual and ongoing housing repair and reconstruction projects. The reporting requirements of Section 2A.3(a)(7)e. of S.L. 2025-26 apply to these funds.

c. Thirty million dollars ($30,000,000) for the Private Road and Bridge Repair and Replacement Program in accordance with Subpart II-C of S.L. 2025-2, as amended by Section 2A.3(a)(7)a. of S.L. 2025-26, and Section 5A.3 of this act. Of these funds, eight million dollars ($8,000,000) shall be disbursed to VOADs for private road and bridge repair and reconstruction in the affected area. Any VOADs that use these funds for those purposes shall report to NCEM, and NCEM shall include this information in the report required under the Program.

(2) Ninety-nine million six hundred thousand dollars ($99,600,000) to OSBM as follows:

a. Sixty-five million dollars ($65,000,000) for the Local Government Capital Grant Program in accordance with Subpart II-B of S.L. 2025-26, as amended by Section 1.2 of S.L. 2025-97 and Section 5A.6 of this act. Up to thirty million dollars ($30,000,000) of these funds may be used by volunteer fire departments that qualify under the Program.

b. Twenty-seven million dollars ($27,000,000) for a directed grant to Madison County for purposes consistent with the Local Government Capital Grant Program. These funds do not preclude Madison County

from applying separately to the Program and do not count toward its respective caps or maximums awarded from the Program.

c. Five million dollars ($5,000,000) for a directed grant to the Veterans Restoration Quarters of Asheville Buncombe Community Christian Ministry to cover the cost of facility repairs and reconstruction expenses not covered by FEMA Public Assistance.

d. Two million six hundred thousand dollars ($2,600,000) to disburse grants to long-term recovery groups in counties in the affected area that were designated, in whole or in part, by the United States Department of Housing and Urban Development as the most impacted and distressed counties from Hurricane Helene. Each county shall receive any equal portion of these funds, respectively. These funds shall only be used for direct assistance activities in the counties identified in this sub-subdivision, and no funds shall be expended for staffing or administrative services.

(3) Forty-two million dollars ($42,000,000) to the Department of Commerce as follows:

a. Forty million dollars ($40,000,000) to the Division of Community Revitalization for the Temporary Relocation Assistance Program (Program) in accordance with Section 5A.7 of this act.

b. Two million dollars ($2,000,000) for the nonprofit with which the Department contracts pursuant to G.S. 143B-431.01(b) to allocate to tourism development authorities located in the affected area in accordance with this sub-subdivision. The funds shall only be disbursed to tourism development authorities that cover counties that (i) were designated, in whole or in part, by the United States Department of Housing and Urban Development as the most impacted and distressed counties from Hurricane Helene and (ii) have a population fewer than 250,000. Each tourism development authority shall receive an equal amount for each county that qualifies. The tourism development authority shall ensure that funds allocated for a county are spent for only that county. These funds shall be encumbered by June 30, 2028, and any remaining funds shall revert to the Helene Fund.

(4) Twenty-one million dollars ($21,000,000) to the Department of Environmental Quality as follows:

a. Twenty million dollars ($20,000,000) for the Dam Safety Grant Program in accordance with G.S. 143-215.32B, as amended by Section 5A.4 of this act. Of these funds, the Department shall disburse grants to the following dams, identified by National Inventory of Dams Identification Number: NC04652, NC01862, NC03036, NC00311, NC06533, NC00373, NC08003, NC01404, NC00187, and NC00242. No project shall receive a grant in excess of four million dollars ($4,000,000). Funds remaining after the aforementioned disbursements shall be allocated in accordance with G.S. 143-215.32B, as amended by Section 5A.4 of this act. The Department shall report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on any unmet needs from this disbursement of funds.

b. One million dollars ($1,000,000) for landslide mapping efforts in the affected area. These funds shall not be used for full-time equivalent positions and shall only be used for roads and critical infrastructure.

(5) Twenty million dollars ($20,000,000) to the Department of State Treasurer for the cashflow loan program, established under Section 4E.5 of S.L. 2024-53, as amended by Section 1F.1 of S.L. 2024-57, Section 1.3 of S.L. 2025-97, and Section 5A.5 of this act.

(6) Seven million dollars ($7,000,000) to the Department of Agriculture and Consumer Services for the Forest Development Program under Article 83 of Chapter 106 of the General Statutes. These funds shall be used only within the affected area to mitigate and reduce wildfire risk through fuel management practices and other wildfire reduction methods. The forest development cost-sharing payment under G.S. 106-1014 is not required for these funds.

(7) One million five hundred twenty-eight thousand five hundred thirty-nine dollars ($1,528,539) to the Department of Transportation for the purchase and installation of flood gauges for the Flood Inundation Mapping and Alert Network in the affected area.

PRIVATE ROAD AND BRIDGE PROGRAM MODIFICATIONS

SECTION 5A.3.(a) Private Road and Bridge Repair and Replacement Program (Program) Modifications. – As soon as practicable after the effective date of this act, NCEM shall update the Program requirements in accordance with this section to expedite the repair and replacement of eligible private roads and bridges, in consultation with the Department of Transportation.

SECTION 5A.3.(b) Program Procurement Flexibility. – Notwithstanding any other provision of law, NCEM is authorized to use the listed methods in this subsection to accelerate the Program. NCEM may contract for services from vendors specializing in rehabilitation or construction on private roads and bridges funded by the State or federal funds provided to the State.

(1) Progressive design-build.
(2) Design-build.
(3) Design-bid-build.
(4) Indefinite delivery-indefinite quantity.
(5) Construction manager-general contractor.

SECTION 5A.3.(c) Private Bridge Design Standard. – Within 60 days of the effective date of this act, the Department of Transportation (DOT) shall develop a separate design category and standard for private bridges that allow (i) lower design loads for residential and agricultural use and (ii) simpler abutments and foundations that maintain residential code compliance, including, if appropriate, steel beam and timber deck bridges. A standard developed under this subsection shall maintain American Association of State Highway and Transportation Officials loading and safety criteria and also allow for engineering flexibility and site-specific construction methods appropriate for private residential use.

SECTION 5A.3.(d) Contract Modifications. – NCEM shall identify current contracts entered into under the Program and seek to renegotiate the contracts with a new design standard developed under subsection (c) of this section for private bridges, where appropriate. For new contracts, NCEM shall establish expedited procurement tracks, as provided for under this section for private bridges, where appropriate. Further, NCEM shall shorten the availability window for these expedited projects. NCEM shall implement a standardized or pre-approved design using the design standard developed by DOT under subsection (c) of this section.

SECTION 5A.3.(e) Contractors. – NCEM, in conjunction with the North Carolina Licensing Board for General Contractors, shall develop temporary or emergency rules for the

Program that allow for a tiered pool of licensed general contractors to operate under the Program. The rules shall implement a pre-approved private bridge contractor that considers qualifications, experience, and other appropriate criteria that emphasize specialization in light bridge construction.

DAM SAFETY GRANT FUND MODIFICATION

SECTION 5A.4. G.S. 143-215.32B reads as rewritten:

"**§ 143-215.32B. Dam Safety Grant Fund.**

(a) Creation; Purpose. – There is created within the Department a special, nonreverting account to be known as the Dam Safety Grant Fund to issue grants from the Fund to eligible dam owners for the purpose of dam repair, modification, or removal, if the dam was damaged by a natural disaster. The Fund shall be administered by the Division of Energy, Mineral, and Land Resources.

(b) Prioritization. – The Department shall assign priority for grants that serve as the State match to eligible projects based on the Risk-Based Prioritization Method established under the Federal Emergency Management Agency (FEMA) High Hazard Potential Dams (HHPD) Rehabilitation Grant Program.

(b1) Eligibility. – Funds may also be used for dams not eligible for federal match under the HHPD Rehabilitation Grant Program if the dam was damaged by a natural disaster and classified as high or intermediate hazard.

(c) Administration. – The Department shall, when funding is available, administer grants from the Fund in a manner consistent with applicable federal and State law and regulations.

(d) Report. – The Department shall submit an annual report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources detailing the projects funded, federal dollars drawn from the HHPD Rehabilitation Grant Program for those projects, and locations, types, and justification of each project."

CASHFLOW LOAN PROGRAM MODIFICATIONS

SECTION 5A.5.(a) Additional Funds and Requirements. – The funds allocated in this act to the cashflow loan program (program), established under Section 4E.5 of S.L. 2024-53, as amended, shall be subject to all of the previous requirements of the program, in addition to the following:

(1) Loans disbursed under the program shall be repaid to the Department of State Treasurer once the recipient of the loan receives FEMA reimbursement funds, if that date is earlier than June 30, 2030.

(2) Any loan funds disbursed from the funds allocated by Section 5A.2 of this Part shall be returned to the Helene Fund once received by the Department of State Treasurer.

SECTION 5A.5.(b) Previous Funds as Revolving Loans. – Funds previously allocated to the program shall be converted by the Department of State Treasurer to operate as a revolving fund, initiating new loans subject to the current requirements of the program and the additional requirements in this section.

SECTION 5A.5.(c) Reporting Requirement. – The reporting requirements set forth in Section 4.1(g) of S.L. 2025-2 apply to loans issued under this section.

LOCAL GOVERNMENT CAPITAL GRANT PROGRAM MODIFICATIONS

SECTION 5A.6.(a) Applicability. – The modifications to the Local Government Capital Grant Program in this section apply only to the funds allocated to the Program in Part 5A of this act and grants disbursed from those funds. Prior grants disbursed under the Program shall not be affected by this section.

SECTION 5A.6.(b) Prioritization. – OSBM shall prioritize grants disbursed from funds allocated to the Program in Section 5A.2 of this act to the following recipients:

(1) Notwithstanding Section 2B.1(d) of S.L. 2025-26, an eligible recipient, as defined by Section 2B.1(c) of S.L. 2025-26, that has a population of 250,000 or fewer based on the 2023 Certified County Population Estimates from the State Demographer.

(2) An unincorporated area in the affected area that suffered catastrophic damage, as defined in Section 1.3(b) of S.L. 2025-97. If a county applies for a grant pursuant to this subdivision for an unincorporated area, then those funds shall only be spent in that unincorporated area and not elsewhere within that county.

SECTION 5A.6.(c) Eligibility Expansion. – In addition to eligible recipients as defined in Section 2B.1(c) of S.L. 2025-26, a volunteer fire department that meets all of the following criteria is eligible to apply for a grant under the Program:

(1) Located in the affected area.

(2) Suffered damage from Hurricane Helene to site preparation, a fire station, or land purchase for relocation.

(3) Is not a municipal fire department or owned by a unit of local government or political subdivision of the State.

(4) Has previously been certified by the Office of the State Fire Marshal.

SECTION 5A.6.(d) Maximum Grant Awards; Applicability. – OSBM shall not include the funds allocated to Madison County in Section 5A.2 of this act when calculating and applying the maximum award percentages set forth in Section 2B.1(e) of S.L. 2025-26.

SECTION 5A.6.(e) Volunteer Fire Department Application. – Each eligible applicant shall only receive one grant under the Fund. Any grant over ten million dollars ($10,000,000) requires a match of fifty percent (50%) for any funds in excess of that amount, on the basis of one non-State dollar ($1.00) for every one dollar ($1.00) from the Fund.

SECTION 5A.6.(f) Reporting Requirements. – The reporting requirements of Section 2B.1(f) of S.L. 2025-26 apply to this section.

TEMPORARY RELOCATION ASSISTANCE PROGRAM

SECTION 5A.7.(a) Establishment. – There is established the Temporary Relocation Assistance Program within and administered by the Department of Commerce, Division of Community Revitalization. The funds allocated to DCR in Section 5A.2 of this act shall be used to administer the Program in accordance with and consistent with the requirements of this section. DCR shall only provide Program assistance to an applicant once a notice to proceed is issued and only for a maximum period that includes standard project duration, plus 21 days for move-in and move-out into a new home. DCR shall provide furniture for housing under this Program, if applicable to the specific housing used for participants under the Program.

SECTION 5A.7.(b) Eligibility. – Applicants meeting the following criteria are eligible for funds under this Program:

(1) Enrolled in Phase 1 or Phase 2 of the Renew NC Program for home rebuilding, restoration, and construction with DCR or be at eighty percent (80%) or less of the area median income.

(2) Submit to DCR through a standard, formalized request form to participate in the Program and sign a corresponding grant agreement.

(3) Demonstrate that the applicant has exhausted all other options for housing, including friends, family, and volunteer organizations.

(4) Demonstrate a hardship, such as job loss, business failure, severe medical illness, disability, or substantial income reduction.

SECTION 5A.7.(c) Payment Structure. – DCR shall require home builders, long-term recovery groups, and vendors involved in operating and managing the Program to find

appropriate and available housing for families which the home builder is serving. DCR shall pay the home builder for approved payments when construction costs are paid. Home builders shall sign memorandums with DCR that assume responsibility for Program cost overages and assume liability for damages, in addition to liquidated damages for failure to meet required Program time lines.

SECTION 5A.7.(d) Standard Project Duration. – The following durations apply to the Program:

(1) Rehabilitation: 81 days.
(2) Replacement: 81 days.
(3) Reconstruction: 171 days.

SECTION 5A.7.(e) Reporting Requirement. – DCR shall submit a report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on the Program implementation by September 1, 2026, and every six months thereafter until the Program has terminated.

AERIAL ASSET PROGRAM MODIFICATIONS

SECTION 5A.8.(a) In addition to the purposes of the Aerial Asset Accessibility Grant Program (Program) listed in Section 2D.1(a) of S.L. 2025-26, the Program shall also disburse grants to local airports in the affected area for equipment and improvements that will expand future emergency response capacity and protect critical infrastructure.

SECTION 5A.8.(b) This section is effective when it becomes law and applies to grants disbursed under this Program before, on, or after the effective date.

OSBM TRACKING/ACCOUNTING OF RECOVERY FUNDS

SECTION 5A.9. The Office of State Budget and Management shall require agencies to include statutory references in the North Carolina Financial System (NCFS) budget fund description for each funding item included in this Part. OSBM shall also require agencies to rename existing disaster recovery budget funds in NCFS from previous appropriations to include such references. In addition, when reporting to either GROW-NC, OSBM, or the State Auditor, agencies shall include detailed information to ensure ease of tracking the expenditure of funds and reversion schedule for those funds, including matching program names to specific statutory authority, accounting codes, statutory references, budget funds, and other necessary identifying information for those programs and funds.

CHANTAL INFRASTRUCTURE ASSISTANCE FUND

SECTION 5A.10.(a) Transfer. – The State Controller shall transfer the sum of ten million seven hundred thousand dollars ($10,700,000) from Budget Code 24558, Budget Fund 206842, to the Chantal Infrastructure Assistance Fund, as established in this section.

SECTION 5A.10.(b) Fund. – The Chantal Infrastructure Assistance Fund (Fund) is established within the Department of Environmental Quality (Department). The Fund shall be used to provide grants to units of local government for reimbursement for costs incurred to repair documented damages to water and wastewater infrastructure damaged by Tropical Storm Chantal. The funds shall be used in the impacted area, as defined in Section 1A.1(c) of S.L. 2025-92, which includes Alamance, Caswell, Chatham, Durham, Granville, Moore, Orange, Person, and Wake Counties.

SECTION 5A.10.(c) Grant Criteria. – Each grant shall not exceed one million dollars ($1,000,000) per project. To be eligible, each project must be a project that is not eligible for federal cost reimbursement through federal disaster recovery programs.

SECTION 5A.10.(d) Report. – The Office of State Budget and Management shall add the funds described in this section to the reporting requirements set forth in Section 4.1(g) of

S.L. 2025-2. The Department shall add the projects funded through the Fund to the annual report required under G.S. 159G-26 and shall include the same information required under that section.

SECTION 5A.10.(e) Effective Date. – This section is effective when this act becomes law.

DISASTER MITIGATION/RESILIENCY ALLOCATION TO REPAIR DAMAGES AND CLOSE OUT NCORR CASHFLOW LOAN PROGRAM

SECTION 5A.11.(a) Transfer. – The State Controller shall transfer five million dollars ($5,000,000) from Budget Code 24558, Budget Fund 206842, to OSBM for the Town of Fair Bluff for the riverwalk project that was destroyed.

SECTION 5A.11.(b) Reversion. – Any funds remaining in the North Carolina Office of Recovery and Resiliency cashflow loan program under Section 2.1(4)c. of S.L. 2019-224, as amended by Section 1.2(3)a. of S.L. 2019-250, shall revert to the Savings Reserve upon its closure.

SECTION 5A.11.(c) Report. – OSBM shall submit a report detailing all pertinent financial information on the closeout of the program, including loan repayments received, to the Joint Legislative Emergency Management Oversight Committee and Fiscal Research Division within six months of the cashflow loan program closure.

FAIR BLUFF/HMGP

SECTION 5A.12. Any remaining balance of a loan disbursed from the Department of Public Safety, Office of Recovery and Resiliency, to the Town of Fair Bluff for Hazard Mitigation Grant Program needs under the loan program authorized under Section 1.5(1) of S.L. 2018-138, as amended by Section 2.1 of S.L. 2019-224 and Section 1.2 of S.L. 2019-250, is forgiven.

DISASTER RECOVERY GRANT MODIFICATION/MASSEY-HOLT WATER LINE

SECTION 5A.13.(a) Reversion Modification/Town of Princeton. – Notwithstanding the reversion dates in Section 5.9(b) of S.L. 2021-180 and Section 5.6(c) of S.L. 2023-134, funds allocated to the Town of Princeton for the Massey-Holt water line and drainage improvement projects in Section 5.9(a)(30)n. of S.L. 2021-180 shall revert to the State Emergency Response and Disaster Relief Reserve if the funds are not expended or encumbered by June 30, 2028.

SECTION 5A.13.(b) Effective Date. – This section becomes effective June 30, 2026.

DISASTER RECOVERY GRANT MODIFICATION/CAPE FEAR RIVERBANK

SECTION 5A.14.(a) Reversion Modification/Duplin County. – Notwithstanding Section 5.9(b) of S.L. 2021-180 and Section 5.6(c) of S.L. 2023-134, funds allocated to Duplin County for the Northeast Cape Fear Riverbank restoration project in Section 5.9(a)(30)*l*. of S.L. 2021-180 shall revert to the State Emergency Response and Disaster Relief Reserve if the funds are not expended or encumbered by June 30, 2027.

SECTION 5A.14.(b) Effective Date. – This section becomes effective June 30, 2026.

EXTEND CERTAIN REVERSION DATES/TROPICAL STORM FRED

SECTION 5A.15.(a) Notwithstanding the reversion dates set forth in Section 5.6(c) of S.L. 2023-134, funds allocated for Section 5.9A(c)(1)d., h., and i. of S.L. 2021-180, and Section 5.4(a)(3)b. of S.L. 2022-74, shall not revert until June 30, 2030. Notwithstanding the application to Tropical Storm Fred for each of the referenced items in this subsection, each of those allocations may also be used for the same purposes as originally intended for damages related to Hurricane Helene.

SECTION 5A.15.(b) This section becomes effective June 30, 2026.

REVERSION, LIMITATIONS ON USE OF FUNDS, AUDIT, AND REPORTING OF FUNDS

SECTION 5A.16.(a) Hurricane Helene Reversion Date Corrections. – Except as otherwise provided, funds appropriated, allocated, and transferred under Section 5A.2 of this act and Section 6.1 of S.L. 2024-51, Section 2.1 of S.L. 2024-53, Section 1A.5 of S.L. 2024-57, Section 2A.2 of S.L. 2025-2, Section 2A.3 of S.L. 2025-26, and Section 1.3 of S.L. 2025-89 shall revert to the Savings Reserve if not expended or encumbered by June 30, 2030, or when the program those funds are supporting, respectively, is completed, whichever is earlier.

SECTION 5A.16.(b) S.L. 2025-97 Reversion Correction. – Notwithstanding the reversion date set forth in Section 1D.1(a) of S.L. 2025-92, the funds allocated to OSBM and the Board of Governors of The University of North Carolina for various Hurricane Helene recovery projects in Section 1B.1(a)(4) and (5), respectively, shall revert to the Savings Reserve if not expended or encumbered by June 30, 2030, or when the program those funds are supporting, respectively, is completed, whichever is earlier.

SECTION 5A.16.(c) Tropical Storm Chantal Reversions. – Funds appropriated and allocated under Section 5A.10 of this act and Section 1B.1(a)(1) and (2) and Section 1B.1(b) of S.L. 2025-92 shall revert to the Savings Reserve if not expended or encumbered by June 30, 2031, or when the program those funds are supporting, respectively, is completed, whichever is earlier.

SECTION 5A.16.(d) Receipt of Allocations. – A recipient of State funds under this Part shall use best efforts and take all reasonable steps to obtain alternative funds that cover the losses or needs for which the State funds are provided, including funds from insurance policies in effect and available federal aid. State funds paid under this Part are declared to be excess over funds received by a recipient from the settlement of a claim for loss or damage covered under the recipient's applicable insurance policy in effect or federal aid. Where a recipient is an institution of higher education or a non-State entity, the requirement regarding alternative funds and the calculation of alternative funds received under this subsection includes seeking private donations to help cover the losses or needs for which State funds are provided. An agency awarding State funds for disaster relief shall include a notice to the recipient of the requirements of this subsection.

SECTION 5A.16.(e) Remittance of Funds. – If a recipient obtains alternative funds pursuant to subsection (d) of this section, the recipient shall remit the funds to the State agency from which the State funds were received. A recipient is not required to remit any amount in excess of the State funds provided to the recipient under this Part. The State agency shall transfer these funds to the Savings Reserve.

SECTION 5A.16.(f) Contract Requirements. – Any contract or other instrument entered into by a recipient for receipt of funds under this Part shall include the requirements set forth in subsections (d) and (e) of this section.

SECTION 5A.16.(g) Limitation on Powers of Governor. – The Governor may not use the funds described in this Part to make budget adjustments under G.S. 143C-6-4 or to make reallocations under G.S. 166A-19.40(c). Nothing in this Part shall be construed to prohibit the Governor from exercising the Governor's authority under these statutes with respect to funds other than those described in this Part.

SECTION 5A.16.(h) Directive. – The Governor and State agencies shall ensure that funds allocated in this Part are expended in a manner that does not adversely affect any person's or entity's eligibility for federal funds that are made available, or that are anticipated to be made available, as a result of natural disasters. The Governor and State agencies shall also, to the extent practicable, avoid using State funds to cover costs that will be, or likely will be, covered by federal funds.

SECTION 5A.16.(i) Continuation of Allocation Reporting Requirements. – OSBM shall add the appropriations and allocations provided for in this Part to the reporting requirements set forth in Section 4.1(g) of S.L. 2025-2.

SECTION 5A.16.(j) Continuation of State Auditor Oversight. – The Office of the Governor of North Carolina shall continue the reporting requirements set forth in Section 4.2 of S.L. 2025-2. The State Auditor shall include all funds appropriated and allocated under this Part in their report to the Joint Legislative Commission on Governmental Operations and include the expenditure of these funds in the public dashboard as set forth in Sections 4.2(c) and (d) of S.L. 2025-2.

HOTEL SAFETY ACT MODIFICATIONS

SECTION 5A.17. G.S. 72-1 reads as rewritten:

"**§ 72-1. Must furnish accommodations; contracts for termination valid.**

(a) Every innkeeper shall at all times provide suitable lodging accommodations for persons accepted as guests in an inn, hotel, motel, recreational vehicle park, campground, or other similar transient ~~occupancy.~~occupancy or emergency or disaster declared occupancy.

(b) A written statement setting forth the time period during which a guest may occupy an assigned room, signed or initialed by the guest, shall be deemed a valid contract, and at the expiration of such time period the lodger may be restrained from entering and any property of the guest may be removed by the innkeeper without liability, except for damages to or loss of such property attributable to its removal.

(c) For the purposes of this section, a "transient occupancy" is the rental of an accommodation by an inn, hotel, motel, recreational vehicle park, campground, or similar lodging to the same guest or occupant for fewer than 90 consecutive days.

(d) For the purposes of this section, an "emergency or disaster declared occupancy" is the rental of an accommodation by an apartment, inn, hotel, motel, recreational vehicle park, campground, or similar lodging to the same guest or occupant (i) as a result of an emergency declared by the Governor or General Assembly pursuant to G.S. 166A-19.20, a disaster declared by the Governor pursuant to G.S. 166A-19.21, or a major disaster declared by the President pursuant to the Stafford Act (P.L. 93-288), and (ii) who is a recipient of Community Development Block Grant-Disaster Recovery assistance and is renting the accommodation during the repair or reconstruction of the guest's or occupant's home through a program administered by the Department of Commerce."

EMERGENCY SHELTERING/STORAGE SPACE PROCUREMENT FLEXIBILITY

SECTION 5A.18. G.S. 166A-19.12 reads as rewritten:

"**§ 166A-19.12. Powers of the Division of Emergency Management.**

The Division of Emergency Management shall have the following powers and duties as delegated by the Governor and Secretary of Public Safety:

…

(26a) The Division may contract for services from vendors specializing in emergency sheltering and storage spaces after the declaration of a state of emergency, a disaster declaration, or a major disaster declaration by the President of the United States under the Stafford Act.

…."

HAZARD MITIGATION LIABILITY

SECTION 5A.19.(a) G.S. 166A-19.3 reads as rewritten:

"**§ 166A-19.3. Definitions.**

The following definitions apply in this Article:

…

(10) Hazard risk management. – The systematic application of policies, practices, and resources and acquisition of real property to the identification, assessment, and control of risk associated with hazards affecting human health and safety and ~~property.~~ property, for hazard mitigation purposes or in accordance with a hazard mitigation program, plan, or activities funded by State, federal, or philanthropic sources. Hazard, risk, and cost-benefit analysis are used to support development of risk reduction options, program objectives, and prioritization of issues and resources.

…."

SECTION 5A.19.(b) G.S. 166A-19.15 reads as rewritten:

"**§ 166A-19.15. County and municipal emergency management.**

…

(f) Additional Powers. – In carrying out the provisions of this Article each political subdivision is authorized to do the following:

…

(2) To direct and coordinate the development of emergency management and hazard risk management plans and programs in accordance with the policies and standards set by the Division, consistent with federal and State laws and regulations.

…."

SECTION 5A.19.(c) G.S. 166A-19.60 reads as rewritten:

"**§ 166A-19.60. Immunity and exemption.**

(a) Generally. – All functions hereunder and all other activities relating to emergency management and hazard risk management as provided for in this Chapter or elsewhere in the General Statutes are hereby declared to be governmental functions. Neither the State nor any political subdivision thereof, nor, except in cases of willful misconduct, gross negligence, or bad faith, any emergency management worker, firm, partnership, association, nonprofit entity, or corporation (i) complying with or reasonably attempting to comply with this Article or any order, rule, or regulation promulgated pursuant to the provisions of this Article or pursuant to any ordinance relating to any emergency management measures enacted by any political subdivision of the ~~State,~~ State or (ii) acquiring real property for hazard risk management purposes so long as the real property is held consistent with all applicable legal requirements, including any deed or easement restrictions or covenants, shall be liable for the death of or injury to persons, or for damage to property as a result of any such activity.

(b) Immunity. – The immunity provided to firms, partnerships, associations, or corporations, under subsection (a) of this section, is subject to all of the following conditions:

(1) The immunity applies only when the firm, partnership, association, or corporation is acting without compensation or with compensation limited to no more than actual expenses and one of the following applies:

a. Emergency management services are provided at any place in this State during a state of emergency declared by the Governor or General Assembly pursuant to this Article, and the services are provided under the direction and control of the Secretary pursuant to G.S. 166A-19.10, 166A-19.11, 166A-19.12, 166A-19.20, 166A-19.30, and 143B-602, or the Governor.

b. Emergency management services are provided during a state of emergency declared pursuant to G.S. 166A-19.22, and the services are provided under the direction and control of the governing body of a municipality or county under G.S. 166A-19.31, or the chair of a board of county commissioners under G.S. 166A-19.22(b)(3).

c. The firm, partnership, association, or corporation is engaged in planning, preparation, training, or exercises with the Division, the Division of Public Health, or the governing body of each county or municipality under G.S. 166A-19.15 related to the performance of emergency management services or measures.

(2) The immunity shall not apply to any firm, partnership, association, or corporation, or to any employee or agent thereof, whose act or omission caused in whole or in part the actual or imminent emergency or whose act or omission necessitated emergency management measures.

(3) To the extent that any firm, partnership, association, or corporation has liability insurance, that firm, partnership, association, or corporation shall be deemed to have waived the immunity to the extent of the indemnification by insurance for its negligence. An insurer shall not under a contract of insurance exclude from liability coverage the acts or omissions of a firm, partnership, association, or corporation for which the firm, partnership, association, or corporation would only be liable to the extent indemnified by insurance as provided by this subdivision.

(b1) Subsection (b) of this section shall not apply to nonprofit entities when acquiring and maintaining real property for hazard risk management purposes.

(c) No Effect on Benefits. – The rights of any person to receive benefits to which the person would otherwise be entitled under this Article or under the Workers' Compensation Law or under any pension law and the right of any such person to receive any benefits or compensation under any act of Congress shall not be affected by performance of emergency management functions.

…

(e) ~~Definition of Emergency Management Worker.~~ Definitions. – As used in this section, the ~~term "emergency management worker" shall include any~~ following definitions apply:

(1) Emergency management worker. – Any full or part-time paid, volunteer, or auxiliary employee of this State or other states, territories, possessions, or the District of Columbia, of the federal government or any neighboring country or of any political subdivision thereof, or of any agency or organization performing emergency management services at any place in this State, subject to the order or control of or pursuant to a request of the State government or any political subdivision thereof. ~~The term "emergency management worker" under this section~~ This term shall also include any health care worker performing health care services as a member of a hospital-based or county-based State Medical Assistance Team designated by the North Carolina Office of Emergency Medical Services and any person performing emergency health care services under G.S. 90-12.2.

(2) Nonprofit entity. – An entity exempt from taxation under section 501(c) of the Internal Revenue Code.

…."

SECTION 5A.19.(d) This section is retroactively effective January 1, 2025, and applies to causes of action arising on or after that date.

FIRST RESPONDERS MODIFICATION

SECTION 5A.20. G.S. 130A-485 reads as rewritten:

"**§ 130A-485. Vaccination program established; definitions.**

…

(f) As used in this section, unless the context clearly requires otherwise, the term:

(1) "Bioterrorism" means the intentional use of any microorganism, virus, infectious substance, biological product, or biological agent as defined in G.S. 130A-479 that may be engineered as a result of biotechnology or any naturally occurring or bioengineered component of any microorganism, virus, infectious substance, or biological product to cause or attempt to cause death, disease, or other biological malfunction in any living organism.

(2) "Disaster location" means any geographical location where a bioterrorism attack, terrorist incident, catastrophic or natural disaster, or emergency occurs.

(3) "First responders" means State and local law enforcement personnel, fire department personnel, water and wastewater utility professionals, and emergency medical personnel who will be deployed to bioterrorism attacks, terrorist attacks, catastrophic or natural disasters, or emergencies."

REOPEN APPLICATION WINDOW FOR TIMBER LOSS RELIEF PROGRAM

SECTION 5A.21.(a) The Department of Agriculture and Consumer Services, North Carolina Forest Service, shall reopen the landowner application window within seven days of this section becoming law and accept new landowner applications for the Timber Loss Relief Program for 90 days thereafter.

SECTION 5A.21.(b) This section is effective when it becomes law.

REPORT ON U.S. HIGHWAYS DAMAGED BY HURRICANE HELENE

SECTION 5A.22. In addition to the reporting requirements under G.S. 136-44.2F, as enacted by this act, the Department of Transportation shall add information on all interstate and U.S. Highway projects in the affected area that have been delayed because of Hurricane Helene impacts. The Department shall include the reason for the delay and anticipated completion date. The Department shall add this information to the reports due at the end of each quarter until June 30, 2027.

GOLDEN LEAF TECHNICAL CORRECTION

SECTION 5A.23. Section 4C.3(d) of S.L. 2024-53 reads as rewritten:

"**SECTION 4C.3.(d)** Reversion; Reloan; Repayment. – Funds allocated by this section are not subject to the provisions of G.S. 143C-6-23. Funds allocated by this section that have not been expended or encumbered by ~~October 31, 2028,~~ March 15, 2026, shall revert to the Savings Reserve established in G.S. 143C-4-2. Net loan funds, including repayments of loans, available to Golden LEAF prior to ~~October 31, 2028,~~ March 15, 2026, may be loaned in accordance with this section. Beginning ~~December 15, 2025,~~ March 15, 2026, and every six months thereafter, Golden LEAF shall remit the net loan funds it has received from lenders to the Office of State Budget and Management to be placed into the Savings Reserve."

PART VI. COMMUNITY COLLEGE SYSTEM

REPEAL MINORITY MALE SUCCESS INITIATIVE REPORT

SECTION 6.1. 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 6.2.(a) Section 8.3(b) of S.L. 2011-145 and Section 10.4(a) of S.L. 2013-360 are repealed.

SECTION 6.2.(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 2026-2027 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 6.2.(c) Part 3 of Article 1 of Chapter 115D of the General Statutes is 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, 2029, and every three years thereafter."

SECTION 6.2.(d) 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 6.2.(e) G.S. 115D-31 is amended by adding a new subsection to read:

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

SECTION 6.2.(f) 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 6.2.(g) No later than April 1, 2028, 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 6.3.(a) G.S. 115D-10.21(a) 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 6.3.(b) Of the funds appropriated for North Carolina Community Colleges System IDD Workforce Training Expansion in this act for the 2026-2027 fiscal year, 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) in recurring funds 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 6.3.(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.

COMMUNITY COLLEGE SEAMLESS SKILLS INITIATIVE

SECTION 6.4.(a) Initiative Established; Purpose. – There is established the Community College Seamless Skills Initiative (Initiative). The purpose of the Initiative is to create a competency-based education (CBE) model that seamlessly connects high school and community college. By aligning learning experiences from high school with college-level competencies, the Initiative shall enable students to explore career pathways, earn dual credit, and fulfill computer science requirements while gaining credentials of value in high-demand technology employment sectors through college credit.

SECTION 6.4.(b) Initiative Participants. – Fayetteville Technical Community College (FTCC) and Wilkes Community College (WCC) shall partner to fulfill the commitments of the Initiative.

SECTION 6.4.(c) Initiative Commitments. – The Initiative shall commit to accomplishing each of the following:

(1) Establish high-tech pathways that will integrate high school and community college curricula for hands-on, project-based learning.

(2) Develop competency-based pathways that will create cross-curricular maps for dual credit, fostering seamless transitions between secondary and postsecondary education.

(3) Scale and replicate to be able to build a scalable framework for rapid implementation across North Carolina.

(4) Empower student ownership by enabling students to set long-term learning goals and to manage and own their credentials with a digital wallet.

(5) Facilitate student work experiences to accelerate learning and transition students into work through "learn & earn" work-based learning in partnership with public agencies and private employers.

(6) Address workforce needs by developing and sustaining a comprehensive talent pipeline of skilled workers for high-demand technology fields in occupations that depend upon informational technology and operational technology for operational success.

(7) Develop statewide resources, including a guidebook to facilitate model replication and a new talent development model to accelerate learning using CBE.

SECTION 6.4.(d) Digital Wallet. – The participants in the Initiative shall contract with a vendor to provide a Credential Management System (CrMS) that meets the following criteria:

(1) Provides the capability to issue, manage, and verify digital credentials across multiple widely adopted open standards, including World Wide Web Consortium (W3C) Verifiable Credentials, OpenBadges, and AnonCreds, within a single platform.

(2) Supports secure, persistent communication channels that enable authenticated, peer-to-peer interactions between parties.

(3) Meets or exceeds National Institute of Standards and Technology (NIST) Identity Assurance Level (IAL) 3 standards for identity proofing to ensure high-confidence identity verification.

(4) Is designed as a decentralized deployment operating as a network appliance within the State's controlled cloud environment rather than as a multi-tenant Software as a Service (SaaS) offering in order to ensure data sovereignty, reduce long-term operational costs, and eliminate dependency on third-party hosted infrastructure.

(5) Includes a noncustodial mobile digital wallet that enables individuals to maintain sole control of their credentials.

(6) Includes configurable, standards-based workflows that extend agency processes directly to credential holders.

(7) Incorporates advanced capabilities for workforce matching, including artificial intelligence driven analysis that aligns verified credentials with employment opportunities.

(8) Includes trust and verification systems anchored using blockchain-based mechanisms solely for publishing tamper-resistant public keys and service endpoints, without storing any personally identifiable information or credential data on-chain.

SECTION 6.4.(e) Support. – The North Carolina Community Colleges System Office shall provide ongoing technical support to community colleges participating in the Initiative. FTCC shall enter into a memorandum of understanding with WCC to jointly co-design the Initiative. As part of this effort, the colleges shall engage an organization with demonstrated expertise in designing and implementing learner-centered, modular, and competency-based high school programs aligned with emerging and high-tech career pathways. The selected organization shall have a history of co-designing stackable credentials with public school units and postsecondary institutions and a proven track record of building digital infrastructure that supports student-paced progression, interdisciplinary instruction, and authentic skill development. The organization shall assist in the development of a comprehensive framework for the Initiative, including course design, sequencing, credentialing structure, and related elements necessary to support personalized student progression during the 2026-2027 school year.

SECTION 6.4.(f) Funding. – Of the nonrecurring funds appropriated in this act for the Community College Seamless Skills Initiative, the sum of up to two million seven hundred fifty thousand dollars ($2,750,000) for the 2026-2027 fiscal year shall be allocated to FTCC and the sum of one million dollars ($1,000,000) shall be allocated to WCC. Funds allocated for the purposes outlined in this section shall not revert but shall remain available until the end of the 2029-2030 fiscal year.

APPRENTICESHIP STUDIES

SECTION 6.5. ApprenticeshipNC shall study and report the following to the Joint Legislative Education Oversight Committee:

(1) No later than December 31, 2026, the feasibility of designing and implementing State funding incentives for employers and other apprenticeship sponsors for the purpose of (i) increasing the availability of registered apprenticeship programs and (ii) improving apprentice enrollment, completion, post-completion education, and labor market outcomes. As part of this study, ApprenticeshipNC shall examine alternative incentive structures and design considerations to identify approaches that are most likely to increase apprenticeship starts and completions, support positive post-completion outcomes, and ensure the efficient use of State funds. ApprenticeshipNC may consult or contract with relevant subject-matter experts, including nonprofit and for-profit entities, subject to the availability

of funds to support the study. The study and report required in this subdivision shall include at least all of the following:

a. Consideration of at least all of the following:
    1. Types of incentives, including grants, sponsor reimbursements, apprentice wage subsidies, tax credits, and other funding mechanisms.
    2. Payment structures and milestones, including incentives tied to apprentice hiring, wage progression, credential attainment, completion, and post-completion outcomes.
    3. Eligibility criteria, including eligible sponsor types, occupations, industries, and target populations.
    4. Quality and accountability standards, including minimum wage thresholds, wage progression requirements, growth thresholds to ensure incentives target the new apprenticeship generation, and related safeguards.

b. Review of academic policy literature on apprenticeship incentives in other states, as well as evidence on other employer-facing incentives, to identify incentive designs that have demonstrated effectiveness in increasing apprenticeship participation and longer-term outcomes while minimizing direct and indirect fiscal impacts to the State.

c. All of the following recommendations:
    1. A proposed structure or set of options for State apprenticeship incentives.
    2. Identification of statutory, administrative, or implementation barriers.
    3. Estimated fiscal impacts and, as applicable, recommended appropriations, including identification of existing or complementary State, federal, and private funding streams that could be leveraged to offset or reduce the need for additional State appropriations.
    4. Strategies to balance up-front and early implementation costs of apprenticeship program management with an emphasis on increasing apprenticeship completion and post-completion education and labor market outcomes.
    5. A proposed policy for ongoing evaluation of any incentive adopted, including approaches to program monitoring, data collection, and assessment of impacts on participation and outcomes. The policy shall employ the most rigorous analytical methods that are feasible, including the use of statistical controls and quasi-experimental research methodologies.

(2) No later than March 15, 2027, 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:

a. 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.

b. Maximize usage and transferability of at least the following coursework completion opportunities:

1. College transfer pathways provided through the Career and College Promise Program that support entry into a recognized educator preparation program.
2. Community college coursework leading to completion of an associate degree related to teacher preparation.
3. Online or asynchronous coursework provided at a constituent institution of The University of North Carolina leading to a bachelor's degree.
4. 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 an apprentice teacher in a registered apprenticeship program pursuant to G.S. 115C-269.67, as enacted by Section 7.37 of this act.

c. Any legislative changes or appropriations needed to implement the plan.

HIGH-COST WORKFORCE PROGRAMS START-UP FUNDS

SECTION 6.6.(a) Establishment of the Fund. – Of the nonrecurring funds appropriated to the Community Colleges System Office (System Office) in this act for the 2026-2027 fiscal year, the System Office shall establish the Fund for High-Cost Workforce Programs (Fund). Any unexpended funds remaining in the Fund at the end of the fiscal year shall not revert to the General Fund but shall remain available for the purposes set forth in this section. The Fund shall be used to assist community colleges in starting new programs in high-demand career fields that require significant start-up funds. Only programs offered at community colleges aligned with high-salary and high-demand workforce sectors shall be eligible for the award of funds.

SECTION 6.6.(b) Applications. – The System Office shall establish an application process for community colleges to apply for awards from the Fund by the beginning of the 2026-2027 academic year. To be eligible to receive funds, colleges shall submit to the System Office a completed application, which shall include at least the following information:

(1) A description of the proposed new program requiring start-up funds.
(2) Documentation of industry demand for the program or documentation of future local, regional, or statewide employment needs that will be met by the program.
(3) Total cash cost to start the program and maintain the program over two fiscal years.
(4) A plan for the fiscal sustainability of the new program.

SECTION 6.6.(c) Limitation on the Use of Funds. – A community college may only apply for the award of funds to support one new program in each fiscal year. Funds shall remain available to the community college for a period of two fiscal years.

SECTION 6.6.(d) Matching Funds. – A community college shall be required to match a percentage of the total cash cost of the program with non-State funds based on a college's total full-time equivalents (FTE) according to the following:

(1) Community colleges with a total FTE of greater than 6,500 shall be required to match fifteen percent (15%) of the cost.
(2) Community colleges with a total FTE between 2,500 and 6,500 shall be required to match ten percent (10%) of the cost.
(3) Community colleges with a total FTE below 2,500 shall be required to match five percent (5%) of the cost.

SECTION 6.6.(e) Administration. – The System Office may adopt any policies regarding the application process, use of funds, eligibility requirements, and any other policies necessary related to the administration of the Fund. The System Office may use up to one hundred thousand dollars ($100,000) in nonrecurring funds for the 2026-2027 fiscal year for administrative costs for establishing and implementing the program.

SECTION 6.6.(f) Report. – The System Office shall submit an initial report to the Joint Legislative Education Oversight Committee by December 1, 2027, and an annual report thereafter for each year the System Office provides funds to community colleges from the Fund. The report shall include at least the following information:

(1) The community colleges that received funds, the amount of funds, and the types of programs started.
(2) The use of funds by community colleges receiving awards, including costs associated with student instruction, faculty salaries, instructional supplies, related instructional equipment, and accreditation costs.
(3) Evaluation of the success of the new community college programs receiving funds.

NO FINANCIAL BENEFIT FOR CC STUDENTS CONVICTED OF ASSAULTING OFFICERS OR EMPLOYEES OF THE STATE

SECTION 6.7.(a) Part 4 of Article 1 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-10.85. Students convicted of assaulting an officer or employee of the State.**

The State Board of Community Colleges shall adopt a policy prohibiting the Community Colleges System Office and community colleges from providing a State-funded scholarship or grant to any student who has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled as a student. The prohibition begins with the semester or academic term following the conviction."

SECTION 6.7.(b) This section is effective December 1, 2026, and applies to offenses committed on or after that date.

WORKFORCE DIPLOMA PROGRAM

SECTION 6.8.(a) Program; Purpose. – The Community Colleges System Office shall establish the Workforce Diploma Program (Program) for the 2026-2027 fiscal year. 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 6.8.(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 6.8.(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 6.8.(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 6.8.(e) Report. – The State Board of Community Colleges, in consultation with each qualifying third-party entity, shall submit a report by August 15, 2028, to the Joint Legislative Education Oversight Committee, the Office of Learning Research at the University of North Carolina, 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 6.8.(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 6.8.(g) Administration. – Of the nonrecurring funds appropriated in this act for the 2026-2027 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 PROGRAM

SECTION 6.9.(a) There is established the Digital Credential Program (Program) for the 2026-2027 fiscal year. The purpose of the Program is to evaluate the effectiveness of digital credential services for use by community college students. The North Carolina Community Colleges System Office shall contract with a third-party entity to provide digital credentialing services to all community colleges in the State.

SECTION 6.9.(b) The System Office shall contract with a vendor to provide a Credential Management System (CrMS) that meets the following criteria:

(1) Provides the capability to issue, manage, and verify digital credentials across multiple widely adopted open standards, including World Wide Web Consortium (W3C) Verifiable Credentials, OpenBadges, and AnonCreds, within a single platform.
(2) Supports secure, persistent communication channels that enable authenticated, peer-to-peer interactions between parties.
(3) Meets or exceeds National Institute of Standards and Technology (NIST) Identity Assurance Level (IAL) 3 standards for identity proofing to ensure high-confidence identity verification.
(4) Is designed as a decentralized deployment operating as a network appliance within the State's controlled cloud environment rather than as a multi-tenant Software as a Service (SaaS) offering in order to ensure data sovereignty, reduce long-term operational costs, and eliminate dependency on third-party hosted infrastructure.
(5) Includes a noncustodial mobile digital wallet that enables individuals to maintain sole control of their credentials.
(6) Includes configurable, standards-based workflows that extend agency processes directly to credential holders.

(7) Incorporates advanced capabilities for workforce matching, including artificial intelligence driven analysis that aligns verified credentials with employment opportunities.

(8) Includes trust and verification systems anchored using blockchain-based mechanisms solely for publishing tamper-resistant public keys and service endpoints, without storing any personally identifiable information or credential data on-chain.

NORTH CAROLINA STUDENT LIFELINE INFORMATION FOR COMMUNITY COLLEGE STUDENTS

SECTION 6.10.(a) Part 2 of Article 1 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-9.45. 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 6.10.(b) This section is effective when it becomes law and applies beginning with the 2026-2027 academic year.

REDUCTION OF PERFORMANCE FUNDING EXCEPT BASIC SKILLS

SECTION 6.11. G.S. 115D-31.3 reads as rewritten:

"**§ 115D-31.3. Institutional performance accountability.**

(a) Implementation of Accountability Measures and Performance Standards. – The State Board of Community Colleges shall adopt and implement a system of accountability measures and performance standards for the Community College System. At least once every three years, the State Board of Community Colleges shall review, and revise if necessary, the accountability measures and performance standards to ensure that they are appropriate for use in recognition of successful institutional performance. If the State Board determines that accountability measures and performance standards must be revised following a review required by this subsection, the State Board shall report to the Joint Legislative Education Oversight Committee prior to the implementation of any proposed revisions.

(b) through (d) Repealed by Session Laws 2000-67, s. 9.7, effective July 1, 2000.

(e) Mandatory Performance Measures. – The State Board of Community Colleges shall evaluate each college on the ~~following performance measures:~~progress of basic skills students.

~~(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.~~

(f) Publication of Performance Ratings. – Each college shall publish its performance on the measures set out in subsection (e) of this section (i) annually in its electronic catalog or on the internet and (ii) in its printed catalog each time the catalog is reprinted.

The Community Colleges System Office shall publish the performance of all colleges on all measures.

(g) Recognition of Successful Institutional Performance. – For the purpose of recognition of successful institutional performance, the State Board of Community Colleges shall evaluate each college on the performance measures set out in subsection (e) of this section. Subject to the availability of funds, the State Board may allocate funds among colleges based on the evaluation of each institution's performance, including at least the following components:

(1) Program quality evaluated by determining a college's rate of student success on each measure as compared to a systemwide performance baseline and goal.

(2) Program impact on student outcomes evaluated by the number of students succeeding on each measure.

A college may use funds allocated to it pursuant to this subsection for one-time, performance-based bonuses for faculty and staff. Notwithstanding G.S. 135-1(7a), a bonus awarded with funds pursuant to this subsection is not compensation under Article 1 of Chapter 135 of the General Statutes.

(g1) Carryforward of Funds Allocated Based on Performance. – A college that receives funds under subsection (g) of this section may retain and carry forward an amount up to or equal to its performance-based funding allocation for that year into the next fiscal year."

PUBLIC SAFETY EQUIPMENT GRANTS

SECTION 6.12. When purchasing public safety equipment using nonrecurring funds appropriated to the State Board of Community Colleges to be allocated to Central Piedmont Community College (CPCC) for the 2026-2027 fiscal year, CPCC shall provide matching non-State funds for fifteen percent (15%) of the total cash cost of any public safety equipment purchased.

TIME-LIMITED POSITIONS FOR LIGHTHOUSE MATH PROJECT

SECTION 6.13. Of the funds appropriated to the Community Colleges System Office in this act, the sum of up to one million dollars ($1,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to establish time-limited positions at Wake Technical Community College. Positions shall be assigned to work in each high school participating in the Lighthouse Math Project (Project), as established in Section 7.12 of this act, to assist in the implementation of the courses offered by the Project. Funds appropriated for the purposes of this section shall not revert but shall remain available to accomplish the purposes of this section until the end of the 2029-2030 fiscal year.

PART VII. PUBLIC INSTRUCTION

REPEAL TEACHNC INITIATIVE

SECTION 7.1.(a) Section 7.20 of S.L. 2021-180 is repealed.

SECTION 7.1.(b) This section becomes effective July 1, 2027.

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 for the 2023-2024 fiscal year to accelerate implementation of the State's Digital Learning Plan, as set out in S.L. 2016-94, ~~for the 2017-2018 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.

Of the four million dollars ($4,000,000) in recurring funds and the two million four hundred twenty thousand dollars ($2,420,000) in nonrecurring funds appropriated to the Department of Public Instruction for the 2018-2019 fiscal year to accelerate implementation of the State's Digital Learning Plan, as set out in S.L. 2016-94, beginning with the 2018-2019 fiscal year, the Department shall use up to one million eight hundred thousand dollars ($1,800,000) each fiscal year to implement the requirements of this section. The Department shall take no action to impede public school units from accessing Learning.com."

STREAMLINE LIMITED ENGLISH PROFICIENT ALLOTMENT

SECTION 7.3.(a) The title of Article 32F of Chapter 115C of the General Statutes reads as rewritten:

"Supplemental School ~~Funding.~~Funding and Other Allotments."

SECTION 7.3.(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.**

(a) 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 schools, regional schools, or laboratory schools over the past three years who have limited English proficiency.

(b) Local school administrative units shall use funds allocated to them to pay for classroom teachers, teacher assistants, tutors, instructional materials, transportation costs, and professional development of teachers for students with limited English proficiency.

(c) 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 7.3.(c) When making adjustments to allocations to local school administrative units from the limited English proficient allotment for the 2026-2027 fiscal year, no local school administrative unit with an average daily membership of 20,000 or fewer students for the 2026-2027 school year shall receive a negative adjustment in excess of fifty thousand dollars ($50,000) when compared to the allocation received during the 2025-2026 fiscal year from that allotment.

SECTION 7.3.(d) Subsection (a) of Section 7.9 of S.L. 2007-323 is repealed.

REPEAL TEXTBOOK COMMISSION

SECTION 7.4.(a) G.S. 115C-86 through G.S. 115C-95 and G.S. 115C-97 are repealed.

SECTION 7.4.(b) Part 3 of Article 8 of Chapter 115C of the General Statutes reads as rewritten:

"Part 3. ~~Textbooks.~~Instructional Materials.

"**~~§ 115C-85. Textbook 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" 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 may be print or nonprint, including hardbound books, softbound books, activity-oriented programs, classroom kits, and technology-based programs 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-85.1. Definitions.**

The following definitions apply in this Part:

(1) Instructional materials. – Systematically organized materials comprehensive enough to cover the primary objectives outlined in the standard course of study for a grade or course. Formats for instructional materials may be print or nonprint, including hardbound books, softbound books, activity-oriented programs, classroom kits, and digital resources that require the use of electronic equipment in order to be used in the learning process.

(2) Library books. – Electronic, print, and nonprint resources, excluding instructional materials, held in a formal school library or in a classroom for

independent use by students and school personnel outside of the standard course of study for any grade or course.

(3) Supplementary materials. – Print or nonprint materials used for instruction in classrooms not encompassed by the definition of instructional materials, including supplementary textbooks, library books, periodicals, and audiovisual materials.

…

"**§ 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 instructional materials and supplementary materials.**

(a) Local boards of education shall adopt ~~rules~~ policies not inconsistent with the ~~policies of~~ rules adopted by the State Board of Education concerning the local ~~operation of the textbook program.~~selection and procurement of instructional materials. Local boards of education may select and procure instructional materials, determine if the materials are related to and within the limits of the prescribed curriculum, and determine when the materials may be presented to students during the school day. All contracts for procurement of instructional materials pursuant to this subsection shall include a clause granting to the local board of education the license to produce braille, large print, audiocassette tape, and other accessible copies of instructional materials for use in the local school administrative unit.

(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 ~~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 ~~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 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 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 that have not been adopted by the State Board of Education for selected grade levels and courses.~~

~~All textbook 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 copies of the textbooks for use in the local school administrative unit.~~

…

"**§ 115C-98.1. Parent access to library books.**

~~(a) For the purposes of this section, the term "library books" means electronic, print, and nonprint resources, excluding textbooks, for independent use by students and school personnel outside of the standard course of study for any grade or course. Library books may be held in a formal school library or in a classroom.~~

~~(b)~~ Local boards of education shall adopt policies that do all of the following:

(1) Provide ongoing public access through a searchable web-based catalog to the titles of any library books available at each school within the local school administrative unit. Each school shall display its catalog on the homepage of its website.

(2) Allow a parent or guardian of a student to identify any library books that may not be borrowed by the student. A student shall not be permitted to borrow any library books identified by the student's parent or guardian pursuant to this subdivision.

"**§ 115C-98.5. Challenges to instructional materials and supplementary materials.**

(a) Local boards of education shall establish a community media advisory committee to investigate and evaluate challenges to instructional materials and supplementary materials.

(b) At a minimum, the committee shall include the following:

(1) Three principals, including a principal from a high school, a middle school, and an elementary school.

(2) Three teachers, including a teacher from a high school, a middle school, and an elementary school.

(3) A parent of a student in high school or middle school and a parent of a student in elementary school.

(4) Three school library media coordinators, including one from a high school, a middle school, and an elementary school.

(c) Challenges to instructional materials and supplementary materials shall be made in writing and submitted to the local board of education. The challenge shall specify that the material being challenged is one or more of the following:

(1) Obscene.

(2) Inappropriate to the age, maturity, or grade level of the students.

(3) Except for library books, not aligned with the standard course of study.

(d) The local board of education and the community media advisory committee shall only investigate and evaluate challenges submitted by a parent of a student enrolled in a school governed by the board, a teacher employed by the board, or a resident of the area of assignment for the board.

(e) Within two weeks of the filing of the challenge, the community media advisory committee shall hold a hearing and provide the challengers an opportunity to present their concerns to the committee. The committee may, in the committee's discretion, request additional information on the subject matter at the hearing from experts employed by the local school administrative unit. Within two weeks of the hearing, the committee shall make a recommendation to the local board of education on whether the challenge has merit and whether the challenged material should be retained or removed as unfit material. The committee's determination shall be limited to considerations of whether the material is unfit on the specific grounds of the material being (i) obscene, (ii) inappropriate to the age, maturity, or grade level of the students, or (iii) not aligned with the standard course of study.

(f) At the next meeting of the local board of education after the community media advisory committee's recommendation is received, the local board shall determine whether the challenge has merit and whether the challenged material should be retained or removed as unfit material.

(g) 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. The decision of the board is not appealable.

"**§ 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 superintendent shall withhold his salary vouchers 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, and the State Treasurer shall make no payment until the State Superintendent notifies him 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~~ materials 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 7.4.(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 7.4.(d) G.S. 115C-11(e) is repealed.

SECTION 7.4.(e) G.S. 115C-12(9)b. is repealed.

SECTION 7.4.(f) G.S. 115C-12(9c)c. reads as rewritten:

"c. The Board also shall develop and implement an ongoing process to align State programs and support materials with the revised academic content standards for each core academic area on a regular basis. Alignment shall include revising ~~textbook~~ instructional materials criteria, support materials, State tests, teacher and school administrator preparation, and ongoing professional development programs to be compatible with content standards. The Board shall develop and make available to teachers and parents support materials, including teacher and parent guides, for academic content standards. The State Board of Education shall work in collaboration with the Board of Governors of The University of North Carolina to ensure that teacher and school administrator degree programs, ongoing professional development, and other university activity in the State's public schools align with the State Board's priorities."

SECTION 7.4.(g) 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 7.4.(h) 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 website 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 Supplementary 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 7.4.(i) G.S. 115C-76.25(a) reads as rewritten:

"**§ 115C-76.25. Parent legal rights for their child's education.**

(a) Parents have legal rights with regards to their child's education, including the following:

…

(5) The right to inspect and purchase public school unit ~~textbooks~~ instructional materials and ~~other~~ supplementary ~~instructional~~ materials, as provided in Part 3 of Article 8 of this Chapter.

(6) The right to access information relating to the unit's policies for promotion or retention, including high school graduation requirements.

(7) The right to receive student report cards on a regular basis that clearly depict and grade the student's academic performance in each class or course, the student's conduct, and the student's attendance.

(8) The right to access information relating to the State public education system, State standards, report card requirements, attendance requirements, and ~~textbook~~ instructional materials requirements.

…."

SECTION 7.4.(j) G.S. 115C-76.30(a) reads as rewritten:

"(a) The State Board of Education shall develop minimum requirements for public school units for a parent's guide to student achievement to provide what parents need to know about their child's educational progress and how they can help their child to succeed in school. These minimum requirements shall include at least the following:

(1) Parental information regarding the following:

a. Requirements for his or her child to be promoted to the next grade, including the requirements of Part 1A of Article 8 of this Chapter.

b. The course of study, ~~textbooks,~~ instructional materials, and ~~other~~ supplementary ~~instructional~~ materials for his or her child and the policies for inspection and review of those materials.

c. Progress of his or her child toward achieving State and unit expectations for academic proficiency, including policies for student

assessment, and his or her child's assessment results, report cards, and progress reports.

d. Qualifications of his or her child's teachers, including licensure status.

e. School entry requirements, including required immunizations and the recommended immunization schedule.

…."

SECTION 7.4.(k) G.S. 115C-76.35(b) reads as rewritten:

"(b) Governing bodies of public school units shall establish policies to do all of the following:

(1) Provide for parental participation in their child's education to improve parent and teacher cooperation in areas such as homework, school attendance, and discipline that aligns with the parent guide for student achievement required by G.S. 115C-76.30.

(2) Require principals to effectively communicate to parents the manner in which ~~textbooks~~ instructional materials are used to implement the school's curricular objectives.

(3) Establish a procedure for parents to learn about their child's course of study and the source of any supplementary ~~instructional~~ materials. This procedure shall include the process for parents to inspect and review all ~~textbooks~~ instructional materials and supplementary ~~instructional~~ materials that will be used in their child's classroom. The policy shall be available for in-person review by parents at the school site and publicly available on the school's website. For the purposes of this section, ~~a textbook is~~ instructional materials and supplementary materials are as defined in ~~G.S. 115C-85 and supplementary instructional materials include supplementary textbooks, periodicals, audiovisual materials, and other supplementary materials used for instructional purposes.~~G.S. 115C-85.1.

(4) Establish a means for parents to object to ~~textbooks~~ instructional materials and supplementary ~~instructional~~ materials consistent with the requirements of ~~G.S. 115C-98.~~G.S. 115C-98.5.

(5) Establish a process for parents to review materials for and to consent or withhold consent for participation in reproductive health and safety education programs consistent with the requirements of G.S. 115C-81.30.

(6) Establish a process for parents to learn about the nature and purpose of clubs and activities offered at their child's school, including both curricular and extracurricular activities."

SECTION 7.4.(*l*) 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~~ instructional materials, and supplementary materials, but does not include responses to student-initiated questions."

SECTION 7.4.(m) G.S. 115C-81.5(b)(3) is repealed.

SECTION 7.4.(n) G.S. 115C-81.25(b)(3) is repealed.

SECTION 7.4.(o) 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 7.4.(p) 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 materials and supplementary materials, as defined in Part 3 of Article 8 of this Chapter, and to acquire software necessary for the use of the instructional materials or supplementary materials. These funds shall not be transferred out of the allotment for any other purpose."

SECTION 7.4.(q) G.S. 115C-150.12C reads as rewritten:

"**§ 115C-150.12C. Powers and duties.**

A board of trustees shall adopt rules necessary for the administration of the school to implement the requirements of this Article. Each board of trustees shall have the following powers and duties:

…

(10) Fees, charges, and solicitations. – The board of trustees shall adopt rules governing solicitations of, sales to, and fundraising activities conducted by the students and faculty members in the school, and no fees, charges, or costs shall be collected from students and school personnel without approval of the board of trustees as recorded in the minutes of said board; provided, this subdivision shall not apply to such ~~textbook~~ instructional materials fees as are determined and established by the State Board of Education. The board of trustees shall publish a schedule of approved fees, charges, and solicitations on the school's website by October 15 of each school year and, if the schedule is subsequently revised, within 30 days following the revision.

…

(20) Instructional materials. – The board of trustees shall have the authority to select, procure, and use ~~textbooks not adopted by the State Board of Education as provided in G.S. 115C-98(b1).~~ instructional materials. The board 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).

…."

SECTION 7.4.(r) 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 7.4.(s) 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 7.4.(t) 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,~~ instructional materials, but damage fees may be collected pursuant to the provisions of G.S. 115C-100."

SECTION 7.4.(u) 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 7.4.(v) 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 7.4.(w) 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 7.4.(x) G.S. 115C-472.22(a) reads as rewritten:

"(a) Use of Funds for Supplemental Funding. – To the extent funds are made available for this purpose, all funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and ~~textbooks and digital resources~~ instructional materials and supplementary materials and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight."

SECTION 7.4.(y) G.S. 143A-48 is repealed.

SECTION 7.4.(z) 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 7.4.(aa) Effective July 1, 2026, 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 materials and supplementary materials as identified in Part 3 of Article 8 of Chapter 115C of the General Statutes. Funds allocated to the Instructional Materials funding allotment in fiscal years 2026-2027, 2027-2028, and 2028-2029 shall not revert to the General Fund at the end of the fiscal year but shall remain available until expended.

SECTION 7.4.(bb) Except as otherwise provided, this section becomes effective July 1, 2026, and applies beginning with the 2026-2027 school year.

FREEZE LOW-WEALTH ALLOTMENT FUNDS

SECTION 7.5.(a) G.S. 115C-472.22 reads as rewritten:

"**§ 115C-472.22. Supplemental funding in low-wealth counties.**

…

(d) Allocation of Funds. – Except as provided in ~~subsection~~ subsections (d1) and (f) of this section, the amount received per average daily membership for a county shall be the difference between the State average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. To derive the current expense appropriations per student that the county could be able to provide given the county's wealth and an average effort to fund public schools, multiply the county's wealth as a percentage of State average wealth by the State

average current expense appropriations per student. The funds for the local school administrative units located in whole or in part in the county shall be allocated to each local school administrative unit located in whole or in part in the county based on the average daily membership of the county's students in the school units. If the funds appropriated for supplemental funding are not adequate to fund the formula fully, each local school administrative unit shall receive a pro rata share of the funds appropriated for supplemental funding.

(d1) Limitation on Annual Allocation Changes. – After identifying county eligibility to receive funds pursuant to this section and determining the amounts to be allocated to each county, the following shall apply:

(1) If a county that is determined to be eligible was ineligible during the prior school year, the county shall receive the full amount calculated by the Department pursuant to subsection (d) of this section.

(2) If a county were to be ineligible to receive funds allocated pursuant to this section after being allocated funds during the prior school year, the following shall apply:

a. For the first school year that a county is ineligible to receive funds pursuant to this section, the county shall only receive a reduction in allocation of thirty percent (30%) for that year when compared to the prior school year.

b. If a county remains ineligible for two or more consecutive school years, the county shall not receive funds pursuant to this section beginning with the second school year that the county is ineligible.

(3) For all other counties that receive funds pursuant to this section, the Department shall not reduce or increase allocations by greater than thirty percent (30%) when compared to the prior school year.

…."

SECTION 7.5.(b) Beginning with the 2027-2028 fiscal year, the Department of Public Instruction shall calculate and allocate supplemental funding for low-wealth counties pursuant to G.S. 115C-472.22, as amended by this act, using an amount of funds not to exceed the amount of funds appropriated for that purpose in the 2026-2027 fiscal year. This limitation shall not apply to additional funds appropriated by the General Assembly for salary and benefit increases.

SECTION 7.5.(c) This section is effective when it becomes law and applies to allocations of low-wealth supplemental funds beginning with the 2027-2028 school year.

ADJUSTMENT TO PRINCIPAL LICENSURE REQUIREMENTS

SECTION 7.6.(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:~~requirements established by the State Board.

~~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 submitted a portfolio to the State Board for approval that meets criteria adopted by the State Board.~~

(1a) Principal 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 principal preparation program.

c. Has at least four years of experience as a licensed professional educator.

d. Has submitted a portfolio to the State Board for approval that meets criteria adopted by the State Board.

(2) Provisional assistant principal license. – A one-year license to be employed as an assistant principal, renewable twice, issued to an employee of a local board of education if one of the following requirements is met:

a. The local board of education determines there is a demonstrated need for administrators and the employee enrolls in an approved ~~administrator~~ principal preparation program by the end of the first year of provisional licensure.

b. The employee is participating in an internship required for completion of an approved ~~administrator~~ principal preparation program."

SECTION 7.6.(b) G.S. 115C-270.1 reads as rewritten:

"**§ 115C-270.1. Definitions.**

As used in this Article, the following definitions shall apply:

(1) Administrator. – An administrator or supervisor who serves in general and program administrator roles, as classified by the State Board. Administrators shall include superintendents, assistant or associate superintendents, principals, assistant principals, or curriculum-instructional specialists.

(1a) Approved ~~administrator~~ principal preparation program or approved ~~APP.~~ PPP. – ~~An administrator~~ A principal preparation program, as defined in G.S. 115C-284.1, that has been approved by the State Board as meeting the requirements established by rule.

(1b) Individualized education program (IEP). – As defined in G.S. 115C-106.3.

(2) Professional educator. – An administrator, teacher, or student services personnel.

(3) Recognized educator preparation program or recognized EPP. – As defined in G.S. 115C-269.1(15).

(3a) Related services. – As defined in G.S. 115C-106.3.

(3b) Special education. – As defined in G.S. 115C-106.3.

(4) Student services personnel. – An individual providing specialized assistance to students, teachers, administrators, or the education program in general, as classified by the State Board. Student services personnel shall include individuals employed in school counseling, school social work, school psychology, audiology, speech-language pathology, and media coordination.

(5) Teacher. – An individual whose major responsibility is to either teach or directly supervise teaching, as classified by the State Board."

SECTION 7.6.(c) G.S. 115C-284 reads as rewritten:

"**§ 115C-284. Method of selection and requirements.**

…

(e) The State Board shall not issue provisional licenses for principals. All principals ~~and supervisors~~ employed in the public schools of the State or in schools receiving public funds are required either to hold or be qualified to hold a principal license issued by the State Board of Education. It is unlawful for a local board of education to employ or keep in service a principal ~~or supervisor~~ who neither holds nor is qualified to hold a principal license. However, a local

board of education may select a retired principal or retired assistant principal to serve as an interim principal for the remainder of any school year, regardless of licensure status.

(e1) All supervisors employed in the public schools of the State or in schools receiving public funds are required either to hold or be qualified to hold an administrator license issued by the State Board of Education. It is unlawful for a local board of education to employ or keep in service a supervisor who neither holds nor is qualified to hold an administrator license.

…."

SECTION 7.6.(d) G.S. 115C-284.1 reads as rewritten:

"**§ 115C-284.1. ~~Administrator~~ Principal preparation programs.**

(a) Role of ~~APPs.~~ PPPs. – To recommend candidates for licensure, ~~an administrator~~ a principal preparation program ~~(APP)~~ (PPP) shall be approved by the State Board. For the purposes of this section, ~~an APP~~ a PPP is any entity that meets all of the following:

(1) Prepares, trains, and recommends candidates for ~~administrator~~ principal licensure.

(2) Leads to a Master's of School Administration (MSA) or Master's of Education in Educational Leadership unless the candidate already holds a master's or doctoral degree in an education-related field.

(3) Meets one of the following:

a. Is accredited by a programmatic accrediting agency recognized by the Secretary of Education pursuant to federal law.

b. Was approved by the State Board of Education as a school administrator preparation program prior to April 1, 2023.

(b) State Board Authority. – The State Board shall have the authority to approve ~~an APP~~ a PPP that meets the requirements established by rule as provided in subsection (c) of this section.

(c) Rules for Granting State Approval. – The State Board shall adopt rules for granting approval to ~~APPs~~ PPPs in accordance with this section. The rules shall ensure the following:

(1) A rigorous approval process that requires that the criteria in this section are met.

(2) An application process, peer review, and technical assistance provided by the State Board.

(3) An approval period of five years and process for renewal of approval.

(d) Minimum Approval Standards. – At a minimum, the rules established as provided in subsection (c) of this section shall require ~~APPs~~ PPPs to meet the following requirements:

(1) Require all candidates to complete an internship that is at least 500 hours in duration.

(2) Require the development of portfolios that meet criteria adopted by the State Board and provide evidence that candidates are applying their training to actual school needs and challenges.

(3) Require that all ~~APP~~ PPP candidates demonstrate competencies in (i) using digital and other instructional technologies and (ii) supporting teachers and other school personnel to use digital and other instructional technologies to ensure provision of high-quality, integrated digital teaching and learning to all students.

(4) Align with the standards for the evaluation of school executives and specifically address the use of the results of the Teacher Working Conditions Survey.

(5) Require evidence of a high level of institutional commitment, including dedicated resources, for ~~APP~~ PPP improvements and redesign.

(6) Require the use of cross-functional work teams to determine a common curriculum framework that (i) is designed to align with defined standards, (ii) includes rigorous core courses, and (iii) will produce ~~administrators~~ principals

who meet the defined standards. The cross-functional work teams shall include school-based personnel, faculty from schools of education and other disciplines from institutions of higher education, and representatives of State agencies.

(7) Require the use of cross-functional work teams to design and periodically update specific standards regarding placement, required activities, and evaluations of clinical experiences. These standards shall include appropriate training for the school leaders who agree to accept and supervise interns.

(8) Require written agreements between the institution of higher education and a public school unit to govern their shared responsibility for (i) recruitment and preparation of school ~~administrators,~~ principals, especially with regard to clinical experiences, including the internship, and (ii) a new ~~administrator's~~ principal's success once employed.

(9) Require authentic partnerships between adjunct faculty and full-time faculty to fully address the need for both practical, field-based experience and academic, theory-based experience. These partnerships may require a change in the institution of higher education's definition of scholarly activity and its reward system.

(10) Incorporate the criteria developed in accordance with G.S. 116-74.21 for assessing proposals under the School Administrator Training Program.

(e) The State Board of Education shall develop rules to determine whether an applicant who completed ~~an administrator~~ a principal preparation program outside the State meets or exceeds the requirements to hold a North Carolina ~~administrator~~ principal license."

SECTION 7.6.(e) This section is effective when it becomes law and applies to applicants for licensure on or after that date.

VARIOUS EDUCATION REPORT CHANGES

SECTION 7.7.(a) G.S. 115C-12(25) is repealed.

SECTION 7.7.(a1) G.S. 115C-21(a) is amended by adding a new subdivision to read:

"(10) Upon the request of the Joint Legislative Education Oversight Committee, to examine and evaluate issues, programs, policies, and fiscal information, and to make reports to that Committee. Furthermore, by March 15 of each year, the 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 7.7.(b) Subdivision (4) of subsection (d) of G.S. 115C-81.45 is repealed.

SECTION 7.7.(c) Subsection (b) of Section 7.17 of S.L. 2018-5 is repealed.

SECTION 7.7.(d) Subsection (d) of Section 7.32 of S.L. 2017-57 is repealed.

SECTION 7.7.(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 7.7.(f) G.S. 115C-316.2 is repealed.

SECTION 7.7.(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 7.7.(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 7.7.(i) G.S. 115C-12(22) 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 7.7.(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 7.7.(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 website on an annual basis ~~beginning December 15, 2019,~~ by February 15 of each year and the Department of Public Instruction shall submit the report to the Joint Legislative Education Oversight Committee annually by that date."

SECTION 7.7.(*l*) 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 7.7.(m) 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 7.7.(n) 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 7.7.(o) 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.~~ Committee. 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 7.7.(p) 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 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 7.8.(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 7.8.(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 7.8.(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 7.8.(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 7.8.(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 7.8.(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. The Department shall provide training to the teachers referenced in this subsection 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. 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 7.8.(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.

AUTOMATIC ENROLLMENT IN ADVANCED ENGLISH LANGUAGE ARTS COURSES

SECTION 7.9.(a) G.S. 115C-81.36 reads as rewritten:

"**§ 115C-81.36. Advanced courses in ~~mathematics.~~mathematics and English Language Arts.**

(a) When practicable, local boards of education shall offer advanced learning opportunities ~~in mathematics~~ in grades three through five, and advanced courses ~~in mathematics~~ in all grades six and higher. For the purposes of this section, advanced learning opportunities are those services and curricular modifications in mathematics and English Language Arts for academically or intellectually gifted students approved as part of the local plan, as required by ~~G.S. 115C-150.7.~~G.S. 115C-150.7, and advanced courses are advanced courses in mathematics and English Language Arts.

(a1) When advanced learning opportunities are offered ~~in mathematics~~ in grades three through five, any student scoring at the highest level on the corresponding end-of-grade test shall, for the next school year, be provided advanced learning opportunities ~~in mathematics~~ approved for that student's grade level. ~~No student who qualifies under this subsection shall be removed from the advanced learning opportunity provided to the student unless a parent or guardian of the student provides written consent for the student to be excluded or removed after being adequately informed that the student's placement was determined by the student's achievement on the previous end-of-grade test.~~

(b) When advanced courses are offered ~~in mathematics~~ in grades six and higher, any student scoring at the highest level on the corresponding end-of-grade or end-of-course test for the ~~mathematics~~ course in which the student was most recently enrolled shall be enrolled in the advanced course for the next ~~mathematics~~ course in which the student is enrolled. ~~A student in seventh grade scoring at the highest level on the seventh grade mathematics end-of-grade test shall be enrolled in a high school level mathematics course in eighth grade. Local boards of education may provide supplemental content enrichment, which may include the administration of diagnostic assessments, to students enrolled in a high school level mathematics course. No student who qualifies under this subsection shall be removed from the advanced or high school mathematics course in which the student is enrolled unless a parent or guardian of the student provides written consent for the student to be excluded or removed from that course after being adequately informed that the student's placement was determined by the student's achievement on the previous end-of-grade or end-of-course test.~~

(b1) A student in seventh grade scoring at the highest level on the seventh grade mathematics end-of-grade test shall be enrolled in a high school level mathematics course in eighth grade.

(c) ~~By December 15, 2020, and annually thereafter, the~~ The Department of Public Instruction shall submit a report annually by December 15 to the Joint Legislative Education Oversight Committee containing data collected for the current school year on the ~~number and demographics~~ number, demographics, and socioeconomic status of students who were eligible for advanced ~~mathematics~~ courses under this section, including high school level mathematics courses in eighth grade, and of those students, the ~~number and demographics~~ number, demographics, and socioeconomic status of those who were placed in advanced ~~mathematics~~ courses and were not placed in advanced ~~mathematics~~ courses. The report shall include information on the type and format of advanced ~~mathematics~~ courses provided and shall also include any feedback provided by local boards of education on the implementation of this section.

(d) The Department of Public Instruction shall provide guidance to local boards of education on how to best develop programming and courses to ensure all impacted students receive rigorous, academically appropriate instruction in ~~mathematics.~~mathematics and English Language Arts.

(e) No student who qualifies for advanced learning opportunities or advanced courses under this section shall be removed from the advanced learning opportunity or advanced course provided to the student unless a parent or guardian of the student provides written consent for the student to be excluded or removed after being adequately informed that the student's placement was determined by the student's achievement on the previous end-of-grade or end-of-course test. Local boards of education may provide supplemental content enrichment, which may include the administration of diagnostic assessments, to students enrolled in advanced courses."

SECTION 7.9.(b) This section is effective when it becomes law and applies beginning with the 2027-2028 school year.

HIGHLY EFFECTIVE LIMITED LICENSE TEACHERS

SECTION 7.10.(a) G.S. 115C-269.15(a) is repealed.

SECTION 7.10.(b) G.S. 115C-270.15 reads as rewritten:

"**§ 115C-270.15. Examination requirements.**

…

(c) Time Line for Completion of Examinations. – The State Board of Education shall permit an applicant to fulfill any such examination requirement before or during the third year of ~~licensure, provided the applicant took the examination at least once during the first year of licensure.~~licensure.

…

(e) Conversion to Continuing Professional License. – ~~The~~ Except as provided in subsection (f) of this section, the State Board shall not convert an ~~IPL or RL~~ IPL, RL, or limited license to a continuing professional license for a teacher who has not fulfilled the examination requirements of this section.

(f) Waiver of Examination Requirements for Certain Individuals with Limited Licenses. – The State Board shall convert a limited license to a continuing professional license for a teacher who has available growth data under the Education Value-Added Assessment System (EVAAS) and has a positive growth score for two of the three most recent years for which growth scores are available."

SECTION 7.10.(c) G.S. 115C-270.25 reads as rewritten:

"**§ 115C-270.25. ~~Out-of-state~~ Out-of-jurisdiction license applicants.**

The State Board of Education shall grant a CPL to a teacher licensed ~~in another state with substantially similar licensure requirements who has~~ or otherwise authorized to teach in a jurisdiction outside this State, if the teacher meets either of the following requirements:

(1) If the teacher is licensed in another state and meets all of the following requirements:
a. Has at least three years of teaching ~~experience and is~~ experience.
b. Is in good standing with the other state.
(2) If the teacher previously worked as a teacher in a foreign country and meets either of the following requirements:
a. Is licensed in a foreign country and in good standing with that jurisdiction.
b. If licensure and good standing pursuant to sub-subdivision a. of this subdivision cannot be verified, meets either of the following:
1. Has at least three years of teaching experience.
2. Has been authorized to teach in a foreign country in the previous five years."

SECTION 7.10.(d) Local school administrative units may convert positions to dollar equivalents pursuant to G.S. 115C-105.25(b)(5a) for visiting international faculty awarded a CPL pursuant to G.S. 115C-270.25, as amended by this act.

SECTION 7.10.(e) The State Board of Education shall adopt rules to implement the provisions of subsection (c) of this section. These rules shall include a process to recognize entities that provide to individuals in foreign nations licenses or other credentials necessary to permit those persons to teach.

SECTION 7.10.(f) Subsection (c) of this section is effective when it becomes law and applies to applications submitted for a continuing professional license under G.S. 115C-270.25, as amended by subsection (c) of this section, on or after that date.

COMPETENCY-BASED HIGH SCHOOL/HEALTHCARE AND HIGH-TECH PATHWAYS PROGRAM

SECTION 7.11.(a) Program Established; Purpose. – There is established the Competency-Based High School and Healthcare and High-Tech Pathways Program (Program) for the 2026-2027 through 2028-2029 school years. The purpose of the Program is to create pathways that will utilize competency-based education (CBE). Pathways will result in obtaining either an associate degree or an industry recognized credential/certification/licensure based on the student's goal of employment or enrollment. Students will decide their college or career track at the end of their junior year with an initial emphasis on healthcare preparation.

SECTION 7.11.(b) Participants. – Mooresville Graded School District (MGSD) shall partner with Mitchell Community College (MCC) to implement the Program.

SECTION 7.11.(c) Program Time Line. – MGSD, in collaboration with MCC, shall contract with an organization with demonstrated expertise in designing and implementing learner-centered, modular, and competency-based high school programs that align with emerging healthcare and high-tech career pathways. The organization shall have experience in co-designing stackable credentials with public school units and higher education partners and a documented track record of developing digital infrastructure that supports student-paced progression, interdisciplinary learning, and real-world skill acquisition. This organization shall assist in developing a framework for the Program, including course design, sequencing, credentialing structure, and other elements necessary for personalized student progression during the 2026-2027 school year. Students will have the opportunity to participate in a pathway provided by the Program by the 2028-2029 school year at the latest.

SECTION 7.11.(d) Program Flexibilities. – Notwithstanding any provision of law to the contrary, the following flexibilities shall be available to Program participants:

(1) MGSD may offer Credit by Demonstrated Mastery assessments and CTE Proof of Learning assessments outside of existing State testing windows.

(2) MCC may enroll MGSD students in community college courses prior to their eleventh grade year without the student meeting the requirements for ninth and tenth grade students pursuant to subdivision (4) of G.S. 115D-20.

(3) Students participating in the Program shall have access to all community college courses at MCC, regardless of pathway selection.

(4) MGSD may replace any high school graduation credit requirement, except those outlined in this subdivision, with either community college courses offered by MCC or locally developed CBE courses that are consistent with the student's pathway. MGSD shall not replace any graduation credit requirements in the following subject areas:
   a. English.
   b. Mathematics.
   c. Science.
   d. Social Studies.

(5) MGSD may operate any high school in the local school administrative unit consistent with the flexibilities of a school operating under a restart model pursuant to G.S. 115C-105.37B(a)(2).

SECTION 7.11.(e) Selection of Third-Party Vendor. – MGSD shall select a third-party vendor (Vendor) that is an educational support provider with a nationally recognized, research-based instructional and leadership framework, including a High Reliability School model, a taxonomy of educational objectives aligned to classroom strategies, and a system for implementing personalized competency-based education. The Vendor shall have published extensively in peer-reviewed and practitioner literature, have an established track record of working directly with K-12 schools and districts across multiple states, and offer professional development services, implementation support, and instructional resources developed and led by a founding education researcher with over four decades of influence in curriculum, instruction, and assessment.

SECTION 7.11.(f) MGSD Partnership with Vendor. – MGSD shall partner with the Vendor selected pursuant to subsection (e) of this section to develop standards-aligned proficiency scales for all content areas in grades nine through 12 to ensure educators in the participating schools have the tools necessary to successfully transition to CBE approaches. The Vendor shall provide professional development and coaching to the schools in MGSD to ensure educators can engage in learning about CBE approaches, including implementation of the proficiency scales developed by MGSD.

SECTION 7.11.(g) Funding. – Of the funds appropriated from the General Fund to the Department of Public Instruction in this act, the sum of four million dollars ($4,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be allocated to MGSD to contract with a Vendor pursuant to subsection (c) of this section. These funds shall not revert but shall remain available until the end of the 2028-2029 fiscal year. These funds shall be allocated to MGSD for the following purposes:

(1) To contract with experts in CBE and designing stackable credentials pursuant to subsection (c) of this section.

(2) To hire one additional staff member at MGSD to oversee implementation of the Program.

(3) To partner with a Vendor pursuant to subsection (f) of this section.

LIGHTHOUSE MATH PROJECT

SECTION 7.12.(a) Project Established; Purpose. – There is established the Lighthouse Math Project (Project) for the 2026-2027 through 2029-2030 school years. The purpose of the Project is to increase the percentage of high school students who are (i) eligible to complete college-level mathematics upon graduation from high school and (ii) able to complete

college-level math either through dual enrollment while in high school or within the first year of college enrollment.

SECTION 7.12.(b) Project Participants. – Wake Technical Community College (Wake Tech) shall partner with the Wake County Public School System (WCPSS) for high school students at East Wake High School and Knightdale High School to be eligible to participate in the Project at the Wake Tech East campus of Wake Tech. Wake Tech and WCPSS shall partner with SparkNC to align the Project participants' ongoing efforts at the Wake Tech East campus with the design and implementation of the Project.

SECTION 7.12.(c) Project Commitments. – WCPSS, in collaboration with Wake Tech, shall contract with Khan Academy, Inc., (Khan) for use of the artificial intelligence student tutoring program, Khanmigo. Students enrolling at participating high schools shall have access to Khanmigo from the time of enrollment in the high school and continuing through their attendance at Wake Tech if the student chooses to enroll at Wake Tech East. Wake Tech shall collaborate with Khan to do the following:

(1) Develop and deliver at least one Khanmigo-centered gateway college math course to be offered to high school students at participating high schools to be completed as a college-level math course. This course shall also be available to students who graduate from participating high schools and enroll in the courses at Wake Tech East.

(2) Develop a Khanmigo-centered developmental math course sequence that will be provided by Wake Tech faculty to students from participating high schools in one of the following formats:

a. As part of a Career and College Promise Career Ready Pathway.

b. As supplement to a Career and College Promise Pathway.

c. As a summer bridge program available to students prior to or subsequent to their junior and senior years of high school.

d. As a community college course during the first semester of enrollment at Wake Tech.

SECTION 7.12.(d) Modular Math Course. – As part of the Project, Khan, in consultation with Wake Tech and WCPSS, shall work to develop a self-paced, competency-based modular math course with appropriate student diagnostics and student assessments based on the college readiness math competencies provided as part of the Project. It is the intent that students successfully demonstrating college readiness math competencies will be eligible to enroll in college-level math courses.

SECTION 7.12.(e) Funding; DPI. – Of the funds appropriated to the Department of Public Instruction in this act, the sum of five hundred thousand dollars ($500,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to contract with Khan for licenses for the Khanmigo application and to create the course developed pursuant to subdivision (1) of subsection (c) of this section. Funds appropriated for the purposes of this section shall not revert but shall remain available to accomplish the purposes of this section until the end of the 2027-2028 fiscal year.

COMPETENCY-BASED EDUCATION AND HIGH SCHOOL REDESIGN STRATEGIC NETWORK

SECTION 7.13. Mooresville Graded School District, Mitchell Community College, Wake Technical Community College, Wake County Public School System, Fayetteville Technical Community College, Wilkes Community College, and SparkNC shall collaborate to create a Competency-Based Education and High School Redesign Strategic Network (Network) for the 2026-2027 through 2029-2030 fiscal years. The president of SparkNC, or the president's designee, shall serve as the chair of the Network. The chair shall coordinate the operations of the Network and provide administrative and technical support for the Network to the extent such

support is necessary. The Network shall provide a means for each entity to share what it has learned and developed regarding CBE and high school redesign. The goals of the Network shall be to advance the goals of developing a CBE approach to education across the State.

NORTH CAROLINA COMPETENCY-BASED EDUCATION INNOVATION GRANT PROGRAM

SECTION 7.14.(a) Program Established; Purpose. – There is established the North Carolina Competency-Based Education Innovation Grant and Network Program (Program) for the 2026-2027 through 2029-2030 school years. The purpose of the Program is to provide funding and support to schools and districts to support the transition to competency-based education (CBE) models that focus on mastery of learning rather than instructional time. The grant aims to promote innovative instructional practices, flexible assessment models, and systemic shifts to ensure all students progress based on demonstrated proficiency.

SECTION 7.14.(b) Program Objectives. – The objectives of the Program are as follows:

(1) Redesign learning pathways. – Support schools and districts in developing personalized CBE models that allow students to progress at their own pace.

(2) Assessment innovation. – Utilize formative and performance-based assessments that measure student mastery of skills and knowledge, including the use of AI learning tools.

(3) Educator capacity building. – Provide common professional development for educators on instructional strategies and assessment practices aligned with transitioning to CBE.

(4) Develop strategies for statewide scaling and best practices. – Develop and share resources, implementation strategies, and lessons learned to expand CBE across North Carolina.

SECTION 7.14.(c) Phase One. – The first phase of the Program shall begin with the 2026-2027 school year and continue until the conclusion of the 2029-2030 school year. Public school units shall submit applications and complete any planning or organizational duties during the 2026-2027 school year with implementation of CBE in participating schools beginning with the 2027-2028 school year.

SECTION 7.14.(d) Application. – The Department of Public Instruction shall create an application for the Program and make the application available to all public school units no later than 60 days after this act becomes law. Public school units shall submit their applications to the Department no later than 60 days after the application becomes available. The Department shall select 10 schools to participate in the Program no later than 60 days after the close of the application period. When selecting schools to participate in the Program, the Department shall prioritize schools that show a strong commitment to implementing CBE and innovation in assessment. The Department shall develop criteria to determine which schools are most ready to transition to CBE. The application shall include at least the following:

(1) A comprehensive plan outlining the school's vision for competency-based education.

(2) A description of instructional and assessment shifts to be implemented.

(3) A budget for use of grant funds and a sustainability plan to continue utilizing CBE after the conclusion of Phase One.

(4) Commitments from public school units leadership and stakeholders.

SECTION 7.14.(e) Grant Funds; Use; Training. – Grant awards shall be in the amount of three hundred thirty thousand dollars ($330,000) to each participating school. Participating schools shall use the sum of ninety-five thousand dollars ($95,000) each school year to receive training on the implementation of CBE in the school. The remaining grant funds

shall be used for costs associated with the transition to CBE, including travel costs and CBE resources. Grant funds shall remain available until the end of the 2029-2030 fiscal year.

SECTION 7.14.(f) Selection of Third-Party Vendor. – The Department shall select a third-party vendor (Vendor) that is an educational support provider with a nationally recognized, research-based instructional and leadership framework, including a High Reliability School model, a taxonomy of educational objectives aligned to classroom strategies, and a system for implementing personalized competency-based education. The provider must have published extensively in peer-reviewed and practitioner literature, have an established track record of working directly with K-12 schools and districts across multiple states, and offer professional development services, implementation support, and instructional resources developed and led by a founding education researcher with over four decades of influence in curriculum, instruction, and assessment.

SECTION 7.14.(g) Department Partnership with Vendor. – The Department shall partner with the Vendor selected pursuant to subsection (f) of this section to develop publicly available, standards-aligned proficiency scales for all content areas and grade levels to ensure educators in the participating schools have the tools necessary to successfully transition to CBE approaches. The Vendor shall provide annual professional development events throughout the regions of the State to ensure educators can engage in learning about CBE approaches, including implementation of the proficiency scales developed by the Department.

SECTION 7.14.(h) Department Duties. – The Department of Public Instruction shall do the following as part of the Program:

(1) Develop, in collaboration with the Vendor, a CBE Network to support the long-term transition to CBE. The CBE Network shall do the following:
   a. Provide strategic guidance and policy recommendations for scaling CBE statewide.
   b. Facilitate collaboration among grant recipients, educators, policymakers, and CBE industrial leaders.
   c. Develop a long-term roadmap for CBE implementation statewide.
   d. Offer professional learning communities and shared online resources to support ongoing innovation and capacity building.
   e. Develop methods of measuring proficiency for all courses offered as part of the standard course of study in kindergarten through grade 12, with support from the Vendor.
   f. Disseminate developed proficiency measures to all public school units and post standards developed to align with the proficiency measures online on a publicly accessible website.
   g. Conduct research and evaluation to inform best practices and continuous improvement in participating schools.

(2) Provide support and technical assistance, professional learning opportunities, and access to the CBE Network for all grant recipients.

SECTION 7.14.(i) Reporting; Participants. – Each participating school shall submit a quarterly progress report to the Department detailing implementation of CBE in the school. The Department shall establish the due dates and mechanism for the submission of the progress reports. Progress shall include available student learning outcome data, including evidence of progress toward content mastery.

SECTION 7.14.(j) Reporting; Department. – The Department of Public Instruction shall submit a final report on the outcomes of Phase One of the Program to the Joint Legislative Education Oversight Committee by December 1, 2030. The report shall include the following:

(1) A summary of student outcomes reported by participating schools.

(2) Any challenges experienced by participating schools or the Department with implementation of the Program.

(3) Recommendations for scaling the Program statewide.

(4) Any other information the Department deems relevant.

(5) Any information requested by the Committee.

SECTION 7.14.(k) Carryforward. – Funds appropriated for the purposes set out in this section shall not revert but shall remain available until the end of the 2029-2030 fiscal year.

KHAN ACADEMIC SUPPORT PROGRAM

SECTION 7.15. Article 16 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 12. Academic Support Programs.

"**§ 115C-238.90. Establish Khan Academic Support Program.**

(a) Purpose; Program. – There is established the Khan Academic Support Program (Program) to allow public school units to contract with Khan Academy, Inc., (Khan Academy) for use of the academic support service Khanmigo, in grades six through 12. Khanmigo is an application that uses artificial intelligence to support teachers with lesson plan development and to support students with lesson comprehension.

(b) Funding. – The Department of Public Instruction shall establish a process for public school units to elect to participate in the Program. When electing to participate in the Program, public school units shall include the number of Khanmigo licenses for which the public school unit is requesting funds. The number of licenses requested by a public school unit shall not exceed the total of (i) the average daily membership in grades six through 12 enrolled in the public school unit and (ii) teachers and administrators for students in grades six through 12 in the public school unit. The Department shall allocate funds to public school units based on the amount of funds requested. If funds appropriated for this purpose are insufficient to allocate to each public school unit as requested, the Department shall allocate funds to public school units that elect to participate in the Program on a pro rata basis.

(c) Funding Use. – Public school units that utilize funds pursuant to this section shall use all funds to contract with Khan Academy for use of the Khanmigo service, any associated professional development, and the rostering programs required pursuant to subsection (e) of this section.

(d) Contract Term. – Public school units entering into contracts with Khan Academy shall contract for a term of one year. At the end of each school year, each public school unit shall evaluate the use of Khanmigo services in the public school unit prior to contracting with Khan Academy for the subsequent school year. The evaluation shall include all of the information required to be reported on by the Department of Public Instruction in subdivisions (2) through (7) of subsection (h) of this section. Public school units shall submit their evaluations to the Department of Public Instruction by July 15 following each year that funds are used pursuant to this section.

(e) Class Rostering for Khanmigo. – All public school units that contract with Khan Academy pursuant to this section shall use a secure, cloud-based, single sign-on and class rostering platform to manage access to digital instructional resources and student information systems and to facilitate automated data integration between educational applications and school district systems. Class rostering products used pursuant to this section must be approved by the Department of Public Instruction.

(f) Juvenile Justice. – The Department of Public Instruction shall contract with Khan Academy for 500 Khanmigo licenses for use in schools operated by the Division of Juvenile Justice of the Department of Public Safety. The Department of Public Instruction shall provide technical support to the Division of Juvenile Justice for the use of Khanmigo. The Division of Juvenile Justice shall comply with evaluation requirements pursuant to subsection (d) of this section.

(g) Study. – The Office of Learning Research at the North Carolina Collaboratory (OLR) shall design and conduct a study to measure the effectiveness of using Khanmigo, including any impact on student performance and growth. As part of the study, the Department of Public Instruction shall aggregate and report to OLR on the evaluations submitted by public school units pursuant to subsection (d) of this section. OLR shall collaborate with Khan Academy to aggregate data on student performance by teacher and by subgroup, to the extent allowed by law. OLR shall provide the results of this study to the Joint Legislative Education Oversight Committee no later than April 1, 2028.

(h) Report. – No later than October 15 following each year that funds are made available for the Program, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee at least the following information:

(1) The number of public school units that contracted with Khan Academy pursuant to this section.
(2) The number of students using the Khanmigo application.
(3) The average number of minutes and interactions students had with the Khanmigo application weekly.
(4) The number of teachers using the application.
(5) The average number of minutes and interactions teachers had with the Khanmigo application weekly.
(6) Any identified impact on student outcomes.
(7) Any identified impact on teacher performance.
(8) The number of moderation flags generated by the application."

MAGIC SCHOOL ACADEMIC SUPPORT PROGRAM

SECTION 7.16. Part 12 of Article 16 of Chapter 115C of the General Statutes, as enacted by this act, is amended by adding a new section to read:

"**§ 115C-238.95. Establish Magic School Academic Support Program.**

(a) Purpose; Program. – There is established the Magic School Academic Support Program (Program) to allow public school units to contract with Magic School, Inc., (Magic School) for use of the academic support service MagicSchool, in grades six through 12. MagicSchool is an application that uses artificial intelligence to support teachers with lesson plan development and to support students with lesson comprehension.

(b) Funding. – The Department of Public Instruction shall establish a process for public school units to elect to participate in the Program. When electing to participate in the Program, public school units shall include the number of MagicSchool licenses for which the public school unit is requesting funds. The number of licenses requested by a public school unit shall not exceed the total of (i) the average daily membership in grades six through 12 enrolled in the public school unit and (ii) teachers and administrators for students in grades six through 12 in the public school unit. The Department shall allocate funds to public school units based on the amount of funds requested. If funds appropriated for this purpose are insufficient to allocate to each public school unit as requested, the Department shall allocate funds to public school units that elect to participate in the Program on a pro rata basis.

(c) Funding Use. – Public school units that utilize funds pursuant to this section shall use all funds to contract with Magic School for use of the MagicSchool platform and its services, any associated professional development, and the rostering programs required pursuant to subsection (e) of this section.

(d) Contract Term. – Public school units entering into contracts with Magic School shall contract for a term of one year. At the end of each school year, each public school unit shall evaluate the use of MagicSchool platform and its services in the public school unit prior to contracting with Magic School for the subsequent school year. The evaluation shall include all of the information required to be reported on by the Department of Public Instruction in

subdivisions (2) through (8) of subsection (h) of this section. Public school units shall submit their evaluations to the Department of Public Instruction by July 15 following each year that funds are used pursuant to this section.

(e) Class Rostering for MagicSchool. – All public school units that contract with Magic School pursuant to this section shall use a secure, cloud-based, single sign-on and class rostering platform to manage access to digital instructional resources and student information systems and to facilitate automated data integration between educational applications and school district systems. Class rostering products used pursuant to this section must be approved by the Department of Public Instruction.

(f) Juvenile Justice. – The Department of Public Instruction shall contract with Magic School for up to 500 MagicSchool licenses for use in schools operated by the Division of Juvenile Justice of the Department of Public Safety. The Department of Public Instruction shall provide technical support to the Division of Juvenile Justice for the use of MagicSchool. The Division of Juvenile Justice shall comply with evaluation requirements pursuant to subsection (d) of this section.

(g) Study. – The Office of Learning Research at the North Carolina Collaboratory (OLR) shall design and conduct a study to measure the effectiveness of using MagicSchool, including any impact on student performance and growth. As part of the study, the Department of Public Instruction shall aggregate and report to OLR on the evaluations submitted by public school units pursuant to subsection (d) of this section. OLR shall collaborate with Magic School to aggregate data on student performance by teacher and by subgroup, to the extent allowed by law. OLR shall provide the results of this study to the Joint Legislative Education Oversight Committee no later than April 1, 2028.

(h) Report. – No later than October 15 following each year that funds are made available for the Program, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee at least the following information:

(1) The number of public school units that contracted with Magic School pursuant to this section.
(2) The number of students using the MagicSchool application.
(3) The average number of artificial intelligence generation outputs students had with the MagicSchool application monthly.
(4) The number of teachers using the application.
(5) The average number of artificial intelligence generation outputs teachers had with the MagicSchool application monthly.
(6) Any identified impact on student outcomes.
(7) Any identified impact on teacher satisfaction.
(8) The number of moderation flags generated by the application."

REPEAL CODING AND MOBILE APP DEVELOPMENT GRANT PROGRAM

SECTION 7.17. Section 7.23 of S.L. 2017-57 is repealed.

FORMALIZE THE DIAPER BANK OF NORTH CAROLINA'S ROLE AS PROVIDER OF FEMININE HYGIENE PRODUCTS FOR PUBLIC SCHOOLS

SECTION 7.18. 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 administer 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 may 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 participating public school units on a pro rata basis based on the number of female students in grades six through 12 in the participating public school units.

(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."

ADVANCED TEACHING ROLES AMENDMENTS

SECTION 7.19.(a) Article 20A of Chapter 115C of the General Statutes reads as rewritten:

"Article 20A.
"Advanced Teaching Roles.

…

"**§ 115C-310.3. Definitions.**

The following definitions apply to this Article:

~~(1) Adult leadership teacher. – An ATR team lead who meets the following criteria:~~
- ~~a. Works in the classroom providing instruction for at least thirty percent (30%) of the instructional day.~~
- ~~b. Leads a team of between three and eight teachers.~~
- ~~c. Shares responsibility for the performance of the students of all teachers on the adult leadership teacher's team.~~
- ~~d. Is not a school administrator.~~

(2) Advanced teaching role. – A teaching assignment that includes either (i) teaching an increased number of students or (ii) becoming an ATR team lead.

(3) ATR plan. – A local board of education's plan to implement advanced teaching roles under this Article.

(4) ATR school. – A school that is included in an ATR unit's ATR plan.

(5) ATR team lead. – A teaching assignment that includes leading one or more teachers and being ~~responsible~~ responsible, in addition to the teacher of record, for the student performance of all students taught by teachers on that lead teacher's team.

(6) ATR unit. – A local school administrative unit operating under an ATR plan approved by the State Board of Education.

~~(7) Classroom excellence teacher. – A classroom teacher serving in an advanced teaching role who assumes and maintains responsibility for at least twenty percent (20%) of additional students as compared to the most recent prior school year in which the teacher did not receive a salary supplement pursuant to this section.~~

(8) Classroom teacher. – A teacher who works in the classroom providing instruction to students at least seventy percent (70%) of the instructional day and who is not instructional support personnel.

(9) Collaborative impact leader. – An ATR team lead who meets all of the following criteria:

a. Leads a team of between four and eight teachers.

b. Does not serve as the teacher of record for any students.

c. Provides instruction, including co-teaching, for at least thirty percent (30%) of the instructional day to students taught by teachers on the ATR team lead's team.

d. Is not a school administrator.

(14) Partial-release collaborative impact leader. – An ATR team lead who meets the following criteria:

a. Serves as the teacher of record for at least one class of students.

b. Leads a team of two or three teachers.

c. Is not a school administrator.

(15) Teacher of distinction. – A classroom teacher serving in an advanced teaching role who is the teacher of record for at least twenty percent (20%) more students than the average number of students taught by other teachers on the teacher's ATR team.

(16) Teacher of record. – The classroom teacher who is responsible for a student's performance. The term does not include a classroom teacher who is only responsible for a student's performance by virtue of being an ATR team lead.

"**§ 115C-310.5. Advanced teaching roles plan approval.**

…

(d) Implementation Limitations. – ~~The following limitations apply to the implementation of advanced teaching roles in an ATR unit:~~For each year an ATR unit operates under an ATR plan, the ATR unit may designate additional schools as ATR schools as follows:

(1) For the first year of implementation, the ATR unit may ~~include in its ATR plan at least one school up to the lesser of (i) five of the ATR unit's schools or (ii) twenty-five percent (25%) of the ATR unit's schools.~~designate as ATR schools up to the lesser of (i) five schools or (ii) forty percent (40%) of the total number of schools in the ATR unit.

(2) ~~For the second and third years of implementation, the ATR unit may include in its ATR plan at least one school up to the lesser of (i) 10 of the ATR unit's schools or (ii) fifty percent (50%) of the ATR unit's schools.~~For any years following the first year of implementation, the ATR unit may designate as ATR schools up to the greater of (i) three schools or (ii) twenty-five percent (25%) of the total number of schools in the ATR unit, not to exceed 10 schools per year.

~~(3) For any years following the third year of implementation, the ATR unit's plan may include any number of the unit's schools.~~

…

"**§ 115C-310.9. ~~Renewal~~ Renewal, probation, and termination of program participation.**

(a) ATR Unit Review. – The State Board of Education shall review each ATR unit once every five years based on a publicly available timetable to ensure the unit is complying with the approved ATR plan. The State Board of Education shall adopt a rule describing the process and criteria for this review. As part of the review, the State Board of Education shall consider at least the following information:

(1) The total number of teachers in advanced teaching roles in the unit, the number of teachers in each advanced teaching role identified in the unit's ATR plan, and the number of students receiving instruction from those teachers.
(2) For each ATR school in the ATR unit, the total number of teachers in advanced teaching roles in the school, the number of teachers in each advanced teaching role identified in the unit's ATR plan in the school, the number of students receiving instruction from those teachers, and the number of teachers led by each ATR team lead.
(3) Growth scores for students calculated pursuant to G.S. 115C-83.15.
(4) Achievement scores for students calculated pursuant to G.S. 115C-83.15.
(5) Retention of effective teachers.
(6) Results of the Teacher Working Conditions Survey.
(7) Ratings of teachers through the North Carolina Teacher Evaluation System.
(8) Evidence that higher performing teachers have been selected to serve in an advanced teaching role.
(9) A description of the activities undertaken by ATR team leads to (i) support the professional development of teachers on their team and (ii) enhance instruction by better aligning teachers' strengths with student needs.
(10) The amount and funding source for any salary supplement received by teachers in advanced teaching roles in the unit.
(11) A description of the amount of release time given to each ATR team lead, how the release time is spent, and how the school facilitates providing that release time.

(b) ~~Renewal or Termination.~~ Renewal, Probation, and Termination. – Following the five-year review, the State Board of Education ~~may, in its discretion,~~ may renew ~~or terminate the plan of any ATR unit or any ATR school within the ATR unit that fails to meet criteria established by the State Board of Education.~~the plan of any ATR unit that meets the criteria established by the State Board of Education. For any ATR unit or ATR school that fails to meet the criteria adopted by the State Board of Education following the five-year review, the State Board shall place the ATR unit or ATR school on probation. If placed on probation, the ATR unit or ATR school will have up to one year to remedy any concerns identified by the State Board.

(b1) Termination. – For an ATR unit or ATR school that is on probation, the State Board of Education shall terminate the ATR status of the unit or school if it does not remedy concerns identified by the State Board within one year. For an ATR unit or ATR school that is not on probation, the State Board may terminate the ATR status of the unit or school outside of the five-year period if the State Board finds that it is not following its approved ATR plan.

(c) Annual Report. – No later than October 15 of each year, the State Board of Education shall report the results of any review conducted pursuant to this section and a copy of the information listed in subsection (a) of this section to the Fiscal Research Division and the Joint Legislative Education Oversight Committee.

…

"**§ 115C-310.11. Advanced teaching roles grants.**

(a) ~~Term.~~ Award of Grants. – Any funds awarded to an ATR unit pursuant to this section ~~shall be~~ are subject to ~~availability and awarded for a term of up to three years, in the discretion of the State Board of Education. An ATR unit shall not be eligible to receive funding for more than two terms. The State Board of Education shall authorize a second term of State funds in accordance with subsection (c) of this section.~~ availability. Any funds awarded to an ATR unit pursuant to this section are subject to availability. Grants include (i) one-time planning funds and (ii) implementation funds for a term of up to three years, renewable once. The State Board of Education shall authorize a second term of grant funds in accordance with subsection (c) of this

section. The State Board of Education shall allocate funds to each ATR unit receiving funds pursuant to this section as follows:

(1) One hundred fifty thousand dollars ($150,000) in one-time planning funds prior to or during the first year of the ATR unit's initial grant term.

(2) Fifteen thousand dollars ($15,000) per ATR school in implementation funds for each year the ATR unit receives grant funds, for no more than three years per ATR school.

(b) Use of ~~State~~ Grant Funds. – ~~State~~ Grant funds shall only be used for any of the following purposes, as defined by the State Board of Education:

(1) Development of ATR plans.

(2) Development of professional development courses for teachers in advanced teaching roles that lead to improved student outcomes.

(3) Transition costs associated with designing and implementing ATR plans. Transition costs may include employing staff members or contractors to assist with design and implementation of the plan.

(4) Development of the design and implementation of compensation plans that focus on teacher professional growth and student outcomes and the transition costs associated with designing and implementing new compensation plans, including employing staff members or contractors to assist with design and implementation of the plan.

(c) Renewal of Award of ~~State~~ Grant Funds. – An ATR unit that received an initial award of ~~State~~ grant funds pursuant to this section may apply for a second term of funding for up to three years. Renewal of an award of ~~State~~ grant funds is in the discretion of the State Board of Education. The ATR unit may apply at any time (i) after the initial award of ~~State~~ grant funds expires or (ii) within 90 days prior to the date the initial award of ~~State~~ grant funds is set to expire. Upon receipt of an application for renewal, the State Board of Education shall do the following:

(1) Review the unit to ensure the unit is complying with the approved ATR plan and criteria established by the State Board of Education.

(2) Grant or deny the application within 60 days of its receipt.

…

"**§ 115C-310.13. Advanced teaching roles salary supplements.**

(a) ATR units may designate up to fifteen percent (15%) of the teachers in each ATR school as ~~adult leadership teachers~~ collaborative impact leaders and five percent (5%) of the teachers in each ATR school as ~~classroom excellence teachers. To the extent funds are made available for the purpose, teachers serving in an advanced teaching role are eligible to receive salary supplements as follows:~~teachers of distinction. For the purposes of calculating the number of teachers who are eligible to be designated as either collaborative impact leaders or teachers of distinction, all of the following apply:

(1) ~~Ten thousand dollars ($10,000) for adult leadership teachers.~~ If the number of allowable designated positions includes a fractional position that is greater than or equal to one-half, an ATR unit shall round the partial position to a full position.

(2) ~~Three thousand dollars ($3,000) for classroom excellence teachers.~~An ATR unit shall count two partial-release collaborative impact leaders as one collaborative impact leader.

(b) Notwithstanding G.S. 115C-310.5, to the extent funds are made available for this purpose, the State Board of Education shall award funds to ATR units for annual salary supplements for ~~teachers,~~ teachers serving in advanced teaching roles, and the receiving ATR units shall provide the salary ~~supplement~~ supplements to participating teachers in accordance with this ~~section.~~section and in the following amounts:

(1) Ten thousand dollars ($10,000) for collaborative impact leaders.

(2) Five thousand dollars ($5,000) for partial-release collaborative impact leaders.

(3) Three thousand dollars ($3,000) for teachers of distinction.

(b1) If State funds are insufficient to cover the full amount of ~~supplement~~ the supplements identified in subsection ~~(a)~~ (b) of this section, the State Board of Education and the ATR unit shall disburse any supplement funds pro rata. If funds have been disbursed pro rata, ATR units are encouraged but not required to fund the remainder of the supplement from alternate funding sources.

(c) The following additional requirements apply to salary supplements received pursuant to this section:

(1) Loss of a salary supplement received pursuant to this section for any reason ~~shall not be considered~~ is not a demotion under Part 3 of Article 22 of Chapter 115C of the General Statutes.

(2) A teacher is eligible to continue receiving a salary supplement pursuant to this section as long as he or she remains ~~an adult leadership teacher~~ a collaborative impact leader or a ~~classroom excellence teacher.~~teacher of distinction.

(3) A teacher is eligible to receive no more than one annual salary supplement pursuant to this section at any time.

(c1) ATR units are encouraged to use funding from other sources to provide salary supplements in addition to the State-funded salary supplements awarded pursuant to this section.

(d) The Department of Public Instruction shall issue guidance to ATR units on how to effectively develop staffing plans and budgets, including how to maximize resources across multiple funding sources and the reach of teachers in advanced teaching roles to a greater number of students.

"**§ 115C-310.15. Program evaluation.**

(a) Evaluation. – The State Board of Education shall evaluate how the advanced teaching roles program and new compensation plans have accomplished, at a minimum, the following:

(1) Improvement in the quality of classroom instruction and increases in school-wide growth or the growth of teachers who are mentored or impacted by a teacher in an advanced teaching role.

(2) An increase in the attractiveness of teaching.

(3) Recognition, impact, and retention of high-quality classroom teachers.

(4) Assistance to and retention of beginning classroom teachers.

(5) Improvement in and expansion of the use of technology and digital learning.

(6) Improvement in school culture based on school climate survey results.

(b) Annual Report. – No later than October 15 of each year, the State Board of Education shall report the results of the evaluation conducted pursuant to this section to the Fiscal Research Division and the Joint Legislative Education Oversight Committee.

(c) Access to Review Information. – An ATR unit shall provide any information or access needed to review the advanced teaching roles program that is requested by (i) the State Board of Education or (ii) an independent research organization selected by the State Board of Education to evaluate the program pursuant to this section.

(d) Identifying Advanced Teaching Roles Designations. – The Department of Public Instruction shall create designations for teachers serving in advanced teaching roles in the student information system.

(e) Of the funds appropriated to the Department of Public Instruction for the Advanced Teaching Roles Program established pursuant to this Article, the Department of Public Instruction may use up to three hundred thousand dollars ($300,000) in each fiscal year for the evaluation required by this section.

…."

SECTION 7.19.(b) The State Board of Education shall adopt a rule describing the process and criteria for the review pursuant to G.S. 115C-310.9(a), as amended by this section, by January 1, 2027.

SECTION 7.19.(c) The Department of Public Instruction shall issue the guidance to ATR units as required by G.S. 115C-310.13(d) by February 1, 2027.

SECTION 7.19.(d) Notwithstanding G.S. 115C-310.5, as amended by this section, the State Board of Education shall authorize Johnston County Schools to participate in the Advanced Teaching Roles Program (Program) beginning in the 2026-2027 school year and, to the extent funds are available in the Program, award State funds to Johnston County Schools for an initial term, if the following occur:

(1) Johnston County Schools submits a proposal to participate in the Program no later than 30 days after the date this act becomes law.

(2) The proposal submitted pursuant to subdivision (1) of this subsection is consistent with the requirements of G.S. 115C-310.5(a).

SECTION 7.19.(e1) Notwithstanding G.S. 115C-310.13(b), as amended by this section, for the 2026-2027 school year, the State Board of Education shall award funds to ATR units for salary supplements for teachers serving in advanced teaching roles, and the receiving ATR units shall provide the salary supplements to participating teachers in accordance with this subsection and Article 20A of Chapter 115C of the General Statutes, as amended by this section, and in the following amounts:

(1) Ten thousand dollars ($10,000) for (i) collaborative impact leaders and (ii) any teacher that had agreed, by June 30, 2026, to serve during the 2026-2027 school year in the advanced teaching role of adult leadership teacher pursuant to Article 20A of Chapter 115C of the General Statutes, as that Article existed on that date.

(2) Five thousand dollars ($5,000) for partial-release collaborative impact leaders.

(3) Three thousand dollars ($3,000) for teachers of distinction.

SECTION 7.19.(e2) Nothing in this section authorizes a teacher to receive more than one salary supplement for serving in an advanced teaching role for the 2026-2027 school year.

SECTION 7.19.(f) G.S. 115C-310.11(a), as amended by this section, is effective when it becomes law and applies to grant terms, including grant renewals, beginning with or following the 2026-2027 school year. The remainder of this section is effective when it becomes law and applies beginning with the 2026-2027 school year.

NO ALTERNATE SCHOOL MEALS BASED ON STUDENT PAY STATUS

SECTION 7.20.(a) G.S. 115C-264 is amended by adding a new subsection to read:

"(e) Local boards of education 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 school to provide a student any optional meal items that result in additional charges to the student."

SECTION 7.20.(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) Unpaid Meal Debt. – 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) No Alternate Meals. – A charter school shall not provide alternate meals based on student pay status in accordance with G.S. 115C-264(e)."

SECTION 7.20.(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 7.20.(d) G.S. 115C-229.60, as enacted by this act, is amended by adding a new subsection to read:

"(e) The regional school shall not provide alternate meals based on student pay status in accordance with G.S. 115C-264(e)."

SECTION 7.20.(e) G.S. 115C-264(d) reads as rewritten:

"(d) ~~Governing bodies of public school units~~ Local boards of education shall not impose administrative penalties on a student for unpaid school meal debt. Administrative penalties include the following:

…."

CEP TIME LINE SHIFT AND CLARIFY BREAKFAST LOCATION

SECTION 7.21. Part 2 of Article 17 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-264.6. CEP meal program incentive.**

(a) Definitions. – The following definitions apply to this section:

(1) CEP. – Community Eligibility Provision.

(2) Department. – Department of Public Instruction.

(3) Eligible unit. – A local school administrative unit, school within a local school administrative unit, regional school, or charter school that qualifies for the federal CEP program and did not participate in the federal CEP program in the 2023-2024 fiscal year.

(4) ISP. – Identified Student Percentage.

(5) Participating school. – A school participating in the Program.

(6) Participating unit. – An eligible unit selected to participate in the Program.

(7) Program. – The CEP Meal Incentive Program established pursuant to this section.

(b) Program; Purpose. – The Department shall establish the Program to expand public school participation in the federal CEP program to increase the number of students with access to healthy, cost-free school breakfast and lunch. In each year where funds are made available for this purpose, the Program shall be administered in accordance with the provisions of this section.

(c) Application. – By April 15 of each year of the Program, the Department shall develop the application for the Program and make it available to eligible units. To be considered for selection for the Program, eligible units shall submit their applications by June 1 of each year. At a minimum, the application shall include the following information:

(1) The school or schools that will participate in the CEP program.

(2) The ISP for the school or schools for the current school year.

(3) The number of students enrolled in the school or schools for the current school year.

(4) Participation rates in the National School Breakfast and Lunch programs for the current school year for the schools requesting to receive the incentive.

(d) Selection. – By July 15 of each year of the Program, the Department shall determine whether each applicant is eligible to participate. If there are insufficient funds to award grants to all eligible units that apply, the Department shall first prioritize awarding grants to eligible units with an 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.

(e) Grants. – The Department shall issue State reimbursements to participating units 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. Participating schools shall have an innovative breakfast option available where students have access to breakfast and are allowed to consume breakfast in the classroom.

(f) Nonsupplant Requirement. – A participating unit shall use grant funds to supplement and not supplant local current expense funds.

(g) Report. – No later than January 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:

(1) The number of participating schools.

(2) The number of students who received free meals who would not have otherwise received free meals had the school not utilized the incentive.

(3) The amount of federal and State money participating units received.

(4) Any increase in student success due to a school's utilization of the incentive and participation in the Program.

(h) Administration. – The Department may use up to five hundred thousand dollars ($500,000) of the funds appropriated for the Program each year for administrative costs."

SPARKNC EXPANSION

SECTION 7.22. Article 16 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 12. Experiential Learning.

"**§ 115C-238.90. Learning accelerator programs.**

(a) Definitions. – The following definitions apply to this section:

(1) Health science learning accelerator. – A learning accelerator focused on topics related to health science.

(2) High-tech learning accelerator. – A learning accelerator focused on topics related to science, technology, engineering, and mathematics (STEM), including any of the following:

a. Artificial intelligence.

b. Computer systems engineering.

c. Cybersecurity.

d. Data analytics.

e. Design UX/UI.

f. Software development.

(3) Learning accelerator. – A student-selected combination of modular learning units offered as part of a learning accelerator program that, when aggregated, meets all of the following:

a. Is recognized by SparkNC as the competency-based equivalent of a traditional elective course credit.

b. Includes opportunities for work-based learning.

(4) Learning accelerator program. – A nontraditional, student-driven pathway developed and offered by SparkNC through which students may select and complete learning accelerators.

(5) Learning lab. – A physical site where collaborative learning and networking takes place for a learning accelerator program.

(6) Learning unit. – A modular learning experience provided to students in person or remotely, including asynchronously, that serves as an individual component of a learning accelerator.

(b) Learning Accelerator Program Authorization. – Public school units may partner with SparkNC, a nonprofit corporation, to implement learning accelerator programs that include high-tech learning accelerators, health science learning accelerators, or both, in compliance with

this section. Public school units shall allow a student who participates in a learning accelerator to continue to aggregate learning units throughout the time the student is enrolled in the public school unit and shall not require the learning accelerator to be completed in a single semester or school year. For the purposes of student participation in a learning accelerator, the calendar requirements of Part 2 of Article 8 of this Chapter do not apply.

(c) Memorandum of Understanding. – To implement a learning accelerator program, public school units shall enter into a memorandum of understanding with SparkNC that addresses at least all of the following:

(1) The provision of a learning lab, including its operating schedule.

(2) The qualifications for learning lab facilitators.

(3) The learning lab facilitator's duties, including at least the following:

a. Being the teacher of record for students enrolled in the learning accelerator program.

b. Advising students.

c. Designing learning experiences.

d. Coordinating with industry partners.

e. Validating student work.

f. Networking with other learning lab facilitators to share best practices across public school units.

(d) Learning Lab Facilitators. – Notwithstanding G.S. 115C-295 and any other law or rule to the contrary, learning lab facilitators are not required to hold a teaching license but shall meet the qualifications established by the memorandum of understanding. Notwithstanding G.S. 115C-316 or any other law or rule to the contrary, public school units are not required to pay learning lab facilitators based on the teacher salary schedule. Learning lab facilitators are subject to the criminal history check requirements of Part 6 of Article 22 of this Chapter.

(e) Contractors. – Public school units and SparkNC may contract with additional nonlicensed personnel on a full- or part-time basis for the purpose of providing timely, real-world content, industry expertise, and student learning experiences as part of a learning accelerator program. Contract personnel are subject to the criminal history check requirements of Part 6 of Article 22 of this Chapter.

(f) Course Credit. – Public school units shall award an elective credit to a student who completes a high-tech learning accelerator or health science learning accelerator upon verification of successful completion of the learning units by the learning lab facilitator in accordance with all of the following:

(1) The public school unit may award a student up to four learning accelerator credits but shall not award credit for a learning accelerator that includes a learning unit that the student has already completed for credit.

(2) For a student who does not complete all of the learning units for a learning accelerator, the public school unit shall not denote a fail on the student's transcript.

(3) The public school unit shall denote the elective credit on the student's transcript as achieved competency in either a high-tech learning accelerator or a health science learning accelerator.

(4) Successful completion of a high-tech learning accelerator satisfies the computer science graduation requirement under G.S. 115C-83.31(a)(3).

(g) Report. – No later than March 1 of each year, SparkNC, in consultation with participating public school units and the Department of Public Instruction, shall report to the Joint Legislative Education Oversight Committee on the following information, disaggregated for each public school unit by grade level and school, when practicable:

(1) Number and percentage of students with access to a learning accelerator program.

(2) Student retention and persistence in learning accelerator programs.
(3) Student completion of learning accelerator elective credits and student achievement of personalized learning goals.
(4) Student evaluation of the learning accelerator programs.
(5) Student interest in STEM following participation in a learning accelerator program.
(6) Cost per student for learning accelerator programs.
(7) Number and percentage of students who have participated in a learning accelerator program who choose to pursue a career pathway or further study in a STEM field.
(8) Number and percentage of public school units that established a learning accelerator program and public school unit persistence in maintaining the program.
(9) Recommendations for program changes, including recommended legislative changes and changes needed to ensure that federal funding for career and technical education can be used for the learning accelerator programs.
(10) Recommendations on development of a competency transcript."

EXTENDED LEARNING AND INTEGRATED STUDENT SUPPORTS COMPETITIVE GRANT PROGRAM

SECTION 7.23.(a) 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 (ELISS Program). The purpose of the ELISS 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. Nonprofit corporations and nonprofit corporations working in collaboration with local school administrative units may apply for grants from the ELISS Program for the operation of student programs that focus 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 student program.
(3) Deployment of multitiered systems of support 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 of student programs that 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) ELISS Program Requirements. – In each year in which sufficient funds are available, the Department of Public Instruction (Department) shall administer the ELISS Program in accordance with this Part.

(c) ELISS 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 ELISS Program. Of the funds allocated for the ELISS Program, the Department may use up to two hundred thousand dollars ($200,000) for each fiscal year for expenses of administering the ELISS Program.

"**§ 115C-238.36. Awards; eligible uses.**

(a) Eligible Uses. – Grants shall be used to award funds for new or existing eligible student programs for at-risk students operated by nonprofit corporations and nonprofit corporations working in collaboration with local school administrative units. The student programs shall 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 recipients are eligible to receive grants for up to two years in an amount of up to five hundred thousand dollars ($500,000) each year. Grant recipients shall provide certification to the Department that the grants received under the ELISS 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) Fiscal Agent. – A nonprofit corporation may act as its own fiscal agent for the purposes of the ELISS 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 ELISS Program, the recipient shall report to the Department on the expenditure of grant funds and the progress of the student program being funded by the ELISS 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 grant funds 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 student program being funded by the ELISS Program.

(b) Department Reporting. – No later than September 15 of each year of the ELISS Program, the Department shall report to the Joint Legislative Education Oversight Committee on the ELISS Program, including recommendations regarding effective student 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 for at-risk students."

SECTION 7.23.(b) This section becomes effective July 1, 2027, and applies beginning with the 2027-2028 school year.

TEACHREADYNC PROGRAM

SECTION 7.24.(a) The title of Article 17D of Chapter 115C of the General Statutes reads as rewritten:

"Educator ~~Preparation Programs.~~Preparation."

SECTION 7.24.(b) Article 17D of Chapter 115C of the General Statutes is amended to add the following new Parts:

(1) Part 1, to be entitled "Educator Preparation Programs" and consisting of G.S. 115C-269.1 through G.S. 115C-269.30 and G.S. 115C-269.35 through G.S. 115C-269.55.

(2) Part 2, to be entitled "Teacher Pipeline Support Programs" and consisting of G.S. 115C-269.31 to be recodified as G.S. 115C-269.75.

SECTION 7.24.(c) G.S. 115C-269.5 reads as rewritten:

"**§ 115C-269.5. Educator preparation programs.**

(a) Role of EPPs. – An EPP shall prepare students for educator licensure and meet the standards and requirements set forth in this ~~Article.~~ Part. To recommend students for licensure, an EPP shall be recognized by the State Board.

(b) State Board Authority. – The State Board shall initially authorize and recognize an EPP as required by this ~~Article.~~ Part. The State Board shall have authority to regulate EPPs in accordance with this ~~Article.~~Part.

…."

SECTION 7.24.(d) G.S. 115C-269.10(b) reads as rewritten:

"(b) Rules for Granting State Approval. – The State Board shall adopt rules for granting approval to EPPs in accordance with this ~~Article.~~ Part. The rules shall ensure the following:

(1) A rigorous approval process that requires that the criteria in this ~~Article~~ Part are met.

(2) An application process, peer review, and technical assistance provided by the State Board.

(3) An approval period of five years and process for renewal of approval."

SECTION 7.24.(e) G.S. 115C-269.45(a)(3) reads as rewritten:

"(3) Revoked. – An EPP shall be assigned revoked status and its approval to recommend students for educator licensure revoked if it meets any of the following criteria:

a. Is assigned probation status for three consecutively measured years.

b. Has been on probation status for one year and the State Board determines that revoking the program's approval is reasonably necessary to achieve the purposes of this ~~Article.~~Part."

SECTION 7.24.(f) G.S. 115C-269.55(a) reads as rewritten:

"(a) Authority. – The State Board shall adopt rules necessary to establish a process for a student to report a violation of this ~~Article~~ Part to the State Board."

SECTION 7.24.(g) Part 2 of Article 17D of Chapter 115C of the General Statutes, as enacted by subsection (b) of this section, reads as rewritten:

"Part 2. Teacher Pipeline Support Programs.

"**§ 115C-269.65. Definitions.**

Definitions. – Except as otherwise provided, the following definitions apply in this Part:

(1) Apprentice. – An individual employed as an apprentice teacher by a participating unit.

(2) Apprentice supervisor. – An experienced teacher employed by a participating unit who mentors an apprentice and is a member of a team of teachers that is led by a teacher with an advanced teaching role, as defined in G.S. 115C-310.3.

(3) Department. – The Department of Public Instruction.

(4) Eligible educator preparation program. – A recognized educator preparation program that meets all of the following criteria:

a. Is either an institution of higher education or a public school unit.

b. Is selected by a participating unit to enroll apprentices employed by that unit.

(5) Eligible unit. – A local school administrative unit that is an Advanced Teaching Roles unit, as defined in G.S. 115C-310.3(6).

(6) Participating unit. – An eligible unit selected by the Department to participate in TeachReadyNC.

(7) TeachReadyNC. – The TeachReadyNC Program established pursuant to G.S. 115C-269.67.

"**§ 115C-269.67. TeachReadyNC Program.**

(a) Program Established; Purpose. – There is established the TeachReadyNC Program to increase the number of professionally licensed teachers in the State and improve teacher competency, student outcomes, and teacher retention in the State. The Department shall administer TeachReadyNC, in collaboration with ApprenticeshipNC, as set forth in this Part.

(b) Applications. – No later than November 1 of each year, the Department shall issue a request for applications from eligible units to participate in TeachReadyNC, beginning in the subsequent school year. Applications shall include at least the following information:

(1) A plan to obtain recognition by the United States Department of Labor as 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.

b. The total grant funds the unit requests for each apprentice position in accordance with the requirements of G.S. 115C-269.69.

c. 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 (i) apprentice supervisors and their qualifications and (ii) a schedule of supervision.

(3) Alternative sources of funding, including federal workforce development funds, to support apprenticeships that could be paired with any State funds that could be used for TeachReadyNC pursuant to subsection (f) of this section or G.S. 115C-269.69.

(4) An explanation of how the unit would incorporate its 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 before directly entering the teaching profession.

(6) A list of eligible educator preparation programs.

(c) Selection of Participants; Initial Term. – The Department shall review applications for participation in TeachReadyNC every three months of each school year following the issuance of the request for applications. The Department shall approve applications on a rolling basis and shall approve every application from an eligible unit for a term of three years as long as the application includes a clear strategy to support apprenticeships that complies with the requirements of subsection (b) of this section.

(d) Program Requirements. – All participating units shall meet the following requirements:

(1) Obtain recognition as a registered teacher apprenticeship program under requirements established by the United States Department of Labor.

(2) Require each apprentice to work full-time in a classroom with an apprentice supervisor.

(3) Ensure that each apprentice meets all of the following requirements:

a. Holds a bachelor's degree.

b. Is not eligible to hold an initial professional license or continuing professional license.

c. Does not serve as a teacher of record for any students.

d. Is enrolled in an eligible educator preparation program.

e. Submits a Free Application for Federal Student Aid (FAFSA) for each year in which the individual is employed as an apprentice.

f. Does not engage in substitute teaching for more than eight hours per week.

g. Does not work as an apprentice for more than three years.

(4) Provide each apprentice with the following:

a. Annual compensation that is greater than the average salary provided to a teacher assistant employed in the participating unit.

b. Financial support for the cost of attendance at an eligible educator preparation program, including subject-specific content courses required for licensure at the associated institution of higher education.

(5) Provide salary supplements for the following persons:

a. Each apprentice supervisor.

b. Each teacher who agrees to become a teacher of record for additional students as a result of the emergency position conversion permitted under subsection (f) of this section.

(e) Term Renewal. – Prior to the conclusion of a three-year term in TeachReadyNC, a participating unit may apply to the Department to renew its term. The Department shall evaluate the success of TeachReadyNC at the participating unit and the compliance of the participating unit with the requirements of this Part. At the conclusion of the evaluation, the Department may, in its discretion, renew the participating unit for an additional term. Participating units shall provide any information or access requested by the Department for the evaluation required by this section or G.S. 115C-269.35.

(f) Emergency Position Conversion. – Notwithstanding G.S. 115C-105.25(b), a participating unit may convert one position allocated to the participating unit for classroom teachers to its dollar equivalent at the salary on the first step of the "A" Teachers Salary Schedule, including benefits, for each apprentice employed by the unit. Funds made available pursuant to this subsection may only be used for the following purposes:

(1) Salaries for apprentices.

(2) Annual salary supplements of up to five thousand dollars ($5,000) for each teacher accepting additional students as a result of an emergency position conversion occurring pursuant to this subsection.

(3) The permitted purposes and maximum amounts identified in G.S. 115C-269.69(b).

(g) Administration. – To the extent funds are appropriated for TeachReadyNC, including TeachReadyNC grants under G.S. 115C-269.69, the Department may retain the greater of fifteen percent (15%) or three hundred thousand dollars ($300,000) each year for administration of TeachReadyNC. As part of the administration of TeachReadyNC, the Department may establish one or more new full-time employment positions to support the Program and shall do at least all of the following:

(1) Collaborate with ApprenticeshipNC to do all of the following:

a. Outline the duties and responsibilities of apprentices, including on-the-job training requirements.

b. Create minimum competencies for apprentices that reflect the progressive acquisition of ability.

c. Develop a process to monitor apprentices in their first years of teaching after successful completion of TeachReadyNC to evaluate the qualities of teacher candidates that correlate to successful outcomes and lower teacher turnover rates.

d. Create resources that can be used by participating units to select and train apprentice supervisors, including the responsibilities of an apprentice supervisor and background information on teacher apprenticeship programs.

e. Develop a training module for apprentice supervisors that establishes standards for apprentice supervisors under TeachReadyNC and incorporates, where applicable, any preexisting standards for apprentice supervisors.

(2) Collaborate with eligible educator preparation programs and ApprenticeshipNC to establish education requirements for apprentices and revise curriculum requirements for clinical internships to include apprenticeships under TeachReadyNC.

(3) Assist participating units with the following:

a. Combining State, federal, and other funds to maximize the number of apprentices.

b. Complying with applicable State and federal law.

(4) Allocate any grant funds pursuant to G.S. 115C-269.69.

(h) Report. – No later than March 15 of each year, the Department, in consultation with ApprenticeshipNC, shall report to the Joint Legislative Education Oversight Committee on the current state of TeachReadyNC, including at least all of the following information:

(1) The impact of TeachReadyNC in each participating unit on the following:

a. The number of teachers, disaggregated by licensure type.

b. Student outcomes.

c. Teacher retention.

(2) Any non-State funds used to support TeachReadyNC, including the sources and amounts of those funds.

(3) The number of participating units that converted a teaching position in order to support the Program and the use or uses of those funds.

(4) Successful strategies and best practices used by participating units.

(5) Any barriers to expanding TeachReadyNC.

"**§ 115C-269.69. TeachReadyNC grants.**

(a) Grant Allocation. – To the extent funds are appropriated by the General Assembly for TeachReadyNC, the Department shall allocate grant funds to participating units each fiscal year for each apprentice position. For purposes of this section, the cost of an apprentice position is the amount identified by a participating unit in its TeachReadyNC application under G.S. 115C-269.67(b) and constitutes the salary supplement for an apprentice, the cost of attendance payment for an apprentice, and the salary supplement for the apprentice supervisor of an apprentice, up to the maximum amounts provided in subsection (b) of this section. In addition, the Department shall comply with the following requirements when allocating funds pursuant to this section:

(1) If the TeachReadyNC funds are insufficient to fund all apprentice positions identified in the applications of the participating units at the amounts provided in those applications, the Department shall reduce the number of apprentice positions provided to the participating units but shall not reduce the funding

amounts provided for each position below the amounts identified in the applications.

(2) If there are TeachReadyNC funds remaining after funds have been allocated pursuant to the requirements of this section, the Department may allocate the remaining funds to participating units according to a process developed by the Department to optimize the success of TeachReadyNC in those units.

(b) Use of Funds; Maximum Amounts. – Grant funds received by a participating unit pursuant to this section may only be used for the following:

(1) Annual salary supplements of up to seven thousand five hundred dollars ($7,500) for each apprentice.

(2) Annual payments of up to five thousand dollars ($5,000) for each apprentice for the cost of attendance at an eligible educator preparation program, including subject-specific content courses required for licensure at the associated institution of higher education. Grant funds may only be used for this purpose after the apprentice has exhausted all other scholarships or grants available for these purposes, including federal Pell Grants.

(3) Annual salary supplements of up to five thousand dollars ($5,000) for each apprentice supervisor.

(c) Carryforward. – Funds awarded to a participating unit under this section shall not revert at the end of each fiscal year but shall remain available until October 1 of the subsequent fiscal year.

…."

SECTION 7.24.(h) G.S. 115C-269.35(b) reads as rewritten:

"(b) Annual Performance Reports. – The State Board shall require all recognized EPPs to submit annual performance reports. The performance reports shall provide the State Board with a focused review of the EPPs and the current authorization process in order to ensure that the programs produce graduates that are well prepared to teach. At a minimum, the annual report shall contain the following indicators:

(1) Performance data from subsection (a) of this section.

(2) Data related to the EPP's compliance with requirements for field supervision of students during their ~~internship and~~ internship, apprenticeship, and residency experiences.

(3) The following information, disaggregated by race, sex, and ethnicity:

a. The number of students who apply to candidacy of the EPP.

b. The number of students admitted as candidates of the EPP.

b1. The number of students working as apprentices pursuant to G.S. 115C-269.67.

c. The number of students completing the program.

d. The number of graduates of the EPP licensed in North Carolina.

e. The number of graduates of the EPP employed in North Carolina.

f. The number and percentage of students who convert from a residency license to either an initial professional license or a continuing professional license.

g. Any other information required by federal law.

…

(8) Percentage of graduates receiving initial professional licenses.

(8a) Percentage of graduates who worked as apprentices pursuant to G.S. 115C-269.67 and received an initial professional license.

…

(11) The retention of beginning educators in the profession for at least two years after licensure in North Carolina.

(11a) The retention of beginning educators who also served as apprentices pursuant to G.S. 115C-269.67 in the profession for at least two years after licensure in North Carolina.

(12) The results of surveys given to school principals that involve evaluation of the program's effectiveness in preparing participants to succeed in the classroom, based on experience with employed program participants.

(13) Any other information necessary to enable the State Board to assess the effectiveness of the program on the basis of educator retention and success criteria adopted by the State Board."

SECTION 7.24.(i) G.S. 115C-269.32 is repealed.

SECTION 7.24.(j) 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 2026-2027 fiscal year, these funds shall instead be used for the TeachReadyNC Program established pursuant to G.S. 115C-269.67.

SECTION 7.24.(k) Of the one million dollars ($1,000,000) in recurring funds appropriated to the Department of Public Instruction for the 2026-2027 fiscal year for the TeachReadyNC Program pursuant to this act, the Department shall use up to one hundred fifty thousand dollars ($150,000) each fiscal year to provide funds to local school administrative units that participated in the Teacher Apprentice Grant Program in the 2025-2026 school year to continue the program pursuant to G.S. 115C-296.32, as it existed immediately prior to its repeal pursuant to subsection (i) of this section, for any eligible teacher apprentice or teacher who received funds pursuant to the Teacher Apprentice Grant Program in the 2025-2026 school year or academic year, as appropriate. The Department shall continue to provide funds to any local school administrative unit pursuant to the Teacher Apprentice Grant Program until all eligible teacher apprentices or eligible teacher apprentices who become licensed teachers in that unit no longer qualify to receive funds for tuition or funds for salary supplements under the Teacher Apprentice Grant Program. For any year in which the Department provides funds to a local school administrative unit pursuant to this subsection, the Department shall provide a report by May 15 of that year to the Joint Legislative Education Oversight Committee with the information described in G.S. 115C-269.32(g), as it existed immediately prior to its repeal pursuant to subsection (i) of this section.

SECTION 7.24.(*l*) This section becomes effective July 1, 2026. The Department of Public Instruction shall issue the initial request for applications for the TeachReadyNC Program pursuant to G.S. 115C-269.67, as enacted by subsection (g) of this section, by November 1, 2026, for applications to establish registered teacher apprenticeship programs beginning in the 2027-2028 school year. Notwithstanding G.S. 115C-269.67(h), as enacted by subsection (g) of this section, the Department shall provide its initial report on the impact of the TeachReadyNC Program by March 15, 2028. Subsection (i) of this section applies beginning with the 2026-2027 school year or academic year, as appropriate.

PRINCIPAL INTERNSHIP STIPENDS

SECTION 7.25. Article 19 of Chapter 115C of the General Statutes is amended by adding the following new section to read:

"**§ 115C-284.2. Principal internship stipends.**

(a) Definitions. – The following definitions apply in this section:

(1) Principal intern. – A participant enrolled full time in an approved principal preparation program who is completing a full-time internship pursuant to G.S. 115C-284.1(d)(1).

(2) Principal preparation program or PPP. – As defined in G.S. 115C-284.1(a).

(b) Stipend. – To the extent funds are made available for this purpose, the Department of Public Instruction shall provide principal interns with a 10-month stipend during the internship that is the higher of the following:

(1) The beginning salary of an assistant principal.

(2) For a teacher who becomes a principal intern, the salary the person would earn as a teacher on the teacher salary schedule.

(c) If the funds made available for the stipends required by this section are insufficient to fully fund the stipends, the Department of Public Instruction may use funds appropriated to the State Public School Fund for this purpose.

(d) The North Carolina Principal Fellows Program or the PPP where the principal intern is enrolled shall provide the Department of Public Instruction with certification of eligible principal interns to receive the stipends provided pursuant to this section.

(e) Report. – No later than February 15 of each year, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee on the stipends provided pursuant to this section, including at least the following information:

(1) Demographic information of principal interns.

(2) Total number of principal interns.

(3) Number of principal interns who are participating in the North Carolina Principal Fellows Program.

(4) Number of principal interns by PPP.

(5) Number of principal interns who serve as an assistant principal or principal in a public school unit within five years of completing the internship, disaggregated based on whether the intern participated in the North Carolina Principal Fellows Program."

CTE MODERNIZATION

SECTION 7.26. 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 the 2026-2027 fiscal year 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 the 2026-2027 school year 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, 2026, 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.

EARLY LEARNING PROGRAM/DYSLEXIA

SECTION 7.27.(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 7.27.(b) This section applies beginning with the 2026-2027 school year.

MODIFY CTE GRANTS FOR HOMEBUILDING PROGRAMS

SECTION 7.28.(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 7.28.(b) Section 7.19 of S.L. 2023-134 is repealed.

CAREER DEVELOPMENT ADJUSTMENT

SECTION 7.29.(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 2026-2027 and 2027-2028 school years and continuing through 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 7.29.(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 7.29.(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 2026-2027 and 2027-2028 school years complete an annual review of Plans.

SECTION 7.29.(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 7.29.(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 7.29.(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 7.29.(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 7.29.(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, 2027, and each year thereafter until all students in partnered schools who entered seventh grade during the 2027-2028 or 2028-2029 school year have graduated on the progress of the Program, including any logistical issues that have arisen with the Program.

AFTER-SCHOOL ROBOTICS GRANT PROGRAM

SECTION 7.30.(a) Program; Purpose. – There is established the Educational and Competitive After-School Robotics Grant Program (Program) for the 2026-2027 fiscal year. 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 7.30.(b) School Eligibility. – Any public school unit is eligible to apply to the Program to develop an after-school robotics program with a robotics partner in any high school within the public school unit. As used in this section, the term "robotics partner" shall refer to a third-party entity, such as a nonprofit organization or institution of higher education, that is approved by the Department of Public Instruction (Department) and 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 7.30.(c) Applications. – The Department shall develop application materials and selection criteria for the Program no later than 60 days from the effective date of this section. 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 after-school robotics program.

SECTION 7.30.(d) Award and Use of Funds. – The Department shall prioritize awarding grants to public school units that had an after-school robotics 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 selected applicants no later than 30 days after application. 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.

(6) Providing transportation to after-school robotics program meetings for students participating in the program pursuant to subsection (e) of this section.

SECTION 7.30.(e) Student Eligibility. – If a student is enrolled in a school that does not offer an after-school robotics program, the student is eligible to participate in the after-school robotics program of the school located geographically closest to where the student resides that does have a program. 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 school from conducting a selection process for the program, so long as the student is able to participate in the selection process as if the student were enrolled in that school.

SECTION 7.30.(f) Reporting. – No later than April 1, 2027, 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 after-school robotics programs funded by the Program experienced measurable improvement in academic performance.

(5) Any other information the Department deems relevant to evaluation of the Program.

NORTHEAST REGIONAL SCHOOL OF BIOTECHNOLOGY AND AGRISCIENCE

SECTION 7.31.(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) Board of directors. – The governing board of the Northeast Regional School of Biotechnology and Agriscience.

(2) Regional school. – The Northeast Regional School of Biotechnology and Agriscience.

(3) Regional school service area. – The counties of Beaufort, Bertie, Camden, Chowan, Currituck, Dare, 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 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.

f. The board of directors shall ensure that computer science instruction is provided as required by G.S. 115C-81.90.

g. The board of directors may offer a sequence of courses in accordance with G.S. 115C-83.31(c) and shall advise students using this sequence to graduate within three years of entering the ninth grade of the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes.

(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 meets the same health and safety standards required of a local school administrative unit, including requiring the regional school to comply with G.S. 115C-375.2A and providing the school with a supply of emergency epinephrine delivery systems necessary to carry out the provisions of that section.

(7) The regional school shall comply with the requirements for public school units in Part 2 of Article 8C of this Chapter.

(8) 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).

(9) The board of directors shall apply the rules and policies established by the State Board of Education for issuance of driving eligibility certificates.

(10) The regional school shall comply with G.S. 115C-407.40 regarding cultural expression at all graduation ceremonies.

(11) 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).

(12) The board of directors shall comply with the purchasing and contract statutes and regulations applicable to local school administrative units.

(13) 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.

(14) 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.

(15) 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).

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) The regional school shall annually report the information on computer science courses 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.

(21) The regional school shall annually update information to the digital learning dashboard, as required by G.S. 115C-102.9.

(22) 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.

(23) 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.

(24) 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.

"**§ 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 that apply that meet 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 licensure set out in G.S. 115C-270.20(b)(1), 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 the 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.

(6) "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 State Bureau of Investigation (i) to be fingerprinted and to provide any additional information required by the State Bureau of Investigation 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 used by 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 State Bureau of Investigation 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 public school unit 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 across all local school administrative units in the regional school service area 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 another public school 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 public school 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 across all local school administrative units in the regional school service area for the prior fiscal year.

"**§ 115C-229.60. School nutrition program.**

(a) The board of directors, to the extent practicable, shall provide school food services to the regional school in accordance with this section.

(b) 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.

(c) 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.

(d) The regional school shall not impose administrative penalties on a student for unpaid school meal debt in accordance with G.S. 115C-264(d)."

SECTION 7.31.(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 7.31.(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 7.31.(d) G.S. 115C-5 reads as rewritten:

"**§ 115C-5. Definitions.**

As used in this Chapter unless the context requires otherwise:

…

(3a) The governing body of a public school unit is the following:

a. For a local school administrative unit, the local board of education.

b. For a charter school, the nonprofit corporation board of directors.

c. For a ~~regional school,~~ school operating under Article 15A of this Chapter, the regional school board of directors.

d. For a school operated under Article 9C of this Chapter, the board of trustees.

e. For a school operated under Article 29A of Chapter 116 of the General Statutes, the chancellor of the constituent institution.

…

(7a) Public school unit. – Any of the following:

a. A local school administrative unit.

b. A charter school.

c. A regional ~~school.~~school operating under Article 15A of this Chapter.

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.

e. Schools for the deaf and blind operated under Article 9C of this Chapter.

…."

SECTION 7.31.(e) G.S. 115C-83.15 reads as rewritten:

"**§ 115C-83.15. School achievement, growth, performance scores, and grades.**

…

(b) Calculation of the School Achievement Score. – In calculating the overall school achievement score earned by schools, the State Board of Education shall total the sum of points earned by a school as follows:

(1) For schools serving any students in kindergarten through eighth grade, the State Board shall assign points on the following measures available for that school:

a. One point for each percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight. For the purposes of this Part, an annual assessment for mathematics shall include any mathematics course with an end-of-course test.

b. One point for each percent of students who score at or above proficient on annual assessments for reading in grades three through eight.

c. One point for each percent of students who score at or above proficient on annual assessments for science in grades five and eight.

d. One point for each percent of students who progress in achieving English language proficiency on annual assessments in grades three through eight.

(2) For schools serving any students in ninth through twelfth grade, the State Board shall assign points on the following measures available for that school:

a. One point for each percent of students who score at or above proficient on either the Algebra I or Integrated Math I end-of-course test or, for students who completed Algebra I or Integrated Math I before ninth grade, another mathematics course with an end-of-course test.

b. One point for each percent of students who score at or above proficient on the English II end-of-course test.

c. One point for each percent of students who score at or above proficient on the Biology end-of-course test.

d. One point for each percent of students who complete Algebra II or Integrated Math III with a passing grade.

e. One point for each percent of students who either (i) achieve the minimum score required for admission into a constituent institution of The University of North Carolina on a nationally normed test of college readiness or (ii) are enrolled in Career and Technical Education courses and score at Silver, Gold, or Platinum levels on a nationally normed test of workplace readiness.

f. Repealed by Session Laws 2019-142, s. 1, effective July 19, 2019, and applicable to measures based on data from the 2018-2019 school year and each school year thereafter.

g. One point for each percent of students who graduate within four years of entering high school.

h. One point for each percent of students who progress in achieving English language proficiency.

In calculating the overall school achievement score earned by schools, the State Board of Education shall (i) use a composite approach to weigh the achievement elements based on the number of students measured by any given achievement element and (ii) proportionally adjust

the scale to account for the absence of a school achievement element for award of scores to a school that does not have a measure of one of the school achievement elements annually assessed for the grades taught at that school. The overall school achievement score shall be translated to a 100-point scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, ~~115C-238.66,~~ 115C-229.35, and 116-239.8.

(c) Calculation of the School Growth Score. – Using the Education Value-Added Assessment System (EVAAS), the State Board shall calculate the overall growth score earned by schools. In calculating the total growth score earned by schools, the State Board of Education shall weight student growth on the achievement measures as provided in subsection (b) of this section that have available growth values; provided that for schools serving students in grades nine through 12, the growth score shall only include growth values for measures calculated under sub-subdivisions a. and b. of subdivision (2) of subsection (b) of this section. The numerical values used to determine whether a school has met, exceeded, or has not met expected growth shall be translated to a 100-point scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, ~~115C-238.66,~~ 115C-229.35, and 116-239.8.

…

(d3) Report of Subgroup Performance Scores and Grades. – The subgroup performance scores and grades shall be reported separately on the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, ~~115C-238.66,~~ 115C-229.35, and 116-239.8 in a way that provides the following information:

…

(e) Elementary and Middle School Reading and Math Achievement Scores. – For schools serving students in kindergarten through eighth grade, the school achievement scores in reading and mathematics, respectively, shall be reported separately on the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, ~~115C-238.66,~~ 115C-229.35, and 116-239.8.

(e1) Career and College Readiness Scores. – For schools serving any students in ninth through twelfth grade, the percentage of students who either (i) achieve the minimum score required for admission into a constituent institution of The University of North Carolina on a nationally normed test of college readiness or (ii) are enrolled in Career and Technical Education courses and score at Silver, Gold, or Platinum levels on a nationally normed test of workplace readiness shall be reported on the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, ~~115C-238.66,~~ 115C-229.35, and 116-239.8.

(f) Indication of Growth. – In addition to awarding the overall school scores for achievement, growth, and performance and the performance grade, using EVAAS, the State Board shall designate that a school has met, exceeded, or has not met expected growth. The designation of student growth shall be clearly displayed in the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, ~~115C-238.66,~~ 115C-229.35, and 116-239.8.

(g) Access to Annual Report Card Information on the Department's Website. – Beginning with data collected in the 2017-2018 school year, the State Board of Education shall provide user-friendly access to the public on the annual report cards issued for local school administrative units and individual schools provided under G.S. 115C-12(9)c1., 115C-218.65, ~~115C-238.66,~~ 115C-229.35, and 116-239.8 through the Department of Public Instruction's website. The annual report card shall be designed and organized to display the following information more prominently than any other information:

…."

SECTION 7.31.(f) G.S. 115C-238.50A reads as rewritten:

"**§ 115C-238.50A. Definitions.**

The following definitions apply in this Part:

…

(1a) Cooperative innovative high school. – A high school approved by the State Board of Education and the applicable governing Board that meets the following criteria:

a. It has no more than 100 students per grade level. This criterion shall not apply to a regional school as defined in ~~G.S. 115C-238.61.~~G.S. 115C-229.10.

…

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.

…

(3a) Local board of education. – A local board as defined in G.S. 115C-5(5) or a regional school board of directors as defined in ~~G.S. 115C-238.61(5).~~G.S. 115C-229.10(1).

…."

SECTION 7.31.(g) G.S. 115C-375.20(c) reads as rewritten:

"(c) No entity required to adopt a child sexual abuse and sex trafficking training program by G.S. 115C-47(64), 115C-218.75(g), ~~115C-238.66(15),~~ 115C-229.35(18), or 116-239.8(b)(17), or its members, employees, designees, agents, or volunteers, shall be liable in civil damages to any party for any loss or damage caused by any act or omission relating to the provision of, participation in, or implementation of any component of a child sexual abuse and sex trafficking training program required by this section, unless that act or omission amounts to gross negligence, wanton conduct, or intentional wrongdoing. Nothing in this section shall be construed to impose any specific duty of care or standard of care on an entity required to adopt a child sexual abuse and sex trafficking training program by G.S. 115C-47(64), 115C-218.75(g), ~~115C-238.66(15),~~ 115C-229.35(18), or 116-239.8(b)(17)."

SECTION 7.31.(h) G.S. 115C-401.2(a)(5) reads as rewritten:

"(5) Local board of education. – A local board as defined in G.S. 115C-5(5), ~~a~~ the regional school board of directors as defined in ~~G.S. 115C-238.61(5),~~ G.S. 115C-229.10(1), or a board of directors of a nonprofit corporation operating a charter as provided in G.S. 115C-218.15."

SECTION 7.31.(i) G.S. 115C-431(b1)(1) reads as rewritten:

"(1) The amount of moneys appropriated to the local current expense fund by the board of county commissioners in the prior fiscal year that are expended in that year by the local school administrative unit or transferred as required by G.S. 115C-75.10, 115C-218.105, ~~115C-238.70,~~ and 116-239.11 shall be divided by the sum of the following: the average daily membership of the local school administrative unit plus the share of the average daily membership of any innovative, charter, regional, or laboratory school whose students reside in the local school administrative unit for the prior school year."

SECTION 7.31.(j) Part 10 of Article 16 of Chapter 115C of the General Statutes is repealed.

SECTION 7.31.(k) 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 7.31.(*l*) G.S. 143B-1209.11(b) reads as rewritten:

"(b) The Bureau may provide a criminal history record check to the board of directors of a regional school of a person who is employed at a regional school or of a person who has applied

for employment at a regional school if the employee or applicant consents to the record check. The Bureau may also provide a criminal history record check of school personnel as defined in ~~G.S. 115C-238.73~~ G.S. 115C-229.50 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.~~ G.S. 115C-229.50. The information shall be kept confidential by the board of directors of the regional school as provided in ~~G.S. 115C-238.73.~~G.S. 115C-229.50."

SECTION 7.31.(m) 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 7.31.(n) 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, 2027. Initial appointments to the board of directors in accordance with G.S. 115C-229.15 shall be made for terms beginning July 1, 2027. The Superintendent of Public Instruction shall appoint two members to two-year terms and one member to a four-year term beginning July 1, 2027. The State Board of Education shall appoint two members to two-year terms and three members to four-year terms beginning July 1, 2027. Thereafter, all appointees shall serve four-year terms.

SECTION 7.31.(o) 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, 2027. 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, 2027, 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, 2027, 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.

DIABETES EDUCATION FOR PARENTS

SECTION 7.32.(a) G.S. 115C-375.3 reads as rewritten:

"**§ 115C-375.3. ~~Guidelines to support and assist students with diabetes.~~Diabetes support and awareness.**

(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~~ governing bodies shall require the implementation of the procedures set forth in those guidelines for the development and implementation of individual diabetes care plans. The ~~boards~~ governing bodies 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 guidelines adopted by the State Board of Education pursuant to G.S. 115C-12(31)."

SECTION 7.32.(b) G.S. 115C-150.12C(15) reads as rewritten:

"(15) Health and safety. – The board of trustees shall require that the school meet the same health and safety standards required of a local school administrative unit. The board shall comply with the requirements of Article 25A of this Chapter, including the following:

a. The board shall ensure that the school provides parents with information about cervical cancer, cervical dysplasia, human papillomavirus, and the vaccines available to prevent these diseases. This information shall be provided at the beginning of the school year to parents of children entering grades five through 12. This information shall include the causes and symptoms of these diseases, how they are transmitted, how they may be prevented by vaccination, including the benefits and possible side effects of vaccination, and places parents may obtain additional information and vaccinations for their children.

b. The board shall adopt policies to ensure that students in grades nine through 12 receive information annually on the manner in which a parent may lawfully abandon a newborn baby with a responsible person, in accordance with G.S. 7B-500.

c. The board shall ensure that the school complies with G.S. 115C-375.3, including the guidelines for individual diabetes care plans adopted by the State Board of Education for assisting and supporting students enrolled in the school with diabetes and the annual notification requirements related to Type 1 and Type 2 diabetes awareness."

SECTION 7.32.(c) G.S. 115C-229.35(6), as enacted by this act, reads as rewritten:

"(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, including ~~requiring~~ by doing the following:

a. Requiring the regional school to comply with G.S. 115C-375.2A and providing the school with a supply of emergency epinephrine delivery systems necessary to carry out the provisions of that section.

b. Ensuring that the regional school complies with G.S. 115C-375.3, including the guidelines for individual diabetes care plans adopted by the State Board of Education for assisting and supporting students

enrolled in the school with diabetes and the annual notification requirements related to Type 1 and Type 2 diabetes awareness."

SECTION 7.32.(d) G.S. 116-239.8(b)(9) reads as rewritten:

"(9) Health and safety. – The chancellor shall require that the laboratory school meet the same health and safety standards required of a local school administrative ~~unit.~~ unit, including the following:

a. The ~~Department of Public Instruction shall ensure that laboratory schools comply~~ Chancellor shall ensure that the laboratory school complies with G.S. 115C-375.2A. The chancellor shall provide the laboratory school with a supply of emergency epinephrine delivery systems necessary to carry out the provisions of G.S. 115C-375.2A.

b. The Chancellor shall ensure that the laboratory school complies with G.S. 115C-375.3, including the guidelines for individual diabetes care plans adopted by the State Board of Education for assisting and supporting students enrolled in the school with diabetes and the annual notification requirements related to Type 1 and Type 2 diabetes awareness."

NORTH CAROLINA STUDENT LIFELINE INFORMATION FOR K-12 STUDENTS

SECTION 7.33.(a) G.S. 115C-47 is amended by adding the following new subdivision to read:

"(73) 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 sub-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 7.33.(b) G.S. 115C-150.12C is amended by adding a new subdivision to read:

"(39) 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 sub-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 7.33.(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 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 7.33.(d) G.S. 115C-229.35, as enacted by this act, is amended by adding a new subdivision to read:

"(25) The 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 sub-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 7.33.(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 sub-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 7.33.(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 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 7.33.(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 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 7.33.(h) This section is effective when it becomes law and applies beginning with the 2026-2027 school year.

SCHOOL PLANNING SECTION DATA SHARING PLATFORM

SECTION 7.34. For the 2026-2027 fiscal year, the School Planning Section of the Department of Public Instruction shall contract with a third-party entity to maintain a digital platform to facilitate data sharing among local school administrative units and county governments regarding products and services purchased for elementary and secondary education, including capital improvement projects. In order to promote equitable purchasing in the State, all local school administrative units and county governments shall participate in the platform and share relevant information regarding educational expenses. The platform shall include at least the following components:

(1) A consolidated information database regarding all of the following education-related expenses:
   a. Status and details of expected, proposed, and issued local bonds.
   b. Interactive listings, ratings, reviews, and contract costs of vendors providing products and services, including heating, ventilation, and air-conditioning and other services related to the maintenance of public school buildings.
   c. Document-sharing functionality related to purchased products and services, including capital improvement projects.
(2) The ability to advertise nationwide requests for proposals from local school administrative units and county governments for education-related products and services, including capital improvement projects.
(3) Local school administrative units shall use the digital platform maintained pursuant to this section to report their long-range facility plans required under G.S. 115C-521(a).

EXPAND K-6 LICENSE TO INCLUDE GRADES 7 AND 8

SECTION 7.35. Notwithstanding any provision of law to the contrary, the State Board of Education shall adopt rules expanding elementary licenses to include teachers of grades seven and eight.

FOUNDATIONAL MATHEMATICS INSTRUCTION AND HIGH-QUALITY INSTRUCTIONAL MATERIALS

SECTION 7.36.(a) Article 8B of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 4. Foundational Mathematics Instruction.

"**§ 115C-105.42A. Definitions.**

The following definitions apply in this Part:

(1) Low-performing school. – A school that meets either of the following:
   a. Is identified as low-performing pursuant to G.S. 115C-105.37 for the current school year.
   b. Was identified as low-performing pursuant to G.S. 115C-105.37 for either of the previous two school years.

(2) Mathematics screening assessment. – The assessment made available to low-performing schools by the State Board of Education pursuant to G.S. 115C-105.42F(b).

(3) Mathematics success plan or MSP. – A document outlining the specific deficiencies in mathematics skills of a student who has demonstrated substantial difficulty developing mathematics skills and includes the interventions the student will receive to address the deficiencies in mathematics skills, as required by G.S. 115C-105.42H.

(4) Substantial difficulty developing mathematics skills. – As defined by the State Board of Education based on mathematics screening assessment data and at least one other source of student data, including classroom performance and teacher observations.

"**§ 115C-105.42D. Minimum mathematics instructional requirements.**

Low-performing schools shall provide at least 60 minutes of mathematics instruction per day in kindergarten through eighth grade that is on or above grade level.

"**§ 115C-105.42F. Mathematics screening assessment.**

(a) Notwithstanding G.S. 115C-174.11(d), low-performing schools shall administer a mathematics screening assessment to all students in kindergarten through eighth grade at least three times per school year, in accordance with all of the following:

(1) The low-performing school shall administer the first assessment in a given school year within 30 days of the start of the school year.

(2) The low-performing school shall use the assessment to assess progress, diagnose difficulties, and inform instruction and remediation needs for students.

(3) The low-performing school shall not use the assessment as a summative assessment, except as required as a condition of receiving federal grants.

(b) The State Board of Education shall adopt and provide to low-performing schools a mathematics screening assessment for students in kindergarten through eighth grade that meets all of the following criteria:

(1) Aligns with the North Carolina Standard Course of Study and this Part.

(2) Is valid and reliable.

(c) The Department of Public Instruction shall develop and issue a request for proposals for the mathematics screening assessment. The selected vendor shall do all of the following:

(1) Provide an assessment that is aligned with the North Carolina Standard Course of Study and this Part.

(2) Provide an assessment that is valid and reliable.

(3) Provide teachers and administrators with access to progress monitoring tools to track student progress.

(4) Provide assessment results to teachers and parents no later than 15 calendar days after the assessment is administered.

(5) Identify students in need of intervention.

(6) Report results of assessments to the Department.

(d) The Department of Public Instruction shall, in consultation with the vendor selected pursuant to subsection (c) of this section, ensure that mathematics screening assessment data is used to meaningfully inform instruction by providing guidance and professional development to teachers and administrators on using mathematics screening assessment data for the following:

(1) Influencing in-class instruction.

(2) Planning for student interventions and mathematics success plans (MSP).

(3) Monitoring student progress.

"**§ 115C-105.42H. Interventions and Mathematics Success Plans.**

(a) Low-performing schools shall develop and implement an MSP for any student in kindergarten through eighth grade who demonstrates substantial difficulty developing mathematics skills based on the results of either (i) the first mathematics screening assessment of a school year or (ii) the first mathematics screening assessment of the second semester of a school year. Low-performing schools shall continue to implement an MSP for a student through the end of eighth grade or when the student demonstrates grade-level proficiency in mathematics on an end-of-grade exam, whichever is earlier.

(b) Low-performing schools shall regularly adjust a student's MSP based on data sources that indicate a student is not progressing toward grade-level proficiency in one or more major mathematics skills. Based on the most recently collected data, an MSP shall include the following information, specific to the identified student:

(1) The specific deficiencies in mathematics skills identified by the assessment data.

(2) Goals and benchmarks for growth.

(3) The means by which progress will be monitored and evaluated.

(4) The specific additional mathematics interventions the student will receive.

(5) Any additional services the teacher deems appropriate to accelerate the student's development of mathematics skills.

(c) Low-performing schools shall provide notice to a student's parent or guardian if the student has been identified as having substantial difficulty developing mathematics skills and that an MSP has been developed.

(d) Low-performing schools may use a multitiered system of support intervention to satisfy the requirements of this section if all of the components of subsection (b) of this section are incorporated in the intervention.

(e) The Department of Public Instruction shall develop the following model documentation of compliance with the requirements of this section:

(1) An MSP checklist.

(2) An alternative document for use with a multitiered system of support intervention."

SECTION 7.36.(b) Section 6(d) of S.L. 2018-32 is amended by adding a new subdivision to read:

"(5a) Part 4, Foundational Mathematics Instruction, of Article 8B, if a school in a renewal school system is identified as low-performing by the State Board of Education."

SECTION 7.36.(c) G.S. 115C-218.85 is amended by adding a new subsection to read:

"(b1) Foundational Mathematics Instruction. – A charter school identified as low-performing by the State Board of Education shall provide mathematics screening assessments and develop mathematics success plans consistent with the requirements of Part 4 of Article 8B of this Chapter."

SECTION 7.36.(d) G.S. 115C-229.35(1), as enacted by this act, is amended by adding a new sub-subdivision to read:

"h. If the regional school is identified by the State Board of Education as low-performing, the board of directors shall provide mathematics screening assessments and develop mathematics success plans consistent with the requirements of Part 4 of Article 8B of this Chapter."

SECTION 7.36.(e) G.S. 115C-150.12C is amended by adding a new subdivision to read:

"(3b) Foundational mathematics instruction. – The board of trustees of any school subject to this Article that is identified by the State Board of Education as

low-performing shall provide mathematics screening assessments and develop mathematics success plans consistent with the requirements of Part 4 of Article 8B of this Chapter."

SECTION 7.36.(f) G.S. 116-239.8(b)(2) is amended by adding a new sub-subdivision to read:

"a1. The chancellor shall ensure that any laboratory schools identified by the State Board of Education as low-performing provide mathematics screening assessments and develop mathematics success plans consistent with the requirements of Part 4 of Article 8B of this Chapter."

SECTION 7.36.(g) The Department of Public Instruction shall select a vendor based on a proposal submitted pursuant to G.S. 115C-105.42F(c), as enacted by subsection (a) of this section, by January 15, 2028, and the State Board of Education shall make assessments available to low-performing schools for use beginning with the 2028-2029 school year.

SECTION 7.36.(h) Beginning with the 2028-2029 school year, mathematics success plans (MSP) developed pursuant to G.S. 115C-105.42H, as enacted by subsection (a) of this section, shall include a list of any high-quality instructional materials to be used for implementation of the MSP from the list approved by the Office of Learning Research at the North Carolina Collaboratory at the University of North Carolina at Chapel Hill (OLR) pursuant to subsection (i) of this section. Each year, every low-performing school shall report to the Department a list of any high-quality instructional materials approved by OLR pursuant to subsection (i) of this section that were used for implementation of MSPs in the school by June 15. The Department shall aggregate all reported materials into a master list and submit that list to the Joint Legislative Education Oversight Committee no later than August 15 of each year.

SECTION 7.36.(i) The Office of Learning Research at the North Carolina Collaboratory at the University of North Carolina at Chapel Hill, in consultation with the Department of Public Instruction, researchers in the field of mathematics instruction, and other relevant stakeholders, shall identify vendors that meet all of the following criteria:

(1) Offer high-quality instructional materials in kindergarten through eighth grade mathematics that meet all of the following criteria:
   a. Align with the North Carolina Standard Course of Study.
   b. Are evidence-based.
   c. Engage students and provide them with relevant challenges and pathways to deeper understanding.
   d. Provide students at all levels of language proficiency with opportunities to use written and oral forms of communication to learn and demonstrate understanding of mathematics skills.
   e. Have evidence of positive effects in other states.

(2) Include intervention materials that support the development of grade-level mathematics knowledge with the purchase of mathematics instructional materials.

(3) Provide professional development on mathematics instructional materials that enhances teacher knowledge of evidence-based approaches to teaching mathematics.

SECTION 7.36.(j) The Office of Learning Research at the North Carolina Collaboratory at the University of North Carolina at Chapel Hill shall provide a list of vendors approved pursuant to subsection (i) of this section to the Department of Public Instruction by April 30, 2027. The Department shall distribute this list to public school units by June 1, 2027. This list is to provide an informational resource for vendors of high-quality materials to low-performing schools, not to be a list of required vendors for use in MSPs.

SECTION 7.36.(k) The Office of Learning Research at the North Carolina Collaboratory at the University of North Carolina at Chapel Hill (OLR) 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 implement the pilot initiatives as follows:

(1) OLR shall contract with at least the following entities for programs to be used in the initiatives developed pursuant to this section:
   a. Accelerate Learning, Inc.
   b. Carnegie Learning, Inc.
   c. Curriculum Associates, LLC.
   d. Zearn.

(2) OLR shall also consider for inclusion in initiatives developed pursuant to this subsection mathematics programs developed by the following entities:
   a. Amplify Education, Inc.
   b. MIND Education.
   c. Other vendors identified as worthy of inclusion in the series of pilot initiatives by OLR.

(3) OLR shall develop guidelines for initiatives developed pursuant to this section. Guidelines shall include at least the following:
   a. Acceptable uses for any funds provided to public school units from funds appropriated to OLR for the purposes of this section.
   b. Application and approval processes for public school units interested in participating in an initiative.
   c. Reporting requirements for public school units participating in each initiative so that OLR will have necessary data to evaluate the efficacy of each initiative.

(4) 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.

(5) OLR shall develop procedures for enabling public school units participating in an initiative to have access to the programs referenced in subdivision (1) of this subsection. 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 7.36.(*l*) Notwithstanding Article 31A of Chapter 116 of the General Statutes, funds appropriated to the Board of Governors of The University of North Carolina to be allocated to the North Carolina Collaboratory for the purposes of subsection (k) of this section shall only be used to develop and implement the initiatives developed pursuant to subsection (k) of this section.

SECTION 7.36.(m) The North Carolina Collaboratory (Collaboratory) shall evaluate the effects of subsections (a), (b), (c), (d), (e), (f), (h), and (k) of this section on instructional quality, teacher practice, and student outcomes. The Collaboratory shall use continuous improvement tools, including readiness assessments, observational rubrics, high-quality instructional material implementation checklists, and educator surveys when conducting this evaluation. The Collaboratory shall report to the Joint Legislative Education Oversight Committee on the results of this evaluation by December 15, 2031.

SECTION 7.36.(n) Subsections (a), (b), (c), (d), (e), and (f) of this section apply beginning with the 2028-2029 school year. The remainder of this section becomes effective July 1, 2026.

REPEAL REQUIREMENT TO CONTRACT WITH THE NROC PROJECT

SECTION 7.37. Section 7.18 of S.L. 2021-180 is repealed.

CARDIAC EMERGENCY RESPONSE PLANS AND ONE AED PER SCHOOL

SECTION 7.38.(a) Article 25A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-375.6. Cardiac emergency response plans.**

(a) The governing body of each public school unit shall develop a cardiac emergency response plan (CERP) that addresses the appropriate response of school personnel to incidents involving individuals experiencing sudden cardiac arrest or a similar life-threatening emergency while on school grounds. The CERP shall integrate evidence-based core elements, including those recommended by the American Heart Association, or other nationally recognized recommendations. At a minimum, the CERP shall do all of the following:

(1) Establish a cardiac emergency response team.

(2) Describe how the response team will be activated in response to a cardiac emergency.

(3) Identify the school staff who will receive annual training on cardiopulmonary resuscitation (CPR) and use of automatic external defibrillators (AEDs). At a minimum, school nurses and any staff with supervisory responsibility over students participating in physical activity shall complete this training.

(4) Plan annual practice drills for the response team.

(5) Describe how local emergency service providers will be integrated into the plan.

(b) The governing body of each public school unit shall review and update the CERP annually.

(c) School officials shall work directly with local emergency service providers to integrate the CERP into the community's EMS responder protocols.

(d) The State Board of Education shall adopt rules for the installation, use, and maintenance of AEDs in public school units. At a minimum, the rules shall include provisions for the following:

(1) Installation and placement of at least one AED in each school in a public school unit.

(2) Appropriate AED placement shall be determined from guidelines set by the American Heart Association or an organization focused on emergency cardiovascular care but, at a minimum, shall be identified with appropriate signage, not require a key to access or otherwise be stored behind a lock, and able to be placed on a victim within three minutes.

(3) Implementation of an appropriate training course for public school personnel in the use of AEDs, including the role of cardiopulmonary resuscitation (CPR) and first aid.

(4) Proper maintenance and testing of the AEDs.

(5) Coordination with appropriate licensed professionals in the oversight of training on the AEDs.

(e) Any public school unit employee authorized by the State Board of Education or the governing body of a public school unit, or its designee, to act under 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 governing body of a public school unit or its designee, who has been given the authority by the governing body of a public school unit or its designee to give emergency health care when reasonably

apparent circumstances indicate that any delay would seriously worsen the physical condition or endanger the life of a person experiencing a medical emergency on school grounds 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."

SECTION 7.38.(b) G.S. 115C-47 is amended by adding a new subdivision to read:

"(73) Cardiac Emergency Response Plan (CERP). – Local boards of education shall adopt a CERP, including the installation, maintenance, and use of automatic external defibrillators in accordance with G.S. 115C-375.6."

SECTION 7.38.(c) G.S. 115C-150.12C is amended by adding a new subdivision to read:

"(39) Cardiac emergency response plan (CERP). – The board of trustees shall adopt a CERP, including the installation, maintenance, and use of automatic external defibrillators in accordance with G.S. 115C-375.6."

SECTION 7.38.(d) G.S. 115C-218.75 is amended by adding a new subsection to read:

"(p) Cardiac Emergency Response Plan (CERP). – Charter schools shall adopt a CERP, including the installation, maintenance, and use of automatic external defibrillators in accordance with G.S. 115C-375.6."

SECTION 7.38.(e) G.S. 115C-229.35, as enacted by this act, is amended by adding a new subdivision to read:

"(25) The board of directors shall adopt a CERP, including the installation, maintenance, and use of automatic external defibrillators in accordance with G.S. 115C-375.6."

SECTION 7.38.(f) G.S. 116-11 is amended by adding a new subdivision to read:

"(15) Cardiac emergency response plan (CERP). – The Board of Governors shall adopt a CERP, including the installation, maintenance, and use of automatic external defibrillators in accordance with G.S. 115C-375.6 for any school providing elementary or secondary instruction operated by The University of North Carolina under Article 29A of this Chapter."

SECTION 7.38.(g) Funds allocated pursuant to this section may only be used for automatic external defibrillator (AED) purchase and installation or training on cardiac emergency response. Of the four million dollars ($4,000,000) in nonrecurring funds appropriated to the Department of Public Instruction for the 2026-2027 fiscal year by this act to ensure there is at least one AED installed in each public school and for training on cardiac emergency response, the Department shall do the following:

(1) First, allocate to public school units two thousand dollars ($2,000) per public school in the unit that does not have at least one AED installed on school grounds. If funds are insufficient to provide this amount per public school, the Department shall distribute the funds pro rata.

(2) If funds remain after distributing the amount required under subdivision (1) of this subsection, the Department may establish a process to distribute the remaining funds for replacement of existing AEDs or to support training required under a school's cardiac emergency response plan.

SECTION 7.38.(h) No later than December 1, 2027, the Department shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the number of public schools that have at least one AED installed, an overview of cardiac emergency training provided with funds allocated under this section, and any measurable impact on public school medical emergency readiness.

SECTION 7.38.(i) This section is effective when it becomes law and applies beginning with the 2026-2027 school year.

SAFE AND RESPONSIBLE AI IN SCHOOLS

SECTION 7.39.(a) G.S. 115C-81.90 is amended by adding a new subsection to read:

"(a1) Instruction on Artificial Intelligence Literacy. – The State Board shall adopt age-appropriate standards for instruction on artificial intelligence (AI) literacy for grades kindergarten through 12. All courses offered pursuant to this section shall include instruction on AI literacy aligned with the standards adopted by the State Board. Notwithstanding the regular review of content standards required by G.S. 115C-12(9c)c., the State Board shall review and update these standards annually to keep up with advancements in AI. The standards shall include at least the following:

(1) Responsible and ethical use of AI.
(2) Limitations of AI tools.
(3) Evaluation and verification of outputs provided by AI tools.
(4) Data and privacy concerns related to AI tools.
(5) Best practices and safety when interacting with AI or AI chatbots."

SECTION 7.39.(b) Notwithstanding the regular review of content standards pursuant to G.S. 115C-12(9c)c., the State Board of Education shall revise the standard course of study for computer science for grades kindergarten through 12 to include artificial intelligence literacy in accordance with G.S. 115C-81.90(a1), as enacted by this section. The State Board shall adopt the revised standards for implementation beginning with the 2028-2029 school year.

SECTION 7.39.(c) The State Board of Education, in consultation with the Department of Public Instruction, shall update the lists of approved courses required by G.S. 115C-81.90(b) and (c) to reflect course alignment with the revised computer science standards adopted pursuant to subsection (b) of this section. The State Board shall update the lists for use beginning with the 2028-2029 school year.

SECTION 7.39.(d) The Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee by December 15, 2028, on the following related to the adoption of the revised computer science standards in accordance with subsection (b) of this section:

(1) Adoption and implementation of the revised standards.
(2) Alignment of courses on the approved courses lists as updated pursuant to subsection (c) of this section.
(3) Any difficulties with the implementation of the revised standards.

SECTION 7.39.(e) Part 3A of Article 8 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-102.13. Artificial intelligence policies.**

The Department of Public Instruction shall develop a model artificial intelligence (AI) policy to serve as guidance to public school units when developing their AI policies. At a minimum, the model policy shall include the following:

(1) A definition of AI, generative AI, and AI tools.
(2) Guidance on how to develop the AI literacy of students and school staff. AI literacy shall include education about nonconsensual intimate imagery.
(3) Data privacy and security measures to protect students and staff, including protecting personally identifiable information, when using AI.
(4) Standards of ethical and acceptable use of AI and AI chatbots in an educational setting, including standards of academic integrity when using AI."

SECTION 7.39.(f) G.S. 115C-47 is amended by adding a new subdivision to read:

"(73) To Adopt an AI Use Policy. – Local boards of education shall adopt a policy on the use of artificial intelligence by students and staff for educational purposes after review of the model policy developed by the Department of Public Instruction pursuant to G.S. 115C-102.13."

SECTION 7.39.(g) G.S. 115C-150.12C is amended by adding a new subdivision to read:

"(39) To adopt an AI use policy. – The board of trustees shall adopt a policy on the use of artificial intelligence by students and staff for educational purposes after review of the model policy developed by the Department of Public Instruction pursuant to G.S. 115C-102.13."

SECTION 7.39.(h) G.S. 115C-218.33 is amended by adding a new subsection to read:

"(c) A charter school shall adopt a policy on the use of artificial intelligence by students and staff for educational purposes after review of the model policy developed by the Department of Public Instruction pursuant to G.S. 115C-102.13."

SECTION 7.39.(i) G.S. 115C-229.35, as enacted by this act, is amended by adding a new subdivision to read:

"(25) The board of directors shall adopt a policy on the use of artificial intelligence by students and staff for educational purposes after review of the model policy developed by the Department of Public Instruction pursuant to G.S. 115C-102.13."

SECTION 7.39.(j) G.S. 116-239.8(b) is amended by adding a new subdivision to read:

"(21c) To adopt an AI use policy. – The chancellor shall adopt a policy regarding the use of artificial intelligence by students and staff for educational purposes after review of the model policy developed by the Department of Public Instruction pursuant to G.S. 115C-102.13."

SECTION 7.39.(k) The Department of Public Instruction shall develop the model policy required by G.S. 115C-102.13, as enacted by this section, no later than December 31, 2026. The Superintendent shall ensure that all public school units have access to the model policy developed by the Department by no later than January 15, 2027. Governing bodies of public school units shall adopt the policies required by subsections (e) through (j) of this section by no later than June 30, 2027.

SECTION 7.39.(*l*) Part 3A of Article 8 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-102.14. Department responsibilities regarding artificial intelligence tools.**

(a) The Department of Public Instruction shall implement and maintain an evaluation framework developed by the Office of Learning Research at the University of North Carolina at Chapel Hill (OLR) and the Friday Institute for Educational Innovation at North Carolina State University (Friday Institute) that provides criteria and guiding considerations for evaluating generative artificial intelligence-powered educational tools (AI tools). The Department shall review and update the framework annually with recommendations from OLR and the Friday Institute and update the criteria to reflect changes in technology, evidence, or educational practice. The framework shall address at least the following:

(1) Student data privacy, security, and transparency.

(2) Alignment with the standard course of study.

(3) Accessibility for all students.

(b) The Department shall maintain a publicly available list of AI tools that have been reviewed under the framework established in accordance with subsection (a) of this section.

(c) The Department shall establish procurement guidance, qualified vendor lists, and other mechanisms to support and incentivize the adoption of AI tools that have been reviewed under the framework established in accordance with subsection (a) of this section.

(d) The Department shall maintain a publicly available list of all AI tools being used in public school units."

SECTION 7.39.(m) The Friday Institute for Educational Innovation at North Carolina State University (Friday Institute) shall design, produce, and support implementation of a suite of tool-agnostic online training modules and related training resources. Modules and resources shall address at least the following:

(1) AI fundamentals for educators, including the following:
   a. What AI is and is not.
   b. The basics of generative AI.
   c. Strengths and limitations of AI as a learning tool.
   d. AI "hallucinations," or when AI tools reference information that is inaccurate or nonexistent.
   e. Age-appropriate usage of AI, both in and out of an educational setting.

(2) Responsible instructional use of AI, such as the following:
   a. Lesson planning.
   b. Differentiated instruction.
   c. Student feedback.
   d. Productivity workflows and how AI can improve productivity.
   e. Appropriate boundaries for AI usage.

(3) Verification and quality control, including the following:
   a. Fact-checking information provided by an AI program.
   b. Evaluation of sources provided by an AI program.
   c. Documenting prompts and outputs from AI programs.
   d. Educator accountability for decisions based on input from an AI program.

(4) Academic integrity and assessment redesign to account for greater student access to AI tools.

(5) Data privacy and security regarding AI tools.

(6) Bias in AI systems, including the following:
   a. How bias enters into AI systems.
   b. The effect of those biases on disparately impacted communities.
   c. How to mitigate the effects of bias when using AI tools.
   d. Inclusive classroom use.

(7) Accessible usage with special populations, including supports and differentiation for the following populations:
   a. Students with disabilities.
   b. Limited English proficient students.

(8) Ethical use and professional responsibility for educators, including the following:
   a. Transparency with students and families about the use of AI tools.
   b. Appropriate decision making in the classroom regarding the use of AI tools.
   c. Avoiding overreliance on AI tools.

SECTION 7.39.(n) The Friday Institute shall produce at least the following:

(1) A suite of self-paced modules that require a minimum of 10 hours of seat time to complete.

(2) A facilitator guide to be provided to administrators in each public school unit to help facilitate the professional learning developed pursuant to subsection (a) of this section.

(3) Model classroom resources to be provided to teachers.

(4) A package to be provided to public school unit professional learning staff to develop a "train-the-trainer" model within public school units.

SECTION 7.39.(o) All resources developed pursuant to subsection (n) of this section shall be made available to the Department of Public Instruction for distribution to public school units by June 30, 2027, using professional development platforms and structures currently in use by the Department.

SECTION 7.39.(p) All teachers employed by local school administrative units, charter schools, or laboratory schools shall complete the professional development provided pursuant to subsections (m) through (o) of this section by June 30, 2028.

SECTION 7.39.(q) The Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee by December 15, 2028, on the following:

(1) The number of modules delivered by the Friday Institute and implemented in public school units.
(2) Educator participation in modules, based on metrics available to the Department.
(3) Any recommended updates to the professional learning provided pursuant to this section.
(4) Any additional supports needed for continuing implementation.

JUST RIGHT READER PILOT PROGRAM

SECTION 7.40.(a) Of the funds appropriated to the Department of Public Instruction in this act for the 2026-2027 fiscal year, the sum of five hundred thousand dollars ($500,000) in nonrecurring funds shall be allocated to select public school units to purchase literacy packets from Just Right Reader, Inc., to be provided to low-performing schools in the units for use in first grade classrooms. Funds shall be distributed to the following public school units on the basis of first grade average daily membership:

(1) Burke County Schools.
(2) Gaston County Schools.
(3) Johnston County Schools.
(4) New Hanover County Schools.
(5) Randolph County Schools.
(6) Union County Schools.

SECTION 7.40.(b) The Office of Learning Research at the University of North Carolina at Chapel Hill (OLR) shall evaluate the effects of the literacy packets provided pursuant to this section on student outcomes. OLR shall compare literacy outcomes for first grade students in schools that received literacy packets pursuant to this section against literacy outcomes for the average first grade student in the school during the prior school year and the statewide average literacy outcomes. OLR shall report the results of this evaluation to the Joint Legislative Education Oversight Committee by October 15, 2027.

CARNEGIE MATH PROFESSIONAL DEVELOPMENT

SECTION 7.41. Of the funds appropriated to the Department of Public Instruction in this act for the 2026-2027 fiscal year, the sum of four million dollars ($4,000,000) in nonrecurring funds shall be used to contract with Carnegie Learning, Inc., to develop a mathematics professional development pilot program for mathematics teachers teaching students in grades six through eight, as well as public school unit and building-level instructional leaders.

CONFORMING CHANGE FOR UPDATED FUNDING SOURCE FOR CHARTER SCHOOLS REVIEW BOARD ATTORNEY

SECTION 7.42. Section 11 of S.L. 2025-80 is repealed.

NCCAT ADJUSTMENTS

SECTION 7.43.(a) G.S. 115C-296.5 reads as rewritten:

"**§ 115C-296.5. North Carolina Center for the Advancement of Teaching; powers and duties of trustees; reporting requirement.**

(a) The North Carolina Center for the Advancement of Teaching ~~(hereinafter called "NCCAT"),~~ (NCCAT), through itself or agencies with which it may contract, ~~shall:~~shall

~~(1)~~ ~~Provide career teachers with opportunities to study advanced topics in the sciences, arts, and humanities and to engage in informed discourse, assisted by able mentors and outstanding leaders from all walks of life; and~~

~~(2)~~ ~~Offer opportunities for teachers to engage in scholarly pursuits~~ provide professional development for teachers through a center dedicated ~~exclusively~~ to the advancement of teaching as an art and as a profession.

(b) ~~Priority for admission to NCCAT opportunities shall be given to teachers with teaching experience of 15 years or less.~~Admission to NCCAT professional development shall be available to all teachers regardless of years of educational experience.

(c) NCCAT may ~~also~~ provide ~~training~~ professional development and support for beginning teachers to enhance their skills and in support of the State's effort to recruit and retain beginning teachers.

(d) The Board of Trustees of the North Carolina Center for the Advancement of Teaching shall hold all the powers and duties necessary or appropriate for the effective discharge of the functions of NCCAT.

(e) The Executive Director shall submit a copy of the NCCAT annual report to the Chair of the State Board of Education at the time of issuance."

SECTION 7.43.(b) G.S. 115C-296.6 reads as rewritten:

"**§ 115C-296.6. Composition of board of trustees; terms; officers.**

(a) The NCCAT Board of Trustees shall be composed of the following membership:

(1) Two ex officio members: the ~~Chairman~~ Chair of the State Board of Education and the State Superintendent of Public Instruction or their ~~designees;~~designees.

(2) Two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the ~~Senate;~~Senate.

(3) Two members appointed by the General Assembly upon the recommendation of the Speaker of the House of ~~Representatives; and~~Representatives.

(4) Eight members appointed by the Governor, one from each of the eight educational regions.

The appointing authorities shall give consideration to assuring, through Board membership, the statewide mission of NCCAT.

(b) Members of the NCCAT Board of Trustees shall serve four-year terms. Members may serve two consecutive four-year terms. The Board shall elect a new chair every two years from its membership. The chair may serve two consecutive two-year terms as chair.

(c) The chief administrative officer of NCCAT shall be an executive director who shall be appointed by the NCCAT Board of Trustees."

SECTION 7.43.(c) G.S. 66-58(b)(8b) reads as rewritten:

"(8b) North Carolina Center for the Advancement of Teaching (NCCAT) with regard to:

a. Agreements for the use of NCCAT's facilities, equipment, services, and staff, for meetings and educational programs provided by State agencies, the constituent institutions of The University of North Carolina and the North Carolina Community College System, public schools, units of local government, and nonprofit corporations.

b. The provision of housing and meals to participants in these meetings and programs.

c. The provision of professional development materials and work products to private and out-of-state educational entities. All proceeds shall be used to further NCCAT's statutory purposes."

YEAR13 SUPPORT FOR CAREER DEVELOPMENT PLANS

SECTION 7.44. Of the funds appropriated to the Department of Public Instruction in this act, the sum of one million three hundred seventy thousand dollars ($1,370,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used for the Department of Public Instruction, in consultation with the Department of Commerce, to contract with Year13, Inc., (Year13) to license, host, and maintain the career development planning component accessed via the NC Careers website operated by the Department of Commerce, utilizing the Year13 proprietary system. The Department of Commerce shall collaborate with Year13 to integrate the Year13 system into the NC Careers website. Year13 shall partner with the Department of Commerce to, at a minimum, operationalize its platform to serve as the career development planning component of NC Careers, prioritizing functionality that supports individualized career planning, integration with programs of study and industry-related credentials, information on licensure requirements as applicable, and use by career counselors, advisors, and coaches embedded throughout a learner's experience across education and workforce systems. Year13 shall collaborate with the Department of Public Instruction, which shall provide data, access, and integration as necessary for career development planning pursuant to G.S. 115C-158.10.

AUTHORIZE NEW COOPERATIVE INNOVATIVE HIGH SCHOOLS

SECTION 7.45. Of the funds appropriated to the Department of Public Instruction in this act for cooperative innovative high schools, beginning with the 2026-2027 fiscal year, the Department shall allocate the sum of three hundred eighty thousand dollars ($380,000) in recurring funds in amounts consistent with those set forth in G.S. 115C-238.54A to the local school administrative units in which the following cooperative innovative high schools are located as supplemental funding:

(1) School of Inquiry and Life Sciences at Asheville.
(2) Durham Early College of Health Sciences.

SCHOOL BUSINESS SYSTEMS MODERNIZATION

SECTION 7.46.(a) No later than November 1, 2026, the Department of Public Instruction (Department) shall develop a plan to transition all public school units to using a single enterprise resource planning (ERP) platform under a statewide contract. For purposes of this section, the "Statewide Platform Provider" is the ERP platform provider selected for the statewide contract.

SECTION 7.46.(b) The plan to transition public school units to using a single ERP platform shall provide for all of the following:

(1) Selection criteria for the Statewide Platform Provider.
(2) A time line for the plan, from generating requests for proposals to complete plan implementation. Except for public school units granted a delay pursuant to subdivision (3) of this subsection, the plan shall have all public school units transitioned to the Statewide Platform Provider's ERP platform no later than June 30, 2031.
(3) A process for public school units to request a delay in transitioning to the Statewide Platform Provider's ERP platform. The Department shall only grant a delay to a public school unit if the unit can show that, as of the effective date of this section, the unit met one of the following conditions:
    a. The public school unit was operating under an existing contract with an ERP platform provider.

b. The public school unit had engaged extensively with an ERP platform provider and entered into a contract with that provider within seven months.

A delay granted pursuant to this subdivision shall only delay the transition until the end of the existing contract.

(4) Prioritization of transitioning public school units by the date the public school unit's contract with its current ERP platform provider expires.

SECTION 7.46.(c) Of the nonrecurring funds appropriated to the Department for the purpose of school business systems modernization in S.L. 2021-180, the Department may use up to three hundred thousand dollars ($300,000) of the remaining funds in the 2026-2027 fiscal year to contract with a third party to assist the Department in developing and implementing the plan required by this section, including consultation on plan requirements, developing requests for proposals, or evaluating response proposals.

SECTION 7.46.(d) Notwithstanding G.S. 143C-1-2(b), any funds that have been appropriated to the Department for the purpose of school business systems modernization that have not been obligated by June 30, 2031, shall revert to the General Fund.

SECTION 7.46.(e) The Department shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division the following information by the following dates:

(1) No later than November 15, 2026, a copy of the transition plan developed pursuant to subsection (a) of this section and the name of any third parties the Department has contracted with pursuant to subsection (c) of this section.

(2) No later than April 15, 2027, and annually thereafter until April 15, 2031, a progress report on the transition plan, including the following:

a. A copy of the transition plan, including any updates or amendments to the plan.

b. Any third parties the Department has contracted with pursuant to subsection (c) of this section.

c. The Statewide Platform Provider, once selected.

d. The number of public school units that have been transitioned to the Statewide Platform Provider's ERP platform and the number of public school units remaining to be transitioned.

e. The status of any delays granted under subdivision (3) of subsection (b) of this section, including the date those public school units will be transitioned to the Statewide Platform Provider's ERP platform.

(3) No later than April 15, 2032, a final report on school business systems modernization, including the following:

a. An accounting of any funds reverting pursuant to subsection (d) of this section.

b. Any anticipated future costs associated with the transition.

c. The status of any remaining delayed transitions.

d. Any information the Department deems relevant to evaluation of the modernization process, including suggested legislative changes to assist with similar future processes.

MUDDY SNEAKERS PROHIBITION ON LEGAL FEES

SECTION 7.47. Of the two hundred fifty thousand dollars ($250,000) in nonrecurring funds appropriated to the Department of Public Instruction in this act for the 2026-2027 fiscal year to be allocated as a directed grant to Muddy Sneakers, Inc., to support experiential learning programs that aim to improve the scientific aptitude of fifth graders through

supplemental, hands-on field instruction of the State science standards, no portion of the funds may be used for legal fees or any costs associated with litigation.

STUDENT ATTENDANCE EARLY INTERVENTION PILOT PROGRAM

SECTION 7.48.(a) Purpose. – The Department of Public Instruction shall establish the Student Attendance Early Intervention Pilot Program (Program) to implement a data-driven attendance intervention system in select public schools to reduce chronic absenteeism. The Program shall prioritize implementation within a single public school unit to ensure fidelity of implementation, clear accountability, and operational efficiency. The Program shall begin with the 2026-2027 fiscal year and conclude with the 2027-2028 fiscal year.

SECTION 7.48.(b) Selection of Schools. – All public school units may apply to participate in the Program. By September 1, 2026, the Department shall select one public school unit, and the schools within that public school unit, that will participate in the Program in accordance with the following:

(1) The Program shall cover no more than 15,000 students combined across all selected schools.

(2) The schools selected shall demonstrate diversity in student demographics, including socioeconomic status, geography, and school-level characteristics sufficient to support a representative pilot.

(3) The Department shall prioritize selecting schools that have a chronic absenteeism rate above the State average.

(4) The Department shall consider the public school unit's and schools' technical readiness, staffing capacity, and ability to meet implementation time lines, including coordination requirements necessary for successful Program deployment.

SECTION 7.48.(c) Selection of Vendor. – The Department shall select a vendor to work with the schools in the Program. The vendor shall offer, within a unified, purpose-built, scalable platform, a research-proven attendance intervention solution, including tiered evidence-based workflows, automated bidirectional family engagement, longitudinal documentation of outreach and supports, and statewide reporting and monitoring across selected schools. The Department shall select a participating vendor by September 15, 2026.

SECTION 7.48.(d) Implementation Requirements. – Program implementation shall align with the technical architecture of the selected solution, including integration with a single student information system (SIS) in the participating public school unit. The selected public school unit and schools shall work with the selected vendor to implement the Program beginning no later than January 1, 2027. To implement the Program, the selected public school unit, schools, and vendor shall work together to do all of the following:

(1) Designate a local program coordinator.

(2) Implement an attendance system that includes all of the following:

a. Real-time attendance monitoring and early warning indicators.

b. Automated, two-way communication with families, including multilingual capability.

c. Intervention protocols aligned with a multitiered system of supports (MTSS), including intervention workflows for at-risk students.

d. Data dashboards for educators and administrators.

e. Documentation and compliance tracking aligned with State attendance policies.

f. Safeguards for data privacy in compliance with State and federal laws.

g. A prohibition on rewarding attendance by excusing students from examinations.

(3) Provide training to staff on system usage and intervention strategies.

SECTION 7.48.(e) Contracts; Nonrevert. – Of the seventy-five thousand dollars ($75,000) in nonrecurring funds appropriated to the Department of Public Instruction in this act for the 2026-2027 fiscal year for the Student Attendance Early Intervention Pilot Program, the Department may either contract with a selected vendor to provide services to the selected public school unit or allocate funds to the selected public school unit for that unit or schools in the unit to contract with the selected vendor. Funds appropriated for this purpose shall not revert at the end of the 2026-2027 fiscal year but instead shall remain available until June 30, 2028. The Department and the selected public school unit may supplement State funds for the Program with eligible federal or philanthropic funding streams.

SECTION 7.48.(f) Use of Funds. – Funds appropriated for the Program may be used for any of the following purposes:

(1) Technology acquisition and licensing.
(2) Implementation and integration services.
(3) Training and professional development.
(4) Program administration and evaluation.

SECTION 7.48.(g) School Reporting. – Reporting shall be conducted at the public school unit and school level, and the Department shall aggregate results across participating schools for evaluation purposes. A single, statewide data instance across multiple student information systems shall not be required.

SECTION 7.48.(h) Reporting. – No later than February 1, 2028, the Department shall report to the Joint Legislative Education Oversight Committee on the following:

(1) Measurable reductions in chronic absenteeism due to the Program.
(2) Improved student engagement and attendance consistency while participating in the Program.
(3) Operational efficiencies provided by the Program for school staff.
(4) Any recommendations on statewide expansion of the Program, long-term funding strategies, and integrating statewide data systems and longitudinal data initiatives into the Program.
(5) Any other information the Department feels relevant to evaluating the effectiveness of the Program.

PROHIBITION ON EXCESSIVE EXPENDITURES

SECTION 7.49. Part 3 of Article 31 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-438.1. Prohibition on excessive expenditures by local school administrative units.**

(a) The Department of Public Instruction shall establish a procedure for reviewing monthly expenditures by local school administrative units from specific State-funded dollar allotments beginning with October of each school year. If a local school administrative unit has expended more funds than allotted from a specific allotment, then the local school administrative unit shall remit payment of the amount overexpended to the Department consistent with rules and policies adopted by the State Board. If a local school administrative unit fails to remit payment to the Department for more than 60 days, the State Board of Education shall exercise its oversight authority pursuant to G.S. 115C-451.

(b) To the extent practicable, beginning with October of each school year, the Department of Public Instruction shall conduct monthly audits of local school administrative unit State-funded position allotments to ensure compliance with the requirements of this Chapter. If the Department determines that a local school administrative unit is not compliant with the requirements of this Chapter, the Department shall take action consistent with rules or policies adopted by the State Board of Education."

AMEND SCHOOL SAFETY AI PILOT PARTICIPANT

SECTION 7.50. Section 7.36(h) of S.L. 2023-134, as amended by Sections 3J.12 and 3J.17(h) of S.L. 2024-57 and Section 4 of S.L. 2025-56, reads as rewritten:

"**SECTION 7.36.(h)** Artificial Intelligence (AI) Pilot. – Of the funds appropriated to the Department of Public Instruction by this act for the grants provided in this section for the 2024–2025 fiscal year, the Department shall allocate (i) ~~three million two hundred thousand dollars ($3,200,000) as a directed grant to New Hanover County Schools and (ii)~~ two million dollars ($2,000,000) as a directed grant to Davidson County Schools and (ii) the unexpended and unencumbered portion of the three million two hundred thousand dollars ($3,200,000) previously directed to New Hanover County Schools as a directed grant to Alamance-Burlington Schools for an AI School Safety Pilot Program. In conducting the Pilot Program, participating public school units shall comply with the following:

…."

RENEWAL SCHOOL SYSTEM MODIFICATIONS AND STUDY OF RENEWAL SCHOOL SYSTEM

SECTION 7.51.(a) Section 6(p) of S.L. 2018-32 reads as rewritten:

"**SECTION 6.(p)** State Board of Education Review; Termination of Plan. – The State Board shall conduct a review of the operation and student performance of the local school administrative unit operating under an approved renewal school system plan following the end of the ~~2022-2023~~ 2028-2029 school year and, at least every ~~three~~ five years thereafter, to ensure that the unit is meeting the expected academic, financial, and governance strategic goals set forth in the local board of education's plan. The State Board may terminate the renewal school system plan after a review upon any of the following grounds:

(1) Failure to meet the requirements for student performance contained in the plan.

(2) The majority of schools in the local school administrative unit have been identified as low-performing schools in the two school years immediately preceding the review.

If the State Board determines that the local school administrative unit operating under an approved renewal school system plan has failed to meet generally accepted standards of fiscal management or violated State or federal law, the State Board may terminate the renewal school system plan prior to ~~the end of 2022-2023 school year.~~ a review required by this section. In addition, if the State Superintendent finds that satisfactory progress is not being made after reviewing the reports required to be submitted under subsection (q) of this section, the State Superintendent shall recommend to the State Board that the renewal school system plan be terminated immediately. The State Board shall terminate the renewal school system plan if such a recommendation is made by the State Superintendent.

Upon termination of the renewal school system plan by the State Board, the State Board shall develop a transition plan for the local board of education to revert to operating the local school administrative unit in accordance with applicable State laws and regulations for other local school administrative units."

SECTION 7.51.(b) Section 6(q) of S.L. 2018-32 reads as rewritten:

"**SECTION 6.(q)** Reporting to State Superintendent. – The local school administrative unit operating under an approved renewal school system plan shall report to the State Superintendent of Public Instruction ~~as follows:~~annually on the following information:

~~(1) An annual report on the assessment instruments used pursuant to G.S. 115C-174.11(a) and the student outcomes based on those assessments.~~

~~(2) An annual report on the number of classroom teacher and school administrator vacancies, turnover, and use of long-term substitutes in filling vacancies for both classroom teachers and school administrators. This report shall also provide comparisons with the statewide data on these items. In addition, the~~

~~report shall also provide comparisons with the previous year's data on these items both at the local school administrative unit level and statewide.~~

~~(3) An annual report on student absences. This data shall provide comparisons with the previous year's data on these items.~~

~~(4) Any other reporting requirements deemed necessary by the State Superintendent of Public Instruction.~~

(5) Proficiency data on each end-of-grade or end-of-course exam.

(6) EVAAS growth data for the local school administrative unit.

(7) The number of former students employed, enlisted in the Armed Forces of the United States, or enrolled in a postsecondary educational program.

(8) The high school graduation rate for the local school administrative unit.

(9) The rate of chronic absenteeism in the local school administrative unit, with chronic absenteeism being more than 10 absences within 90 instructional days."

SECTION 7.51.(c) Section 6 of S.L. 2018-32, as amended by Section 4(d) of S.L. 2019-82; Section 3(f) of S.L. 2019-176; Section 1(f) of S.L. 2020-7; Sections 3(g) and 3(h) of S.L. 2021-130; Section 6(h) of S.L. 2021-132; Section 7.61(f) of S.L. 2021-180; Section 7.10(b) of S.L. 2022-74; Section 3(d) of S.L. 2023-43; Section 2(g) of S.L. 2023-106; and Section 3(d) of S.L. 2023-132, is amended by adding a new subsection to read:

"**SECTION 6.(k1)** Teacher Evaluations. – Local school administrative units operating under a renewal school system plan may use an alternative evaluation model to the North Carolina Educator Evaluation System (NCEES) when evaluating teacher effectiveness."

SECTION 7.51.(d) The North Carolina Collaboratory shall conduct a study on the following topics:

(1) The effect of the Renewal School System on student outcomes.

(2) An analysis of how financial and personnel flexibilities permitted under a renewal school system plan have been utilized.

SECTION 7.51.(e) The North Carolina Collaboratory shall report on the results of the study conducted pursuant to subsection (d) of this section to the Joint Legislative Education Oversight Committee by January 15, 2028.

SECTION 7.51.(f) This section is effective when it becomes law.

EXPANSION OF HEALTHY LIVING STANDARD COURSE OF STUDY

SECTION 7.52.(a) G.S. 115C-81.25 reads as rewritten:

"**§ 115C-81.25. Health education.**

…

(c) The State Board of Education, through the Department of Public Instruction, shall, on a regular basis, review materials related to these objectives and distribute these reviews to local school administrative units for their information. This program includes age-appropriate instruction in the following subject areas, regardless of whether this instruction is described as, or incorporated into a description of, "family life education," "family health education," "health education," "family living," "health," "healthful living curriculum," or "self-esteem":

(1) Mental and emotional ~~health.~~health, including the following:

a. Mental health awareness.

b. Common mental health conditions, such as anxiety, depression, and trauma, and their warning signs.

c. Help-seeking strategies for self and peers, including school and community resources.

d. Treatment, recovery, and prevention of mental health disorders, including reducing the stigma surrounding mental health disorders.

e. Protective factors, coping skills, and sound decision making.

(2) Drug and alcohol abuse ~~prevention.~~prevention instruction in accordance with G.S. 115C-81.20.
(3) Nutrition.
(4) Dental health.
(5) Environmental ~~health.~~health, including the effects of environmental factors on mental health and addictive behavior.
(6) Family living.
(7) Consumer health.
(8) Disease control.
(9) Growth and development.
(10) First aid and emergency care, including the teaching of cardiopulmonary resuscitation (CPR) and the Heimlich maneuver by using hands-on training with mannequins so that students pass a test approved by the American Heart Association or American Red Cross. For the purposes of this subdivision, schools shall do all of the following:
a. Use an instructional program developed by the American Heart Association, the American Red Cross, or other nationally recognized programs that is based on the most current national evidence-based emergency cardiovascular care guidelines for CPR.
b. Maintain documentation in an electronic database that students have successfully completed CPR instruction to meet healthful living essential standards.
c. Require successful completion of instruction in CPR to be a requirement for high school graduation by the 2014-2015 school year.
(11) Preventing sexually transmitted diseases, including HIV/AIDS, and other communicable diseases. As used in this section, "HIV/AIDS" means Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome.
(12) Reproductive health and safety education.
(13) Bicycle safety.
(14) Social media and its effects on health, as required by G.S. 115C-81.26.

…."

SECTION 7.52.(b) G.S. 115C-81.20(g) is amended by adding the following new subdivisions to read:

"(13) The neurological basis of addiction.
(14) The risks of alcohol, nicotine and vaping, cannabis, opioids, misuse of prescription drugs, and other illicit substances.
(15) The relationship between mental health and substance abuse."

SECTION 7.52.(c) The State Board of Education shall conduct an expedited revision of the NC Standard Course of Study for Healthful Living, Grades K-12 standards, to be adopted and implemented beginning with the 2028-2029 school year. The revised standards shall include standards on topics listed in G.S. 115C-81.25, as amended by this act.

SECTION 7.52.(d) The Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee by December 15, 2028, on the following:

(1) The status of the update, adoption, and implementation of the NC Standard Course of Study for Healthful Living, Grades K-12 standards, as required by this section.
(2) Early implementation feedback from local school administrative units.
(3) Recommended technical changes to the standards.

COMPUTER SCIENCE GRADUATION REQUIREMENT DELAY

SECTION 7.53.(a) Section 2(c) of S.L. 2023-132 reads as rewritten:

"**SECTION 2.(c)** For the ~~2024-2025 and 2025-2026~~ 2024-2025, 2025-2026, and 2026-2027 school years only, by July 1 of each school year, a public school unit may submit a signed notification to the Department of Public Instruction stating that a computer science course fulfilling the requirements of G.S. 115C-81.90(c), as enacted by this section, was not available to students. This submission waives the requirement to offer such a course for the school year in which the submission is made. Submission of a notification that a course fulfilling G.S. 115C-81.90(c) was not available shall waive the graduation requirement established by ~~G.S. 115C-12(9d)a.3., as enacted by this act,~~ G.S. 115C-83.31(a)(3) for students entering the ninth grade in the school year in which the notification is submitted. A public school unit that submits a signed notification to the Department of Public Instruction for the 2026-2027 school year shall also submit a plan to the Department by January 1, 2027, specifying which of the introductory computer science courses from the list of approved courses adopted by the State Board of Education as required by G.S. 115C-81.90(c) will be offered to students to meet the requirement established pursuant to G.S. 115C-83.31(a)(3). The Department shall maintain a list of public school units that submitted a notification under this section."

SECTION 7.53.(b) This section applies only to Wake and Johnston Counties.

SECTION 7.53.(c) This section is effective when it becomes law.

RELEASED TIME RELIGIOUS INSTRUCTION

SECTION 7.54.(a) G.S. 115C-379 reads as rewritten:

"**§ 115C-379. Method of ~~enforcement.~~enforcement and excused and unexcused absences.**

(a) ~~It shall be the duty of the State Board of Education to formulate the rules that may be necessary for the proper enforcement of the provisions of this Part. The Board shall prescribe (i) what shall constitute unlawful absence, (ii) what causes may constitute legitimate excuses for temporary nonattendance due to a student's physical or mental inability to attend or a student's participation in a valid educational opportunity such as service as a legislative page or a Governor's page, and (iii) under what circumstances teachers, principals, or superintendents may excuse pupils for nonattendance due to immediate demands of the farm or the home in certain seasons of the year in the several sections of the State.~~Adoption of Rules. – The State Board of Education shall adopt rules to enforce the provisions of this Part, including rules that define unexcused absences and excused absences.

(a1) Excused Absences. – The State Board shall require school officials to excuse absences for all of the following:

(1) Illness. – Physical or mental illness.

(2) Educational opportunities. – Participation in a valid educational opportunity, including service as a legislative page or a Governor's page.

(3) Needs of family. – Immediate demands of the farm or the home in certain seasons of the year if determined appropriate by a teacher, principal, or superintendent based on guidelines set by the State Board.

(4) Religious observance. – A minimum of two excused absences each academic year for religious observances required by the faith of a student or the student's parent or legal guardian.

(5) Military leave. – A minimum of two excused absences each academic year, if all of the following conditions are met:

a. The student's parent or legal guardian is an active duty member of the uniformed services, as defined by Article 29B of this Chapter, the Interstate Compact on Educational Opportunity for Military Children.

b. The student's parent or legal guardian has been called to duty for, is on leave from, or has immediately returned from deployment to a combat zone or combat support posting.

c. The student is not identified by the public school unit as at risk of academic failure because of unexcused absences.

(6) Equestrian and agricultural events. – A minimum of two excused absences each academic year for participation in equestrian sporting events, livestock shows, or similar agricultural events.

(7) Released time religious instruction. – Released time religious instruction as allowed under a policy adopted pursuant to G.S. 115C-407.45.

~~(b) In addition to any excused absences authorized pursuant to subsection (a) of this section, the rules shall require school principals to authorize the following excused absences:~~

~~(1) Religious observance. – A minimum of two excused absences each academic year for religious observances required by the faith of a student or the student's parent or legal guardian.~~

~~(2) Military leave. – A minimum of two excused absences each academic year, if all of the following conditions are met:~~

~~a. The student's parent or legal guardian is an active duty member of the uniformed services, as defined by Article 29B of this Chapter, the Interstate Compact on Educational Opportunity for Military Children.~~

~~b. The student's parent or legal guardian has been called to duty for, is on leave from, or has immediately returned from deployment to a combat zone or combat support posting.~~

~~c. The student is not identified by the local school administrative unit as at risk of academic failure because of unexcused absences.~~

~~(3) Equestrian and agricultural events. – A minimum of two excused absences each academic year for participation in equestrian sporting events, livestock shows, or similar agricultural events.~~

(b1) Notice of Request for Certain Excused Absences and Opportunity to Make Up Work. – The rules may require that the student's parent or legal guardian give the principal written notice of the request for an excused absence a reasonable time prior to the religious observance, military leave, ~~or equestrian and agricultural event.~~ equestrian event, agricultural event, or released time religious instruction. 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 or military leave.~~religious observance, military leave, equestrian event, agricultural event, or released time religious instruction.

(c) ~~It shall be the duty of all~~ School Officials' Duties. – All school officials ~~to carry out such instructions from~~ shall follow the rules adopted by the State Board of Education, and any school official failing to ~~carry out such instructions shall be~~ follow the rules is guilty of a Class 3 ~~misdemeanor: Provided, that the compulsory attendance law herein prescribed shall not be in force in any local school administrative unit that~~ misdemeanor. However, this section does not apply if a public school unit has a higher compulsory attendance feature than that provided ~~herein.~~in this Part."

SECTION 7.54.(b) Article 29D of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-407.45. Released time religious instruction.**

(a) Definition. – For the purposes of this section, "released time religious instruction" means religious instruction offered by a private entity during the school day.

(b) Policy Required. – The governing body of a public school unit shall adopt a policy that requires a school principal to excuse a student's absence from school to attend released time religious instruction. At a minimum, the policy shall provide for the following:

(1) Consent form. – Public school units shall adopt a standard written consent form that provides parents with notice that the parent or guardian is responsible for arranging transportation to and from any location where

released time religious instruction occurs. The parent or guardian of a student attending released time religious instruction shall provide the school with a signed copy of the standard consent form.

(2) Documentation required. – The parent or guardian of a student shall provide the school with written documentation affirming that the student attended released time religious instruction for each day that the student is absent.

(3) Make-up work. – A student attending released time religious instruction shall make up all schoolwork that is missed.

(4) Prohibition on use of State and local funds. – The public school unit shall prohibit all schools from expending State or local funds, excluding any de minimis costs of administering the policy adopted pursuant to this subsection, to facilitate a student attending released time religious instruction.

(5) Use of school facilities. – The public school unit shall prohibit any private entity from offering released time religious instruction on school property, unless otherwise permitted by a neutral facility use policy.

(6) Time limitations. – The public school unit shall excuse one hour of released time religious instruction at a minimum. A school principal shall not authorize excused absences totaling more than four hours of released time religious instruction in a single calendar week."

SECTION 7.54.(c) G.S. 115C-47 is amended by adding a new subdivision to read:

"(33d) To Adopt Policies on Released Time Religious Instruction. – Local boards of education shall adopt a policy that requires a school principal to excuse a student's absence to attend released time religious instruction pursuant to G.S. 115C-407.45."

SECTION 7.54.(d) G.S. 115C-218.75 is amended by adding a new subsection to read:

"(p) Released Time Religious Instruction. – A charter school shall adopt a policy that requires a school principal to excuse a student's absence to attend released time religious instruction pursuant to G.S. 115C-407.45."

SECTION 7.54.(e) G.S. 115C-229.35, as enacted by this act, is amended by adding a new subdivision to read:

"(25) The board of directors shall adopt a policy that requires a school principal to excuse a student's absence to attend released time religious instruction pursuant to G.S. 115C-407.45."

SECTION 7.54.(f) G.S. 116-239.8(b) is amended by adding a new subdivision to read:

"(26) Released time religious instruction. – A laboratory school shall adopt a policy that requires a school principal to excuse a student's absence to attend released time religious instruction pursuant to G.S. 115C-407.45."

SECTION 7.54.(g) This section is effective when it becomes law and applies beginning with the 2026-2027 school year.

REPEAL B-3 INTERAGENCY COUNCIL

SECTION 7.55.(a) Article 6D of Chapter 115C of the General Statutes is repealed.

SECTION 7.55.(b) This section is effective when it becomes law.

ADJUSTMENT TO 2025-2026 CHARTER SCHOOL EXCEPTIONAL CHILDREN FUNDING

SECTION 7.56.(a) Notwithstanding any provision of law to the contrary, four million one hundred thousand dollars ($4,100,000) of the unencumbered and unexpended balance of the State Public School Fund shall not revert at the end of the 2025-2026 fiscal year

but instead shall be retained by the Department of Public Instruction (Department) to be allocated in accordance with this section. Funds carried forward and allocated under this section shall only be used for the purpose identified in this section and shall not be converted for any other use by the Department. Any funds carried forward under this section that are not allocated to charter schools shall revert to the General Fund at the end of the 2026-2027 fiscal year.

SECTION 7.56.(b) For any charter school that did not receive an additional pro rata allocation for each child attending the charter school who was a child with disabilities that enrolled in the school during the first 60 days of the 2025-2026 school year, as directed under G.S. 115C-218.105(a), the Department shall allocate the additional pro rata amount.

SECTION 7.56.(c) No later than October 1, 2026, the Department shall develop and publish a process to determine the amount owed to each charter school, including the date by which schools will receive the additional funds. The Department shall provide instructions on the process directly to each charter school. The Department shall give schools a minimum of 30 days to submit any required information. To receive funds pursuant to this section, a charter school shall provide the Department any requested information related to the number of children with disabilities that were enrolled in the school in the 2025-2026 school year.

SECTION 7.56.(d) Nothing in this section allows a charter school to receive additional funds for a child attending the school that is a child with disabilities if the school previously received the additional pro rated funds for that child for the 2025-2026 school year.

SECTION 7.56.(e) No later than January 15, 2027, the Department shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the following:

(1) The process used to identify the charter schools and number of students that did not receive additional funding for children with disabilities during the 2025-2026 school year.
(2) Each school that received additional funds pursuant to this section and the amount each school received.
(3) A list of schools that did not respond to the Department's request for information to verify student enrollment.
(4) Any changes made to the process to determine the number of children attending charter schools that are children with disabilities for subsequent school years.
(5) Any suggested legislative changes that would improve the process of allocating funds for children with disabilities.

SECTION 7.56.(f) This section is effective June 30, 2026.

SHIFT TRANSFER OF SUPPLEMENTAL EXCEPTIONAL CHILDREN FUNDING TO ALIGN WITH FEDERAL RECORDING REQUIREMENTS

SECTION 7.57.(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 percent (13%) of its allotted average daily membership in the local school administrative unit for the current school year. The State Board shall adjust the amount of funding for children with disabilities each local school administrative unit receives during the fiscal year based on the headcount of children with disabilities required by 20 U.S.C. § 1412(a)(3)."

SECTION 7.57.(b) G.S. 115C-218.105(a)(3) reads as rewritten:

"(3) An additional amount for children with limited English proficiency attending the charter school, based on a formula adopted by the State Board.

In accordance with G.S. 115C-218.7 and G.S. 115C-218.8, the State Board shall allow for annual adjustments to the amount allocated to a charter school based on its enrollment growth in school years subsequent to the initial year of operation.

~~In the event a child with disabilities leaves the charter school and enrolls in a public school during the first 60 school days in the school year, the charter 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 charter school during the first 60 school days in the school year, the State Board shall allocate to the charter school the pro rata amount of additional funds for children with disabilities.~~The State Board shall adjust the amount of funding for children with disabilities each charter school receives during the fiscal year based on the headcount of children with disabilities required by 20 U.S.C. § 1412(a)(3)."

SECTION 7.57.(c) G.S. 115C-229.55(b)(2), as enacted by this act, reads as rewritten:

"(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 another public school 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 public school 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.~~The State Board shall adjust the amount of funding for children with disabilities the regional school receives during the fiscal year based on the headcount of children with disabilities required by 20 U.S.C. § 1412(a)(3)."

SECTION 7.57.(d) G.S. 116-239.11(a)(2) reads as rewritten:

"(2) An additional amount for each child attending the laboratory school who is a child with disabilities. ~~In the event a child with disabilities leaves the laboratory school and enrolls in a public school during the first 60 school days in the school year, the laboratory 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 the laboratory school during the first 60 school days in the school year, the State Board shall allocate to the laboratory school the pro rata amount of additional funds for children with disabilities.~~The State Board shall adjust the amount of funding for children with disabilities each laboratory school receives during the fiscal year based on the headcount of children with disabilities required by 20 U.S.C. § 1412(a)(3)."

EXTEND CHARTER SCHOOL FINANCIAL AUDIT DEADLINES

SECTION 7.58. G.S. 115C-218.30 reads as rewritten:

"**§ 115C-218.30. Accountability; reporting requirements to State Board of Education.**

(a) ~~The~~ Except as provided in subsection (a1) of this section, the school is subject to the financial audits, the audit procedures, and the audit requirements adopted by the State Board of Education for charter schools. These audit requirements may include the requirements of the

School Budget and Fiscal Control Act. The audit requirements shall not include submission to, review of, or approval by, the Local Government Commission for any audit reports, audit contracts, or audit invoices, nor shall they require any other authority, involvement, or oversight by the Local Government Commission with regard to financial reporting, accountability requirements, or procedures.

(a1) A charter school shall have a minimum of six months from the end date of the fiscal year to submit any required financial audits for that fiscal year, unless required earlier as part of a charter renewal application. The Review Board may extend the due date for any audit.

…."

ADJUST STATEWIDE REMOTE CHARTER ACADEMY PER PUPIL ALLOTMENT TO STATEWIDE AVERAGE

SECTION 7.59.(a) G.S. 115C-218.105(a) reads as rewritten:

"**§ 115C-218.105. State and local funds for a charter school.**

(a) The State Board of Education shall allocate to each charter school:

(1) An amount equal to

a. Except for charter schools approved to operate pursuant to G.S. 115C-218.120(b)(1), the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the charter school is located for each child attending the charter school except for the allocation for children with disabilities and for the allocation for children with limited English ~~proficiency;~~proficiency.

b. For charter schools approved to operate pursuant to G.S. 115C-218.120(b)(1), the average State per pupil allocation for average daily membership for each child attending the charter 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 charter school who is a child with ~~disabilities; and~~disabilities.

…."

SECTION 7.59.(b) This section is effective when it becomes law and applies beginning with the 2027-2028 school year.

PUBLIC SCHOOL REINVESTMENT FROM OPPORTUNITY SCHOLARSHIP SAVINGS

SECTION 7.60.(a) The General Assembly finds that the State has realized a savings from students formerly enrolled in a nonpublic school unit of the State using scholarship grants to enroll in a private school due to the expansion of eligibility for the scholarship grants awarded from the Opportunity Scholarship Grant Reserve Fund pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes. The Department of Public Instruction has identified a savings of thirty-five million seven hundred fifty-one thousand four hundred nine dollars ($35,751,409) for the 2024-2025 and 2025-2026 fiscal years based on the difference between the total amount of funds used for an opportunity scholarship grant award that is less than one hundred percent (100%) of the average State per pupil allocation for average daily membership for a student in a public school unit. Consistent with the intent of the General Assembly stated in Section 7.82(c) of S.L. 2023-134, the nonrecurring savings identified by the Department of Public Instruction shall be reinvested to support the following purposes:

(1) The sum of seventeen million twenty thousand eight hundred eleven dollars ($17,020,811) for a one-time bonus of one thousand seven hundred fifty

dollars ($1,750) for locally and federally funded school nutrition and custodial personnel.

(2) The sum of thirteen million eight hundred thousand dollars ($13,800,000) for middle school literacy professional development.

(3) The sum of ten million dollars ($10,000,000) to be used for the North Carolina Collaboratory to acquire mathematics curriculum from another state that has developed its own mathematics curriculum and to conform those materials to align with the North Carolina Standard Course of Study for use in kindergarten through eighth grade mathematics classes in the public schools of the State.

SECTION 7.60.(b) It is the intent of the General Assembly to reinvest in the public schools any incremental savings realized by the State each year, beginning in the 2027-2028 school year, because of the transfer of a student from a public school unit to a nonpublic school where the student accepts an opportunity scholarship grant award that is less than one hundred percent (100%) of the average State per pupil allocation for average daily membership for a student in a public school unit.

PROHIBIT APPOINTED STATE BOARD OF EDUCATION MEMBERS FROM BEGINNING TEMPORARY OR INTERIM EMPLOYMENT IN A PUBLIC SCHOOL UNIT WHILE SERVING AS A MEMBER OF THE STATE BOARD OF EDUCATION

SECTION 7.61.(a) Article 2 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-10.1. Prohibition on temporary or interim employment of Board members by public school units.**

(a) No member of the State Board of Education that has been appointed by the Governor to the Board shall begin employment by a public school unit on a temporary or interim basis during the term of their appointment to the Board.

(b) Members of the Board who are employed by a public school unit on a temporary or interim basis at the time of their appointment to the Board may continue that employment but shall not begin a new term of employment by a public school unit on a temporary or interim basis during the term of their appointment to the Board.

(c) Nothing in this section prohibits members of the Board appointed by the Governor from beginning employment by a public school unit paid from State or local funds on a permanent basis consistent with G.S. 115C-10."

SECTION 7.61.(b) This section is effective when it becomes law. Members of the State Board of Education who are employed by a public school unit on a temporary or interim basis on the effective date of this act may complete the term of that employment but shall not begin a new term of employment by a public school unit on a temporary or interim basis during the term of their appointment to the Board.

SCHOOLS FOR THE DEAF AND BLIND AMENDMENTS

SECTION 7.62.(a) 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.

…

(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.

…

(f) Early Learning Sensory Support Program for Hearing Service Areas. – The North Carolina School for the Deaf and the Eastern North Carolina School for the Deaf shall divide the administrative responsibility for the Early Learning Sensory Support Program for Hearing between the two schools based on the geographical boundaries of enrollment for the schools. The schools may enter into memoranda of understanding to allow one school or both schools jointly (i) to administer any part of the Program, (ii) to facilitate the provision of any services to any individual, group of individuals, municipality, or county, or (iii) to enter into and manage a contract for goods or services for both schools under a single contract. Nothing in this section shall be construed as preventing either school from contracting with third parties to fulfill the purposes of the Program."

SECTION 7.62.(b) Effective December 1, 2026, the Governor Morehead Preschool and the Early Learning Sensory Program for Vision is transferred from the Department of Public Instruction to the Governor Morehead School for the Blind.

SECTION 7.62.(c) Effective December 1, 2026, 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, subject to the requirements of G.S. 115C-150.11(f), as enacted by this section.

SECTION 7.62.(d) 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 7.62.(e) 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 7.62.(f) 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."

REQUIRE SCHOOLS FOR THE DEAF TO PROVIDE EARLY INTERVENTION SERVICES

SECTION 7.63.(a) Article 9C of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-150.18. Early intervention services for children who are deaf or hard of hearing.**

(a) The North Carolina School for the Deaf and the Eastern North Carolina School for the Deaf shall provide support and early intervention services to families with children who are deaf or hard of hearing. Each school shall provide services to families within the geographical boundaries of enrollment for the school.

(b) The schools may provide early intervention services directly or contract with a vendor to provide the services. The schools may enter into a memorandum of understanding to grant one school the authority to enter into and manage a contract for the provision of early intervention services on behalf of both schools."

SECTION 7.63.(b) Of the seven hundred fifty thousand dollars ($750,000) in nonrecurring funds appropriated to the North Carolina School for the Deaf for the 2026-2027 fiscal year and the seven hundred fifty thousand dollars ($750,000) in nonrecurring funds appropriated to the Eastern North Carolina School for the Deaf for the 2026-2027 fiscal year in this act to provide early intervention services pursuant to G.S. 115C-150.18, as enacted by this section, the North Carolina School for the Deaf and the Eastern North Carolina School for the Deaf shall, either individually or jointly, contract with Beginnings for Parents of Hearing-Impaired Children, Inc., (Beginnings) to provide support and early intervention services to families with children who are deaf or hard of hearing. No later than April 1, 2027, Beginnings shall report to the Joint Legislative Education Oversight Committee at least the following information:

(1) A detailed accounting of how State funds were spent by Beginnings.
(2) An accounting of any other funding received from other sources.
(3) The number of students served by the program, including generalized data on the age, grade level, and location of students served.
(4) A description of how Beginnings evaluates the effectiveness and outcomes of its services.
(5) Outcomes achieved.
(6) Any other information Beginnings deems relevant to an evaluation of its provision of services.

PART VII-A. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 7A.1.(a) The following monthly teacher salary schedule shall apply for the 2026-2027 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2026-2027 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	$5,314
11	$5,365
12	$5,416
13	$5,467
14	$5,570
15-24	$5,682
25+	$5,900

SECTION 7A.1.(b) Salary Supplements for Teachers Paid on This Salary Schedule.

–

(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 this salary schedule for the 2026-2027 school year shall receive an amount equal to the greater of the following:

(1) The applicable amount on the 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.

BONUSES FOR TEACHERS AND ASSISTANT PRINCIPALS

SECTION 7A.2.(a) No later than October 31, 2026, the Department of Public Instruction shall administer a bonus to all qualifying public school employees based on years of experience, as follows:

2026-2027 Teacher and Assistant Principal Bonus Schedule

Years of Experience	Bonus
0-15	$500.00
16+	$1,000

SECTION 7A.2.(b) For purposes of this section, the following definitions shall apply:

(1) Qualifying public school. – A school providing elementary or secondary instruction as part of any of the following:
a. A local school administrative unit.
b. The schools for the deaf and blind operated under Article 9C of Chapter 115C of the General Statutes.
c. The State Board of Education.
d. The Department of Health and Human Services.
e. The Division of Juvenile Justice of the Department of Public Safety.
f. The Department of Adult Correction.

(2) Qualifying public school employees. – Teachers and assistant principals who meet the following criteria:
a. Receive salaries that are supported from State funds.

b. Are employed as of October 1, 2026, in a qualifying public school.

(3) Teachers. – Teachers and instructional support personnel.

(4) Years of experience. – The step of the salary schedule on which the teacher or assistant principal is paid as of October 1, 2026.

SECTION 7A.2.(c) The bonus awarded pursuant to this section shall be (i) in addition to any regular wage or other bonus the teacher or assistant principal receives or is scheduled to receive and (ii) adjusted pro rata for permanent part-time employees based on the total number of hours worked.

SECTION 7A.2.(d) 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.

SECTION 7A.2.(e) Other Public Schools. – Funds appropriated to the Department of Public Instruction pursuant to this section shall be subject to the allocation of funds for charter schools, the regional school, and laboratory schools described in G.S. 115C-218.105, 115C-229.5, as enacted by Section 7.31 act, and 116-239.11, respectively. The General Assembly encourages these public schools to provide bonuses to teachers and assistant principals in accordance with the requirements of this section.

SECTION 7A.2.(f) It is the intent of the General Assembly that funds provided pursuant to this section will supplement teacher and assistant principal compensation and not supplant local funds.

PERMIT ADVANCED TEACHING ROLES TEACHERS WITH NATIONAL BOARD FOR PROFESSIONAL TEACHING STANDARDS CERTIFICATION TO RECEIVE APPLICABLE SALARY SUPPLEMENTS

SECTION 7A.3. G.S. 115C-296.2 reads as rewritten:

"**§ 115C-296.2. National Board for Professional Teaching Standards Certification.**

(a) State Policy. – It is the goal of the State to provide opportunities and incentives for good teachers to become excellent teachers and to retain them in the teaching profession; to attain this goal, the State shall support the efforts of teachers to achieve national certification by providing approved paid leave time for teachers participating in the process, lending teachers the participation fee, and paying a significant salary differential to teachers who attain national certification from the National Board for Professional Teaching Standards (NBPTS).

…

(b) Definitions. – ~~As used in this subsection:~~The following definitions apply in this section:

(1) ~~A "North Carolina public school" is a~~ North Carolina public school. – A school operated by a local board of education, the Department of Health and Human Services, the Division of Juvenile Justice of the Department of Public Safety, or The University of North Carolina; a school affiliated with The University of North Carolina; or a charter school approved in accordance with Article 14A of this Chapter.

(2) ~~A "teacher" is a person who:~~Teacher. – A person who meets all of the following criteria:

a. ~~Either:~~One of the following criteria:

1. Is certified to teach in North ~~Carolina; or~~Carolina.

2. Holds a certificate or license issued by the State Board of Education that meets the professional license requirement for NBPTS certification.

b. Is a State-paid employee of a North Carolina public school.

c. Is paid on the teacher salary schedule.

d. Spends at least seventy percent (70%) of his or her work ~~time:~~time doing one or more of the following:

1. ~~In~~ Providing classroom instruction, if the employee is employed as a teacher. Most of the teacher's remaining time shall be spent in one or more of the following: mentoring teachers, doing demonstration lessons for teachers, writing curricula, developing and leading staff development programs for ~~teachers;~~teachers.
2. ~~In work~~ Working within the employee's area of certification or licensure, if the employee is employed in an area of NBPTS certification other than direct classroom ~~instruction; or~~instruction.
3. ~~As~~ Working as an instructional coach, as classified by the Department of Public Instruction, in a Title I school. As used in this sub-sub-subdivision, a Title I school is a school identified under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.
4. Working as a teacher in an advanced teaching role, as defined in G.S. 115C-310.3.

(3) Qualifying teacher. – A teacher who has attained national certification from the National Board for Professional Teaching Standards.

(b1) Salary Supplement. – To the extent funds are made available for this purpose, a qualifying teacher under this section shall receive a salary supplement in accordance with the applicable teacher salary schedule.

…."

CONSOLIDATED TEACHER BONUS PROGRAM

SECTION 7A.4.(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. The 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, disaggregated by public school unit where possible:

(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.4.(b) This section applies beginning with bonuses awarded in January of 2027 based on data from the 2025-2026 school year.

SUPPLEMENTAL FUNDS FOR TEACHER COMPENSATION

SECTION 7A.5.(a) Use of Funds. – For the 2026-2027 fiscal year, 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.5.(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 eighty billion dollars ($80,000,000,000).

(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 for the 2026-2027 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 for the 2026-2027 fiscal year, 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.5.(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 2026-2027 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 the 2026-2027 fiscal year, up to a maximum of five thousand dollars ($5,000) per State-funded teacher.

SECTION 7A.5.(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.5.(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.5.(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.5.(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.5.(h) Future Eligibility for Funds. – It is the intent of the General Assembly to revisit eligibility to receive supplemental funds for teacher compensation in future fiscal years, as necessary, in order to support local school administrative units with the most need.

SECTION 7A.5.(i) Reports. – No later than April 15, 2027, the State Board of Education shall report the following information for the 2026-2027 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.

REPORT LOCAL SALARY SCHEDULES

SECTION 7A.6.(a) Article 20 of Chapter 115C of the General Statutes is amended by adding the following new section to read:

"**§ 115C-302.6. Teacher salary schedules reports.**

(a) No later than November 15 of each year, every local school administrative unit shall report all variations of its experience-based salary schedules for teachers and instructional support personnel to the Department of State Auditor. Salary schedules reported pursuant to this subsection shall include all of the following:

(1) Base salary schedules for each class of teachers and instructional support personnel in the unit, regardless of source of funds.

(2) All supplementary salary amounts provided to each class of teachers and instructional support personnel in the unit, delineated by source of funds.

(3) Total salary amounts provided to each class of teachers and instructional support personnel in the unit.

(b) No later than January 15 of each year, the Department of State Auditor, in consultation with the Department of Public Instruction, shall collect the salary schedules provided pursuant to subsection (a) of this section and report them to the Department of Public Instruction.

(c) No later than February 15 of each year, the Department of Public Instruction shall do all of the following:

(1) Publish on its website the salary schedules provided by the Department of State Auditor pursuant to subsection (b) of this section.

(2) Report the salary schedules to the Joint Legislative Education Oversight Committee and the Fiscal Research Division."

SECTION 7A.6.(b) No later than September 15, 2026, the Department of State Auditor, in consultation with the Department of Public Instruction, shall publish guidelines to all local school administrative units on the data required to be submitted pursuant to G.S. 115C-302.6, as enacted by subsection (a) of this section.

PRINCIPAL SALARY SCHEDULE

SECTION 7A.7.(a) The following annual salary schedule for principals shall apply for the 2026-2027 fiscal year, beginning July 1, 2026:

2026-2027 Principal Annual Salary Schedule

Avg. Daily Membership	Base
0-200	$80,126
201-400	$84,131
401-700	$88,137
701-1,000	$92,145
1,001-1,600	$96,151
1,601+	$100,156

A principal's placement on the 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.

SECTION 7A.7.(a1) No later than October 31, 2026, and March 31, 2027, the Department of Public Instruction shall provide salary supplements to qualifying principals in accordance with this subsection. Each salary supplement shall be for an amount equal to half the difference between the annual amount the principal receives on the Principal Annual Salary Schedule and the total annual amount the principal qualifies to receive on the following supplemental salary schedule:

2026-2027 Principal Annual Supplemental Salary Schedule

Avg. Daily Membership	Met Growth	Exceeded Growth
0-200	$88,137	$96,151
201-400	$92,544	$100,958
401-700	$96,952	$105,766
701-1,000	$101,358	$110,574
1,001-1,600	$105,766	$115,381

1,601+	$110,172	$120,188

Whether a principal qualifies to receive a salary supplement under the supplemental salary schedule and the amount of the salary supplement 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 receive a salary supplement 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 receive a salary supplement 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 not receive a salary supplement 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.7.(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.7.(c) For purposes of determining the school growth scores for each school the principal supervised in at least two of the prior three school years, the following school growth scores shall be used during the following time periods:

(1) For payment of the October salary supplement, the school growth scores from the first, second, and third years.

(2) For payment of the March salary supplement, 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.7.(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.7.(e) A principal compensated in accordance with this section for the 2026-2027 fiscal year shall receive an amount equal to the greater of the following:

(1) The applicable amount under this section 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.7.(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 2026-2027 fiscal year.
(5) The applicable school year. – The 2026-2027 school year.
(6) Third year. – The school year immediately preceding the fourth year.

BONUSES FOR PRINCIPALS

SECTION 7A.8. 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."

REVISE PRINCIPAL RECRUITMENT AND RETENTION SUPPLEMENT AND REQUIRE NORTH CAROLINA COLLABORATORY TO STUDY PRINCIPAL RECRUITMENT

SECTION 7A.9.(a) G.S. 115C-285.1 reads as rewritten:

"**§ 115C-285.1. Principal recruitment and retention supplement.**

(a) Definitions. – The following definitions shall apply in this section:

(1) Eligible employer. – The governing board of a local school administrative unit with an eligible school.

(2) Eligible school. – A low-performing school, as defined in G.S. 115C-105.37, that received an overall school performance score that placed it in the bottom ~~five percent (5%)~~ ten percent (10%) of all schools in the State in the prior school year.

(3) Qualifying recruitment principal. – A principal who ~~is paid on the~~ receives a salary supplement according to the Exceeded Growth column of the Principal Salary Supplement Schedule.

(3a) Qualifying retention principal. – A principal who receives a salary supplement according to the Met Growth or Exceeded Growth column of the Principal Salary Supplement Schedule.

(4) Qualifying school. – An eligible school selected by the Department to participate in the Program.

(b) Program; Purpose. – The Department of Public Instruction shall establish the Principal Recruitment and Retention Supplement Program (Program). To the extent funds are made available, the purpose of the Program shall be to provide significant, time-limited salary supplements to recruit and retain qualifying principals ~~who accept employment~~ to serve as principals of qualifying schools.

(c) Recruitment Salary Supplement. – A qualifying recruitment principal who accepts a position as a principal in a qualifying school shall receive an annual salary supplement of thirty thousand dollars ($30,000), paid on a monthly basis, as long as the principal is employed as the principal of that school, up to a maximum period of 36 ~~months, subject to the following:~~months.

~~(1) A qualifying principal who contracts with an eligible employer to receive the salary supplement shall not be excluded in future years from contracting with the same eligible employer or a different eligible employer for another salary supplement, subject to the requirements of this section.~~

~~(2) A qualifying principal who accepts employment as a principal at a qualifying school shall continue to receive the salary supplement during performance of the contract, up to 36 months, even if one or more of the following occur:~~

~~a. The principal is no longer a qualifying principal.~~

~~b. The school is no longer an eligible school.~~

~~(3) Notwithstanding G.S. 135-1(7a), salary supplements provided pursuant to this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.~~

(c1) Retention Salary Supplement. – A qualifying retention principal who received a recruitment salary supplement for 36 months pursuant to subsection (c) of this section shall receive a subsequent annual salary supplement of twenty thousand dollars ($20,000), paid on a monthly basis, as long as the principal remains employed as the principal of the same school, up to a maximum period of 36 months.

(d) Time Line. – To the extent funds are made available for the Program, the following time line shall apply:

(1) No later than ~~December 1, 2019, and October 1 of each year thereafter,~~ October 1 of each year, the Department shall notify an eligible employer with one or more eligible schools that the eligible employer may be selected to participate in the Program.

(2) No later than ~~January 15, 2020, and November 1 of each year thereafter,~~ November 1 of each year, each eligible employer that seeks to participate in the Program shall notify the Department of its intent.

(3) No later than ~~January 31, 2020, and November 15 of each year thereafter,~~ November 15 of each year, the Department shall notify any eligible employer

with a qualifying school that the school qualifies for the Program, up to a statewide total of 40 schools. In making its selections, the Department shall prioritize eligible schools with the lowest overall school performance scores.

(4) No later than ~~May 1, 2020, and annually thereafter,~~ May 1 of each year, each eligible employer with a qualifying school shall do all of the following:

a. Execute all applicable contracts with qualifying principals.

b. Notify the Department of the (i) identity of principals and schools in the unit that will participate in the Program, (ii) length of the contract period between the eligible employer and each qualifying principal, and (iii) length of time the qualifying principal will receive ~~the~~ a salary supplement.

(5) No later than ~~August 1, 2020, and annually thereafter,~~ August 1 of each year, all qualifying principals identified pursuant to sub-subdivision (4)b. of this subsection who receive a recruitment salary supplement shall begin employment as a principal at the applicable qualifying school.

(d1) No Loss of Supplement. – A qualifying principal who receives a recruitment or retention salary supplement pursuant to this section shall continue to receive that salary supplement during performance of the contract, up to 36 months, even if one or more of the following occur:

(1) The principal is no longer a qualifying principal.

(2) The school is no longer an eligible school.

(d2) Future Supplements. – A qualifying principal who contracts with an eligible employer to receive the salary supplement under this section shall not be excluded in future years from contracting with the same eligible employer or a different eligible employer for another salary supplement, subject to the requirements of this section.

(d3) Not Compensation. – Notwithstanding G.S. 135-1(7a), salary supplements provided pursuant to this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

(e) Additional Funds. – In the event an eligible employer is unable to award funds for the salary supplement because of resignation, dismissal, reduction in force, death, retirement, or failure to execute a contract with a qualifying principal, the Department shall award the funds, as soon as is practicable, to another eligible employer identified in subdivision (a)(1) of this section.

(f) Supplement Not Supplant. – Salary supplements provided to qualifying principals pursuant to this section shall be used to supplement and not supplant State and non-State funds already provided for principal compensation.

(g) Report. – No later than ~~March 15, 2021, and every year thereafter~~ March 15 of each year in which funds are expended under the Program, the Department shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division on the Program, including, at a minimum, the following information:

(1) The impact of the Program on school performance, including the performance of (i) schools receiving a principal under the Program and (ii) schools that lost a principal due to the Program.

(2) The number of principals participating in the Program.

(3) The identity of schools participating in the Program.

(4) The length and rate of retention of principals (i) within the Program and (ii) at specific schools within the Program."

SECTION 7A.9.(b) No later than March 15, 2027, the North Carolina Collaboratory shall study and report to the Joint Legislative Education Oversight Committee and all eligible employers, as defined in G.S. 115C-285.1(a)(1), the following information:

(1) The benefits of recruiting high-performing principals to low-performing schools, including the benefits of the principal recruitment and retention supplement established in G.S. 115C-285.1, as amended by subsection (a) of this section.
(2) Strategies to facilitate the recruitment and retention of qualifying principals to eligible schools.

ASSISTANT PRINCIPAL SALARIES

SECTION 7A.10.(a) For the 2026-2027 fiscal year, beginning July 1, 2026, 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.10.(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.10.(c) 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.10.(d) An assistant principal compensated in accordance with this section for the 2026-2027 fiscal year 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.11.(a) For the 2026-2027 fiscal year, beginning July 1, 2026, 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 three percent (3%).

SECTION 7A.11.(b) The monthly salary maximums that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2026-2027 fiscal year, beginning July 1, 2026:

	2026-2027 Fiscal Year Maximum
School Administrator I	$7,800
School Administrator II	$8,265
School Administrator III	$8,757
School Administrator IV	$9,099

School Administrator V	$9,463
School Administrator VI	$10,023
School Administrator VII	$10,424

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.11.(c) The monthly salary maximums that follow apply to superintendents for the 2026-2027 fiscal year, beginning July 1, 2026:

	2026-2027 Fiscal Year Maximum
Superintendent I	$11,049
Superintendent II	$11,707
Superintendent III	$12,410
Superintendent IV	$13,156
Superintendent V	$13,947

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.11.(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.11.(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.11.(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.12. For the 2026-2027 fiscal year, beginning July 1, 2026, 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 three percent (3%).

(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.

BONUSES FOR SCHOOL NUTRITION AND CUSTODIAL PERSONNEL

SECTION 7A.13.(a) No later than October 31, 2026, the Department of Public Instruction shall administer a bonus of one thousand seven hundred fifty dollars ($1,750) to all school nutrition and custodial personnel employed in local school administrative units.

SECTION 7A.13.(b) For purposes of this section, the term "school nutrition and custodial personnel" refers to persons who meet all of the following criteria:

(1) Provide school nutrition or custodial services in the unit.
(2) Are not licensed by the State Board of Education.
(3) Are employed in a local school administrative unit as of October 1, 2026.
(4) Receive salaries that are supported in whole or in part by receipt funds or local funds.

SECTION 7A.13.(c) The bonus awarded pursuant to this section shall be (i) in addition to any regular wage or other bonus the employee receives or is scheduled to receive and (ii) adjusted pro rata for permanent part-time employees based on the total number of hours worked.

SECTION 7A.13.(d) 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.

SECTION 7A.13.(e) It is the intent of the General Assembly that funds provided pursuant to this section will supplement the compensation of qualifying school nutrition and custodial personnel and not supplant local funds.

PART VIII. THE UNIVERSITY OF NORTH CAROLINA SYSTEM

UNC/ESCHEAT FUND FOR STUDENT FINANCIAL AID PROGRAMS

SECTION 8.1.(a) G.S. 116B-7 reads as rewritten:

"**§ 116B-7. Distribution of fund.**

(a) ~~The~~ Unless otherwise provided in the Current Operations Appropriations Act, as defined in G.S. 143C-1-1, the income derived from the investment or deposit of the Escheat Fund shall be distributed annually on or before August 15 to the State Education Assistance Authority for grants and loans to aid worthy and needy students who are (i) residents of this State and ~~are~~ (ii) enrolled in public institutions of higher education in this State. Such grants and loans shall be made upon terms, consistent with the provisions of the Current Operations Appropriations Act and this Chapter, pursuant to which the State Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to 116-209.23, Article 23 of Chapter 116 of the General Statutes, policies of the Board of Governors of The University of North Carolina regarding need-based grants for students of The University of North Carolina, and policies of the State Board of Community Colleges regarding need-based grants for students of the community colleges. The Authority shall deposit an amount specified in the Current Operations Appropriations Act from the Escheat Fund into the Scholarship Reserve Fund for Public Colleges and Universities pursuant to G.S. 116-209.85 each fiscal year to fund the North Carolina Need-Based Scholarship for Public Colleges and Universities pursuant to Part 5 of Article 23 of Chapter 116 of the General Statutes.

(a1) Notwithstanding any other provision of this Chapter, if the income derived from the investment or deposit of the Escheat Fund is less than the amounts referenced in the Current Operations Appropriations Act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in that act. However, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

(a2) Except as otherwise provided by law, if any funds appropriated from the Escheat Fund by the Current Operations Appropriations Act for student financial aid remain uncommitted at the end of a fiscal year, the funds shall be returned to the Escheat Fund.

(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. 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 and (ii) are enrolled in public institutions of higher education of this State."

SECTION 8.1.(b) G.S. 116-209.18 reads as rewritten:

"**§ 116-209.18. Powers of Authority to administer student assistance program.**

In order to accomplish the purposes of this Article the Authority is ~~authorized:~~authorized to do all of the following:

(1) ~~To receive~~ Receive from the general fund or other sources such sums as the General Assembly may authorize from time to time for such purposes, and to receive from any other donor, public or private, such sums as may be made available, and to cause such sums to be disbursed for the purposes for which they have been ~~provided;~~provided.

(2) ~~To establish~~ Establish such criteria as the Authority shall deem necessary or desirable for determining the need of students for grants under this Article, as opposed to other forms of financial assistance, and for deciding who shall receive ~~grants;~~grants.

(3) ~~To prescribe~~ Prescribe the form and to regulate the submission of applications for assistance and to prescribe the procedures for considering and approving such ~~applications;~~applications.

(4) ~~To provide~~ Provide for the making of, and to make, grants under this Article under such terms and conditions as the Authority shall deem ~~advisable;~~advisable.

(5) ~~To encourage~~ Encourage educational institutions to increase the resources available for financial assistance; to prescribe such formulas for institutional maintenance of effort as the Authority may determine to be consistent with the purposes of this ~~Article;~~Article.

(6) ~~To provide~~ Provide by contract for the administration of all or any portion of the student assistance program by nonprofit organizations or corporations, pursuant to regulations and criteria established by the ~~Authority;~~Authority.

(7) ~~To serve,~~ Serve, on designation by the Governor, or as may otherwise be provided by federal law, as the State agency to administer such statewide programs of student assistance as shall be established from time to time under federal ~~law; and~~law.

(7a) Except for grants or loans for student financial aid programs where a specific evaluation is already required in law, conduct periodic evaluations of expenditures for 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 for those programs 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.

(8) ~~To have~~ Have all other powers and authority necessary to carry out the purposes of the student assistance program, including, without limitation, all the powers given to the Authority by G.S. 116-204 and by other provisions of the General Statutes."

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 and maintain 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."

SECTION 8.2.(b) For the 2026-2027 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 2026-2027 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.

SECTION 8.2.(d) No later than November 15, 2027, 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 progress made toward establishing the School of Civic Life and Leadership (the School), including at least the following information:

(1) Courses and other programming provided by the School, including the extent to which those courses or programs fulfill curriculum requirements at the University of North Carolina at Chapel Hill.
(2) Faculty hired by the School, including the number of faculty members hired from outside the University of North Carolina at Chapel Hill.
(3) Uses of funds appropriated to the School in this act.
(4) Progress made toward establishing an honors program at the School.
(5) Additional degree programs established at the School, including baccalaureate, doctoral, and minor concentration programs, in areas including government, history, literature, and economics.
(6) Progress made toward establishing a Board of Visitors at the School.
(7) Any other matter the Board deems relevant to the progress of establishing the School.

REPEAL FUTURE TEACHERS OF NORTH CAROLINA PROGRAM

SECTION 8.3. 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 8.4. 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.

…."

REQUIRE REEVALUATION OF TEACHING FELLOWS PROGRAMS

SECTION 8.5.(a) 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 institutions of higher education with approved educator preparation programs 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:

(1) Demonstrates high rates of educator effectiveness on value-added models and teacher evaluations, including using performance-based, subject-specific assessment and support systems, such as edTPA or other metrics of evaluating candidate effectiveness that have predictive validity.

(2) Demonstrates measurable impact of prior graduates on student learning, including impact of graduates teaching in qualifying licensure areas.

(3) Demonstrates high rates of graduates passing exams required for teacher licensure.

(4) Provides curricular and co-curricular enhancements in leadership, facilitates learning for diverse learners, and promotes community engagement, classroom management, and reflection and assessment.

(5) Requires at least a minor concentration of study in the subject area that the candidate may teach.

(6) Provides early and frequent internship or practical experiences, including the opportunity for participants to perform practicums in diverse school environments.

(7) Is approved by the State Board of Education as an educator preparation program.

(8) For an educator preparation program enrolling loan recipients in a program of study leading to licensure in elementary education (K-6), provides training that is aligned with the Science of Reading in accordance with G.S. 115C-269.20. The Commission shall contract with a third-party entity to biennially evaluate whether a program identified in this subdivision is providing training that is aligned with the Science of Reading.

(f1) Program Reevaluation. – The Commission, in consultation with the System Office of The University of North Carolina and the Authority, shall develop a process to reevaluate all educator preparation programs participating in the Program on the basis of effectiveness. Under the process developed pursuant to this subsection, the Commission shall reevaluate all participating educator preparation programs at least every six years. The Commission may stagger the reevaluation process among participating educator preparation programs as necessary. At the conclusion of the reevaluation process, the Commission may remove an educator preparation program from the Program. If the Commission removes an educator preparation program, the Commission shall ensure that any loan recipients enrolled in the educator preparation program in that academic year remain eligible to receive a forgivable loan under the Program.

…

(j) Annual Report. – The Commission, in coordination with the Authority, the Department of Public Instruction, and the selected educator education programs participating in the Program shall report no later than January 1, 2019, and annually thereafter, to the Joint Legislative Education Oversight Committee regarding the following:

…

(4) The reevaluation of participating educator preparation programs pursuant to subsection (f1) of this section."

SECTION 8.5.(b) This section becomes effective July 1, 2026. The Commission shall conclude its initial reevaluation of all educator preparation programs participating in the Program pursuant to G.S. 116-209.62(f1), as enacted by this section, no later than July 1, 2032.

PRIOR TEACHING FELLOWS PROGRAM REVISIONS APPLY TO ALL CURRENT PROGRAM PARTICIPANTS

SECTION 8.6. Notwithstanding Section 8A.4(c) of S.L. 2023-134 and Section 2.14(b) of S.L. 2024-1, beginning with the 2026-2027 academic year, the following shall apply:

(1) All students enrolled in an approved educator preparation program at an institution of higher education and participating in the North Carolina Teaching Fellows Program (Program) shall receive a forgivable loan up to the amount described in G.S. 116-209.62(g), as amended by Section 8A.4(a) of S.L. 2023-134.

(2) All teachers pursuing loan forgiveness under the Program shall be subject to the definition of qualifying teacher and the criteria for loan forgiveness provided in Part 3 of Article 23 of Chapter 116 of the General Statutes, as amended by Section 8A.4(a) of S.L. 2023-134 and Section 2.14(a) of S.L. 2024-1.

UNC PLAN TO INCORPORATE POSITION INFORMATION INTO BEACON/HR PAYROLL SYSTEM

SECTION 8.7. 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 develop a plan that incorporates 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 the plan to the Joint Legislative Education Oversight Committee and the Fiscal Research Division no later than April 15, 2027.

ADD WINSTON-SALEM STATE UNIVERSITY TO CHEATHAM-WHITE SCHOLARSHIP

SECTION 8.8.(a) Article 35 of Chapter 116 of the General Statutes reads as rewritten:

"Article 35.

"Cheatham-White Scholarships.

"**§ 116-290. Cheatham-White Scholarships; establishment and purpose; benefits.**

(a) Scholarships Established; Purpose. – The Cheatham-White Scholarships are established as a merit scholarship program at North Carolina Agricultural and Technical State ~~University~~ University, Winston-Salem State University, and at North Carolina Central University. The purpose of the scholarships is to provide an outstanding educational experience for students who are exceptional scholars, versatile and well-rounded individuals with a broad range of interests, and who are accomplished and proficient in areas of both the arts and the sciences. They must also demonstrate leadership potential and a strong commitment to service.

…

(c) Number of Scholarships Awarded. – Up to ~~50~~ 150 scholarships, ~~40~~ including at least 120 for resident students and ~~10~~ no more than 30 for nonresident students, may be awarded each academic year to students admitted to North Carolina Agricultural and Technical State University. Up to 50 scholarships, including at least 40 for resident students and no more than 10 for nonresident students, may be awarded each academic year to students admitted to

Winston-Salem State University. Up to ~~50~~ 100 scholarships, ~~40~~ including at least 80 for resident students and ~~10~~ no more than 20 for nonresident students, may be awarded each academic year to students admitted to North Carolina Central University.

…

"**§ 116-292. Cheatham-White Scholarships; eligibility and selection criteria.**

(a) Eligibility. – To be eligible to be nominated as a potential candidate for a Cheatham-White Scholarship, a person must satisfy all of the following criteria:

(1) Be a competitive applicant for admission as a freshman in the fall semester into a baccalaureate program at ~~either~~ North Carolina Agricultural and Technical State ~~University~~ University, Winston-Salem State University, or North Carolina Central University.

(2) Be a United States citizen or permanent resident.

(3) Be on course to graduate from high school in the spring semester prior to college admission.

(b) Selection Criteria. – Candidates for Cheatham-White Scholarships shall be selected on the basis of academic merit, honorable character, outstanding leadership potential, and a demonstrable commitment to service. Financial need shall not be a consideration.

…

"**§ 116-294. Cheatham-White Scholarships; administration of scholarships.**

The University of North Carolina System Office shall administer the Cheatham-White Scholarships, in consultation and collaboration with North Carolina Agricultural and Technical State ~~University~~ University, Winston-Salem State University, and North Carolina Central University, pursuant to policies adopted by the Board of Trustees of ~~both constituent institutions.~~ each constituent institution. As part of its administrative responsibilities, The University of North Carolina System Office, in consultation and collaboration with North Carolina Agricultural and Technical State ~~University~~ University, Winston-Salem State University, and North Carolina Central University, shall do all of the following:

…."

SECTION 8.8.(b) This section is effective when it becomes law and applies beginning with the award of scholarship funds in the 2027-2028 academic year so that students may be nominated for receipt of the scholarship at Winston-Salem State University during the 2026-2027 academic year.

REVISE POWERS AND DUTIES OF THE NORTH CAROLINA COLLABORATORY

SECTION 8.9.(a) G.S. 116-255 reads as rewritten:

"**§ 116-255. The North Carolina Collaboratory established.**

…

(b) Duties and Powers. – The Collaboratory shall do at least the following within the funds available:

…

(3) Support research ~~programs~~ and development programs, research administration capacity building, and intra- and inter-campus collaborations at institutions of higher education, particularly institutions identified as historically minority-serving institutions, within the Collaboratory's areas of focus and expertise.

…

~~(6) Assist the Office of State Fire Marshal in the maintenance of the online reporting portal on the storage and deployment of Aqueous Film Forming Foams (AFFF) as required by G.S. 58-82B-10.~~

(7) Teach and train ~~students and faculty~~ students, staff, faculty, and postdoctoral researchers to engage in and administer neutral and unbiased research and

advice on science policy through (i) informal workshops and similar events and (ii) formal development and delivery of ~~curriculum.~~curriculum or other information.

(c) Funding Conditions and Restrictions. – The following applies to funding received by the Collaboratory:

…

(2) Funds appropriated by the General Assembly and used by the Collaboratory may not be used for indirect overhead costs at ~~an institution~~ any entity, including an institution, that is partnering with and funded by the Collaboratory.

(3) For research or investigations that need to be carried out expeditiously in response to a project, opportunity, or a legislative mandate, the provisions of Articles 3, 3A, 3B, 3C, 3D, and 8C of Chapter 143 of the General Statutes, G.S. 143-129, and G.S. 116-31.10 shall not apply to the Collaboratory for the purchase of apparatus, supplies, material, services, capital improvements, or equipment in projects addressing ~~an emerging or immediate threat to~~ either (i) a perceived, potential, or real concern regarding public health, safety, or ~~welfare.~~ welfare or (ii) a time-sensitive opportunity that has the potential to benefit the State. This subdivision shall apply only when at least fifty percent (50%) of the total funding for a project was provided by the Collaboratory. For each project that utilizes this exemption, the Collaboratory shall ~~provide~~ do all of the following:

a. Provide a justification in writing ~~and make this document~~ that cites the specific concern or opportunity that prompted the use of the exemption.

b. Both of the following:

1. Make the written justification available on its website for the duration of the project.

2. Report the written justification to the Joint Legislative Oversight Committee on Agriculture and Natural Economic Resources, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division within 30 calendar days of publication on its website.

(4) All units of State and local government shall cooperate and assist the Collaboratory with its research program by providing ~~reasonable~~ access to at least ~~the following:~~

~~a. Infrastructure.~~

~~b. Personnel.~~

~~c. Data.~~(i) infrastructure, (ii) personnel, and (iii) data. Any unit of State or local government that receives a written request from the Collaboratory under this subdivision, including an electronically transmitted request, shall fulfill that request for the Collaboratory, or a research team at an institution of higher education that is funded by the Collaboratory, within 30 calendar days of the date of that request. The Collaboratory, or a research team at an institution of higher education that is funded by the Collaboratory, shall not publish or otherwise release any information or data received pursuant to this subdivision if that information or data is not a public record or is otherwise confidential. The Collaboratory may release de-identified, aggregated information or data based on any information or data

received pursuant to this subdivision if the release contains no personally identifiable information.

…

(7) The Collaboratory may negotiate or impose ~~data use, data management,~~ publication, data use, and data management terms and conditions for projects funded by the Collaboratory and revenue sharing requirements for intellectual property developed through its research awards using State funds, including, but not limited to, contractual terms that provide for gross revenue distribution to the General Fund for future research and development projects.

(8) ~~Funds~~ To the extent permitted under federal law, funds appropriated by the General Assembly ~~to~~ from any source of funds and used by the Collaboratory to execute its duties and powers in accordance with this section (i) shall not revert ~~to the General Fund~~ but shall remain available until expended and (ii) shall not apply to the carryforward limitation imposed on constituent institutions of The University of North Carolina by G.S. 116-30.3.

(9) Any entity may provide funds directly to the Collaboratory, including grant funds, if the funds are provided (i) as a donation or (ii) for research projects to be conducted at one or more constituent institutions of The University of North Carolina in which the Collaboratory provides those funds to support research at the constituent institution. If the entity provides the funds as a grant to the Collaboratory, the Collaboratory may manage the grant and determine the terms and conditions of the grant and related subawards associated with the grant, including rates, if any, of indirect overhead related to those funds.

(10) If a project or study of the Collaboratory includes records associated with any of the following, then all records associated with that project or study are not public records, as that term is defined in G.S. 132-1:

a. Specific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure, as described in G.S. 132-1.7(a)(5).

b. Vulnerability and risk assessments, as described in G.S. 132-1.7(b).

c. Information relating to the construction, renovation, or repair of public buildings and infrastructure facilities, as described in G.S. 132-1.7(c).

d. Confidential information, as described in G.S. 132-1.2.

e. Personal identifying information, as described in G.S. 132-1.10."

SECTION 8.9.(b) G.S. 120-129 reads as rewritten:

"**§ 120-129. Definitions.**

As used in this Article:

…

(2) Legislative employee. – Employees and officers of the General Assembly, consultants and counsel to members and committees of either house of the General Assembly or of legislative commissions who are paid by State funds, students at an accredited law school while in an externship program at the General Assembly approved by the Legislative Services Commission, employees of the North Carolina Collaboratory, and employees of the School of Government at the University of North Carolina at Chapel Hill. The term does not include legislators and members of the Council of State.

…."

SECTION 8.9.(c) This section is effective when it becomes law.

ESTABLISH OFFICE OF LEARNING RESEARCH

SECTION 8.10.(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.

(b) Location. – The OLR shall be housed within the North Carolina Collaboratory at the University of North Carolina at Chapel Hill.

(c) 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. 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."

SECTION 8.10.(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 8.10.(c) This section is effective when it becomes law.

UNIVERSITY OF NORTH CAROLINA SYSTEM FACULTY REALIGNMENT INCENTIVE PROGRAM

SECTION 8.11. Part 1 of Article 1 of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-17.4. Faculty Realignment Incentive Program.**

(a) For purposes of this section, the following definitions shall apply:

(1) Identified faculty member. – A full-time, tenured faculty member employed by a constituent institution of The University of North Carolina who meets all of the following criteria:

a. Is at least 55 years of age.

b. Meets either of the following criteria:

1. Is eligible to commence retirement with an early or service retirement allowance under the Teachers' and State Employees' Retirement System (TSERS).

2. Is vested in the Optional Retirement Program (ORP) for The University of North Carolina.

c. Does not receive disability or workers' compensation benefits.

(2) Program. – The Faculty Realignment Incentive Program established pursuant to this section.

(b) There is established the Faculty Realignment Incentive Program to authorize the Board of Governors of The University of North Carolina to permit constituent institutions of The University of North Carolina to award severance payments to identified faculty members to provide long-term cost-savings and improved operational efficiencies for The University of North Carolina. Constituent institutions may provide severance payments to identified faculty members within funds available and based on criteria established by the President of The University of North Carolina. The Program shall meet at least the following requirements:

(1) An identified faculty member shall be selected to receive a payment under the Program in the discretion of the constituent institution where the identified faculty member is employed. As part of the selection process, the constituent institution shall prioritize the selection of faculty members associated with academic programs or other curriculum at the institution that are low-performing, redundant, have insufficient enrollment, produce an insufficient return on investment, or are otherwise in conflict with the policies

of the Board of Governors or the vision and purpose of The University of North Carolina.

(2) Severance payments shall be equivalent to the identified faculty member's base salary from the prior academic year.

(3) Severance payments shall be exempt from payroll deductions for retirement contributions and shall not be considered compensation for purposes of the supplemental plans administered by The University of North Carolina or plans administered by the Supplemental Retirement Board of Trustees under G.S. 135-96.

(4) If an identified faculty member does not qualify for the full employer premium contribution for retiree health coverage provided under TSERS or ORP, then the constituent institution where the identified faculty member is employed may provide the faculty member, in addition to a severance payment, an amount equivalent to 12 months of the full employer contribution to the employee health insurance premium.

(c) By December 1 of each year, the Board of Governors shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division at least the following information on the Program, disaggregated by constituent institution:

(1) The number of identified faculty members that received funds under the Program.

(2) The total amount paid out by the Program."

INCREASE NC PROMISE TUITION FOR NONRESIDENTS

SECTION 8.12.(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 ~~three thousand five hundred dollars ($3,500)~~ four thousand dollars ($4,000) per academic semester."

SECTION 8.12.(b) This section applies beginning in the 2027-2028 academic year to nonresident students matriculating at NC Promise institutions. Any nonresident student enrolled in the 2026-2027 academic year at an NC Promise institution who remains continuously enrolled in that institution shall continue to receive that student's prior rate of tuition.

SECTION 8.12.(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.

NCSSM-MORGANTON EXPANSION STUDIES

SECTION 8.13.(a) 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 do the following:

(1) Study the feasibility of increasing the size of the Morganton campus of the North Carolina School of Science and Mathematics (NCSSM-Morganton) and develop a plan to accommodate at least twice as many students enrolled for in-person instruction at NCSSM-Morganton. At a minimum, the plan shall include the following information:

a. 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.

b. Resources needed to accommodate additional in-person students and associated costs, including at least the following:

1. Improvements to physical spaces, including residence halls.
2. Additional faculty and staff.
3. Instructional materials.
4. Other costs, as determined by the Board of Governors.

(2) Study increasing the number of students enrolled for remote instruction at NCSSM-Morganton, whether synchronously or asynchronously, and develop a plan to achieve that purpose.

SECTION 8.13.(b) No later than February 15, 2027, the Board of Governors of The University of North Carolina shall report the plans developed pursuant to subdivisions (1) and (2) of subsection (a) of this section to the Joint Legislative Education Oversight Committee.

SECTION 8.13.(c) This section is effective when it becomes law.

PROTECT CAMPUS SURVIVORS ACT

SECTION 8.14.(a) Chapter 132 of the General Statutes is amended by adding a new section to read:

"**§ 132-1.3B. Records of student disciplinary proceedings held by public institutions of higher education.**

(a) Definitions. – The following definitions apply in this section:

(1) Disciplinary proceeding. – Any complaint, investigation, adjudication, or resolution of an alleged violation of or noncompliance with any disciplinary or conduct rules or other policies adopted by a public institution of higher education that apply to students.

(2) Personally identifiable information. – As defined in regulations adopted under the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g.

(3) Public institution of higher education. – The University of North Carolina System Office, a constituent institution of The University of North Carolina that is an institution of higher education, the Community Colleges System Office, and a community college.

(b) Confidential Information. – A public record, as defined by G.S. 132-1, does not include any record of a disciplinary proceeding that reveals personally identifiable information about a student enrolled in a public institution of higher education, even if releasing the record would be permitted by the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g.

(c) Exception for General Information. – This section does not limit the disclosure of a public record that does not contain personally identifiable information from a student disciplinary proceeding, including aggregated data, guidelines, instructions, or summaries."

SECTION 8.14.(b) G.S. 116-43.17 reads as rewritten:

"**§ 116-43.17. Confidentiality of ~~research data, records, and information of a proprietary nature.~~certain records.**

The following are not public records under Chapter 132 of the General Statutes:

(1) Research data, records, or information of a proprietary nature, produced or collected by or for state institutions of higher learning in the conduct of commercial, scientific, or technical research where the data, records, or information has not been patented, published, or ~~copyrighted are not public records as defined by G.S. 132-1.~~copyrighted.

(2) Any record of a disciplinary proceeding that reveals personally identifiable information about a student, as provided in G.S. 132-1.3B."

SECTION 8.14.(c) G.S. 115D-78 reads as rewritten:

"**§ 115D-78. Access to information and public records; small business counseling information.**

(a) In accordance with Chapter 132 of the General Statutes, all rules, regulations and public records of the State Board of Community Colleges, the Community Colleges System Office, and local boards of trustees shall be available for examination and reproduction on payment of fees by any person.

(a1) Any record of a disciplinary proceeding that reveals personally identifiable information about a student is not a public record, as provided in G.S. 132-1.3B.

…."

SECTION 8.14.(d) This section is effective when it becomes law and applies to requests for records of a disciplinary proceeding that reveals personally identifiable information about a student submitted on or after that date.

OFFICE OF LEARNING RESEARCH EVALUATION OF COMPETENCY-BASED LEARNING PROGRAMS

SECTION 8.15. The Office of Learning Research at the North Carolina Collaboratory shall study and evaluate the programs established pursuant to Sections 6.4, 7.11, 7.12, 7.13, and 7.14 of this act and report to the Joint Legislative Education Oversight Committee by March 15, 2028, and annually thereafter, culminating in a final report on March 15, 2030. Reports shall include at least the following:

(1) The total number of students engaging with these programs.

(2) The total amount of funds expended to implement, design, and operate the programs.

(3) Effects on student achievement and learning outcomes.

OFFICE OF LEARNING RESEARCH TO STUDY LITERACY PROFESSIONAL DEVELOPMENT

SECTION 8.16.(a) The Office of Learning Research (OLR) 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, 2027.

SECTION 8.16.(b) OLR shall conduct a study on the effectiveness of Lexia Aspire Professional Learning on literacy outcomes for students in grades six through eight. This study shall compare literacy outcomes from before and after teachers completed the professional development required by Section 7.8(f) of this act. OLR shall provide an interim report on the results of the study to the Joint Legislative Education Oversight Committee by October 15, 2028, and a final report by October 15, 2029.

NO FINANCIAL BENEFIT FOR UNC STUDENTS CONVICTED OF ASSAULTING OFFICERS OR EMPLOYEES OF THE STATE

SECTION 8.17.(a) G.S. 116-11 is amended by adding a new subdivision to read:

"(7b) The Board of Governors shall adopt a policy prohibiting The University of North Carolina and its constituent institutions from providing a State-funded scholarship or grant to any student who has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled as a student. The prohibition begins with the semester or academic term following the conviction."

SECTION 8.17.(b) Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-143.2A. In-State tuition rate disqualification.**

Notwithstanding G.S. 116-143.1 or any other law to the contrary, a person enrolled at an institution of higher education, as defined in G.S. 116-143.1, is disqualified from receiving the in-State tuition rate if the person has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled in the institution. The disqualification begins with the semester or academic term following the conviction."

SECTION 8.17.(c) Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-209.19B. State-funded scholarship or grant disqualification.**

The Authority shall adopt a rule prohibiting any student from receiving a State-funded scholarship or grant if the student has been convicted of assaulting an officer or employee of the State or any political subdivision of the State, as provided in G.S. 14-33(c)(4), while enrolled as a student. The prohibition begins with the semester or academic term following the conviction."

SECTION 8.17.(d) This section is effective December 1, 2026, and applies to offenses committed on or after that date.

PRESERVATION OF STUDENT RECORDS HELD BY LICENSED NONPUBLIC POSTSECONDARY EDUCATIONAL INSTITUTIONS

SECTION 8.18. 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.

…."

NORTH CAROLINA STUDENT LIFELINE INFORMATION FOR UNIVERSITY STUDENTS

SECTION 8.19.(a) 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 sub-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 8.19.(b) This section is effective when it becomes law and applies beginning with 2026-2027 academic year.

RURAL RESIDENCY MEDICAL EDUCATION AND TRAINING FUND

SECTION 8.20.(a) Part 3 of Article 1 of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-36.10. Rural Residency Medical Education and Training Fund.**

(a) Fund Established. – There is established the Rural Residency Medical Education and Training Fund (Fund) as a nonreverting, interest-bearing special fund. The Fund shall consist of funds appropriated by the General Assembly and the interest earned on those funds. The Fund shall be used to support expenses for training, residency programs, and associated capital improvement projects for the following:

(1) Medical schools and health affairs programs operated by constituent institutions of The University of North Carolina, including the medical schools and health affairs programs at East Carolina University and the University of North Carolina at Chapel Hill.

(2) Private and public health care entities in the State.

(b) Limit on Capital Expenses. – The System Office shall ensure that each entity receiving monies from the Fund shall expend no more than two hundred thousand dollars ($200,000) each fiscal year on capital improvement projects. For purposes of this subdivision, the term "capital improvement" is as defined in G.S. 143C-1-1(d)(5).

(c) Administration. – The University of North Carolina System Office (System Office) shall administer the Fund and may use up to five percent (5%) of the monies in the Fund each fiscal year for administration of the Fund.

(d) Allocation; Institutional Carryforward. – The System Office shall allocate monies in the Fund for the purposes described in subsection (a) of this section in the form of a grant. Funds

allocated pursuant to this section shall not revert but shall remain available to entities receiving those funds until expended."

SECTION 8.20.(b) Notwithstanding any provision of S.L. 2023-134 or the Committee Report referenced in Section 43.2 of that act to the contrary, The University of North Carolina System Office shall allocate to the Rural Residency Medical Education and Training Fund established pursuant to G.S. 116-36.10, as enacted by this section, all funds that were appropriated to the Board of Governors pursuant to S.L. 2023-134 for the Rural Residency Medical Education and Training Fund established by the Board of Governors of The University of North Carolina pursuant to that act.

SECTION 8.20.(c) This section becomes effective June 30, 2026.

EXPANSION OF POSTSECONDARY TRANSFER TECHNOLOGY

SECTION 8.21.(a) Findings. – The General Assembly makes the following findings regarding the current state of postsecondary transfer technology at institutions of higher education in North Carolina:

(1) Seamless postsecondary transfer and reverse transfer reduces barriers for learners and aligns to statewide economic and workforce goals.

(2) The Current Operations Appropriations Act of 2023, S.L. 2023-134, authorized and supported statewide postsecondary data and technology initiatives to improve student outcomes, including transfer efficiency.

(3) Expanding technology to support the transfer of student credits among and between institutions of higher education will reduce the time it takes for students to earn a degree and reduce costs.

(4) Successful postsecondary transfer and reverse transfer is necessary to achieve the postsecondary attainment goal established in G.S. 116C-10.

(5) Additional investment is necessary to scale and integrate technology supporting seamless postsecondary transfer and reverse transfer.

SECTION 8.21.(b) Initiative; Administration. – Of the two million five hundred thousand dollars ($2,500,000) in nonrecurring funds appropriated to the Board of Governors of The University of North Carolina in this act for the 2026-2027 fiscal year, The University of North Carolina System Office, in collaboration with the Community Colleges System Office and the Department of Information Technology, shall expand the current initiative (Initiative) in the 2026-2027 academic year to do all of the following:

(1) Identify and develop programs to accelerate the transfer of course credits among postsecondary institutions of higher education using postsecondary transfer technology.

(2) Provide and improve technology at participating institutions of higher education that will simplify the credit transfer process for students, advisors, and the participating institutions.

(3) Allow students to easily compare credit transfer options, speed up student decision making, and streamline transfer planning and progress toward degrees in a manner that reduces overall costs for students in the State.

SECTION 8.21.(c) Report. – No later than March 15, 2027, The University of North Carolina System Office shall report to the Joint Legislative Education Oversight Committee on the Initiative, including at least the following information:

(1) The number and identity of institutions participating in the Initiative.

(2) The progress of each participating institution in the following areas, with data disaggregated on the basis of income, race, ethnicity, and other demographic characteristics, where available:

a. Enrollments upon transfer.

b. Credentials attained as a result of the successful transfer of credits.

(3) Recommendations to scale credit mobility and transfer technology statewide, including identification of data system needs and opportunities to further reduce the time it takes for a student to receive a degree and any other student costs.

WEIGHTED STUDENT FUNDING FORMULA WORK GROUP

SECTION 8.22. Of the funds appropriated to The University of North Carolina Board of Governors to be allocated to the North Carolina Collaboratory, the sum of three hundred thousand dollars ($300,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used for the Office of Learning Research at the North Carolina Collaboratory to establish a work group (Work Group) of experts in public education finance, including the Department of Public Instruction, North Carolina Business Leaders for Education, doing business as BEST NC (Business for Educational Success and Transformation), and other relevant stakeholders, to study and develop a strategy to transition North Carolina to a weighted student funding model for kindergarten through twelfth grade public education. No later than July 15, 2027, the Work Group shall report to the Joint Legislative Education Oversight Committee on a three-year strategy to transition from the current allotment-based funding model to a weighted student funding formula model, including policy, funding, messaging, and technical assistance needed for leaders of local school administrative units and schools within those units. The strategy shall include an examination of all of the following:

(1) Options to do at least the following under the new funding formula:
   a. Consolidate nonteaching support funds into a per pupil-based allotment with significant flexibility.
   b. Transition teacher pay from a position allotment to a dollar allotment based on average daily membership in order to maintain student-based funding with greater average teacher pay transparency and flexibility.
   c. Reassign all project- or resource-based funding into a set of designated line items.
   d. Determine whether need-based funds can be consolidated and transitioned into a per pupil figure.
   e. Report on spending and provide any other needed accountability for the use of State funds.

(2) Whether to transition from the North Carolina Department of Public Instruction to the State Education Assistance Authority the responsibility of disbursing any funds to local school administrative units.

PUBLIC SCHOOLS OPEN ENROLLMENT STUDY

SECTION 8.23.(a) The North Carolina Collaboratory (Collaboratory) shall study how local school administrative units can allow students to attend any school within the local school administrative unit in which the student is domiciled, other than the assigned base school. The study shall include, at a minimum, the following:

(1) A review of existing voluntary open enrollment and freedom of choice plans.

(2) Considerations for implementing mandatory open enrollment plans, including:
   a. The number of enrollment periods a mandatory open enrollment plan should have in a year.
   b. Types of application processes for mandatory open enrollment plans.
   c. How school capacity issues should be addressed and communicated to parents, including waitlist options.
   d. Transportation options for students when they choose a school other than their assigned base school.

e. Reasons that would let a local school administrative unit deny a request under a mandatory open enrollment plan.

f. Any appeals processes that would be available for denials of requests of school assignment under a mandatory open enrollment plan.

(3) Any other information deemed relevant by the Collaboratory.

SECTION 8.23.(b) The Collaboratory shall report its findings, including any recommended legislation, to the Joint Legislative Education Oversight Committee by April 15, 2027.

COLLABORATORY CONSUMER FIREWORKS STUDY

SECTION 8.24.(a) Study Authorized. – The North Carolina Collaboratory at the University of North Carolina at Chapel Hill (Collaboratory) shall study issues related to the regulation of fireworks in the State, and whether the categories of fireworks permitted for sale, transport, possession, and use within the State should be expanded. Specifically, the Collaboratory shall examine the feasibility and advisability of permitting the sale and use of consumer fireworks as defined in Senate Bill 250, 2025 Regular Session, and other categories of fireworks offered for sale to the public in other states.

SECTION 8.24.(b) Matters to be Considered. – To evaluate whether and under what conditions the expansion of sales of consumer fireworks and other categories of pyrotechnic devices to the public is protective of public health and safety, the Collaboratory study shall include the following:

(1) Public safety and emergency services. – The projected impact on fire agencies and fire departments due to anticipated increase in structural and brush fires and on emergency medical services, including hospital emergency room and specialized burn centers from personal injuries, and other economic and human resource impacts on emergency infrastructure.

(2) Regulatory framework and retail licensing. – The feasibility and potential structure of a licensing and permitting system for permanent, season, and temporary retailers of fireworks, including requirements for mandatory training, appropriate signage, criminal background checks for licensees, and liability insurance requirements. The study should also include an evaluation of the recurring costs to the Office of the State Fire Marshal or other State agency for the fulfillment of these expanded regulatory duties.

(3) Consumer safety. – The feasibility and potential structure of an online training, registration fee, and authorization system for eligible consumers, including training, age limitations, any variables necessary to determine consumer eligibility, and registration fees, as a requirement for purchase, transport, or use of categories of consumer fireworks and other categories of pyrotechnic devices offered for sale to the public.

(4) Local government authority. – Consideration of frameworks for the opportunity for local preemption, including providing counties and municipalities the authority to proactively opt-out of expanded sales; the restriction of days, times, and geographic zones where aerial fireworks may be discharged; and recommendations regarding the use of zoning, minimum buffers, or sales and use restrictions to control or limit sales and use of both commercial fireworks and consumer fireworks and other categories of pyrotechnic devices offered for sale to the public.

(5) Economic and fiscal impact. – The potential increase in State and local sales tax revenue, the feasibility of establishing a dedicated consumer fireworks fee or excise tax and the estimated economic gain of the fee or excise tax and where those funds could be directed, and the economic loss ("sales leakage")

resulting from North Carolina residents purchasing consumer fireworks in adjacent states, and the analysis of whether there could be an increase in homeowner insurance premiums potentially correlated with increased fire risk.

(6) Funding mechanisms for public safety and education. – Recommendations for allocation of funding from taxes and fees on new categories of consumer fireworks and other categories of pyrotechnic devices offered for sale to the public, such as support for the creation and support of an online training and registration portal, educational and safety resources for consumers, or local first responder equipment grants.

(7) Comparison to other states. – The Collaboratory shall review and summarize the regulatory frameworks for consumer fireworks and other categories of pyrotechnic devices offered for sale to the public in other states, including South Carolina, Georgia, Tennessee, and Virginia.

(8) Other. – Any other issues deemed relevant by the Collaboratory necessary to carry out the provisions of this section.

SECTION 8.24.(c) Consultation. – In conducting the study, the Collaboratory shall consult with a broad group of stakeholders, including the Office of the State Fire Marshal and the North Carolina Forest Service; representatives from the North Carolina Association of County Commissioners and the North Carolina League of Municipalities; emergency room physicians, first responders, and representatives from the North Carolina Jaycee Burn Center at the University of North Carolina at Chapel Hill; representatives from the North Carolina Chamber of Commerce, the North Carolina Retail Merchants Association, and the consumer fireworks industry; and any other stakeholders deemed relevant by the Collaboratory to provide assistance in completing the study.

SECTION 8.24.(d) Report. – The Collaboratory shall provide its study and any proposed recommendations or draft legislation to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on General Government on or before July 4, 2027.

ESTABLISH NC PROMISE TUITION PLAN RESERVE

SECTION 8.25.(a) Article 14 of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-143.13. NC Promise Tuition Plan Reserve.**

(a) Reserve Established; Purpose. – The NC Promise Tuition Plan Reserve (Reserve) is established to be administered by the Board of Governors of The University of North Carolina to allocate additional funds to constituent institutions of The University of North Carolina that are participating in the NC Promise Tuition Plan pursuant to G.S. 116-143.11. These funds shall be used to "buy down" any financial obligation resulting from the tuition rate established pursuant to G.S. 116-143.11 that is not available to be paid from funds already appropriated for the NC Promise Tuition Plan.

(b) Minimum Starting Balance. – At the beginning of each fiscal year, to the extent funds are made available for this purpose, the Board of Governors shall ensure that the minimum balance of the Reserve is at least three million dollars ($3,000,000). These funds may be expended over the course of the fiscal year below the minimum starting balance as needed to comply with the provisions of this section.

(c) Funding Request. – As part of the recommended budget the Board of Governors presents for the upcoming fiscal year pursuant to G.S. 116-11(9), the Board shall include any additional nonrecurring funds needed to meet the minimum starting balance required for the upcoming fiscal year pursuant to subsection (b) of this section.

(d) Carryforward. – Any unexpended, unencumbered funds in the Reserve at the end of each fiscal year shall not revert to the General Fund but shall remain available until expended."

SECTION 8.25.(b) G.S. 116-143.11(d) reads as rewritten:

"(d) By ~~October~~ February 1 of each year, the Board of Governors and the chancellors of Elizabeth City State University, the University of North Carolina at Pembroke, Fayetteville State University, and Western Carolina University, respectively, shall submit a report to the Joint Legislative Education Oversight Committee, the House Appropriations Committee on Education, the Senate Appropriations Committee on Education/Higher Education, and the Fiscal Research Division on the amount of any financial obligation resulting from the established tuition rate incurred at each constituent institution and at least the following information for the fiscal year:

(1) The amount required to offset the forgone tuition receipts at each of the four constituent institutions as a result of the tuition rate established by this section and how those funds were allocated to each constituent institution.
(2) The number of enrolled resident students at each constituent institution.
(3) The number of enrolled nonresident students at each constituent institution.
(4) The balance of the Reserve established pursuant to G.S. 116-143.13."

COLLABORATORY REPORT ON HEALTH CARE COSTS

SECTION 8.26.(a) The North Carolina Collaboratory (Collaboratory) shall study health care costs in North Carolina. The study shall identify factors contributing to the rapid increases in health care costs and propose options to mitigate those increases. The study shall include an examination of how other states are attempting to address the rise in health care costs, including, but not limited to, recent Medicaid changes made in House Enrolled Act 1004 in Indiana.

SECTION 8.26.(b) The Collaboratory shall submit two reports on the study required by subsection (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Commission on Governmental Operations, and the Fiscal Research Division, as follows:

(1) An initial report by April 1, 2027. This report shall include the following information related to the study required by subsection (a) of this section:
    a. Actions taken so far in this State to address increasing health care costs in North Carolina.
    b. Initial recommendations to further mitigate increasing health care costs in North Carolina.
    c. Any funds needed to complete the study required by subsection (a) of this section.
(2) A final report by April 1, 2028, with recommendations to mitigate increasing health care costs in North Carolina, including any legislative recommendations to achieve that purpose.

SECTION 8.26.(c) This section is effective when it becomes law.

WATER SAFETY ACT

SECTION 8.27.(a) PFAS Research Funding. – Funds appropriated in this act to the North Carolina Collaboratory at the University of North Carolina at Chapel Hill (Collaboratory) for PFAS research activities will be used to support scientific research on emerging contaminants conducted by or in collaboration with public or nonprofit academic institutions, including any of the following:

(1) Detection methods for known and emerging PFAS and 1,4-dioxane.
(2) Fate and transport of PFAS and 1,4-dioxane in environmental media.

(3) Innovative remediation, filtration, and destruction technologies for PFAS and 1,4-dioxane.
(4) Public health and toxicological impact assessments of PFAS and 1,4-dioxane.
(5) Evaluation of the health impacts of PFAS mixtures and 1,4-dioxane found in the State's drinking water to more closely model real-world public health scenarios.
(6) Replacement compounds for PFAS and 1,4-dioxane.
(7) Other topics the Collaboratory finds relevant to the characterization, biological transport, treatment, or control of emerging contaminants.

SECTION 8.27.(b) Directive. – The Collaboratory shall consult with affected stakeholders, scientific experts, and State and local officials to ensure funding is targeted to research in areas of highest environmental and public health impact.

SECTION 8.27.(c) Restrictions. – The restrictions of G.S. 116-255(c) apply to funds appropriated by this section.

SECTION 8.27.(d) Report. – The Collaboratory shall include in the report required by G.S. 116-256 documentation of its use of the funds allocated by this section and updates regarding the research funded by this section.

SECTION 8.27.(e) Industrial Discharger and SIU Finding. – The General Assembly finds that there is a need for accurate and complete data concerning discharges of per- and polyfluoroalkyl substances (PFAS) by entities directly discharging to surface waters of the State under a National Pollution Discharge Elimination System (NPDES) wastewater discharge permit and by significant industrial users (SIUs) discharging to publicly owned treatment works (POTWs) administering a POTW pretreatment program. There is also a need to better understand domestic and passive loading of PFAS when calculating a PFAS budget for the State. All of these data are needed in order to set evidence-based reduction targets and standards for PFAS dischargers as well as mitigation strategies for POTWs within the State.

SECTION 8.27.(f) Industrial Discharger and SIU Study Phases. – The North Carolina Collaboratory (Collaboratory), in cooperation with the Department of Environmental Quality (DEQ), shall conduct a two-phased study to identify and quantify measurable PFAS discharges in the State by collecting samples from POTW permit holders and certain NPDES permit holders following sampling protocols defined by the Collaboratory, as set forth in the following schedule:

(1) Phase 1 shall include collection by DEQ or the POTW and analysis by the Collaboratory of influent, effluent, and sludge samples from (i) every permitted POTW in the State receiving effluent from one or more significant industrial users (SIUs) and (ii) every facility holding an NPDES permit for direct discharge of process wastewater from an industrial or commercial operation. The Collaboratory and DEQ shall complete sampling and analysis of samples collected during this phase no later than December 31, 2027.
(2) Phase 2 shall include collection by DEQ and analysis by the Collaboratory of influent and effluent samples collected from every SIU discharging to a POTW, whether the pretreatment program applicable to that SIU is administered by the POTW and certified by the Environmental Management Commission (EMC) under G.S. 143-215.3(a)(14) or administered by DEQ. DEQ may retain secondary samples from samples collected in this Phase for analysis in compliance with subdivision (3) of this subsection. The Collaboratory and DEQ shall begin Phase 2 for SIUs of a POTW upon completion of Phase 1 sampling for that POTW and complete sampling and analysis for all SIUs no later than December 31, 2028.
(3) Research data generated by the Collaboratory or its researchers as set forth in this section may be used for regulatory recommendations but may not be used

for regulatory actions by the State of North Carolina. DEQ shall take regulatory actions only in compliance with the sampling and analytic protocols required under DEQ's delegation of NPDES and pretreatment program authority from the Environmental Protection Agency.

SECTION 8.27.(g) Industrial Discharger and SIU Study Analysis and Report. – The Collaboratory or its research teams shall conduct targeted PFAS analysis, adsorbable organic fluorine (AOF) analysis, and total oxidizable precursor (TOP) analysis on samples collected in both Phase 1 and Phase 2.

(1) Phase 1 report. – No later than March 31, 2028, the Collaboratory shall submit to DEQ, the EMC, and the Environmental Review Commission (ERC) a final report of a summary of the Phase 1 results, which shall be anonymized or aggregated based on county or river basin and shall also include regulatory recommendations for numerical mass-loading reduction thresholds. All research data gathered and analyzed by the Collaboratory as part of Phase 1, with the exception of the actual contents contained within the report released publicly, shall be exempt from disclosure as a public record as set forth in G.S. 116-43.17.

(2) Phase 2 report. – No later than March 31, 2029, the Collaboratory shall submit to DEQ, the EMC, and the ERC a final report of a summary of the results, which shall also include regulatory recommendations for numerical mass-loading reduction thresholds. Upon publication of the report, the supporting data from Phase 2 will be a public record as defined by G.S. 132-1, unless exempted under G.S. 116-43.17 or another applicable provision of law.

SECTION 8.27.(h) Biosolids Finding and Study. – The General Assembly finds that contamination of biosolids by per- and polyfluoroalkyl substances (PFAS) produced by wastewater facilities, as well as the origin of the PFAS themselves, present significant environmental, economic, and public health concerns. To address PFAS influent and effluent related to publicly owned or operated wastewater treatment works facilities in the State, the North Carolina Collaboratory at the University of North Carolina at Chapel Hill (Collaboratory) will carry out a collaborative research effort in partnership with utilities and State regulators for the purposes of providing utilities, State regulators, and other relevant entities with the knowledge, data, and strategies they need for utility management and decision making. As part of this collaborative research effort, the Collaboratory shall study all of the following:

(1) The impact of land application of biosolids generated at publicly owned or operated wastewater treatment works facilities across the State, including the amount of biosolids generated; types and concentrations of per- and polyfluoroalkyl substances (PFAS) found in the biosolids; the locations of the final disposition of biosolids generated at, and removed by, the wastewater facilities; the amount of PFAS contributed by the biosolids to surface and groundwater sources; current and alternative biosolids management options; the development of new management practices and technologies to minimize or remove PFAS; and any other variables related to biosolids management deemed relevant by the Collaboratory and its research partners.

(2) The concentrations and types of PFAS influent and effluent at wastewater treatment works facilities across the State, including identification of sources contributing to PFAS in facility influents; the fate and transport of PFAS effluent from the facilities; best management practices for identifying, managing, reducing, mitigating, and removing PFAS from both the influent and effluent at these wastewater facilities; development or deployment of PFAS reduction, mitigation, or destruction technologies to mitigate influent

or effluent; and any other variables related to PFAS deemed relevant by the Collaboratory and its research partners.

(3) The feasibility of developing PFAS reduction strategies for industrial discharges into either surface or groundwater in the State that may include analytical methods, targeted compounds, concentration thresholds, best available control technologies, development of new detection and reduction technologies, benefit-cost calculations, a proposed regulatory framework, and any other components deemed relevant by the Collaboratory and its research partners necessary to achieve PFAS reduction goals and standards.

SECTION 8.27.(i) Biosolids Study Collaboration. – Publicly owned or operated wastewater treatment works and the Department of Environmental Quality shall partner with the Collaboratory to carry out the study authorized by subsection (h) of this section to the extent permitted under public records laws, the requirements for protection of confidential information under G.S. 143-215.3C, or the terms of any delegation of enforcement authority under federal or State law or memoranda of agreement or understanding setting forth the delegation.

SECTION 8.27.(j) Biosolids Study Funding Authorization. – The Collaboratory is authorized to use any prior or future funds appropriated by the General Assembly for PFAS-specific research, or other discretionary funds, to carry out this study and shall present the final results of this study to the Department of Environmental Quality, the Environmental Review Commission, and the Environmental Management Commission no later than January 31, 2029.

SECTION 8.27.(k) Emerging Contaminant Mitigation Funding. – Funds appropriated in this act to the Department of Environmental Quality for PFAS mitigation grants are allocated to the Emerging Contaminant Mitigation Fund, as enacted by subsection (*l*) of this section, for purposes consistent with that Article.

SECTION 8.27.(*l*) Emerging Contaminant Mitigation Grants. – Chapter 159G of the General Statutes is amended by adding a new Article to read:

"Article 6.

"Emerging Contaminant Mitigation.

"**§ 159G-75. Definitions.**

In addition to the definitions in G.S. 159G-20, the following definitions apply in this Article:

(1) Emerging contaminant. – PFAS and 1,4-dioxane.

(2) Fund. – The Emerging Contaminant Mitigation Fund established in G.S. 159G-79.

(3) PFAS. – Per- and polyfluoroalkyl substances, including perfluorooctanoic acid (PFOA), perfluorooctanesulfonate (PFOS), hexafluoropropylene oxide dimer acid (HFPO-DA, also known as GenX), perfluorohexanesulfonic acid (PFHxS), perfluorononanoic acid (PFNA), and perfluorobutanesulfonic acid (PFBS).

(4) Significant industrial user. – Defined in 40 C.F.R. § 403.3.

"**§ 159G-77. Finding.**

The General Assembly finds that funding to support the mitigation of the impacts of emerging contaminants on local public water and wastewater systems is important to preserve the health and well-being of the State's citizens.

"**§ 159G-79. Emerging Contaminant Mitigation Fund.**

(a) Fund Established. – The Emerging Contaminant Mitigation Fund is established within the Department. The purpose of the Fund is to support statewide efforts to detect, reduce, mitigate, and prevent exposure to emerging contaminants. The Fund consists of any funds appropriated to it by the General Assembly; the clear proceeds from litigation settlement agreements, final orders, or judgments of a court received by the State in settlement of litigation related to emerging contaminants; grants from federal agencies or other non-State entities; and all interest earned on the Fund.

(b) Uses of Fund. – The Fund may only be used by SWIA to provide grants to units of local government operating public water or wastewater treatment systems for any of the following:

(1) Emerging contaminant sampling and monitoring in drinking water, wastewater, surface water, and groundwater.

(2) Installation or upgrade of water treatment technologies for emerging contaminant removal.

(3) Emergency response and remediation of emerging contaminant contamination in soil, surface water, and groundwater.

(4) Provision of technical assistance to significant industrial users for the purpose of mitigating, decreasing, or eliminating discharges of PFAS and 1,4-dioxane to publicly owned treatment works.

(c) Funding Criteria and Oversight. – SWIA shall establish criteria and application procedures for local emerging contaminant response grants and shall prioritize grants to public water systems and public wastewater systems (i) for which emerging contaminants have caused the greatest impacts on public health and the environment and (ii) that are or meet the criteria to be categorized as a distressed unit.

(d) Report. – SWIA shall report annually as a part of the report required by G.S. 159G-72 regarding projects funded under this section. The report shall include the project type (sampling and monitoring, treatment technologies, or emergency response), the project recipient, a brief description of the project, and the amount of funding provided."

SECTION 8.27.(m) Emerging Contaminant Conforming Change. – G.S. 159G-71 reads as rewritten:

"**§ 159G-71. State Water Infrastructure Authority; powers and duties.**

The Authority has the following additional duties:

…

(13) To award grants to mitigate the impacts of environmental contamination due to PFAS and 1,4-dioxane on local public water and wastewater systems as set forth in Article 6 of this Chapter."

FIREFIGHTER PROTECTION ACT

SECTION 8.28.(a) Of the nonrecurring funds appropriated in this act to the Board of Governors of The University of North Carolina for the 2026-2027 fiscal year to be allocated to the North Carolina Collaboratory (Collaboratory), the Collaboratory shall use the sum of fifteen million dollars ($15,000,000) for any of the following research, development, and remedial activities related to per- and polyfluoroalkyl substances (PFAS):

(1) Groundwater studies of areas at or adjacent to fire stations with elevated levels of PFAS, including the purchase and deployment of analytical instrumentation or mobile platforms using analytical equipment, to analyze and assess PFAS levels in the environment.

(2) Providing temporary water supplies to fire stations currently or formerly on water wells with elevated levels of PFAS, including mobile tankers of food-grade water.

(3) Providing longer-term filtration systems for water wells at fire stations with elevated levels of PFAS, including reverse osmosis, granular activated carbon, anion exchange resins, or other novel sorbent media developed by the University of North Carolina at Chapel Hill.

(4) Short- or long-term voluntary human exposure studies to assess levels of PFAS in the bodies of firefighters and their families.

(5) Sampling and assessment of drinking water wells at homes of firefighters, locations formerly used as fire stations, and other wells that may be

contaminated with PFAS to better understand the local and regional impacts of PFAS in groundwater.

(6) Supplemental support of the Bernard Allen Emergency Drinking Water Fund in areas surrounding fire stations with elevated levels of PFAS in their water wells.

(7) Funding of a partnership with the Office of the State Fire Marshal and North Carolina State University to develop and implement a pilot program for deep cleaning of firefighter protective gear to mitigate PFAS exposure.

(8) Any other projects of opportunity deemed relevant by the Collaboratory related to PFAS or firefighters and the communities they serve.

SECTION 8.28.(b) As a part of the report required by G.S. 116-256, the Collaboratory shall summarize the activities funded by this section, including a listing of the projects of opportunity deemed relevant under subdivision (8) of subsection (a) of this section.

NORTH CAROLINA ECONOMIC FORECASTING INITIATIVE

SECTION 8.29.(a) Initiative Established. – There is established the North Carolina Economic Forecasting Initiative (Initiative) for the 2026-2027 and 2027-2028 fiscal years. The Initiative shall be located within the Kenan Institute of Private Enterprise at the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill.

SECTION 8.29.(b) Purpose. – The Initiative shall (i) collect the State's nowcast and forecast county-level economic data and provide that data to North Carolina policymakers, businesses, community colleges, economic developers, and other stakeholders in the State and (ii) provide relevant and translational economic data to relevant stakeholders to foster sustainable and broad-based growth in local economies, attract new industry and businesses, and create opportunities for all North Carolina residents.

SECTION 8.29.(c) State Agency/Local Government Information. – All units of State and local government shall cooperate and assist the Initiative with substance-relevant data for accurate forecasting in accordance with the Initiative's purposes under this section. All data requests by the Initiative under this subsection shall be reasonable in scope and shall allow for a reasonable period of time for compliance by units of State and local government.

SECTION 8.29.(d) Carryforward. – The three million dollars ($3,000,000) in nonrecurring funds appropriated in this act for the 2026-2027 fiscal year for the Initiative shall not revert at the end of the 2026-2027 fiscal year but shall remain available until the end of the 2027-2028 fiscal year.

SECTION 8.29.(e) Reporting. – No later than December 1, 2026, and December 1, 2027, the Kenan-Flagler Business School shall provide a detailed report on its use of funds under this section to the Joint Legislative Education Oversight Committee and the Fiscal Research Division.

OFFICE OF LEARNING RESEARCH TO DEVELOP MATHEMATICS CURRICULUM

SECTION 8.30.(a) Purpose. – The purpose of this section is for the Office of Learning Research at the North Carolina Collaboratory at the University of North Carolina at Chapel Hill to acquire mathematics curriculum for use in kindergarten through eighth grade developed by another state to adapt and align to the North Carolina Standard Course of Study and to produce training materials to train teachers in the implementation of the curriculum and instructional materials developed pursuant to this section.

SECTION 8.30.(b) Year One. – During the 2026-2027 fiscal year, the Office of Learning Research at the North Carolina Collaboratory at the University of North Carolina at Chapel Hill shall do the following:

(1) Acquire curriculum developed by another state for use in kindergarten through eighth grade mathematics instruction.
(2) Adapt the curriculum acquired pursuant to subdivision (1) of this subsection to align with the North Carolina Standard Course of Study.
(3) Produce any curriculum and instructional materials needed for implementation in classrooms in the State.
(4) Produce training materials for use by teachers in public school units in the State.
(5) Contract with third parties to assist in completion of the requirements of this subsection.

SECTION 8.30.(c) Year Two. – During the 2027-2028 fiscal year, the Office of Learning at the North Carolina Collaboratory at the University of North Carolina at Chapel Hill shall do the following:

(1) Continue aligning curriculum acquired pursuant to subdivision (1) of subsection (b) of this section and developing instructional materials and training materials pursuant to subdivisions (3) and (4) of subsection (b) of this section.
(2) Provide professional development on the implementation of curriculum and instructional materials to teachers in public school units, as practicable.
(3) Develop an online open educational resource hub for providing access to teacher guides, curriculum and instructional materials, pacing guides, formative assessments, and notes on revisions made to curriculum and instructional materials adapted pursuant to this section.
(4) Report to the Joint Legislative Education Oversight Committee by June 15, 2028, on the following:
    a. The process involved with the acquisition, adaptation, and production of the curriculum and materials adapted pursuant to this section.
    b. The progress of development of the online open educational resource hub developed pursuant to this section.
    c. A plan to develop a pilot program for the implementation of the use of the curriculum and instructional materials developed pursuant to this section in a select number of public school units beginning with the 2028-2029 school year, if funds are made available for that purpose.

SECTION 8.30.(d) Funds. – Of the funds appropriated to the Board of Governors of The University of North Carolina to be allocated to the North Carolina Collaboratory at the University of North Carolina at Chapel Hill for the 2026-2027 fiscal year, the Office of Learning Research shall use up to ten million dollars ($10,000,000) in nonrecurring funds to acquire, adapt, and produce the curriculum, instructional materials, and training materials in accordance with the requirements of this section.

PART VIII-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

STUDENT-BASED EDUCATIONAL WALLET PILOT PROGRAM

SECTION 8A.1.(a) Program; Purpose. – There is established the Student-Based Educational Wallet Pilot Program (Pilot) for the 2027-2028 fiscal year to be administered by the State Education Assistance Authority (Authority) in coordination with one public school unit selected by the Authority to participate in the Pilot. The purpose of the Pilot is to foster personalized learning pathways and expand access to educational enrichment by providing funds for high school students to participate in eligible activities and credit-bearing activities. The goal of the Pilot is to establish a streamlined process for students to participate in credit-bearing activities.

SECTION 8A.1.(b) Definitions. – The following definitions shall apply in this section:

(1) Approved provider. – An entity, including a business, nonprofit, vendor, or other organization or institution, that has been approved by the participating public school unit to provide eligible activities, including credit-bearing activities, for participating students.

(2) Credit-bearing activity. – An eligible activity that is approved by the participating public school unit as providing instruction that qualifies a participating student to receive one or more academic credits.

(3) Eligible activity. – A program, course, or experience occurring outside the traditional classroom that is provided to a participating student by an approved provider and approved by the participating public school unit, including the following:
   a. Career and technical education programs, including student internships.
   b. Art, music, and other performance-based activities.
   c. Science, technology, engineering, and mathematics competitions or research programs.
   d. Leadership and civic engagement programs.
   e. Athletic and other physical education programs that have some instructional component.

(4) Eligible student. – Any student who meets all of the following criteria:
   a. Submits an application to the Authority to participate in the Pilot.
   b. Is enrolled in the high school selected by the participating public school unit to participate in the Pilot.

(5) Parent. – A parent, legal guardian, or legal custodian of an eligible student.

(6) Participating public school unit. – The public school unit identified by the Authority to participate in the Pilot.

(7) Participating student. – An eligible student who is admitted to participate in the Pilot by the Authority and whose parent signs the parental agreement.

(8) Qualifying educational expenses. – Tuition, fees, and materials for approved providers for eligible activities, including credit-bearing activities.

(9) Student-based educational wallet or SBEW. – An electronic account provided to a parent for the purpose of holding funds awarded by the Authority for a participating student to engage in eligible activities in accordance with the Pilot.

SECTION 8A.1.(c) Selection of Participating Unit. – No later than August 1, 2026, the Authority shall establish a process to select one participating public school unit for the Pilot. No later than January 1, 2027, the participating public school unit shall provide the Authority with the name of the high school in the unit that will be participating in the Pilot and a list of (i) eligible students, (ii) eligible activities, and (iii) approved providers. The participating public school unit shall only select one high school in the unit to participate in the Pilot. The participating public school unit shall enter into a data-sharing agreement with the Authority for the purpose of administering the Pilot and for the protection of student data.

SECTION 8A.1.(d) Selection of Participating Students. – No later than February 2, 2027, the Authority shall make available applications to eligible students for the award of funds for a SBEW to be used for qualifying educational expenses pursuant to the Pilot. Applications shall be submitted electronically. No later than April 15, 2027, the Authority shall admit any eligible student to the Pilot for the 2027-2028 school year who submitted a timely application and whose parent signed the parental agreement. If the funds provided for the Pilot are

insufficient to admit all eligible students, the Authority may adopt a lottery process for the selection of participating students.

SECTION 8A.1.(e) Award of Funds. – The Authority shall award funds for the 2027-2028 school year to participating students on a per student basis in an amount of up to three hundred ninety-five dollars ($395.00) per student. Grant funds shall only be used for qualifying educational expenses in accordance with the parental agreement. The award of funds through a SBEW shall be subject to the execution of a parental agreement as required by subsection (f) of this section. The parent shall then receive an electronic account for the receipt of funds for qualifying educational expenses incurred in the 2027-2028 school year. Requests for qualifying educational expenses are subject to a preapproval process established by the Authority prior to the disbursement of funds from the electronic account. An expense report shall not be required for any expenses that have been preapproved by the Authority and the participating public school unit.

SECTION 8A.1.(f) Parental Agreement; Use of Funds. – The Authority shall provide the parent of an eligible student who applies to participate in the Pilot with a written agreement to be signed and returned to the Authority prior to receiving funds. The agreement shall be submitted to the Authority electronically. The parent shall not designate any entity or individual to execute the agreement on the parent's behalf. A parent or eligible student's failure to comply with this section shall result in a forfeit of funds and those funds may be awarded to another eligible student. The parent shall agree to use the funds deposited into a SBEW only for the qualifying educational expenses of the eligible student. These funds shall not be used for noneducational expenses, including personal items or travel.

SECTION 8A.1.(g) Credit Review. – Notwithstanding any policy or rule adopted by the State Board of Education to the contrary, the participating public school unit shall determine whether an eligible activity constitutes a credit-bearing activity. The Authority and the participating public school unit shall establish a reporting time line for the Authority to provide data on the use of funds for each semester per participating student. The participating public school unit shall establish a review process for whether a student's participation in a credit-bearing activity is sufficient for the student to receive credit. As part of the review process, the student may submit information to the participating public school unit to demonstrate the student's proficiency in the subject area, including portfolios, performance assessments, and competency-based evaluations.

SECTION 8A.1.(h) Administration. – The Authority, in consultation with the participating public school unit, shall administer the student-based educational wallets for participating students. As part of this process, the Authority shall establish an online portal for students and parents to track account balances, review eligible activities, and submit reimbursement requests. The Authority may contract with a private financial management firm or institution to manage SBEWs in accordance with the Pilot. The Authority may audit a random sampling of SBEWs to ensure compliance with the Pilot and may contract with an independent entity to conduct these audits. The Authority may remove a parent or eligible student from the program and close a SBEW for failure to comply with the terms of the parental agreement, for failure to comply with applicable laws, or because the student is no longer an eligible student. Of the funds allocated to the Authority to award funds under the Pilot, the Authority may retain fifty thousand dollars ($50,000) for administrative costs associated with the Pilot, including contracting with non-State entities for administration of certain components of the Pilot.

SECTION 8A.1.(i) Miscellaneous. – The following shall apply to the Pilot:

(1) Public records. – Applications to participate in the Pilot and personally identifiable information related to eligible students receiving funds shall not be a public record under Chapter 132 of the General Statutes. For the purposes of this subdivision, "personally identifiable information" means any information directly related to a student or members of a student's household,

including the name, birthdate, address, social security number, telephone number, email address, or any other information or identification number that would provide information about a specific student or members of a specific student's household.

(2) No refunds to account holders. – An approved provider shall not refund or rebate any funds to a parent or participating student in any manner. The parent shall notify the Authority if such refund is required.

SECTION 8A.1.(j) Report. – No later than February 15, 2028, the North Carolina Collaboratory, in consultation with the Authority and the participating public school unit, shall study and report to the Joint Legislative Education Oversight Committee on the implementation of the Pilot and the impact of the Pilot on student success. At a minimum, the report shall include the following additional information:

(1) The number of students who used funds provided to a SBEW and the amount of funds used.

(2) The credit-bearing opportunities purchased with SBEW funds and the number of credits earned.

(3) All approved providers receiving funds for providing eligible activities under the Pilot and the amount of funding received by each approved provider.

SECTION 8A.1.(k) Funds. – The nonrecurring funds appropriated to the Board of Governors of The University of North Carolina in this act for the 2026-2027 fiscal year to be allocated to the State Education Assistance Authority to implement the Student-Based Educational Wallet Pilot Program in accordance with this section shall not revert at the end of the 2026-2027 fiscal year but shall remain available until the end of the 2027-2028 fiscal year.

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 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 website. 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 2026-2027 school year.

EXTEND AND REVISE CHILDREN OF WARTIME VETERANS SCHOLARSHIP FUNDING FLEXIBILITY FOR THE 2027-2028 ACADEMIC YEAR

SECTION 8A.6. Section 6 of S.L. 2025-72, as amended by Section 2.5 of S.L. 2026-1, reads as rewritten:

"**SECTION 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.

(6) Secretary. – The Secretary of the Department of Military and Veterans Affairs.

"**SECTION 6.(b)** Notwithstanding Part 2 of Article 14 of Chapter 143B of the General Statutes and any rules adopted or determinations made by the Veterans Affairs Commission, for the 2024-2025, 2025-2026, ~~and 2026-2027~~ 2026-2027, and 2027-2028 academic years, the following shall apply relating to the administration of scholarship funds under the Program:

(1) Within funds available for the Program, the following shall be determined:

…

c. For the 2027-2028 academic year, the following shall occur:

1. The Authority, after consultation with the Secretary, shall do the following:
   I. Establish a formula and standardized payment schedule for maximum scholarship awards for students under the Program that reflects the cost of attendance for eligible students receiving scholarship funds who are enrolled at approved public and private institutions of higher education, including mandatory fees, room, and board, as applicable. In establishing the payment schedule, the Authority shall prioritize the efficient and effective administration of scholarships to all eligible applicants under the Program. If the Secretary determines that funds for the Program are insufficient for the 2027-2028 academic year pursuant to sub-sub-subdivision 3. of this sub-subdivision, the Authority may take necessary steps to adjust scholarship amounts, subject to the standardized payment schedule, to account for the number of eligible applicants and the availability of the funds in the 2027-2028 academic year. The Secretary shall notify eligible students if it is necessary to adjust scholarship awards.
   II. Post the standardized payment schedule on its website in an easy-to-read and accessible format.
   III. By April 1, 2027, report the standardized payment schedule to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division.
2. The Secretary shall open applications for the Program for the 2027-2028 academic year to new applicants no later than April 1, 2027. The priority period for submission of applications to the Department shall close by May 1, 2027. Depending on the number of new eligible applicants and the availability of funds for the 2027-2028 academic year, the Secretary may elect to adjust or close the application period for new applications for the 2027-2028 academic year. Only new applicants that meet the following criteria are eligible to receive a scholarship for the 2027-2028 academic year:
   I. Are enrolling as undergraduates.
   II. Qualify as residents for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinate and centralized residency determination process administered by the Authority.
3. No later than July 1, 2027, the Authority, after consultation with the Secretary, shall determine whether the funds available for the Program in the 2027-2028 academic year are sufficient to provide scholarships to all eligible students in accordance with the standardized payment schedule.
4. No later than March 15, 2028, the Department shall report to the Joint Legislative Education Oversight Committee and the

Joint Legislative Oversight Committee on General Government on the funds provided for the Program and provide at least the following information:

I. The number of applications from eligible students.

II. The funds needed to provide full scholarships to all applicants who are eligible students.

III. Projected applications from eligible students for the subsequent academic year based on trends in prior years and population growth in the State.

IV. Any adjustments made to the scholarship amounts under the standardized payment schedule in place for the 2027-2028 academic year.

V. Any other measures taken to provide meaningful scholarship awards.

VI. In recognition of the sacrifices made by veterans and their families for the State of North Carolina, recommendations for legislative changes needed to ensure the efficient and effective administration of scholarships for all eligible students in future academic years.

(2) All scholarship notifications shall include language that the award of the scholarship is contingent upon the availability of funds.

(3) The Authority shall disburse scholarship funds in accordance with G.S. 116-204(11a).

(4) From the total amount of funding appropriated to the Board of Governors of The University of North Carolina and allocated to the Authority in a fiscal year to support the award of scholarship funds under the Program, the Authority may use an amount of up to two and one-half percent (2.5%) for administration costs related to the Program from the allocation from the General Fund. The Authority shall place any unexpended and unencumbered appropriated funds remaining at the end of the 2024-2025, 2025-2026, ~~and 2026-2027~~ 2026-2027, and 2027-2028 fiscal years into an institutional trust fund established in accordance with the provisions of G.S. 116-36.1. Those funds may be used for the purpose of awarding scholarships under the Program and for administration costs of the Authority related to the Program.

"**SECTION 6.(c)** This section becomes effective June 30, 2025, and applies to awards granted for the 2024-2025, 2025-2026, ~~and 2026-2027~~ 2026-2027, and 2027-2028 academic years."

REQUIRE SEAA TO PROVIDE TESTING COSTS FOR CERTAIN PESA RECIPIENTS AND PERMIT PARENTS OF THOSE PESA RECIPIENTS TO OPT OUT OF TESTING

SECTION 8A.7.(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, the Authority shall provide an amount equal to the cost of the nationally standardized test required to be administered as provided in G.S. 115C-562.5 for any student who meets all of the following criteria:

(1) Has not opted out of the testing requirements of G.S. 115C-562.5 pursuant to G.S. 115C-562.5(b2).

(2) Receives a scholarship award in grades three, eight, or 11."

SECTION 8A.7.(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 G.S. 115C-592(b1) may opt that student out of any testing required by this section in accordance with rules adopted by the Authority."

CODIFY NORTH CAROLINA PATRIOT STAR FAMILY SCHOLARSHIP PROGRAM

SECTION 8A.8.(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.8.(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.8.(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.8.(d) This section is effective when it becomes law.

REVISE ELIGIBILITY REQUIREMENTS FOR NEED-BASED SCHOLARSHIP FOR PRIVATE COLLEGES AND UNIVERSITIES

SECTION 8A.9.(a) G.S. 116-280 reads as rewritten:

"**§ 116-280. Definitions.**

The following definitions apply to this Article:

…

(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 preferred accrediting agency, as defined in 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 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.

a1. A postsecondary educational institution with a physical location in this State that is not owned or operated by the State of North Carolina or an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) and designated by the SACSCOC as a level VI degree-granting institution.

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.

(4) Main permanent campus. – A campus owned by the eligible private postsecondary institution that provides permanent on-premises housing, food services, and classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined in G.S. 116-15.

…

(5a) Physical location. – A facility or campus owned by an eligible private postsecondary institution that provides permanent classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined in G.S. 116-15.

…."

SECTION 8A.9.(b) Article 34 of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-284. Report for certain eligible private postsecondary institutions.**

No later than April 15 of each year, every eligible private postsecondary institution with a physical location in this State that is an eligible private postsecondary institution pursuant to G.S. 116-280(3)a1. shall report all of the following to the Joint Legislative Education Oversight Committee:

(1) All degree programs offered by the institution that enroll at least one student receiving a scholarship in the academic year in which the report is submitted.

(2) The number of students receiving a scholarship who are enrolled in each of the degree programs identified pursuant to subdivision (1) of this section."

SECTION 8A.9.(c) G.S. 116-209.100(1)c. reads as rewritten:

"c. ~~A nonprofit~~ An eligible private postsecondary institution as defined in G.S. 116-280(3)."

SECTION 8A.9.(d) This section is effective when it becomes law and applies beginning with scholarships awarded in the 2026-2027 academic year.

NURSING FELLOWS PILOT PROGRAM

SECTION 8A.10.(a) Definitions. – The following definitions shall apply in this section:

(1) Academic term. – A semester or summer session.
(2) Authority. – The State Education Assistance Authority.
(3) Community College Director. – The Chief Academic Officer at the Community Colleges System Office, or his or her designee, under the supervision and control of the State Board of Community Colleges, serving as the director of the Nursing Fellows Pilot Program for qualifying community colleges.
(4) Dean. – The Dean of the School of Health Sciences at WSSU, serving as the director of the Nursing Fellows Pilot Program for WSSU.
(5) Eligible nursing student. – A nursing student who is enrolled in a qualifying degree program at a qualifying institution of higher education beginning in the 2027-2028 or 2028-2029 academic year.
(6) Forgivable loan. – A forgivable loan provided under the Program.
(7) Program. – The Nursing Fellows Pilot Program.
(8) Qualifying community colleges. – The following community colleges located in this State:
    a. Wayne Community College.
    b. Western Piedmont Community College.
(9) Qualifying degree program. – Any of the following:
    a. An associate degree in nursing program at a qualifying community college.
    b. A Bachelor of Science degree in nursing program at WSSU.
    c. A Master of Science degree in nursing program at WSSU.
(10) Qualifying institutions of higher education. – Qualifying community colleges and WSSU.
(11) Qualifying instruction 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.
(12) Qualifying nurse. – A nurse employed in this State who meets all of the following criteria:
    a. Graduated within 10 years from at least one of the following, excluding any authorized deferment for extenuating circumstances:
        1. An associate degree in nursing program at a qualifying community college.
        2. A Bachelor of Science in nursing program at WSSU.
        3. A Master of Science in nursing education program at WSSU.
    b. Received a loan under the Program.
    c. Is licensed as a registered nurse.
(13) Qualifying nurse instructor. – A qualifying 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 instruction program.

(14) 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).
(15) 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 qualifying institutions of higher education beginning in either the 2027-2028 academic year or the 2028-2029 academic year for preparation as highly effective nurses and highly effective instructors in qualifying instruction programs. The Program shall be used to provide forgivable loans to eligible nursing students who are (i) enrolled in a qualifying degree program and (ii) interested in preparing to become nurses in the State or nurse instructors in qualifying instruction programs.

SECTION 8A.10.(c) Program Administration; Directors. – The Authority shall administer the Program in cooperation with the Community College Director and the Dean, who will serve as program directors. Each director shall determine forgivable loan recipient selection criteria and selection procedures at qualifying community colleges and WSSU and shall select the recipients to receive forgivable loans under the Program in accordance with the requirements of this section. The directors shall each appoint needed staff at their respective qualifying institutions of higher education and shall be responsible for recruitment and coordination of the Program at those institutions, 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 instruction 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. The Community College Director and the Dean shall coordinate with one another, as necessary, to ensure the efficient and effective operation of the Program without duplicating efforts. The State Board of Community Colleges and WSSU shall provide office space and clerical support staff for their respective directors.

SECTION 8A.10.(d) Allocation of Funds. – Of the nonrecurring funds appropriated to the Board of Governors of The University of North Carolina and allocated to the Authority in the 2026-2027 fiscal year for the Program, the Authority shall do the following:

(1) Program expenses. – Transfer five percent (5%) to the Community Colleges System Office and five percent (5%) to the Dean for program expenses. These funds shall not revert at the end of the 2026-2027 fiscal year but shall remain available until they are expended or until loans are no longer provided under the Program, whichever comes first. These funds shall be used by each respective program director 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) Program administration. – Use up to four percent (4%) for other administrative costs associated with the Program. These funds shall not revert at the end of the 2026-2027 fiscal year but shall remain available until expended or there are no longer any loans outstanding under the Program, whichever comes first.
(3) Forgivable loans. – After transferring the following amounts pursuant to subdivisions (1) and (2) of this subsection, of the remaining funds, the Authority shall transfer thirty percent (30%) to the Community Colleges System Office to be divided equally among each qualifying community

college and seventy percent (70%) to WSSU. These funds shall be used by each respective program director for the award of forgivable loans under the Program.

SECTION 8A.10.(e) Student Selection Criteria for Forgivable Loans. – The Community College Director and the Dean shall each adopt stringent standards for awarding forgivable loans for students in their respective qualifying institutions of higher education 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 instruction programs, including excellent verbal and communication skills.
(4) Demonstrated commitment to serve in North Carolina.

SECTION 8A.10.(f) Awards of Forgivable Loans. – The Program shall provide forgivable loans to selected students who are initially enrolled in a qualifying degree program that is an associate degree program or a Bachelor of Science degree program. Loan payments shall be provided each year for completion of the respective degree program. Students shall be eligible to receive additional loan payments for a Master of Science in nursing education at WSSU if the students enroll in the Master of Science in nursing degree program at WSSU within two years of completion of a Bachelor of Science in nursing program at WSSU. Forgivable loans may be used for tuition, fees, the cost of books, and expenses related to completion of the qualifying degree program. Forgivable loans shall be awarded per academic term as follows:

(1) For students enrolled in an associate degree in nursing program at a qualifying community college, in amounts of up to two thousand five dollars ($2,500) per semester or one thousand two hundred fifty dollars ($1,250) per summer session, for up to four academic terms.
(2) For students enrolled in a qualifying Bachelor of Science in nursing degree program at WSSU, in amounts of up to five thousand dollars ($5,000) per semester or two thousand five hundred dollars ($2,500) per summer session, for up to five academic terms.
(3) For students enrolled in a qualifying Master of Science in nursing degree program at WSSU, in amounts of up to five thousand dollars ($5,000) per semester or two thousand five hundred dollars ($2,500) per summer session, for up to four additional academic terms.

SECTION 8A.10.(g) Administration of Forgivable Loan Awards. – Upon the naming of recipients of the forgivable loans by the Community College Director and the Dean, the directors shall transfer their decisions to the Authority. The Authority, in coordination with the directors, shall perform all of the administrative functions necessary to implement this section, including 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.(h) 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 applicable Program director.

SECTION 8A.10.(i) 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 under the Program over the course of enrollment in the applicable qualifying degree program or programs 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 latest applicable qualifying degree program, 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 qualifying degree program supported by the forgivable loan. If the recipient completes the applicable qualifying 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.(j) Annual Report. – The North Carolina Collaboratory, in coordination with the Authority and the directors, shall report no later than January 1, 2028, 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 under the Program, including the following:
   a. Demographic information regarding recipients.
   b. Number of recipients enrolled at each qualifying 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 instruction 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 students taught by qualifying nurse instructors.

(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 recipients, including the turnover rate for recipients who also received mentoring and coaching support.
   b. Fulfillment rate of forgivable loan recipients.

(5) Locations in the State where qualifying nurses and qualifying nurse instructors are employed.

SECTION 8A.10.(k) Notwithstanding G.S. 116-209.45(h), beginning in the 2027-2028 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.(*l*) The Community College Director and the Dean shall each establish initial selection criteria for recipients no later than November 15, 2026, and shall make available applications to prospective students no later than December 31, 2026.

SECTION 8A.10.(m) The Community College Director and the Dean shall each select recipients and award the initial forgivable loans for the 2027-2028 academic year no later than April 1, 2027.

SECTION 8A.10.(n) This section applies beginning with applications for enrollment in the Nursing Fellows Pilot Program in the 2027-2028 academic year.

EXTEND CARRYFORWARD AND EXPAND USES FOR INSTITUTIONAL TRUST FUND FOR PERSONAL EDUCATION STUDENT ACCOUNTS FOR CHILDREN WITH DISABILITIES

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). 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.~~ fifteen million dollars ($15,000,000). 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 in the fund at the end of the fiscal year from the funds appropriated for the Program shall revert to the General Fund. The Authority may use funds in the institutional trust fund to award scholarships in any fiscal year in which either of the following criteria are met:

(1) The funds required to award scholarships to eligible students for a school year exceed the funds available for the distribution of those awards.

(2) The funds appropriated for the Program for the fiscal year are insufficient to award scholarships to all eligible students for that school year."

SECTION 8A.11.(b) This section becomes effective June 30, 2026.

REQUIRE NONPUBLIC SCHOOLS RECEIVING OPPORTUNITY SCHOLARSHIP FUNDS TO RETAIN CERTAIN TESTING RECORDS AND VERIFY COMPLIANCE

SECTION 8A.12.(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.12.(b) This section applies beginning with the 2026-2027 school year.

EARLY GRADUATE SCHOLARSHIP PROGRAM FUNDS

SECTION 8A.13. Notwithstanding Part 7 of Article 23 of Chapter 116 of the General Statutes, the one million dollars ($1,000,000) in nonrecurring funds appropriated in this act for the 2026-2027 fiscal year to the Reserve Fund for Early Graduate Scholarships for the Early Graduate Scholarship Program shall be used to provide scholarships to students beginning in the 2027-2028 academic year.

ADVISE NC

SECTION 8A.14.(a) Part 1 of Article 23 of Chapter 116 of the General Statutes is amended by adding the following new section to read:

"**§ 116-209.32. Advise NC.**

(a) Definitions. – The following definitions shall apply in this section:

(1) Authority. – The State Education Assistance Authority.

(2) Education partners. – Entities providing college access and advising information in this State, including, but not limited to, constituent institutions of The University of North Carolina, community colleges, and private postsecondary institutions of higher education.

(3) Initiative. – The Advise NC College Access Initiative established pursuant to this section.

(4) Non-State funds. – Non-State funds, not including federal funds.

(5) State funds. – State funds appropriated by the General Assembly for the Initiative.

(b) Initiative Established. – The State Education Assistance Authority shall establish and implement the Advise NC College Access Initiative. In implementing the Initiative, the Authority shall coordinate with education partners and other stakeholders to place college access advisors in high-need or underserved regions of the State.

(c) State Funds; Matching. – To the extent State funds are appropriated for the Initiative, the Authority shall provide matching State funds to education partners to place college access advisors in the State in accordance with this section. The Authority shall only allocate State funds to education partners when coupled with matching non-State funds received by the Authority from non-State entities, including philanthropic organizations, for the Initiative. In allocating State and non-State funds to education partners, the Authority shall match one dollar ($1.00) in State funds for every one dollar ($1.00) in non-State funds. Nothing in this section shall preclude the Authority from receiving or allocating non-State funds in excess of the State funds appropriated for the Initiative.

(d) Administration. – The Authority may use a portion of the State and non-State funds it receives for its actual administrative costs associated with the Initiative. These costs may include one or more full-time positions to coordinate the Initiative, information technology upgrades, maintenance, and other costs.

(e) Report. – No later than February 15 of each year, the Authority shall report to the Joint Legislative Education Oversight Committee on at least the following information from the prior fiscal year:

(1) Non-State funds received and allocated pursuant to this section and the identity of the non-State entities providing those funds.

(2) The identity of each education partner and the amount of State and non-State funds received by that education partner.

(3) The number of college advisors in the State supported by the Initiative and the region of the State in which each college advisor is placed.

(4) The total funds expended for administration of the Initiative, disaggregated on the basis of State and non-State funds.

(5) Funds used by the Authority for administrative costs, the specific administrative uses of those funds, and the source of those funds."

SECTION 8A.14.(b) Notwithstanding G.S. 116-209.32(e), as enacted by subsection (a) of this section, the State Education Assistance Authority (Authority) shall submit an interim report pursuant to the requirements of G.S. 116-209.32(e) with all information available for the 2026-2027 fiscal year by April 15, 2027.

REVISE APPROPRIATION FOR PERSONAL EDUCATION STUDENT ACCOUNTS FOR CHILDREN WITH DISABILITIES

SECTION 8A.15. G.S. 115C-600(a) reads as rewritten:

"**§ 115C-600. Funds for Personal Education Student Accounts.**

(a) The General Assembly finds that due to the continued growth and ongoing need in this State to provide opportunity for school choice for children with disabilities, it is imperative that the State provide an increase in funds of at least one million dollars ($1,000,000) each fiscal year for 10 years for the Personal Education Student Accounts for Children with Disabilities Program. To that end, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the following amounts each fiscal year to be allocated to the Authority for the Program in accordance with this Article:

Fiscal Year	**Appropriation**
2023-2024	$48,943,166
2024-2025	$49,943,166
2025-2026	$75,643,166
2026-2027	$76,643,166
2027-2028	~~$77,643,166~~$95,198,080
2028-2029	~~$78,643,166~~$96,198,080
2029-2030	~~$79,643,166~~$97,198,080
2030-2031	~~$80,643,166~~$98,198,080
2031-2032	~~$81,643,166~~$99,198,080
2032-2033 and each subsequent fiscal year thereafter	~~$82,643,166~~$100,198,080

When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year specified in this section, the Director of the Budget shall include the appropriated amount specified in this section for that fiscal year."

AUTHORIZE USE OF PERSONAL EDUCATION STUDENT ACCOUNT FUNDS FOR ONE-TO-ONE CLASSROOM AIDES

SECTION 8A.16.(a) G.S. 115C-591 reads as rewritten:

"**§ 115C-591. Definitions.**

The following definitions apply in this Article:

…

(4a) One-to-one classroom aide. – A person who meets all of the following requirements:

a. Holds at least a high school diploma or its equivalent.

b. Supports an eligible student in a classroom and other educational settings, as necessary, at the request of the Part 1 or 2 nonpublic school where the eligible student is enrolled.

c. Is approved by the principal, or equivalent, of the Part 1 or 2 nonpublic school where the eligible student is enrolled.

…."

SECTION 8A.16.(b) G.S. 115C-595 reads as rewritten:

"**§ 115C-595. Parental agreement; use of funds.**

(a) Parental Agreement. – The Authority shall provide the parent of a scholarship recipient with a written agreement, applicable for each year the eligible student receives scholarship funds under this Article, to be signed and returned to the Authority prior to receiving the scholarship funds. The agreement shall be submitted to the Authority electronically. The parent shall not designate any entity or individual to execute the agreement on the parent's behalf. A parent or eligible student's failure to comply with this section shall result in a forfeit of scholarship funds and those funds may be awarded to another eligible student. The parent shall agree to the following conditions in order to receive scholarship funds under this Article:

…

(3) Use the scholarship funds deposited into a personal education student account only for the following qualifying education expenses of the eligible student:

a. Tuition and fees for a G.S. 115C-562.5 compliant school, disbursed as provided in subdivision (1) of subsection (a1) of this section.

b. Textbooks required by a nonpublic school.

c. Tutoring and teaching services provided by an individual or facility accredited by a State, regional, or national accrediting organization.

d. Curricula.

e. Fees for nationally standardized norm-referenced achievement tests, advanced placement tests, or nationally recognized college entrance exams.

f. Fees charged to the account holder for the management of the PESA.

g. Fees for services provided by a public school, including individual classes and extracurricular programs.

h. Premiums charged to the account holder for any insurance or surety bonds required by the Authority.

i. Educational therapies from a licensed or accredited practitioner or provider.

j. Educational technology defined by the Authority as approved for use pursuant to G.S. 115C-591(2a).

k. Student transportation, pursuant to a contract with an entity that regularly provides student transportation, to and from (i) a provider of education or related services or (ii) an education activity.

l. Transaction or merchant fees charged to the account holder, not to exceed two and one-half percent (2.5%) of the cost of the item or service.

m. Education-related support services provided by a one-to-one classroom aide to an eligible student enrolled in a Part 1 or 2 nonpublic

school. A one-to-one classroom aide shall not provide services to other students during the instructional day. The nonpublic school in which an eligible student is enrolled shall submit documentation to the Authority describing the education-related support services requested for an eligible student each semester in the manner prescribed by the Authority.

(3a) Use of scholarship funds for reimbursement of tuition. – Notwithstanding sub-subdivision a. of subdivision (3) of this subsection, a parent of an eligible student may pay tuition to Part 1 or 2 nonpublic schools that are not G.S. 115C-562.5 compliant schools with funds other than funds available in the personal education student account and then request reimbursement from the Authority from scholarship funds if the parent complies with the provisions of subdivision (2) of subsection (a1) of this section.

(4) Not use scholarship funds for any of the following purposes:

a. Computer hardware or other technological devices not defined by the Authority as educational technology approved for use pursuant to G.S. 115C-591(2a).

b. Consumable educational supplies, including paper, pen, or markers.

c. Tuition and fees at an institution of higher education, as defined in G.S. 116-143.1, or a private postsecondary institution.

d. Tuition and fees for a nonpublic school that meets the requirements of Part 3 of Article 39 of this Chapter.

e. Educational-related support services provided by a one-to-one classroom aide who is any of the following:

1. A parent, guardian, legal custodian, sibling, or grandparent of the eligible student.

2. An employee or independent contractor of the Part 1 or 2 nonpublic school in which the eligible student is enrolled.

…."

SECTION 8A.16.(c) This section is effective when it becomes law and applies beginning with the 2026-2027 school year.

REVISE PRIMARY CARE PHYSICIAN AND PSYCHIATRIST TARGETED ASSISTANCE LOAN FORGIVENESS PROGRAM

SECTION 8A.17.(a) G.S. 116-209.45(c1) reads as rewritten:

"(c1) Loans for Students in the Primary Care Medicine and Psychiatry Targeted Assistance Program. – The Primary Care Medicine and Psychiatry Targeted Assistance Program is established for the purpose of addressing the critical demand for physicians practicing primary care medicine and psychiatry in the rural and highest-need areas of the State through a forgivable loan for service program. Unless otherwise provided under this subsection, the Authority shall administer the Primary Care Medicine and Psychiatry Targeted Assistance Program in the same manner as the Forgivable Education Loans for Service Program as set forth in this section and in accordance with the following criteria:

(1) Loan amount. – To the extent funds are made available for the Primary Care Medicine and Psychiatry Targeted Assistance Program, the Authority shall award loans to students as follows:

a. Students enrolled in a medical school at an institution of higher education that is an eligible institution pursuant to sub-subdivision a. or g. of subdivision (1a) of subsection (b) of this section for the purpose of obtaining licensure as a physician under Article 1 of Chapter 90 of the General Statutes to practice either primary care

medicine or psychiatry may qualify for an award of loans in an amount of up to ~~twenty-five thousand dollars ($25,000)~~ fifty thousand dollars ($50,000) per academic year, per student, for a total amount of loans of up to ~~one hundred thousand dollars ($100,000)~~ two hundred thousand dollars ($200,000) per student.

b. The Authority shall give priority for the award of loans under this subsection to qualified applicants residing in eligible counties.

c. To the extent funds provided for the Primary Care Medicine and Psychiatry Targeted Assistance Program are insufficient to award forgivable loans to qualified applicants, the Authority may establish a lottery process for selection of loan recipients in accordance with the requirements established by this subsection.

…."

SECTION 8A.17.(b) This section applies beginning with forgivable loans awarded in the 2026-2027 academic year.

REORGANIZE EXEMPTIONS FROM THE ADMINISTRATIVE PROCEDURE ACT FOR CERTAIN EDUCATION ENTITIES AND CLARIFY THAT THESE EXEMPTIONS INCLUDE THE STATE EDUCATION ASSISTANCE AUTHORITY

SECTION 8A.18.(a) Effective July 1, 2025, and applicable to actions filed on or after that date, G.S. 150B-1(f) reads as rewritten:

"(f) ~~Exemption for the University of North Carolina.~~ Exemptions for Certain Education Entities. – Except as provided in G.S. 143-135.3, no Article in this Chapter except Article 4 applies to any of the following:

(1) The University of North Carolina.

(2) The State Education Assistance Authority."

SECTION 8A.18.(b) Effective July 1, 2026, G.S. 150B-1, as amended by subsection (a) of this section, reads as rewritten:

"**§ 150B-1. Policy and scope.**

…

(f) Exemptions for Certain Education Entities. – Except as provided in G.S. 143-135.3, no Article in this Chapter except Article 4 applies to any of the following:

(1) The University of North Carolina.

(2) The State Education Assistance Authority.

(3) The State Board of Community Colleges.

~~(g) Exemption for the State Board of Community Colleges. – Except as provided in G.S. 143-135.3, no Article in this Chapter except Article 4 applies to the State Board of Community Colleges.~~"

TEMPORARY ADMINISTRATIVE FUNDS FOR THE EDUCATIONAL CHOICE FOR CHILDREN ACT (ECCA)

SECTION 8A.19.(a) Notwithstanding any other provision of law to the contrary, from any recurring or nonrecurring funds appropriated to the State Education Assistance Authority (Authority) for the 2026-2027 fiscal year that allow the Authority to use a portion of those funds for administrative costs, the Authority may also use a portion of those funds up to a total of one million dollars ($1,000,000) for the costs of administering the federal tax credit established under section 25F of the Internal Revenue Code pursuant to Part 8 of Article 23 of Chapter 116 of the General Statutes, as enacted by S.L. 2026-6.

SECTION 8A.19.(b) For any funds the Authority uses pursuant to subsection (a) of this section to administer the federal tax credit established under section 25F of the Internal

Revenue Code, the Authority shall report the following to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

(1) The source or sources of funds the Authority used and the amounts from every source.

(2) The funds needed to support administration of the federal tax credit in the 2027-2028 fiscal year and thereafter.

PART IX. HEALTH AND HUMAN SERVICES

PART IX-A. AGING [RESERVED]

PART IX-B. CENTRAL MANAGEMENT AND SUPPORT

REPORTS BY NON-STATE ENTITIES ON THE USE OF DIRECTED GRANT FUNDS

SECTION 9B.1. By November 1, 2027, 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, on the use of any directed grant funds allocated 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year for administrative purposes.

SECTION 9B.2.(e) By September 1, 2027, the Office of Rural Health shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on

community health grants awarded for the 2026-2027 fiscal year 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.

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.3. 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.

ADMINISTRATIVE REORGANIZATION OF THE FUNCTIONS, POWERS, DUTIES, AND PERSONNEL OF THE OFFICE OF HEALTH EQUITY

SECTION 9B.4.(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 Health 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 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.4.(b) All equipment, supplies, or other properties rented or controlled by the Office of Health Equity shall be administered by the Division of Public Health.

SECTION 9B.4.(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 transferred from the Office of Health Equity to the Division of Public Health pursuant to this section without express authorization by the General Assembly.

SECTION 9B.4.(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.5.(a) G.S. 120-208.4(b) reads as rewritten:

"(b) ~~Beginning no later than November 1, 2012, and annually thereafter,~~ Annually by November 1, 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."

SECTION 9B.5.(b) The first report under G.S. 120-208.4(b), as amended by subsection (a) of this section, is due November 1, 2026.

FUNDS FOR NC DENTAL SOCIETY FOUNDATION'S MISSIONS OF MERCY DENTAL CLINICS

SECTION 9B.6. Funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health, and allocated as a directed grant to the NC Dental Society Foundation, Inc., for its Missions of Mercy dental clinics shall not be spent for any purpose other than to provide direct services to patients and to purchase necessary dental supplies. None of these directed grant funds may be spent for administrative purposes.

FUNDS FOR SNAP IMPROVEMENTS

SECTION 9B.7.(a) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of two million eight hundred fifty-eight thousand three hundred eleven dollars ($2,858,311) in recurring funds and associated receipts beginning in the 2026-2027 fiscal year and the sum of two million five hundred thousand dollars ($2,500,000) in nonrecurring funds and associated receipts for the 2026-2027 fiscal year shall be allocated and used to improve administration of the federal Supplemental Nutrition Assistance Program (SNAP) as follows:

(1) Division of Central Management and Support (DCMS). – The sum of seventy thousand nine hundred forty-three dollars ($70,943) in recurring funds beginning in the 2026-2027 fiscal year and the sum of two million five hundred thousand dollars ($2,500,000) in nonrecurring funds for the 2026-2027 fiscal year shall be allocated to the DCMS to fund improvements to the electronic case management system known as North Carolina Families Accessing Services through Technology (NC FAST), which is used by the State and counties to manage and administer SNAP. The following requirements and limitations apply with respect to the use of these funds:

a. Any improvements funded by this subdivision shall be focused on reducing the State's SNAP payment error rate and integrating the SNAP eligibility changes resulting from the One Big Beautiful Bill Act (P.L. 119-21).

b. Up to one million five hundred thousand dollars ($1,500,000) in nonrecurring funds shall be used to fund a contract with the Government Data Analytics Center (GDAC) to implement the improvements described in this subdivision.

c. A portion of these funds shall be used to integrate SNAP error screening tools and artificial intelligence-based guidance to improve accuracy in SNAP eligibility determinations and to reduce the State's SNAP payment error rate.

(2) Division of Child and Family Well-Being (DCFW). – The sum of two million one hundred seventy-six thousand one hundred ninety-eight dollars ($2,176,198) in recurring funds beginning in the 2026-2027 fiscal year shall be allocated to the DCFW to fund the following efforts to reduce the State's SNAP payment error rate in response to program changes resulting from the One Big Beautiful Bill Act (P.L. 119-21):

a. County reform and quality leads. – The sum of nine hundred fifty-three thousand six hundred thirty-eight dollars ($953,638) to create 10 new positions dedicated to providing on-site, comprehensive assessments of county SNAP program practices to identify procedural deficiencies and other factors contributing to erroneous benefit payments, developing adequate corrective action measures, and supporting the implementation of SNAP operational improvements. The DCFW is encouraged to locate each employee in the specific region the employee's position supports.

b. Additional quality control staff. – The sum of one hundred sixty-five thousand dollars ($165,000) to create three additional SNAP Quality Control Analyst positions to support the State's SNAP Quality Control Program.

c. Additional policy team staff. – The sum of eight hundred seventy-seven thousand five hundred sixty dollars ($877,560) to create one Deputy Director position, two Policy Consultant positions, and six Training Specialist positions to coordinate cross-functional performance reviews, design and maintain up-to-date policy documents, and deliver training programs to support county departments of social services in the administration of SNAP.

d. Payment oversight professionals. – The sum of one hundred eighty thousand dollars ($180,000) to create three Quality Assurance and Data Analyst positions dedicated to performing data-driven root cause reviews of county SNAP payment errors in order to identify trends and implement corrective action measures.

(3) Division of Social Services (DSS). – The sum of six hundred eleven thousand one hundred seventy dollars ($611,170) in recurring funds beginning in the 2026-2027 fiscal year shall be allocated to the DSS to create seven Continuous Quality Improvement Training Specialist positions, one in each of the State's seven regional social services support teams, to increase training and technical assistance to support county departments of social services in the administration of SNAP in an effort to reduce the State's SNAP payment error rate in response to program changes resulting from the One Big Beautiful Bill Act (P.L. 119-21).

SECTION 9B.7.(b) By February 1, 2027, 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 the funds allocated by subsection (a) of this section.

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, 2027, 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. 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 (e) 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 (f) 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) 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.(e) 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.(f) 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 (e) 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.(g) 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.(h) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. 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 at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 9D.3.(i) 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 a child care subsidy whether the family waiting for the subsidy is receiving assistance through the NC Pre-K Program or Head Start.

SECTION 9D.3.(j) 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.

SUBSIDIZED CHILD CARE/INCREASE REIMBURSEMENT RATES, IMPLEMENT A RATE FLOOR, AND REQUIRE ADDITIONAL REPORTING AT THE 50TH PERCENTILE FOR THE NEXT MARKET RATE STUDY

SECTION 9D.4.(a) Beginning July 1, 2026, from federal Child Care and Development Block Grant funds under Section 9M.1 of this act, 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.

SECTION 9D.4.(b) Beginning July 1, 2026, provisions of payment rates for child care providers in counties that have a county rate below the State rate for center-based and home-based care shall be set at the seventy-fifth percentile statewide market rate as recommended by the 2021 Child Care Market Rate Study for children in three-, four-, and five-star-rated child care centers and homes.

SECTION 9D.4.(c) The Division of Child Development and Early Education shall include in its next market rate study reporting of statewide rates at the fiftieth percentile in addition to reporting at the seventy-fifth percentile.

CHILD CARE ALLOCATION FORMULA

SECTION 9D.5.(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 30 days after the funds withheld pursuant to this subdivision are distributed but no later than April 1, 2027.

(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 are experiencing homelessness or are 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.5.(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.5.(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.6.(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.6.(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.6.(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.6.(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 the 2026-2027 fiscal year. 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 the 2026-2027 fiscal year. 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, 2027, 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.6.(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 fifteen thousand dollars ($15,000) 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 fifteen thousand dollars ($15,000) but less than twenty-five thousand dollars ($25,000), three written quotes.

(3) For amounts of twenty-five thousand dollars ($25,000) or more but less than forty thousand dollars ($40,000), a request for proposal process with solicitation in appropriate venues, including, but not limited to, websites, major newspaper portals, or other options to ensure a strong competitive 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.6.(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.6.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 9D.6.(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 2026-2027 fiscal year shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for the 2026-2027 fiscal year. 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 2026-2027 fiscal year, 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.6.(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.7.(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.7.(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 provided pursuant to this section shall not be subject to administrative costs requirements under Section 9D.6(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.6(d) of this act.

SECTION 9D.7.(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.

CAREER-READY LEAD TEACHER ACADEMY PILOT PROGRAM

SECTION 9D.8.(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 five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2026-2027 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 one million dollars ($1,000,000) for the 2026-2027 fiscal year for the State portion of tuition costs.
(2) The sum of five hundred thousand dollars ($500,000) for the 2026-2027 fiscal year for the stipends provided with State funds in accordance with subsection (h) of this section.

SECTION 9D.8.(b) Funds described in subsection (a) of this section shall be used in accordance with the following:

(1) The funds shall be allocated equally among the local partnerships selected to participate in the pilot program.
(2) Local partnerships shall provide documentation of a twenty-five percent (25%) local match as a condition of receiving State funds.
(3) 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.
(4) The funds shall not be used for administrative costs.
(5) The funds are not subject to the administrative cost requirements under Section 9D.6(b) of this act, 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.6(d) of this act.

SECTION 9D.8.(c) The purpose of this section is to provide alternative pathways to career advancement in licensed child care. To that end, the North Carolina Partnership for Children, Inc., in collaboration with the Community Colleges System Office, shall develop and implement a pilot program that expands the child care workforce academies currently operating in Johnston and Wayne Counties. The pilot program shall establish career-ready lead teacher 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.8.(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 with at least one local partnership selected from each of the four local partnership regions of the statewide Smart Start network, which regions are the West, Mid-West, Mid-East, and East.

SECTION 9D.8.(e) The Community Colleges System Office and local community colleges shall coordinate to ensure that graduates of the career-ready lead teacher 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.8.(f) Each child care career-ready lead teacher 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 either a North Carolina Early Childhood Credential or a Provisional NC Early Childhood Credential that will enable the student to begin working as either a lead teacher or group leader in a licensed child care program immediately upon graduation.

SECTION 9D.8.(g) 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).

SECTION 9D.8.(h) 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. To receive the additional stipend under this subsection, the graduate shall do each of the following:

(1) Begin full-time employment as a lead teacher in a licensed child care center or licensed family child care home within three months from the date of graduation from an academy.

(2) Complete the one-year of employment required by this subsection within a consecutive 12-month period at the same child care program.

SECTION 9D.8.(i) The stipends provided under this section shall be available to a graduate of a career-ready lead teacher academy who is employed by a licensed child care facility in this State, including a graduate who establishes a licensed family child care home.

SECTION 9D.8.(j) 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 career-ready lead teacher

academy and (ii) ensure information about the career-ready lead teacher academy in the respective county is made available to the public.

SECTION 9D.8.(k) 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, 2027, with any concerns or recommendations for program expansion. A final report shall be submitted by December 31, 2027, 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 career-ready lead teacher academy (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.

SECTION 9D.8.(*l*) As a means to assist younger individuals with a career pathway to provide child care services, the Department of Health and Human Services, Division of Child Development and Early Education (DCDEE), shall establish a Provisional Early Childhood Credential for individuals who are 16 or 17 years of age and preparing to work in licensed child care programs in this State. To qualify for the provisional credential, an individual shall complete an approved early childhood education course offered through a North Carolina public high school (FE11), a Career and College Promise course (EDU 119), an Intro to School-Age Care course (EDU 120 or EDU 2120), a Career and College Promise Workforce Continuing Education pathway (EDU 3119), or a career-ready lead teacher academy.

SECTION 9D.8.(m) By March 31, 2027, the Community College System, the Department of Public Instruction (DPI), the North Carolina Center for Afterschool Programs (NC CAP), and DCDEE shall collaborate to ensure the required child care health and safety trainings are embedded in each of the courses in subsection (*l*) of this section so that individuals who are working to obtain the Provisional Early Childhood Credential can access the required trainings through structured micro credentials, and, through this collaboration, DCDEE shall ensure its trainings are available in the Moodle platform. The Community College System, DPI, NC CAP, and DCDEE shall also collaborate to create pre-apprenticeship and apprenticeship pathways aligned with the Provisional Early Childhood Credential. DCDEE shall issue the Provisional Early Childhood Credential to individuals who meet the requirements established under subsection (*l*) of this section. The Provisional Early Childhood Credential shall enable those individuals to work in any out-of-school and summer programs, including those located at licensed child care facilities, as group leaders as defined in the child care licensing rules according to the following staff/child ratios and group sizes:

Age	**Ratio Staff/Children**
For a group that includes a child 5 years of age	1/10
For a group of children 6 years of age and older	1/14 to 1/16

No out-of-school or summer program providing child care pursuant to this section shall care for more than 25 children in one group. The out-of-school or summer program

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.

SECTION 9D.8.(n) When an individual who has received a provisional credential pursuant to this section reaches 18 years of age and has obtained a high school diploma or its equivalent, the individual shall notify the Division of Child Development and Early Education (Division) of such, if they wish to receive the full Early Childhood Credential, and the Division shall issue the individual the full North Carolina Early Childhood Credential which shall enable that individual to be employed as a lead teacher in any licensed child care program in this State.

CHILD CARE MENTAL AND BEHAVIORAL HEALTH SERVICES FUNDING/SMART START SPECIAL FUND

SECTION 9D.9.(a) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of seven million three hundred thousand dollars ($7,300,000) in nonrecurring funds for the 2026-2027 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, including on-site services and behavioral health supports. The NCPC shall spend the funds appropriated 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 the funds appropriated in this section to local partnerships, as determined by the NCPC. These funds shall supplement and not supplant existing Smart Start partnership behavioral health spending. Funds appropriated in this section shall not revert at the end of the 2026-2027 fiscal year but shall remain available for costs associated with mental and behavioral health initiatives described in this subsection until expended.

SECTION 9D.9.(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, 2027, and a final report by November 15, 2028. 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.9.(c) Additional funds allocated in this section to the North Carolina Partnership for Children, Inc., from the Department of Health and Human Services, Division of Child Development and Early Education, for the 2026-2027 fiscal year are not subject to the administrative cost requirements under Section 9D.6(b) of this act, 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.6(d) of this act.

SECTION 9D.9.(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 REFORMS/EXPAND CAREER PATHWAYS FOR CHILD CARE CENTER ADMINISTRATORS

SECTION 9D.10.(a) G.S. 110-91(8) is amended by adding the following sub-subdivisions to read:

"a1. A licensed child care center may use the combined education and work experience of two staff persons to meet the requirements for Level II and Level III certificates or designation for the NC Early Childhood Administration Credential certificate established by the Commission and shall receive the same quality rating improvement system (QRIS) credit toward a star-rated license as the center would receive if the requirements were met by one staff person. To meet the requirements of this sub-subdivision, the following requirements must be met:

1. One individual must complete EDU 261 and EDU 262 as set out in the Child Care Rules in the Administrative Code, or the equivalent, or hold an associate degree or higher in business administration or a related field, or have at least two years of verifiable business or administrative work experience.
2. One individual must (i) hold an associate degree or bachelor's of science degree in early childhood education or child development as designated by the Commission, (ii) be responsible for the center's curriculum, program delivery, and compliance practices, and (iii) be physically on-site for at least the minimum number of hours required by the child care staffing requirements set out under the Child Care Rules in the Administrative Code.

a2. The Department shall allow an individual to earn the minimum mandatory North Carolina Early Childhood Administration Credential without completing coursework in EDU 261 and EDU 262, or the equivalent of both, when the individual has (i) an associate degree or higher in business administration or a related field or (ii) two years of verifiable business or administrative work experience."

SECTION 9D.10.(b) This section is effective when it becomes law.

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. Section 2B.13(b) of S.L. 2025-89 reads as rewritten:

"**SECTION 2B.13.(b)** For the 2025-2026 fiscal year, the Department of Health and Human Services shall deposit from its revenue one hundred seventy-one million four hundred thousand dollars ($171,400,000) 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)~~ one hundred seventy-four million five hundred sixty-five thousand three hundred five dollars ($174,565,305) 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."

ENSURE MEDICAID RECEIPTS FOR NC HEALTH WORKS IMPLEMENTATION COSTS

SECTION 9E.6.(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 (i) the amount that otherwise would be calculated under G.S. 108A-147.3(b) for the applicable assessment quarter, but for the requirements of this section, and (ii) twelve million eight hundred thousand dollars ($12,800,000).

SECTION 9E.6.(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, and those receipts are appropriated for that purpose.

SECTION 9E.6.(c) Subsections (a) and (b) of this section are effective on the first day of the next assessment quarter after this act becomes law and apply to assessments imposed during that quarter. References in Article 7B of Chapter 108A of the General Statutes to amounts calculated for the quarter when subsection (a) of this section is effective shall be to the amounts calculated as required by this section.

ENSURE CERTAIN MEDICAID RECEIPTS

SECTION 9E.7.(a) For purposes of calculating the public hospital modernized presumptive offset amount 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 (i) the amount that otherwise would be calculated under G.S. 108A-146.5(b) for the applicable assessment quarter, but for the requirements of this section, and (ii) ten million seven hundred fifty thousand dollars ($10,750,000).

SECTION 9E.7.(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, and those receipts are appropriated for that purpose.

SECTION 9E.7.(c) Subsections (a) and (b) of this section are effective on the first day of the next assessment quarter after this act becomes law and apply to assessments imposed during that quarter. References in Article 7B of Chapter 108A of the General Statutes to amounts calculated for the quarter when subsection (a) of this section is effective shall be to the amounts calculated as required by this section.

CHANGE IN HOSPITAL STATUS

SECTION 9E.8.(a) G.S. 108A-145.3(19) reads as rewritten:

"(19) Private hospital historical assessment share. – Eighty and ~~seventeen~~ twenty-seven hundredths percent ~~(80.17%),~~ (80.27%), expressed as a decimal."

SECTION 9E.8.(b) G.S. 108A-145.3(21) reads as rewritten:

"(21) Public hospital historical assessment share. – Nineteen and ~~eighty-three~~ seventy-three hundredths percent ~~(19.83%),~~ (19.73%), expressed as a decimal."

SECTION 9E.8.(c) This section is effective on the first day of the next assessment quarter after the date this act becomes law and applies to assessments imposed under Article 7B of Chapter 108A of the General Statutes on or after that date. This section does not apply to the 2026 one-time assessment imposed under Section 3D.3 of S.L. 2026-1.

ADJUST HOSPITAL ASSESSMENTS TO ACCOUNT FOR WORK REQUIREMENT CHANGES

SECTION 9E.9.(a) G.S. 108A-147.7A(b), as enacted by Section 3D.4 of S.L. 2026-1, reads as rewritten:

"(b) The supplemental State administration subcomponent is as follows:

(1) For the quarter of the 2026-2027 fiscal year beginning on July 1, 2026, the supplemental State administration subcomponent is zero.

(2) For the quarter of the 2026-2027 fiscal year beginning on October 1, 2026, the supplemental State administration subcomponent is three million three hundred thousand dollars ($3,300,000).

(3) For the quarter of the 2026-2027 fiscal year beginning on January 1, 2027, the supplemental State administration subcomponent is two million ~~three~~ five hundred ~~fifty~~ twelve thousand five hundred dollars ~~($2,350,000).~~ ($2,512,500).

(4) For the quarter of the 2026-2027 fiscal year beginning on April 1, 2027, the supplemental State administration subcomponent is three million ~~three~~ four hundred sixty-two thousand five hundred dollars ~~($3,300,000).~~ ($3,462,500).

(5) For the 2027-2028 fiscal year, the quarterly supplemental State administration subcomponent shall be three million ~~three~~ four hundred sixty-two thousand five hundred dollars ~~($3,300,000)~~ ($3,462,500) increased by a percentage that is the sum of each monthly percentage change in the Consumer Price Index: All Urban Consumers for the most recent 12 months available on March 1 of the previous State fiscal year.

(6) For each subsequent State fiscal year through the 2035-2036 State fiscal year, the supplemental State administration subcomponent shall be increased over the prior year's quarterly amount by a percentage that is the sum of each monthly percentage change in the Consumer Price Index: All Urban Consumers for the most recent 12 months available on March 1 of the previous State fiscal year.

(7) For each State fiscal year beginning on or after July 1, 2036, the supplemental State administration subcomponent quarterly amount is zero."

SECTION 9E.9.(b) Section 3D.7(e) of S.L. 2026-1 is repealed.

SECTION 9E.9.(c) G.S. 108A-147.7A(b) and (c), as enacted by Section 3D.4(b) of S.L. 2026-1, are repealed.

SECTION 9E.9.(d) G.S. 108A-147.7A, as enacted by Section 3D.4(b) of S.L. 2026-1 and amended by subsection (c) of this section, reads as rewritten:

"**§ 108A-147.7A. Supplemental administration component.**

(a) The supplemental administration component is an amount of money that is calculated by adding the supplemental State administration subcomponent calculated under subsection ~~(b)~~ (b1) of this section and the supplemental county administration subcomponent calculated under subsection ~~(c)~~ (c1) of this section.

(b) Repealed.

(b1) The supplemental State administration subcomponent quarterly amount is zero.

(c) Repealed.

(c1) The supplemental county administration subcomponent quarterly amount is zero."

SECTION 9E.9.(e) Section 3D.7(g) of S.L. 2026-1 reads as rewritten:

"**SECTION 3D.7.(g)** ~~Subsections (e) and~~ Subsection (f) of this section ~~are~~ is effective on the first day of the next assessment quarter that is two years after the date the report required by subsection (b) of this section is submitted. ~~Subsection (e) of this section applies to assessments imposed on or after the date subsection (e) of this section becomes effective.~~"

SECTION 9E.9.(f) Subsection (a) of this section is effective January 1, 2027, and applies to assessments imposed on or after that date. Subsections (c) and (d) of this section are effective on the first day of the next assessment quarter that is two years after the date the report required by Section 3D.7(b) of S.L. 2026-1 is submitted and applies to assessments imposed on or after that date. Subsections (c) and (d) of this section expire on July 1, 2034, if no report required by Section 3D.7(b) of S.L. 2026-1 has been submitted by July 1, 2034. The remainder of this section is effective when this act becomes law.

CLOSE OUT THE MEDICAID TRANSFORMATION FUND

SECTION 9E.10.(a) Section 12H.29 of S.L. 2015-241 is repealed.

SECTION 9E.10.(b) The Office of State Budget and Management shall transfer the balance of the Medicaid Transformation Fund to Budget Code 14445 to be used for the Medicaid program.

SECTION 9E.10.(c) This section is effective July 1, 2026.

MEDICAID CONTINGENCY RESERVE

SECTION 9E.11. G.S. 143C-4-11 reads as rewritten:

"**§ 143C-4-11. Medicaid Contingency Reserve.**

(a) Medicaid Contingency Reserve. – The Medicaid Contingency Reserve is established as a reserve to be used only for budget shortfalls in the Medicaid program.

(b) Funds from the Medicaid Contingency Reserve may be allocated or expended only if ~~all of the following criteria are met:~~

~~(1)~~ ~~There~~ there is an act of appropriation of those funds by the General Assembly.

(b1) It is the intent of the General Assembly to appropriate funds from the Medicaid Contingency Reserve only if all of the following criteria are met:

~~(2)~~(1) After the State Controller has verified that all Medicaid program receipts are being used appropriately, the Director of the Budget has found that additional funds are needed to cover a shortfall in the Medicaid budget for the State fiscal year.

~~(3)~~(2) The Director of the Budget has reported immediately to the Fiscal Research Division on the amount of the shortfall found in accordance with subdivision (2) of this subsection. This report shall include an analysis of the causes of the shortfall, such as (i) unanticipated enrollment and mix of enrollment, (ii) unanticipated growth or utilization within particular service areas, (iii) errors in the data or analysis used to project the Medicaid budget, (iv) the failure of the program to achieve budgeted savings, (v) other factors and market trends that have impacted the price of or spending for services, (vi) variations in receipts from prior years or from assumptions used to prepare the Medicaid budget for the current fiscal year, or (vii) other factors. The report shall also include data in an electronic format that is adequate for the Fiscal Research Division to confirm the amount of the shortfall and its causes.

(c) Nothing in this section shall be construed to limit the authority of the Governor to carry out the Governor's duties under the Constitution."

APPROPRIATION OF GOVERNMENT EFFICIENCY GRANT

SECTION 9E.12. The federal Government Efficiency Grant funds awarded to implement the State Medicaid community engagement requirements and other necessary eligibility system requirements resulting from Medicaid expansion eligibility changes in P.L. 119-21 are appropriated in the amounts provided in any notification of award from the federal government or any entity acting on behalf of the federal government to administer the federal funds. The Department of Health and Human Services, Division of Health Benefits, with approval of the Director of the Budget, may spend the Government Efficiency Grant funds.

FUNDS FOR MEDICAID FRAUD WASTE AND ABUSE TECHNOLOGY

SECTION 9E.13.(a) Of the funds appropriated to the Department of Health and Human Services, Division of Health Benefits (DHB), the sum of one million five hundred three thousand three hundred twenty-five dollars ($1,503,325) in recurring funds beginning in the 2026-2027 fiscal year shall be used for fraud, waste, and abuse prevention and payment recovery efforts in the State Medicaid program through the Government Data Analytics Center (GDAC). These funds may be used for payment integrity analytics, software, information reporting, managed services, and technical infrastructure. Any data needed in support of this effort shall be made available through the GDAC in accordance with G.S. 143B-1385.

SECTION 9E.13.(b) No later than November 15, 2026, DHB, in collaboration with the GDAC, shall submit a report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division detailing steps taken to comply with this section and how the funds will be expended.

INCREASE WAGES OF DIRECT CARE WORKERS/INNOVATIONS WAIVER

SECTION 9E.14.(a) It is the intent of the General Assembly to assist in increasing the hourly wages of direct care workers who provide services to Medicaid beneficiaries receiving services through the North Carolina Innovations waiver program, to be termed "Innovations direct care workers" for the purpose of this section.

To that end, of the funds appropriated to the Department of Health and Human Services, Division of Health Benefits (DHB), DHB shall use the sum of twenty-one million three hundred thousand dollars ($21,300,000) in recurring funds beginning with the 2026-2027 fiscal year to provide a rate increase to providers who provide services to Medicaid beneficiaries receiving services through the North Carolina Innovations waiver program who are either (i) enrolled in the Medicaid program or (ii) approved financial managers or financial support agencies billing for waiver service hours provided by direct care workers that are hired by employers of record or managing employers under a self-directed option in accordance with Medicaid Clinical Coverage Policy 8-P: North Carolina Innovations.

SECTION 9E.14.(b) Upon implementation of the rate increase required by this section, DHB shall adjust the per member per month capitation amount paid to local management entities/managed care organizations (LME/MCOs). All LME/MCOs shall be required to implement the increase. DHB shall determine the amount of rate increase under this section. The definition of an Innovations direct care worker under this section includes all workers required for compliance with, or delivery of, the relevant Innovations waiver service definitions and the delivery of a unit of Innovations services. Individuals in the definition of direct care worker to be applied shall include only caregivers who are contracted for the provision of services in a legally appropriate manner. The rate increase under this section shall be effective on the effective date approved by the Centers for Medicare and Medicaid Services.

SECTION 9E.14.(c) Prior to receiving the rate increase required under this section, providers who employ Innovations direct care workers shall attest and provide verification to the relevant LME/MCO that this increased funding is being used to the benefit of its Innovations direct care workers, including in the form of an increase in hourly wage, benefits, or associated

payroll costs. DHB shall set the standards for documentation that shall be required for verification that the provider used the rate increase in the manner required by this section, and LME/MCOs shall use these same standards. DHB and LME/MCOs shall require verifiable methods of accounting, such as payroll-based journals. Providers receiving a rate increase under this section shall keep documentation of the use of that rate increase and make the documentation available upon request by DHB or by the relevant LME/MCO.

SECTION 9E.14.(d) In addition to other allowable reasons for recoupment of funds, LME/MCOs shall recoup part or all of the funds related to the rate increase received by a provider pursuant to this section if the LME/MCO determines that the provider did not use the increased funding to the benefit of its Innovations direct care worker employees.

SECTION 9E.14.(e) By December 1, 2026, each LME/MCO shall submit a report to DHB detailing how the providers to whom the LME/MCO has paid rate increases under this section have used that increased funding to the benefit of Innovations direct care workers. The report shall describe (i) the types of benefits provided to the Innovations direct care workers, (ii) to the extent possible, the amount or proportion of funding used to each type of benefit and the number of providers offering each type of benefit, and (iii) the process by which the LME/MCO verified that the providers used the rate increase in the manner required by this section. DHB shall combine the information it receives from the LME/MCOs and shall submit the combined information, as well as the standards for documentation required for verification established by DHB under subsection (c) of this section, in a report to the Joint Legislative Oversight Committee on Medicaid by February 15, 2027.

MEDICAID PERSONAL CARE SERVICES RATE

SECTION 9E.15. Of the funds appropriated to the Department of Health and Human Services, Division of Health Benefits (DHB), DHB shall use the sum of seventy million eight hundred thousand dollars ($70,800,000) in recurring funds beginning with the 2026-2027 fiscal year to provide a rate increase for personal care services provided to Medicaid beneficiaries through Medicaid Direct, Community Alternatives Program for Children (CAP/C), Community Alternatives Program for Disabled Adults (CAP/DA), and Community Alternatives Program Choice (CAP/CO).

MEDICAID SKILLED NURSING FACILITY COST CONTAINMENT PILOT

SECTION 9E.16.(a) Definitions. – The following definitions apply in this section:

(1) Annual growth factor. – Calculated on January 1 for each pilot year, the sum of (i) the percentage change in the Consumer Price Index for All Urban Consumers published by the United States Bureau of Labor Statistics over the most recent 12-month period for which data is available and (ii) the percentage change in the population of North Carolina aged 65 and older over the most recent prior 12-month period for which estimates are available from the Office of State Budget and Management.

(2) CMS. – The Centers for Medicare and Medicaid Services.

(3) DHB. – The Department of Health and Human Services, Division of Health Benefits.

(4) DHHS. – The Department of Health and Human Services.

(5) Medicaid Direct. – North Carolina's fee-for-service Medicaid program.

(6) Pilot program. – The cost containment pilot described in subsection (b) of this section.

(7) Pilot year. – Each calendar year of the pilot program is a pilot year.

(8) Pilot year projected expenditures. – The projected annual aggregate SNF State expenditures for the pilot year.

(9) SNF. – Skilled nursing facility.

(10) SNF reimbursement rate methodology. – The reimbursement rate methodology contained in the North Carolina Medicaid State Plan's Attachment 4.19-D, as of the date this section becomes law, entitled "Payment for Services – Prospective Reimbursement Plan for Nursing Care Facilities," including any amendments allowed under this section.

(11) SNF State expenditures. – Expenditures of State General Funds to reimburse skilled nursing facilities for skilled nursing care provided to Medicaid beneficiaries.

(12) Traditional methodology. – The SNF reimbursement rate methodology without the new cost containment factor required in subsection (d) of this section.

SECTION 9E.16.(b) Creation and Purpose. – DHB shall implement a cost containment pilot program to set an annual growth limit for SNF State expenditures. The pilot program shall operate for five years, beginning with dates of service on or after January 1, 2028, and ending with dates of service on or before December 31, 2032. The purpose of this pilot program is to provide cost certainty to the State while providing predictability to SNFs and maintaining access for North Carolinians who need SNF services. DHB shall work with relevant stakeholders to implement this pilot program in a manner that best achieves the goals of cost certainty to the State and predictability to SNFs.

SECTION 9E.16.(c) Limitations. – Effective when this section becomes law, DHB shall not submit any new requests to amend the SNF reimbursement rate methodology prior to the conclusion of the pilot program, except as provided in this section or as required under federal law. DHB shall not make any program adjustments that affect the amount of SNF State expenditures before or during the cost containment pilot program that are not provided for in the SNF reimbursement rate methodology, except as provided in this section. Nothing in this subsection shall be construed to prohibit implementation of any State Plan amendments submitted prior to the effective date of this section.

SECTION 9E.16.(d) Cost Containment Factor. – DHB shall submit a State Plan amendment to CMS to add a new cost containment factor to the traditional methodology that will require DHB to adjust the facility-specific daily reimbursement rates produced by the traditional methodology as provided in this subsection. All of the following shall apply to the new cost containment factor:

(1) Base year spending. – The base year shall consist of dates of service beginning October 1, 2026, through and including September 30, 2027. DHB shall certify by January 1, 2028, the amount of total SNF State expenditures during the base year.

(2) Pilot year spending target. – The spending target for each pilot year shall be calculated at the beginning of the pilot year and is the spending target for the previous pilot year trended forward by applying the annual growth factor for the applicable pilot year. For the first pilot year, the spending target shall be the total SNF State expenditures during the base year trended forward by applying the annual growth factor for the first pilot year.

(3) Mid-year trend analysis. – On July 1, 2028, and on July 1 of each pilot year thereafter, DHB shall calculate the trend in SNF State expenditures during the first six months of the pilot year and project the annual aggregate SNF State expenditures for the pilot year. DHB shall compare the pilot year projected expenditures to the pilot year spending target to determine whether the pilot year projected expenditures exceed the pilot year spending target.

(4) Rate adjustment. – If, after completion of the mid-year trend analysis required under subdivision (3) of this subsection, DHB determines that the pilot year projected expenditures exceed the pilot year spending target, then DHB shall

adjust, for the remainder of the pilot year, the daily reimbursement rate paid to each nursing facility, on a pro rata basis, that would be calculated under the traditional methodology to a rate that is projected to produce SNF State expenditures equal to the pilot year spending target. If, after completion of the mid-year trend analysis required under subdivision (3) of this subsection, DHB determines that the pilot year projected expenditures do not exceed the pilot year spending target, then no rate adjustment shall be made.

(5) Reconciliation. – At the end of each pilot year, DHB shall compare the actual SNF State expenditures for the pilot year to that pilot year's spending target and calculate any difference in order to determine the reconciliation amount to be accounted for in the next pilot year. DHB shall adjust, for the subsequent pilot year, the daily reimbursement rate paid to each nursing facility, on a pro rata basis, that would be calculated under the traditional methodology to a rate that is projected to produce the pilot year spending target plus or minus any reconciliation amount from the previous pilot year.

SECTION 9E.16.(e) Other Receipts. – Nothing in this section, including the limitation on State Plan amendments, shall be construed to (i) prohibit adjustments to the skilled nursing facility provider assessment authorized under Section 10.28 of S.L. 2003-284 in order to maximize assessment receipts invested in SNF daily reimbursement rates as allowed under federal law or (ii) limit the amount of federal receipts matching those assessment receipts.

SECTION 9E.16.(f) Emergency State Plan Amendments. – Nothing in this section, including the limitation on State Plan amendments, shall be construed to prohibit emergency State Plan amendments that are intended to provide additional resources to SNFs during a federal or State declared emergency. Any funding provided under this subsection shall be excluded from any calculations under subsection (d) of this section.

SECTION 9E.16.(g) Long-Stay SNF Services. – Notwithstanding the requirement under G.S. 108D-40(a)(13)a. for PHPs to cover recipients who reside in a nursing facility and have so resided, or are likely to reside, for a period of 90 days or longer, those recipients shall not be covered by PHPs for the duration of the pilot program.

SECTION 9E.16.(h) Notices and Reports. – The following notice and reporting requirements shall apply:

(1) If DHB determines under subdivision (3) of subsection (d) of this section that the pilot year projected expenditures exceed the pilot year spending target, DHB shall notify the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and relevant stakeholders within 10 days after making its determination.

(2) DHB shall report on the status of the pilot program at the direction of the cochairs of the Joint Legislative Oversight Committee on Medicaid.

(3) By April 1, 2033, DHB shall submit a report to the Joint Legislative Oversight Committee on Medicaid and the Fiscal Research Division on the outcomes of the pilot program, a recommendation whether to continue the pilot program or to expand it to other services, and any other information DHB deems relevant.

SECTION 9E.16.(i) This section is retroactively effective to June 1, 2026.

MEDICAID MANAGED CARE COST CONTAINMENT

SECTION 9E.17.(a) G.S. 108D-65(a), as amended by Section 3C.15 of S.L. 2026-1, reads as rewritten:

"(a) 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.~~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.17.(b) This section is effective when it becomes law and applies to contracts entered into on or after that date.

CONTINUE CHIPRA 214 COVERAGE OPTION

SECTION 9E.18.(a) G.S. 108A-54.3A(a) is amended by adding a new subdivision to read:

"(25) Qualifying individuals allowed under section 214 of the Children's Health Insurance Program Reauthorization Act of 2009, P.L. 111-3, and described in 42 U.S.C. § 1396b(v)(4)."

SECTION 9E.18.(b) G.S. 108A-54.3A(c), as amended by Section 3C.4(b) of S.L. 2026-1, reads as rewritten:

"(c) Medicaid coverage for individuals who are not citizens of the United States shall be limited to coverage that is federally required for the State's participation in the Medicaid ~~program.~~program, except as provided for under subdivision (25) of subsection (a) of this section."

SECTION 9E.18.(c) This section is effective October 1, 2026.

COPAYMENT EXEMPTION FOR INNOVATIONS AND TBI WAIVER SERVICES

SECTION 9E.19.(a) G.S. 108A-58.3, as enacted by Section 3C.16 of S.L. 2026-1, reads as rewritten:

"**§ 108A-58.3. Cost-sharing.**

The Department shall annually establish all Medicaid copayments at the maximum allowable under federal ~~law.~~law, except that no copayment shall be required for any of the following:

(1) Innovations waiver services.

(2) Traumatic Brain Injury waiver services."

SECTION 9E.19.(b) This section is effective July 1, 2027.

QUARTERLY REVIEW OF INCOME AND FINANCIAL RESOURCES

SECTION 9E.20.(a) G.S. 108A-55.5, as amended by Section 3C.6 of S.L. 2026-1, reads as rewritten:

"**§ 108A-55.5. Eligibility monitoring for medical assistance.**

(a) On at least a monthly basis, the Department shall review all of the following information concerning changes in circumstances that may affect medical assistance beneficiaries' eligibility to receive medical assistance ~~benefits. The Department shall share the information directly with, or make the information available to, the county department of social services that determined the beneficiary's eligibility.~~benefits:

(1) Employment status and changes in employment.

(2) Residency status.

(3) Enrollment status in other State-administered public assistance programs.

(4) Incarceration status.

(5) Death records.

(6) Lottery and gambling winnings.

(7) Enrollment status in public assistance programs outside of this State.

(b) ~~The information reviewed by the Department shall include all of the following:~~On at least a quarterly basis, the Department shall review all of the following information concerning changes in circumstances that may affect medical assistance beneficiaries' eligibility to receive medical assistance benefits:

(1) Earned and unearned income.

~~(2) Employment status and changes in employment.~~

~~(3) Residency status.~~

~~(4) Enrollment status in other State-administered public assistance programs.~~

(5) Financial resources.

~~(6) Incarceration status.~~

~~(7) Death records.~~

~~(8) Lottery and gambling winnings.~~

~~(9) Enrollment status in public assistance programs outside of this State.~~

(b1) The Department shall share the information reviewed under subsections (a) and (b) of this section directly with, or make the information available to, the county department of social services that determined the beneficiary's eligibility.

(c) A county department of social services shall promptly review the information provided or made available by the Department in accordance with ~~subsection (a) of~~ this section to determine if the information indicates a change in circumstances that may affect a medical assistance beneficiary's eligibility to receive medical assistance benefits and take one of the following actions:

…."

SECTION 9E.20.(b) This section is effective October 1, 2026.

ALIGN REBIDDING DATE FOR MEDICAID STANDARD PLAN AND TAILORED PLAN PHP CONTRACTS

SECTION 9E.21. The initial standard benefit plan contracts and the initial BH IDD tailored plan contracts required by Article 4 of Chapter 108D of the General Statutes shall end on November 30, 2029. The Department of Health and Human Services shall reprocure these contracts so that the second round of both contract types starts December 1, 2029.

MODIFICATIONS TO ABA THERAPY MEDICAID COVERAGE/CLOSED NETWORKS

SECTION 9E.22.(a) Section 3C.18(a) of S.L. 2026-1 reads as rewritten:

"**SECTION 3C.18.(a)** The Department of Health and Human Services, Division of Health Benefits (DHB), is directed to (i) amend and, if necessary, seek approval from the Centers for Medicare and Medicaid Services (CMS) for the changes to the NC Medicaid Clinical Coverage

Policy 8F, Research-Based Behavioral Health Treatment (RB-BHT) For Autism Spectrum Disorder (CCP-8F), and (ii) adopt or amend any relevant rules to incorporate all of the following:

…

(2) Patient behavioral, functional, and adaptive assessments must be conducted by a Licensed Qualified Autism Service ~~Providers (LQASPs)~~ Provider (LQASP). Patient assessments are required to be conducted in person. Patient assessments conducted via telehealth shall not be reimbursed, unless exceptions are developed in accordance with subsection (b) of this section.

…

(5) ~~LQASPs are~~ All services provided under CCP-8F must be provided under an individualized service plan. This plan must be developed by an LQASP. The LQASP is required to ~~develop, and~~ ensure beneficiary compliance ~~with, an individualized service~~ with the plan for each Medicaid beneficiary. All of the following apply to the individualized service plan:

a. The plan is required to include minimum requirements of parent, guardian, or caretaker involvement and training services provided by ~~the~~ an LQASP, unless exceptions are developed in accordance with subsection (b) of this section.

b. ~~For any plan involving more than 16 hours of services per week, the plan~~ All plans must be approved by a PHP or the Department. ~~These plans~~ Plans involving 16 hours or fewer of services per week shall be updated and reapproved ~~monthly.~~every six months. Plans involving more than 16 hours of services per week shall be updated and reapproved every three months.

…."

SECTION 9E.22.(b) G.S. 108D-22, as amended by Section 3C.12(a) of S.L. 2026-1, reads as rewritten:

"**§ 108D-22. PHP provider networks.**

(a) Provider Networks. – Except as provided in ~~G.S. 108D-23(c)~~ subsection (e) of this section, G.S. 108D-23(c), and G.S. 108D-24(b), each PHP shall develop and maintain an open network of providers that meets access to care requirements for its enrollees.

…

(d) Closed Networks for Designated Service Categories. – If an open network for a designated service category would jeopardize quality of care, program integrity, or cost-effective use of Medicaid funds, then, notwithstanding subsection (a) of this section, a PHP may develop a closed network for that designated service category and exclude providers that are not designated essential providers from that closed network. Prior to creating a closed network for a designated service category, the PHP must receive approval from the Department of the PHP's written request to close its provider network for that service category. This written request must include a demonstration of ongoing network adequacy. If the Department does not respond to a written request from a PHP for approval to close its provider network for a designated service category within 180 days after the request was submitted, the request is deemed approved.

(e) Mandatory Closed Networks. – Each PHP shall develop and maintain a closed network, and may exclude providers from that closed network, for the provision of the following services:

(1) Peer support services.

(2) Research-based behavioral health treatment services."

SECTION 9E.22.(c) G.S. 108D-24, as amended by Section 3C.12(c) of S.L. 2026-1, reads as rewritten:

"**§ 108D-24. Children and families specialty plan networks.**

(a) The entity operating the children and families specialty plan shall operate provider networks in accordance with this section and G.S. 108D-22.

(b) ~~The~~ In addition to the closed networks required under G.S. 108D-22, the entity operating the children and families specialty plan shall develop a closed network, and may exclude providers from that closed network, for the provision of the following services:

(1) Intensive in-home services.
(2) Multisystemic therapy.
(3) Residential treatment services.
(4) Services provided in psychiatric residential treatment facilities.
(5) Community support team services.

(d) In addition to the requirement to cover essential providers under G.S. 108D-22, the entity operating the CAF specialty plan shall not exclude federally recognized tribal providers or Indian Health Service providers from any provider network."

SECTION 9E.22.(d) This section is effective when it becomes law.

EXTEND DURABLE MEDICAL EQUIPMENT RATES IN MEDICAID MANAGED CARE

SECTION 9E.23. Section 11 of S.L. 2020-88, as amended by Section 3.6 of S.L. 2021-62 and Section 3C.17 of S.L. 2026-1, reads as rewritten:

"**SECTION 11.** For the first ~~seven~~ eight years, ending ~~June 30, 2027,~~ June 30, 2029, of the 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."

ACCREDITATION FOR MEDICAID MANAGED CARE ENTITIES

SECTION 9E.24.(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.24.(b) This section is effective when it becomes law and applies to contracts entered into on or after that date.

EXTEND PRIMARY CARE TASK FORCE

SECTION 9E.25.(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 December 31, 2028, 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, 2028."

SECTION 9E.25.(b) This section is effective retroactively to July 1, 2023.

REDUCING USE OF INAPPROPRIATE SETTINGS FOR DELIVERY OF BEHAVIORAL HEALTH SERVICES

SECTION 9E.26.(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, 2026.

SECTION 9E.26.(b) No later than October 1, 2026, 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, 2028, 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.

PART IX-F. HEALTH SERVICE REGULATION

HOSPITAL AND AMBULATORY SURGICAL FACILITY STANDARDS ON SURGICAL SMOKE EVACUATION

SECTION 9F.1.(a) G.S. 131E-78.4 reads as rewritten:

"**§ 131E-78.4. Hospital standards for surgical smoke evacuation.**

(a) Definitions. – The following definitions apply in this section:

(1) Smoke evacuation/filtering system. – Stand-alone, portable equipment that effectively captures, filters, and eliminates surgical smoke at the site of origin before the smoke makes contact with the eyes or respiratory tracts of occupants in the room. For the purpose of this section, an assistant-held smoke evacuation device meets the definition of a smoke evacuation/filtering system. This equipment is not required to be interconnected to the hospital surgical ventilation or medical gas system.

(2) Surgical smoke. – The gaseous by-product produced by energy-generating devices, including surgical plume, smoke plume, bio-aerosols, laser-generated airborne contaminants, or lung-damaging dust.

(b) Policy Requirement. – Each hospital licensed under this Part shall adopt and implement policies that require the use of a smoke evacuation/filtering system during any surgical procedure that is likely to generate surgical smoke.

(c) Adverse Action. – The Department of Health and Human Services may take adverse action against a hospital under G.S. 131E-78 for a violation of this section."

SECTION 9F.1.(b) G.S. 131E-147.2 reads as rewritten:

"**§ 131E-147.2. Ambulatory surgical facility standards for surgical smoke evacuation.**

(a) Definitions. – The following definitions apply in this section:

(1) Smoke evacuation/filtering system. – ~~Equipment~~ Stand-alone, portable equipment that effectively captures, filters, and eliminates surgical smoke at the site of origin before the smoke makes contact with the eyes or the respiratory tracts of occupants in the room. For the purpose of this section, an assistant-held smoke evacuation device meets the definition of a smoke evacuation/filtering system. This equipment is not required to be interconnected to the ambulatory surgical ventilation or medical gas system.

(2) Surgical smoke. – The gaseous by-product produced by energy-generating devices, including surgical plume, smoke plume, bio-aerosols, laser-generated airborne contaminants, or lung-damaging dust.

(b) Policy Requirement. – Each ambulatory surgical facility licensed under this Part shall adopt and implement policies that require the use of a smoke evacuation/filtering system during any surgical procedure that is likely to generate surgical smoke.

(c) Adverse Action. – The Department of Health and Human Services may take adverse action against an ambulatory surgical facility under G.S. 131E-148 for a violation of this section."

SECTION 9F.1.(c) This section is effective when it becomes law.

ELIMINATION OF CERTIFIED PUBLIC ACCOUNTANT REQUIREMENT FOR ADULT CARE HOME COST REPORTS

SECTION 9F.2.(a) G.S. 131D-4.2 reads as rewritten:

"**§ 131D-4.2. Adult care homes; family care homes; cost reports; exemptions; enforcement.**

(a) Except for family care homes, adult care homes with a licensed capacity of seven to twenty beds, which are licensed pursuant to this Chapter, to Chapter 122C of the General Statutes, and to Chapter 131E of the General Statutes, shall submit ~~audited~~ reports of actual costs to the Department at least every two years in accordance with rules adopted by the Department under G.S. 143B-10. Adult care homes licensed under Chapter 131D of the General Statutes that have special care units shall include in reports required under this subsection cost reports specific to the special care unit and shall not average special care costs with other costs of the adult care home.

(b) Except for family care homes, adult care homes with a licensed capacity of twenty-one beds or more, which are licensed pursuant to this Chapter, to Chapter 122C of the General Statutes, and to Chapter 131E of the General Statutes, shall submit ~~audited~~ reports of actual costs at least every two years to the Department of Health and Human Services, in accordance with rules adopted by the Department under G.S. 143B-10. Adult care homes licensed under Chapter 131D of the General Statutes that have special care units shall include in the reports required under this subsection cost reports specific to the special care unit and shall not average special care costs with other costs of the adult care home.

(b1) The Department shall not require an adult care home to use a certified public accountant or an independent accountant to satisfy any part of the cost reporting requirements established by subsection (a) or (b) of this section, unless the Department determines that an adult care home has submitted a grossly inaccurate report.

(c) Repealed by Session Laws 1999-334, s. 3.1.

(d) Facilities that do not receive State/County Special Assistance or Medicaid personal care are exempt from the reporting requirements of this section.

(e) The Department shall establish specific reporting deadlines for each type of facility required to report under this section. If the Department finds good cause for delay, it may extend the deadline for filing a report for up to an additional 30 days.

(f) The Department ~~shall have the authority to~~ may conduct audits and review audits of reports submitted pursuant to ~~subsections (a) and (b)~~ subsection (a) or (b) of this section.

(g) The Department shall suspend admissions to facilities that fail to submit annual reports by the applicable reporting deadline or by the date established by the Department when

good cause for delay is found pursuant to G.S. 131D-4.2(e). Suspension of admissions shall remain in effect until reports are submitted or licenses are suspended or revoked under subdivision (2) of this subsection. The Department may take either or both of the following actions to enforce compliance by a facility with this section, or to punish noncompliance:

(1) Seek a court order to enforce compliance;

(2) Suspend or revoke the facility's license, subject to the provisions of Chapter 150B of the General Statutes.

(h) The report documentation shall be used to adjust the adult care home rate at least every two years, an adjustment that is in addition to the annual standard adjustment for inflation as determined by the Office of State Budget and Management. Rates for family care homes shall be based on market rate data. The Secretary of Health and Human Services shall adopt rules for the rate-setting methodology and ~~audited~~ cost reports in accordance with G.S. 143B-10."

SECTION 9F.2.(b) This section becomes effective July 1, 2026, and applies to cost reports due under subsection (a) or (b) of G.S. 131D-4.2 on or after that date.

STREAMLINING OF INSPECTION PROCESS FOR ADULT CARE HOMES

SECTION 9F.3.(a) G.S. 131D-2.11 is amended by adding a new subsection to read:

"(d) Streamlining of Inspections. – Notwithstanding any other provision of law, and to the extent permissible under federal law and regulation, if an adult care home licensed under this Article has passed an inspection related to its facility, real property, workplace, or workplace safety conducted by the Department's Division of Health Service Regulation in the immediately preceding three months before a substantially similar routine inspection is conducted by any other State or local department, agency, board, or commission, then the passing results of the inspection by the Department's Division of Health Service Regulation shall be accepted by the other inspecting entity as if it had conducted its own inspection, and the other inspecting entity shall deem the substantially similar inspection as having been passed.

This subsection shall not apply to any complaint investigation, follow-up inspection, monitoring visits, investigation of abuse, neglect, resident harm, exploitation, or any inspection or investigation based on a specific allegation, incident, referral, or concern involving resident health, safety, welfare, or resident rights. Nothing in this subsection shall limit the authority of the Secretary, the Department, the Division of Health Service Regulation, a county department of social services, or any other State or local inspecting entity to conduct an inspection or investigation in response to a complaint, incident, referral, or concern involving resident health, safety, welfare, or resident rights.

Nothing in this subsection shall prohibit an otherwise authorized agency from conducting an independent inspection where the agency has reasonable cause to believe conditions affecting resident health, safety, welfare, fire protection, or workplace safety have changed since the prior inspection.

For the purposes of this subsection, "substantially similar routine inspection" means an inspection evaluating materially similar physical conditions under materially similar regulatory standards.

For the purposes of this subsection, a facility will be deemed to have passed an inspection when the inspection resulted in no deficiencies, violations, citations, or corrective action requirements related to the subject matter of the substantially similar routine inspection."

SECTION 9F.3.(b) This section becomes effective October 1, 2026, and applies to inspections conducted on or after that date.

REPEAL OF CERTIFICATE OF NEED REVIEW FOR INPATIENT REHABILITATION SERVICES, FACILITIES, AND BEDS

SECTION 9F.4.(a) G.S. 131E-176 reads as rewritten:

"**§ 131E-176. Definitions.**

The following definitions apply in this Article:

…

(9b) Health service facility. – A hospital; long-term care hospital; ~~rehabilitation facility;~~ nursing home facility; adult care home; kidney disease treatment center, including freestanding hemodialysis units; intermediate care facility for individuals with intellectual disabilities; home health agency office; diagnostic center; hospice office, hospice inpatient facility, hospice residential care facility; and ambulatory surgical facility.

(9c) Health service facility bed. – A bed licensed for use in a health service facility in the categories of (i) acute care beds; ~~(iii) rehabilitation beds; (iv)~~ (ii) nursing home ~~beds; (v)~~ beds, including rehabilitation beds in nursing homes; (iii) intermediate care beds for individuals with intellectual disabilities; ~~(vii)~~ (iv) hospice inpatient facility beds; ~~(viii)~~ (v) hospice residential care facility beds; ~~(ix)~~ (vi) adult care home beds; and ~~(x)~~ (vii) long-term care hospital beds.

…

(12a) Home health services. – Items and services furnished to an individual by a home health agency, or by others under arrangements made by the agency, on a visiting basis, and except for sub-subdivision e. of this subdivision, in a place of temporary or permanent residence used as the individual's home as follows:

a. Part-time or intermittent nursing care provided by or under the supervision of a registered nurse.

b. Physical, occupational, or speech therapy.

c. Medical social services, home health aid services, and other therapeutic services.

d. Medical supplies, other than drugs and biologicals, and the use of medical appliances.

e. Any of the items and services listed in this subdivision that are provided on an outpatient basis under arrangements made by the home health agency at a ~~hospital,~~ hospital or nursing home ~~facility, or rehabilitation~~ facility and the furnishing of which involves the use of equipment such that the items and services cannot readily be made available to the individual at home, or that are furnished at the facility while the individual is there to receive the item or service, but not including transportation of the individual in connection with the item or service.

…

(13d) Hospital. – A public or private institution that is primarily engaged in providing to inpatients, by or under supervision of physicians, diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick ~~persons, or rehabilitation services for the rehabilitation of injured, disabled, or sick~~ persons. The term includes all health service facilities licensed pursuant to G.S. 131E-77, except long-term care hospitals.

…

~~(22) Rehabilitation facility. – A public or private inpatient facility which is operated for the primary purpose of assisting in the rehabilitation of individuals with disabilities through an integrated program of medical and other services which are provided under competent, professional supervision.~~

…."

SECTION 9F.4.(b) This section becomes effective October 1, 2026.

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 in that facility.

SECTION 9F.5.(b) DHSR shall report to the Joint Legislative Oversight Committee on Health and Human Services by July 1, 2027, 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.(b) 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.(c) 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.(d) 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.(e) This section is retroactively effective July 1, 2025.

LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 9G.2.(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 services, 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.2.(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 initially funded by the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1).

SECTION 9G.2.(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.2.(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.2.(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.2.(f) Reporting by DHHS. – 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.

COMPETITIVE GRANTS TO SHERIFFS' OFFICES FOR ADDICTION TREATMENT IN JAILS

SECTION 9G.3.(a) 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 (DMH/DD/SUS), the sum of two million dollars ($2,000,000) in recurring funds beginning in the 2026-2027 fiscal year shall be used to provide competitive grants under the MAT Grant Program established in G.S. 122C-314, as enacted by subsection (c) of this section.

SECTION 9G.3.(b) G.S. 122C-3 reads as rewritten:

"**§ 122C-3. Definitions.**

The following definitions apply in this Chapter:

…

(14a) FDA. – The U.S. Food and Drug Administration.

…

(20d) Reserved for future codification purposes.

(20e) MAT. – Medication-assisted treatment.

…."

SECTION 9G.3.(c) Part 10 of Article 5 of Chapter 122C of the General Statutes is amended by adding a new section to read:

"**§ 122C-314. MAT Grant Program.**

(a) There is established within the Division the MAT Grant Program. The purpose of this program is to provide grants on a competitive basis to sheriffs' offices to assist in establishing, maintaining, or expanding MAT programs for alcohol and opioid addiction in jails. For each fiscal year funds are available for this program, the Division shall use these funds as follows:

(1) Thirty-seven and one-half percent (37.5%) of the funds allocated for the MAT Grant Program shall be used to award grants for the establishment of new MAT programs.

(2) Thirty-seven and one-half percent (37.5%) of the funds allocated for the MAT Grant Program shall be used to award grants for the expansion of existing MAT programs.

(3) Twenty-five percent (25%) of the funds allocated for the MAT Grant Program shall be used to award grants for the maintenance of existing MAT programs.

(b) In awarding grants under this program, the Division shall be subject to all of the following requirements and limitations:

(1) No sheriff's office shall receive grants pursuant to more than one category under subsection (a) of this section in any fiscal year.

(2) No sheriff's office shall receive grants totaling the entire yearly allotment of funds provided for one of the categories listed in subsection (a) of this section in any fiscal year.

(3) Sheriffs' offices receiving grants shall be prioritized based upon the following criteria regarding the county in which that sheriffs' office sits:

a. The rate of opioid-related deaths.

b. The rate of opioid-related hospital admissions.

c. The rate of violations of probation or parole due to ongoing opioid or alcohol use.

d. The accessibility of mental and physical healthcare.

(c) If qualified grant applications do not exhaust the funds allotted for one of the categories under subsection (a) of this section in a given fiscal year, the remaining funds for that category for that fiscal year may be redistributed equally between the other two categories.

(d) The Secretary may assign staff to support the MAT Grant Program and shall convene a working group comprised of the following members:

(1) The Director of the Section of Community Corrections of the Department of Public Safety or the Director's designee.

(2) The Director of the Office of Rural Health of the Department or the Director's designee.

(3) The Section Chief for Addictions and Management Operations of the Division or the Section Chief's designee.

(4) Other relevant stakeholders as determined by the Secretary.

(e) The working group established under subsection (d) of this section shall do all of the following:

(1) Evaluate applications for each of the categories under subsection (a) of this section and may award lower amounts than requested to individual sheriffs' offices in order to assure broader access to funds.

(2) Ensure all FDA-approved drugs for the treatment of opioid dependence be considered as options for treatment, including long-acting, injectable medication regimens.

(f) The Division shall not be required to provide grant awards beyond those that can be supported by funds appropriated by the General Assembly for this purpose. The MAT Grant Program established under this section is not an entitlement and nothing in this section shall create any property right."

SECTION 9G.3.(d) The working group created under G.S. 122C-314(d) shall use any operational criteria and application processes for the grant program established under Section 19A.10 of S.L. 2021-180, as amended by Section 19F.3 of S.L. 2023-134. The working group shall have the power to establish new operational criteria and application processes and shall communicate information regarding the grant program to all sheriffs' offices in the State. The working group may establish protocols for the allotment of funds to assure that funds can be expended efficiently.

SECTION 9G.3.(e) Section 19A.10 of S.L. 2021-180, as amended by Section 19F.3 of S.L. 2023-134, expires June 30, 2026.

USE OF OPIOID SETTLEMENT FUNDS

SECTION 9G.4.(a) The following definitions apply in this section:

(1) 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.

(2) 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.4.(b) Section 9F.2 of S.L. 2022-74 is repealed.

SECTION 9G.4.(c) The State Controller shall transfer the sum of one million eight hundred fifty thousand dollars ($1,850,000) in nonrecurring funds for the 2026-2027 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.4.(d) The State Controller shall transfer the sum of fourteen million dollars ($14,000,000) in recurring funds beginning in the 2026-2027 fiscal year from funds available in the Opioid Abatement Reserve to the Division of Mental Health, Developmental Disabilities, and Substance Use Services for single stream funding. The funds transferred pursuant to this section are appropriated for the fiscal year in which they are transferred.

FUNDS FOR ADDITIONAL OPIOID REMEDIATION ACTIVITIES

SECTION 9G.5.(a) Of the funds appropriated in this act from the Opioid Abatement Fund to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Use Services (DMH/DD/SUS), the sum of six million dollars ($6,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be allocated and used as follows:

(1) The sum of four million dollars ($4,000,000) 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 2026-2027 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).

(2) The sum of one million dollars ($1,000,000) for the purchase of intranasal opioid antagonist for distribution within the State of North Carolina.

(3) The sum of one million dollars ($1,000,000) to fund a contract for the purchase of intranasal and intramuscular opioid antagonist for distribution within the State of North Carolina and related ancillary services as provided in Section 9G.6 of this act.

SECTION 9G.5.(b) By September 1, 2028, recipients of directed grants allocated by the DMH/DD/SUS from the Opioid Abatement Fund 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.

BEST VALUE PROCUREMENT OF OPIOID ANTAGONIST

SECTION 9G.6.(a) The following definitions apply in this section:

(1) DMH/DD/SUS. – The Division of Mental Health, Developmental Disabilities, and Substance Use Services within the North Carolina Department of Health and Human Services or its purchasing agent.

(2) Opioid antagonist. – An opioid antagonist that is approved by the federal Food and Drug Administration for the reversal of a drug overdose.

SECTION 9G.6.(b) Not later than 90 days after the effective date of this section, the DMH/DD/SUS shall issue a request for proposals (RFP) to procure both of the following directly from drug manufacturers:

(1) Intranasal and intramuscular opioid antagonist for distribution to, or use by, persons or governmental entities engaged in opioid overdose prevention and response efforts within the State of North Carolina.

(2) Ancillary services related to the distribution and use of intranasal and intramuscular opioid antagonist pursuant to subdivision (1) of this subsection, which may include engaging in surge capacity efforts, furnishing educational and training materials, and providing data to improve the distribution of overdose reversal drugs.

SECTION 9G.6.(c) The RFP shall require that proposals include, at a minimum, evidence demonstrating to the satisfaction of the DMH/DD/SUS that, from the date the RFP is made public, the drug manufacturer meets all of the following eligibility criteria:

(1) Has at least two years of experience in both of the following:

a. Manufacturing and assembling within the United States intranasal and intramuscular opioid antagonist products.

b. Direct shipping, distributing, and tracking a high volume of intranasal and intramuscular opioid antagonist to multiple state governments within the United States.

(2) Has a history of consistently maintaining and making publicly accessible its financial, governance, and operational information, including with independent verification when required by law.

SECTION 9G.6.(d) Of the drug manufacturers meeting the eligibility criteria described in subsection (c) of this section, the DMH/DD/SUS shall use a competitive, best-value procurement method to identify a pool of drug manufacturers with which the DMH/DD/SUS may enter into a contract. The competitive, best-value procurement method required by this subsection shall prioritize drug manufacturer responses offering the overall best value with respect to quality, full-service customer support, supply flexibility, and overall risk management considerations, by evaluating all of the following factors:

(1) Availability of both intranasal and intramuscular opioid antagonist products that meet applicable federal and State quality, safety, and regulatory requirements.

(2) Demonstrated history of reliable supply and product quality for intranasal and intramuscular opioid antagonist products.

(3) Availability of distribution data, educational resources, and training materials to support program implementation.

(4) Ability to efficiently process, fulfill, and document orders in a manner that supports program administration, inventory management, and applicable reporting requirements.

SECTION 9G.6.(e) Upon completion of the RFP process, the DMH/DD/SUS shall enter into a contract with one or more of the drug manufacturers from the pool developed pursuant to subsection (d) of this section. The DMH/DD/SUS shall not enter into more than one contract for each distinct opioid antagonist product procured pursuant to this section. Each contract shall be for a term of one year and shall include an option to renew annually for up to three additional years.

SECTION 9G.6.(f) The DMH/DD/SUS shall maintain its existing contracts for the procurement of opioid antagonist until at least one drug manufacturer is selected through the RFP process required by this section.

SECTION 9G.6.(g) The DMH/DD/SUS shall implement this section from the funds allocated in subdivision (a)(3) of Section 9G.5 of this act.

SECTION 9G.6.(h) This section applies only to the funds allocated in Section 9G.5 of this act and shall not be construed as a limitation on the allowable uses of federal grant funds available to local management entities/managed care organizations for opioid remediation activities.

REPLACEMENT FOR CRITICAL IT SYSTEMS THAT SUPPORT SUBSTANCE USE DISORDER PREVENTION AND TREATMENT

SECTION 9G.7. 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 the 2026-2027 fiscal year, 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.

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 the 2026-2027 fiscal year 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 RECOMMENDATIONS FOR A PLAN TO IMPROVE MATERNAL AND INFANT LEVELS OF CARE IN NORTH CAROLINA

SECTION 9H.2. By April 1, 2027, 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.

REPORT ON PREMIUM ASSISTANCE PROGRAM WITHIN NORTH CAROLINA HIV MEDICATION ASSISTANCE PROGRAM

SECTION 9H.3. 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 HIV Medication Assistance Program (HMAP) 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.4.(a) 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 hundred dollars ($200.00).~~four hundred dollars ($400.00)."

SECTION 9H.4.(b) This section becomes effective July 1, 2026, and applies to fees imposed for medical examiner reports filed on or after that date.

ADDITIONAL FUNDS FOR LOCAL HEALTH DEPARTMENTS

SECTION 9H.5. Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of Public Health, the sum of one million five hundred thousand dollars ($1,500,000) in recurring funds beginning in the 2026-2027 fiscal year 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.

CAROLINA PREGNANCY CARE FELLOWSHIP

SECTION 9H.6.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the 2026-2027 fiscal year 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 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 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 shall be allocated to fund operation of the CPCF Circle of Care Program.

SECTION 9H.6.(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.6.(c) The CPCF shall not use more than ten percent (10%) of the total amount of funds allocated for the 2026-2027 fiscal year for administrative purposes.

SECTION 9H.6.(d) The CPCF shall use these allocated funds for nonsectarian, nonreligious purposes only.

SECTION 9H.6.(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.7.(a) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of Public Health, the sum of three million two hundred ninety-one thousand four hundred fifty-three dollars ($3,291,453) in nonrecurring funds for the 2026-2027 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.7.(b) The Human Coalition may use up to five percent (5%) of the funds allocated for the statewide Continuum of Care Program for the 2026-2027 fiscal year for administrative purposes.

SECTION 9H.7.(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.7.(d) By 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.

TRANSFER AND REORGANIZATION OF RARE DISEASE ADVISORY COUNCIL

SECTION 9H.8.(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 demonstrable 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. – Members appointed ~~pursuant to subsection (b) of this section~~ to the advisory council by the President Pro Tempore of the Senate, the Speaker of the

House of Representatives, and the Governor shall serve for a term of three ~~years, and no member shall serve more than three consecutive terms.~~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.8.(b) The terms of all members serving on the Advisory Council on Rare Diseases on June 30, 2026, shall expire on October 1, 2026. All appointments to the advisory council pursuant to G.S. 130A-33.65(b), as amended by this act, shall be made by October 1, 2026.

SECTION 9H.8.(c) Notwithstanding G.S. 130A-33.65(c), as amended by this act, all initial members appointed to the Advisory Council on Rare Diseases pursuant to G.S. 130A-33.65(b), as amended by this act, shall serve for a term of three years beginning October 1, 2026. No initial member, except for the initial physician members appointed pursuant to G.S. 130A-33.65(b)(1)a., as amended by this act, and the initial member representing a rare disease patient organization appointed pursuant to G.S. 130A-33.65(b)(1)k., as amended by this act, 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. At the end of the respective terms of office of these initial members of the advisory council, the length of terms of their successors shall be as provided in G.S. 130A-33.65(c), as amended by this act.

SECTION 9H.8.(d) Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of Public Health, the sum of two hundred fifty thousand dollars ($250,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to cover the operating expenses of the Advisory Council on Rare Diseases established in Part 6 of Article 1B of Chapter 130A of the General Statutes, as amended by subsection (a) of this section.

ALIGNMENT OF STATE AND FEDERAL CHILDHOOD LEAD DUST STANDARDS

SECTION 9H.9.(a) G.S. 130A-131.7(7) reads as rewritten:

"(7) "Lead poisoning hazard" means any of the following:

…

c. Any concentration of lead dust that is equal to or greater than ~~10~~ five micrograms per square foot on floors, ~~100~~ 40 micrograms per square foot on interior windowsills, or 250 micrograms per square foot on vinyl miniblinds, bathtubs, kitchen sinks, or lavatories.

d. Any lead-based paint or other substance that contains lead on a friction or impact surface that is subject to abrasion, rubbing, binding, or damage by repeated contact and where the lead dust concentrations on the nearest horizontal surface underneath the friction or impact surface are equal to or greater than ~~40~~ five micrograms per square foot on floors or ~~250~~ 40 micrograms per square foot on interior windowsills.

…."

SECTION 9H.9.(b) G.S. 130A-131.9C(i) reads as rewritten:

"(i) All remediation plans shall require that the lead poisoning hazards be reduced to the following levels:

(1) Less than ~~10~~ five micrograms per square foot for lead dust on floors.

(2) Less than ~~100~~ 40 micrograms per square foot for lead dust on interior windowsills.

(2a) Less than 250 micrograms per square foot for lead dust on vinyl miniblinds, bathtubs, kitchen sinks, and lavatories.

(3) Less than ~~400~~ 100 micrograms per square foot for lead dust on window troughs.

(4) Less than 400 parts per million for lead in bare soil in play areas, gardens, pet sleeping areas, and areas within three feet of the residential housing unit or child-occupied facility. Lead in bare soil in other locations of the yard shall be reduced to less than 1,200 parts per million.

(5) Less than 10 parts per billion for lead in drinking water."

SECTION 9H.9.(c) This section becomes effective January 1, 2027.

TRANSFER OF JUUL SETTLEMENT FUNDS TO YOUTH ELECTRONIC NICOTINE DEPENDENCE ABATEMENT FUND

SECTION 9H.10.(a) The State Controller shall transfer the sum of twenty-two million five hundred thousand dollars ($22,500,000) in nonrecurring funds for the 2025-2026 fiscal year from funds available for the Department of Health and Human Services in the Carry Forward Reserve to the Youth Electronic Nicotine Dependence Abatement Fund created by Section 9G.10(a) of S.L. 2021-180, as amended by Section 9G.3(a) of S.L. 2022-74. This transfer is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

SECTION 9H.10.(b) This section becomes effective June 30, 2026.

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) 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. 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 the 2026-2027 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2025-2026 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 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 OF 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 through 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 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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.

INCLUSION OF EASTERN BAND OF CHEROKEE INDIANS IN CHILD ADVOCACY CENTERS

SECTION 9J.10.(a) G.S. 108A-77.1 reads as rewritten:

"**§ 108A-77.1. Definitions.**

The following definitions apply in this Article:

…

(7) Department. – As defined in ~~G.S. 7B-101(8a).~~G.S. 7B-101. For purposes of this Article, this term includes the Eastern Band of Cherokee Indians Department of Public Health and Human Services.

…

(10) Multidisciplinary team. – A group of professionals who represent various disciplines and work collaboratively pursuant to a written protocol to share information on service provision and investigations by law enforcement or a department to inform the investigation and prosecution of child maltreatment cases and to coordinate services in response to reports made of child maltreatment. The multidisciplinary team works solely on behalf of children served by a Children's Advocacy Center. In addition to the members listed in this subdivision, a multidisciplinary team may include other professionals involved in the delivery of services to victims of child maltreatment and their appropriate caregivers. Participation in a multidisciplinary team shall not preclude any member from carrying out any mandated responsibility of his or her profession. A Children's Advocacy Center's multidisciplinary team must include, at a minimum, the following professionals:

a. A member of participating law enforcement agencies.

b. The county district attorney or assistant district ~~attorney.~~attorney or tribal prosecutor for the Eastern Band of Cherokee Indians.

c. A member of the department's child protective services unit.

d. A local mental health provider.

e. A local health care provider.

f. A victim advocate.

g. Children's Advocacy Center staff.

…."

SECTION 9J.10.(b) G.S. 108A-77.4(c) reads as rewritten:

"(c) Disclosure of information and records outlined in subsection (b) of this section shall only be released or otherwise made available to the following:

(1) The North Carolina Department of Health and Human Services and county departments.

(2) Law enforcement agencies, a prosecuting district attorney, a tribal prosecutor for the Eastern Band of Cherokee Indians, or the Attorney General.

(3) Health care providers or local management entity/managed care organizations providing medical or psychiatric care or services to the child, in the case of medical or mental health records.
(4) The North Carolina Child Fatality Task Force.
(5) As permitted under G.S. 7B-3100."

SECTION 9J.10.(c) This section is effective when it becomes law.

REQUIRE STATUS REPORT ON FOSTER CARE TRAUMA-INFORMED ASSESSMENT

SECTION 9J.11. 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 and Section 2B.3 of S.L. 2024-57, by September 1, 2026, and every six months thereafter until the assessment is fully implemented statewide.

FUNDS FOR FOOD BANKS

SECTION 9J.12.(a) Of the funds appropriated from the General Fund and from the federal Social Services Block Grant under Section 9M.1 of this act to the Department of Health and Human Services, Division of Social Services, the sum of nine million one hundred thousand dollars ($9,100,000) in nonrecurring funds for the 2026-2027 fiscal year shall be allocated as follows:

(1) The sum of nine million dollars ($9,000,000) to be distributed for the purchase of North Carolina-produced agricultural products and related distribution costs as follows:
   a. The following food banks shall receive the sum of seven hundred fifty thousand dollars ($750,000) each, of which two hundred fifty thousand dollars ($250,000) shall be from the General Fund and five hundred thousand dollars ($500,000) from Social Services Block Grant funds:
      1. Food Bank of Central & Eastern North Carolina, Inc.
      2. Inter-Faith Food Shuttle.
   b. The following food banks shall receive the sum of one million five hundred thousand dollars ($1,500,000) each, of which five hundred thousand dollars ($500,000) shall be from the General Fund and one million dollars ($1,000,000) from Social Services Block Grant funds:
      1. Food Bank of the Albemarle.
      2. MANNA Food Bank, Inc.
      3. Second Harvest Food Bank of Metrolina, Inc.
      4. Second Harvest Food Bank of Northwest North Carolina, Inc.
      5. Action Pathways, Inc., for Second Harvest Food Bank of Southeast North Carolina.
(2) The sum of one hundred thousand dollars ($100,000) from the General Fund for Feeding the Carolinas to coordinate procurement logistics between the Division of Social Services, North Carolina farmers, and the regional food banks set forth in subdivision (1) of this subsection.

SECTION 9J.12.(b) In expending funds allocated under subdivision (a)(1) of this section, the food banks shall prioritize the purchase of "apparently wholesome food," as defined under 42 U.S.C. § 1791(b)(2), that are grown, produced, or processed within this State to provide a secondary market for North Carolina farmers, while providing nutritional assistance to citizens

in need. Funds provided from the Social Services Block Grant pursuant to this section are exempt from the twenty-five percent (25%) local match requirement under 10A NCAC 71R .0201(3).

RESPONSIBLE FATHERHOOD NC PROGRAM

SECTION 9J.13.(a) Allocation of Funds. – Of the funds appropriated in this act from the General Fund to the Department of Health and Human Services, Division of Social Services (Division), the sum of three million dollars ($3,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to implement the provisions of this section. The Division shall allocate the funds provided under this section as follows:

(1) Up to two million dollars ($2,000,000) shall be used to contract for the Program Manager authorized by subsection (c) of this section.

(2) The remainder of the funds shall be used for the grants authorized in accordance with subsections (e) and (f) of this section.

SECTION 9J.13.(b) Purpose; Program Created. – 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. To that end, the Department of Health and Human Services, Division of Social Services (Division), shall contract with a nonprofit organization to develop and implement the "Responsible Fatherhood NC Program" (Program). The Program shall provide an opportunity for every father in this 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 Division contracts with shall be designated the Program Manager and satisfy all of the following criteria:

(1) Have 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) Have the organizational capacity to manage a statewide initiative and successfully carry out the requirements of this section.

SECTION 9J.13.(c) Program Manager Responsibilities. – The Program Manager shall be solely responsible for developing, implementing, and managing the Program which, at a minimum, shall include all of the following:

(1) Establishing a statewide media campaign that increases the awareness and importance of fathers being involved in their children's lives.

(2) Providing resources and information for fathers and father figures to increase engagement and involvement in their children's lives.

(3) Promoting related fatherhood programs that are provided by the Department of Public Instruction, the Community College System, or The University of North Carolina System.

SECTION 9J.13.(d) Program Manager; Use of Funds. – To most effectively use the funds appropriated to the Program, the Program Manager shall identify and use other existing media assets, content, and online resources deemed appropriate, including any existing media assets, content, and online resources the Program Manager has available, to implement and execute the items required by this section.

SECTION 9J.13.(e) Grants. – The Division of Social Services (Division) shall establish a process to award grants to nonprofit community-based organizations to address the needs of fathers. The Division shall award the following types of grants:

(1) 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.

(2) Grants that provide evidence-based parenting education specifically for fathers. Case management services are not required for grants provided under this subdivision.

SECTION 9J.13.(f) Grant Awards; Criteria. – The Division of Social Services (Division) shall prioritize applicants for a grant specified under subsection (e) of this section based on all of the following:

(1) The need in a geographic area and the population to be served by the grant as indicated by, at a minimum, all of the following:
   a. Unemployment rates.
   b. Incarceration rates.
   c. Housing instability.
   d. The number of single-parent households.
   e. The number of public benefit recipients.
   f. Graduation rates.
   g. Levels of academic achievement.

(2) Whether 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.

(3) An applicant's current and historical involvement in the community being served.

(4) An applicant's 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.

(5) The number of individuals the applicant plans to serve through the grant and the projected costs for the program.

(6) An applicant's organizational capacity to effectively meet the requirements of the grant and to deliver the programs proposed by the applicant. The Division may offer technical assistance to applicants and grant recipients that have lower organizational capacity as long as those organizations have, or the organization's leadership has, significant experience serving fathers.

SECTION 9J.13.(g) Reports. – Grant recipients shall submit reports to the Division of Social Services (Division) in a format and at intervals prescribed by the Division.

SECTION 9J.13.(h) The Division of Social Services shall implement the requirements of this section no later than six months from the date this act becomes law.

SNAP BENEFIT COST-SHARING

SECTION 9J.14.(a) Part 5 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-52.2. Benefit cost-sharing.**

(a) For purposes of this section, the following definitions apply:

(1) Assessment factor. – The product of a county's penalty factor and its base year sales tax allocation.

(2) Base year sales tax allocation. – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and allocated to a taxing county during the most recently completed State fiscal year, used solely for calculation purposes.

(3) County FNS benefit cost-share. – The sum of a county's flat assessment and a county's proportional assessment.

(4) FNS. – The State food and nutrition services program, also known as the federal Supplemental Nutrition Assistance Program (SNAP).

(5) PER. – Payment error rate.

(6) Penalty factor. – The ratio of a county's portion of the statewide payment error rate dollar amount attributable to a county, expressed as a decimal.

(7) Public Law 119-21. – The Reconciliation Act of 2025, Public Law 119-21, 139 Stat. 72 (2025).

(8) State FNS benefit cost-share. – The dollar amount the State is required to pay toward FNS benefit costs under federal law for a given federal fiscal year.

(b) If the applicable State PER results in a benefit cost-sharing fiscal obligation to the State pursuant to Public Law 119-21, the Department shall implement the method described in this subsection to withhold from each county's sales tax allocation an amount to be applied to the State's FNS benefit cost-share. A county's FNS benefit cost-share shall be based on the sum of the following assessments:

(1) Each county shall be subject to a flat assessment, to be calculated by multiplying the county's base year sales tax allocation by three-quarters percent (0.75%).

(2) Every county to which a PER dollar amount is attributable for the applicable federal fiscal year shall be subject to a proportional assessment, to be calculated by multiplying the county's assessment factor by a fraction, the numerator of which is the State FNS benefit cost-share minus the sum of all counties' flat assessments, as described in subdivision (1) of this subsection, and the denominator of which is the sum of all counties' assessment factors.

(c) On or before October 1 of each year, the Department shall calculate and notify the Secretary of Revenue of each county's FNS benefit cost-share amount. The Secretary of Revenue shall withhold from each county's monthly base year sales tax allocation the county's annual FNS benefit cost-share amount divided by 12, or an appropriate amount to ensure sufficient monthly transfers are made to reach the State FNS benefit cost-share by the required date. The total amount withheld shall be remitted to the Department to pay the State FNS benefit cost-share.

(d) The Department shall submit an annual report by February 1 of each year to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the assessment amounts, by county, along with any other recommendations."

SECTION 9J.14.(b) Subject to further federal guidance, the Department of Health and Human Services, Division of Social Services, shall use the State payment error rate (PER) for the 2024-2025 federal fiscal year unless the PER for the 2025-2026 federal fiscal year results in a lesser cost-sharing fiscal obligation for the State, in which case the PER for the 2025-2026 federal fiscal year shall be used. This subsection applies only to the first federal fiscal year that the cost-sharing obligation is implemented.

SECTION 9J.14.(c) The Department of Health and Human Services, Divisions of Social Services and Child and Family Well-Being, shall submit an initial report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by February 1, 2027. The initial report shall include (i) the status of the implementation of this section and (ii) the assessment amounts by county, as described in G.S. 108A-52.2, as enacted in subsection (a) of this section, for the 2027-2028 State fiscal year, along with any recommendations.

SECTION 9J.14.(d) Subsections (a) and (b) of this section become effective October 1, 2027, and apply to withholdings from county sales tax distributions on or after that date.

DOMINIQUE MOODY SAFETY ACT

SECTION 9J.15.(a) This section shall be known as the "Dominique Moody Safety Act."

SECTION 9J.15.(b) Article 1 of Chapter 108A of the General Statutes is amended by adding a new Part to read:

"Part 2C. Child Welfare Case Escalation Team.

"**§ 108A-15.25. Child Welfare Case Escalation Team.**

(a) Child Welfare Case Escalation Team. – The Division shall maintain a team of representatives that conducts escalation assessments, consistent with this section, of juveniles that have a history of child protective services attention due to a combination of safety and risk factors. The purpose of the team is to do all of the following:

(1) Support county departments of social services.

(2) Provide an additional level of review to ensure child safety statewide.

(3) Provide quality assurance of the child protective services history of a family who has returned to the attention of child protective services, including assessing the quality of prior service intervention and further decisions of services provided to ensure the safety and well-being of juveniles moving forward with the family.

(b) Staff. – The team is staffed by the Division, including the assigned manager and escalation specialists. The team shall collaborate and coordinate with (i) the regional safety manager, (ii) the director of the county department of social services where the juvenile subject to the escalation notification form resides, and (iii) local law enforcement.

"**§ 108A-15.26. Definitions.**

The following definitions apply in this Part:

(1) Caretaker. – As defined in G.S. 7B-101.

(2) Division. – The Division of Social Services of the Department of Health and Human Services.

(3) Extensive child welfare history. – Any one or more of the following:

a. Involvement of a medically complex juvenile with any prior child welfare history who requires subspecialty care by two or more specialties.

b. Receipt of a second report for medical neglect within six months of the current report.

c. Involvement of a juvenile that requires devices to sustain their function, such as a tracheostomy or gastric tube, who has had three or more prior cases for concerns of medical neglect.

d. Families with five or more child protective services cases with concerns for neglect regardless of case decision or families that have three or more cases, if any of those cases involved concerns for abuse.

e. Families that have three or more prior child protective services reports with concerns for domestic violence or active or current drug activity.

f. Any report on an active temporary safety provider, kinship care provider, or legal guardian.

g. Cases in which there exists a previous child protective services history with the family and involves a near fatality of a juvenile.

h. Any case that has had a prior history involving a child fatality as a result of concerns for abuse or neglect where any child currently resides in the home.

i. Multiple prior involvements with child welfare services, including in-home services or permanency planning.

(4) High-risk home. – A home or individual that meets any of the following criteria:

a. Extensive child welfare history.

b. Two or more known screened out reports alleging abuse or neglect of any juvenile that indicate a pattern of concern despite prior screening decisions.

c. History of prior removal and placement of any juvenile into foster or kinship care.

d. Two or more substantiated or unsubstantiated reports that demonstrate a pattern consistent with chronic or habitual neglect or abuse of any juvenile.

e. Ongoing medical or mental health neglect, such as repeated reports of failing to address any juvenile's medical or mental health needs, with allegations consistent across multiple reports and time frames.

(5) Juvenile. – As defined in G.S. 7B-101.

(6) Near fatality. – As defined in G.S. 7B-2902.

(7) Team. – The Child Welfare Case Escalation Team.

"**§ 108A-15.27. Child Welfare Case Escalation Team initial procedure.**

(a) Criteria. – The director of the county department of social services shall proceed through the process of notification of the Child Welfare Case Escalation Team under subsection (b) of this section if a county department of social services receives a report of abuse or neglect to screen under Article 3 of Subchapter I of Chapter 7B of the General Statutes that involves a juvenile residing or located in a high-risk home.

(b) Notification. – If a child welfare report meets the criteria of subsection (a) of this section, the receiving county department of social services shall complete an escalation notification form within two business days and return via email or automated process to the escalation team.

(c) Information Sharing. – The assigned escalation specialist shall coordinate with the county department of social services to obtain access to the entirety of each case record for a high-risk home to address immediate safety of the juvenile. Upon request, the county department of social services shall provide any records in their possession related to the high-risk home in which the juvenile is placed, including the juvenile's case, and identified in the escalation notification form. Pursuant to G.S. 7B-302, the escalation specialist may also demand, in writing, records in possession of State or local law enforcement.

"**§ 108A-15.28. Child welfare case escalation assessment.**

(a) Assessment. – Once the escalation specialist receives all pertinent information and records from the county department of social services under G.S. 108A-15.27, the escalation specialist shall do all of the following:

(1) Assess child welfare history, including all reports and findings, interviews conducted and collateral interviews, safety plans developed for the juvenile, and services provided to the family.

(2) Identify gaps in services and other areas that impact safety of the juvenile.

(3) Review the overall safety planning for the juvenile in the current assessment to determine if there are additional steps required to ensure safety.

(4) Create a chronological time line of child protective services intervention to understand the maltreatment factors of concern related to the family to aid in decision making.

(b) Collaboration. – The escalation specialist assigned to the case and other team members shall provide necessary technical assistance to the county department of social services throughout the assessment phase of the child protective services case to identify any patterns or contributory factors from past history that may impact a caretaker's ability to assess and control

for present danger threats. The escalation specialist shall do all of the following in collaboration with the county department of social services:

(1) Provide guidance to the county regarding the case decision and in identifying services needed for incorporation into the family case plan, taking into account the family's history and interventions identified in the chronological time line.

(2) Guide current intervention steps and improve practice, any practice concerns from child protective services involvement, and discuss that involvement with the county director of social services and regional safety manager.

(c) Response. – The county department of social services shall respond to all unaddressed safety concerns identified through the team's review process immediately or within the same day of notification.

(d) Review. – The team and other assigned Division and Department of Health and Human Services staff shall review records to ensure that practices that have deficiencies are corrected and there is communication with county department staff and others to improve child welfare practices at all levels across the county departments of social services."

SECTION 9J.15.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, Division of Social Services (Division), the sum of five hundred fifty thousand dollars ($550,000) in recurring funds and associated federal receipts beginning in the 2026-2027 fiscal year for six full-time equivalent positions to staff and implement the Child Welfare Case Escalation Team, as established in this section. These full-time equivalent positions shall include human services program consultants and one human services program manager.

SECTION 9J.15.(d) The Department of Health and Human Services, Division of Social Services, shall explore means and resources needed to automate and reduce the burden on the county workforce to alert the Division of escalation reviews as established under this section. When exploring these options, the Division shall consider using the Partnership and Technology Hub for North Carolina to make an automated process for those reviews.

SECTION 9J.15.(e) The Division shall amend protocols and rules as necessary to integrate Child Welfare Case Escalation Team involvement into the entry of a private residence, as provided for under G.S. 7B-302(h) to ensure seamless and coordinated assistance for juveniles at risk of abuse or neglect.

SECTION 9J.15.(f) Of the funds appropriated from the General Fund to the Department of Health and Human Services, Division of Social Services, the sum of one hundred thousand dollars ($100,000) in nonrecurring funds for the 2026-2027 fiscal year for training for child protective services employees and social workers employed by county departments of social services to recognize abuse and neglect. Once developed, the Division shall ensure that this training is virtually available for future trainings and continuing education for those employees that need it. The Division shall prioritize training specialists prior to dissemination to the entirety of social workers statewide.

SECTION 9J.15.(g) Subsections (c) and (f) of this section become effective July 1, 2026. Subsection (b) of this section becomes effective October 1, 2026. The remainder of this section is effective when it becomes law.

PART IX-K. EMPLOYMENT AND INDEPENDENCE FOR PEOPLE WITH DISABILITIES [RESERVED]

PART IX-L. HHS MISCELLANEOUS

MODIFICATION OF NC MEDICAL BOARD LICENSING AND REGISTRATION FEES

SECTION 9L.1.(a) G.S. 90-13.1 reads as rewritten:

"**§ 90-13.1. License fees.**

(a) Each applicant for a license to practice medicine and surgery in this State under G.S. 90-9.1, 90-9.2, or 90-12.02 shall pay to the North Carolina Medical Board an application fee ~~of four hundred dollars ($400.00).~~not to exceed five hundred fifty dollars ($550.00).

(b) Each applicant for a limited license to practice in a medical education and training program under G.S. 90-12.01 shall pay to the Board a fee of ~~one hundred dollars ($100.00).~~one hundred twenty-five dollars ($125.00).

(c) An applicant for a limited volunteer license under G.S. 90-12.1A or G.S. 90-12.1B shall not pay a fee.

(d) A fee of twenty-five dollars ($25.00) shall be paid for the issuance of a duplicate license.

(e) All fees shall be paid in advance to the North Carolina Medical Board, to be held in a fund for the use of the Board.

(f) For the initial and annual licensure of an anesthesiologist assistant, the Board may require the payment of a fee not to exceed ~~one hundred fifty dollars ($150.00).~~two hundred dollars ($200.00).

(g) Each applicant for a license issued or renewed through the Interstate Medical Licensure Compact in accordance with Article 1P of Chapter 90 of the General Statutes shall be subject to any additional fees or assessments as determined by the Board or the Interstate Medical Licensure Compact Commission to cover any costs incurred by the Board for the participation in the Interstate Medical Licensure Compact.

(h) For the initial licensure or privilege of a physician assistant, the Board shall require the payment of ~~two hundred thirty dollars ($230.00).~~a fee not to exceed three hundred twenty-five dollars ($325.00)."

SECTION 9L.1.(b) G.S. 90-13.2 reads as rewritten:

"**§ 90-13.2. Registration every year with Board.**

(a) Except as provided for in Article 1P of Chapter 90 of the General Statutes, every licensee shall register annually with the Board no later than 30 days after the person's birthday. Every privilege holder shall register annually with the Board in accordance with the Physician Assistant Licensure Compact, Article 18J of this Chapter.

(b) A person who registers with the Board shall report to the Board the person's name and office and residence address and any other information required by the Board, and shall pay an annual registration fee ~~of two hundred fifty dollars ($250.00),~~ not to exceed three hundred fifty dollars ($350.00), except those who have a limited license to practice in a medical education and training program approved by the Board for the purpose of education or training shall pay a registration fee of ~~one hundred twenty-five dollars ($125.00),~~ one hundred fifty dollars ($150.00), and those who have a retired limited volunteer license pursuant to G.S. 90-12.1B or a limited volunteer license pursuant to G.S. 90-12.1A shall pay no annual registration fee. However, licensees who have a limited license to practice for the purpose of education and training under G.S. 90-12.01 shall not be required to pay more than one annual registration fee for each year of training.

(b1) Physician assistants shall pay an annual registration fee ~~of one hundred forty dollars ($140.00).~~ not to exceed two hundred dollars ($200.00). A physician assistant who fails to register as required by this section shall pay an additional fee of twenty-five dollars ($25.00) to the Board.

(c) Repealed by Session Laws 2016-117, s. 2(i), effective October 1, 2016.

(d) A licensee who is not actively engaged in the performance of medical acts, tasks, or functions in North Carolina and who does not wish to register the license may direct the Board to place the license on inactive status.

(e) A physician who fails to register as required by this section shall pay an additional fee of fifty dollars ($50.00) to the Board. The license of any physician who fails to register and who remains unregistered for a period of 30 days after certified notice of the failure is automatically inactive. The Board shall retain jurisdiction over the holder of the inactive license.

(f) Except as provided in G.S. 90-12.1B, a person whose license is inactive shall not practice medicine in North Carolina nor be required to pay the annual registration fee.

(g) Upon payment of all accumulated fees and penalties, the license of the licensee may be reinstated, subject to the Board requiring the licensee to appear before the Board for an interview and to comply with other licensing requirements. Except as provided in G.S. 90-21.176, the penalty may not exceed the applicable maximum fee for a license under G.S. 90-13.1.

(h) The Board shall not deny a licensee's annual registration based solely on the licensee's failure to become board certified."

SECTION 9L.1.(c) G.S. 90-689 reads as rewritten:

"**§ 90-689. Expenses; fees.**

(a) All fees shall be payable to the Medical Board and deposited in the name of the Medical Board in financial institutions designated by the Medical Board as official depositories. These fees shall be used to carry out the purposes of this Article.

(b) All salaries, compensation, and expenses incurred or allowed to carry out the purposes of this Article shall be paid by the Medical Board exclusively out of the fees received by the Medical Board as authorized by this Article or funds received from other sources. In no case shall any salary, expense, or other obligation authorized by this Article be charged against the State treasury.

(c) The Committee, upon the approval of the Medical Board, shall establish fees not exceeding the following amounts:

(1)	License application	~~$350.00~~$400.00
(2)	Biennial renewal of license	~~$350.00~~$400.00
(3)	Late renewal of license	$100.00
(4)	Provisional license	~~$175.00~~$200.00
(5)	Copies of rules	Cost."

SECTION 9L.1.(d) The North Carolina Medical Board may adopt temporary rules to implement the provisions of this act.

SECTION 9L.1.(e) This section becomes effective October 1, 2026.

STUDY ON DIVISION OF STATE OPERATED HEALTHCARE FACILITIES AND LOCAL MANAGEMENT ENTITIES/MANAGED CARE ORGANIZATIONS

SECTION 9L.2.(a) The Office of State Budget and Management (OSBM), in consultation with the Department of Health and Human Services (DHHS), shall develop and issue a request for proposal (RFP) by September 1, 2026, to contract with a third-party organization to examine and evaluate (i) short- and long-term opportunities to improve efficiencies by selling or leasing State operated healthcare facilities to another entity in order to achieve State savings while requiring they continue to provide the same services, (ii) short- and long-term opportunities to improve efficiencies and achieve State savings by eliminating local management entities/managed care organizations (LME/MCOs) and having the duties currently performed by LME/MCOs performed by a private entity, and (iii) the benefits and risks of requiring an annual report on the number of North Carolina employers with at least 50 employees enrolled as Medicaid beneficiaries. The study, at a minimum, shall do each of the following:

(1) Examine the advantages and disadvantages of selling or leasing State operated healthcare facilities.

(2) Examine current investments in State operated healthcare facilities.

(3) Examine the logistics of selling or leasing the State operated healthcare facilities, including estimates of ongoing savings.
(4) Research on how other states have handled state operated healthcare facilities.
(5) Outline any known risks associated with selling or leasing State operated healthcare facilities, including the loss of any federal funding to the State.
(6) Examine the advantages and disadvantages of eliminating LME/MCOs, including any impacts to counties, beneficiaries, providers, the Medicaid program, and other stakeholders.
(7) Analyze the role and function of LME/MCOs and the ability of a private entity to perform that role and function.
(8) Examine the logistics of eliminating LME/MCOs, including estimates of implementation time lines and LME/MCO wind-downs.
(9) Analyze the practical and fiscal implications of eliminating LME/MCOs to the State, counties, and other stakeholders.
(10) Outline any known risks associated with eliminating LME/MCOs.
(11) Examine the logistics of requiring an annual report on the number of North Carolina employers with at least 50 employees enrolled as Medicaid beneficiaries, including ongoing costs.
(12) Provide a recommendation for implementation of all aspects of the study.

SECTION 9L.2.(b) By March 31, 2027, OSBM and DHHS shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division containing the findings and recommendations based on (i) the information compiled from the study required by subsection (a) of this section and (ii) any other information available to those agencies.

SECTION 9L.2.(c) Of the funds appropriated in this act to the Office of State Budget and Management, the sum of one million dollars ($1,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to contract with a third party to conduct the study required by subsection (a) of this section.

SECTION 9L.2.(d) Subsection (c) of this section is effective July 1, 2026. The remainder of this section is effective when it becomes law.

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 the fiscal year ending June 30, 2027, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**FY 2026-2027**
Local Program Expenditures	
Division of Social Services	
01. Work First Family Assistance	$23,009,794
02. Work First County Block Grants	80,093,566
03. Work First Electing Counties	2,378,213

04. Adoption Services – Special Children Adoption Fund	4,001,676
05. Child Protective Services – Child Welfare Workers for Local DSS	21,176,892
06. Child Welfare Program Improvement Plan	775,176
07. Child Welfare Collaborative	400,000
08. Child Welfare Initiatives	1,400,000
Division of Child Development and Early Education	
09. Subsidized Child Care Program	76,203,395
10. NC Pre-K Services	68,300,000
Division of Public Health	
11. Teen Pregnancy Prevention Initiatives	3,538,541
DHHS Administration	
12. Division of Social Services	2,478,284
13. Division of Social Services – Work First Administration (Program Integrity and Drug Testing)	250,000
14. Division of Child and Family Well-Being	3,976
15. Office of the Secretary	34,042
16. Eligibility Systems – Operations and Maintenance	431,733
17. NC FAST Implementation	428,239
18. Division of Social Services – Workforce Innovation & Opportunity Act (WIOA)	93,216
19. Division of Social Services TANF Modernization	1,667,571
Transfers to Other Block Grants	
Division of Child Development and Early Education	
20. Transfer to the Child Care and Development Fund	15,773,001

Division of Social Services

21. Transfer to Social Services Block Grant for Child Protective Services – Training	285,612
22. Transfer to Social Services Block Grant for Child Protective Services	5,040,000
23. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	19,166,244
24. Transfer to Social Services Block Grant – Foster Care Services	3,422,219
25. Transfer to Social Services Block Grant – Child Advocacy Centers	1,582,000
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**$331,933,390**

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
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	**$34,337,395**

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging

01. County Departments of Social Services	$13,837,388
02. County Departments of Social Services (Transfer From TANF)	19,166,244
03. EBCI Tribal Public Health and Human Services	244,740
04. Child Protective Services (Transfer From TANF)	5,040,000

05. State In-Home Services Fund	1,943,950
06. Adult Protective Services	3,470,378
07. State Adult Day Care Fund	1,994,084
08. Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	901,868
09. Special Children Adoption Incentive Fund	462,600
10. Child Protective Services – Child Welfare Training for Counties (Transfer From TANF)	285,612
11. Home and Community Care Block Grant (HCCBG)	2,696,888
12. Child Advocacy Centers (Transfer From TANF)	1,582,000
13. Guardianship – Division of Social Services	1,802,671
14. Foster Care Services (Transfer From TANF)	3,422,219
15. Food Banks	6,000,000
16. Big Brothers Big Sisters of the Triangle, Inc.	350,000

Division of Mental Health, Developmental Disabilities, and Substance Use Services

17. Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Use Services – Adult	4,149,595
18. Autism Society of North Carolina, Inc.	2,891,392
19. The Arc of North Carolina, Inc.	271,074
20. Easterseals UCP North Carolina & Virginia, Inc.	1,612,059

DHHS Program Expenditures

Division of Services for the Blind

21. Independent Living Program & Program Oversight	4,237,849

Division of Health Service Regulation

22. Adult Care Licensure Program	1,209,402
23. Mental Health Licensure and Certification Program	266,158
Division of Aging	
24. Guardianship	3,825,443
DHHS Administration	
25. Division of Aging	188,787
26. Division of Social Services	1,724,551
27. Office of the Secretary/Controller's Office	673,990
28. Legislative Increases/Fringe Benefits	587,310
29. Division of Child Development and Early Education	13,878
30. Division of Mental Health, Developmental Disabilities, and Substance Use Services	29,966
31. Division of Health Service Regulation	275,000
TOTAL SOCIAL SERVICES BLOCK GRANT	**$85,157,096**

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

01. Low-Income Energy Assistance Program (LIEAP)	$62,655,888
02. Crisis Intervention Program (CIP)	48,995,425
Local Administration	
Division of Social Services	
03. County DSS Administration	8,037,889
DHHS Administration	
Division of Social Services	

04. Administration	10,000
05. Energy Portal (FIS Transaction Fees)	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
07. Office of the Secretary/DIRM	278,954
08. Office of the Secretary/Controller's Office	18,378
09. NC FAST Development	627,869
10. NC FAST Operations and Maintenance	1,330,323
Transfers to Other State Agencies	
Department of Environmental Quality	
11. Weatherization Program	10,356,943
12. Heating Air Repair and Replacement Program (HARRP)	5,898,508
13. Local Residential Energy Efficiency Service Providers – Weatherization	574,945
14. Local Residential Energy Efficiency Service Providers – HARRP	319,414
15. DEQ – Weatherization Administration	628,180
16. DEQ – HARRP Administration	393,944
Department of Administration	
17. N.C. Commission on Indian Affairs	87,736
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	**$140,406,146**
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
Local Program Expenditures	
Division of Child Development and Early Education	
01. Child Care Services	$384,089,929

02. Smart Start Subsidy	7,392,654
03. Transfer from TANF Block Grant for Child Care Subsidies	15,773,001
04. Quality and Availability Initiatives (TEACH Program $3,800,000; Family Child Care Home Direct Support Pilot Program $3,250,000)	67,780,527
DHHS Administration	
Division of Child Development and Early Education	
05. DCDEE Administrative Expenses	9,710,886
06. Indirect Cost	7,346
Division of Social Services	
07. Direct Deposit for Child Care Payments	5,000
08. Local Subsidized Child Care Services Support	18,780,355
Division of Central Management and Support	
09. NC FAST Operations and Maintenance	1,450,316
10. DHHS Central Administration – DIRM Technical Services	1,029,762
11. DHHS Central Administration	118,000
Division of Child and Family Well-Being	
12. Child Care Health Consultation Contracts	62,205
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	**$506,199,981**
COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Mental Health Services – Child	$2,477,666
02. Mental Health Services – Adult/Child (Treatment Accountability for Safer Communities (TASC) Assisted Outpatient Treatment $5,000,000)	24,443,833

03. Mental Health Services – First Psychotic Symptom Treatment	4,208,378
04. Child Behavioral Health (Division of Child and Family Well-Being)	5,246,350

DHHS Administration

Division of Child and Family Well-Being

05. Administration	140,000

Division of Mental Health, Developmental Disabilities, and Substance Use Services

06. Crisis Services	2,377,047
07. Administration	332,351
08. Adult/Child Mental Health Services	350,150

Division of Public Health

09. NC Detect – Behavioral Health ER	35,000
TOTAL COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT	**$39,610,775**

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
02. Substance Abuse Prevention	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., $350,000; Addiction Recovery Care Association, Inc., (ARCA) $2,000,000)	60,038,949

DHHS Program Expenditures

Division of Mental Health, Developmental Disabilities, and Substance Use Services

04. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,545,205
05. Veterans Initiatives	250,000

DHHS Administration

Division of Mental Health, Developmental Disabilities, and Substance Use Services

06. Administration	2,297,852
07. Controlled Substance Reporting System	675,000

TOTAL SUBSTANCE USE PREVENTION, TREATMENT, AND RECOVERY SERVICES BLOCK GRANT	**$80,158,870**

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., $825,000)	$11,822,418

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)	5,943,592
03. Oral Health	60,523
04. Evidence-Based Programs in Counties With the Highest Infant Mortality Rates	1,727,307

DHHS Program Expenditures

05. Children's Health Services	1,287,619
06. Women's Health – Maternal Health	489,568
07. Women's and Children's Health – Perinatal Strategic Plan Support Position	84,067
08. State Center for Health Statistics	158,583

09. Health Promotion – Injury and Violence Prevention	87,271
DHHS Administration	
10. Division of Public Health Administration	340,646
11. Division of Child and Family Well-Being Administration	211,925
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	**$22,213,519**
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Physical Activity and Prevention	$3,081,442
DHHS Program Expenditures	
Division of Public Health	
02. HIV/STD Prevention and Community Planning	135,063
03. Oral Health Preventive Services	150,000
04. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	217,935
05. Performance Improvement and Accountability	1,199,557
06. State Center for Health Statistics	48,000
DHHS Administration	
Division of Public Health	
07. Division of Public Health	65,000
TOTAL PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	**$4,896,997**
COMMUNITY SERVICES BLOCK GRANT	
01. Community Action Agencies	$21,483,238
02. Limited Purpose Agencies/Discretionary Funding	504,718

03. Office of Economic Opportunity	1,024,351
04. Office of the Secretary/DIRM (Accountable Results for Community Action (AR4CA) Replacement System)	414,713
05. Office of Economic Opportunity – Workforce Investment Opportunities Act (WIOA)	60,000
TOTAL COMMUNITY SERVICES BLOCK GRANT	**$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 year 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 the fiscal year ending June 30, 2027, according to the schedule enacted for State fiscal year 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 the 2026-2027 fiscal year 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 twenty-one million one hundred seventy-six thousand eight hundred ninety-two dollars ($21,176,892) for the 2026-2027 fiscal year 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 year 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year for teen pregnancy prevention initiatives, the sum of five hundred thousand dollars ($500,000) in the 2026-2027 fiscal year 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 thirteen million eight hundred thirty-seven thousand three hundred eighty-eight dollars ($13,837,388) for the 2026-2027 fiscal year 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 nineteen million one hundred sixty-six thousand two hundred forty-four dollars ($19,166,244) for the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 2026-2027 fiscal year.

SECTION 9M.1.(s) Of the three million four hundred seventy thousand three hundred seventy-eight dollars ($3,470,378) appropriated in this act in the Social Services Block Grant 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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) that require a twenty-five percent (25%) local match:

(1) The sum of three hundred fifty thousand dollars ($350,000) for the 2026-2027 fiscal year for Big Brothers Big Sisters of the Triangle, Inc.

(2) The sum of two million eight hundred ninety-one thousand three hundred ninety-two dollars ($2,891,392) for the 2026-2027 fiscal year for Autism Society of North Carolina, Inc.

(3) The sum of two hundred seventy-one thousand seventy-four dollars ($271,074) for the 2026-2027 fiscal year for The Arc of North Carolina, Inc.

(4) The sum of one million six hundred twelve thousand fifty-nine dollars ($1,612,059) for the 2026-2027 fiscal year 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 sixty-two million six hundred fifty-five thousand eight hundred eighty-eight dollars ($62,655,888) for the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 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 the 2026-2027 fiscal year 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-four thousand sixty-seven dollars ($84,067) 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 the 2026-2027 fiscal year 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 the 2026-2027 fiscal year 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 two hundred fifty thousand dollars ($3,250,000) for the 2026-2027 fiscal year 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, 2027, 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

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 year ending 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 –
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 September 1 of each year, 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 the 2026-2027 fiscal year 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 for the 2026-2027 fiscal year 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.

FILM AND ENTERTAINMENT GRANT FUND MODIFICATIONS

SECTION 11.4.(a) G.S. 143B-437.02A reads as rewritten:

"**§ 143B-437.02A. The Film and Entertainment Grant Fund.**

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide funds to encourage the production of motion pictures, television shows, movies for television, productions intended for on-line distribution, and commercials and to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines may provide for the Secretary to award the grant proceeds over a period of time, not to exceed three years. Those guidelines shall include the following provisions, which shall apply to each grant from the account:

(1) The funds are reserved for a production on which the production company has qualifying expenses of at least the following:

…

b. For a scripted or non-scripted production consisting of a series of episodes intended for on-line distribution or a television series, five hundred thousand dollars ($500,000) per episode.

…

(2) ~~The~~ Except as provided in subsection (h) of this section, the funds are not used to provide a grant in excess of any of the following:

a. An amount more than twenty-five percent (25%) of the qualifying expenses for the production.

b. An amount more than ~~seven million dollars ($7,000,000)~~ twenty million dollars ($20,000,000) for a feature-length ~~film,~~ film or a single season of a non-scripted production consisting of a series of episodes

intended for on-line distribution, more than ~~fifteen million dollars ($15,000,000)~~ twenty-five million dollars ($25,000,000) for a single season of a scripted production consisting of a series of episodes intended for on-line distribution or a single season of a television series, or two hundred fifty thousand dollars ($250,000) for a commercial for theatrical or television viewing or on-line distribution.

…

(4) The funds are not used to provide a grant for a production that meets one or more of the following:

…

f. It is a ~~talk, game,~~ talk show, recorded concert or other live performance event for theatrical or other release, or awards show or other gala event. For purposes of this exception, an awards show is television programming involving the filming of a ceremony in which individuals, groups, or organizations are given an award.

…

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

…

(3) Highly compensated individual. – An individual who directly or indirectly receives compensation in excess of ~~one million dollars ($1,000,000)~~ four million dollars ($4,000,000) for personal services with respect to a single production. An individual receives compensation indirectly when a production company pays a personal service company or an employee leasing company that pays the individual.

…

(5) Production. – Any of the following:

a. A motion picture intended for commercial distribution to a motion picture theater or directly to the consumer viewing market that has a running time of at least 75 minutes.

b. A television series or a commercial for theatrical or television viewing, made-for-television movie, or production intended for on-line distribution. For ~~video and~~ a television ~~series,~~ series and a scripted production intended for on-line distribution, a production is all of the episodes of the series produced for a single season. For a non-scripted production intended for on-line distribution, the production is all of the episodes produced for a single calendar year, provided there are at least six episodes with an average running time of at least 20 minutes.

(6) Production company. – ~~Defined in G.S. 105-164.3.~~A person engaged in the business of making original motion pictures or video content for theatrical, commercial, advertising, or educational purposes.

(7) Qualifying expenses. – The sum of the amounts listed in this subdivision, substantiated pursuant to subsection (d) of this section, and spent in this State by a production company in connection with a production, less the amount paid in excess of ~~one million dollars ($1,000,000)~~ four million dollars ($4,000,000) to a highly compensated individual:

a. Goods and services leased or purchased. For goods with a purchase price of twenty-five thousand dollars ($25,000) or more, the amount included in qualifying expenses is the purchase price less the fair market value of the good at the time the production is completed. Goods and services includes the costs of tangible and intangible property used for, and services performed primarily and customarily

in, production, including preproduction and postproduction and other direct costs of producing the project in accordance with generally accepted entertainment industry practices. Goods and services exclude ~~costs~~ the following:

1. Costs for development, marketing, and ~~distribution; costs~~ distribution.
2. Costs of financing for the production, of bonding related to the production, of production-related insurance coverage obtained on the ~~production; and expenses~~ production.
3. Expenses for insurance coverage purchased from a related member.
4. For game shows and productions that document purportedly unscripted real-life situations primarily using unfamiliar people in lieu of professional actors, (i) costs for and value of prizes awarded and (ii) the fair market value of any item in the show intentionally or negligently used or destroyed for entertainment purposes immediately prior to its destruction or use.

…

(h) Multi-Production Bonus. – If a production company (i) produces two or more qualifying productions having an aggregate final verified amount of qualified expenses of at least eighty million dollars ($80,000,000) and (ii) produces one or more additional productions within 24 months of the last release of grant funds for the qualifying productions, then the amount of a grant allowed for such additional productions shall be increased over the amount calculated pursuant to this section by five percent (5%)."

SECTION 11.4.(b) This section becomes effective July 1, 2026, and applies to grants made on or after that date.

MICRO-BUDGET PRODUCTION GRANT FUND

SECTION 11.5. Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-437.02C. The Micro-Budget Production Grant Fund.**

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special, nonreverting account to be known as the Micro-Budget Production Grant Fund to provide funds to encourage smaller productions to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines shall include the following provisions, which shall apply to each grant from the account:

(1) The funds are reserved for a production on which the production company has qualifying expenses of at least fifty thousand dollars ($50,000) in the State but not more than one million four hundred ninety-nine thousand dollars ($1,499,000) for the production.

(2) The funds are not used to provide a grant in excess of (i) a base amount equal to the lesser of twenty percent (20%) of the qualifying expenses for the production or one hundred thousand dollars ($100,000) plus (ii) any of the following:

a. A bonus amount equal to five percent (5%) of the base amount if the production company provides qualified accounting showing at least seventy-five percent (75%) of the compensation and wages paid for the production was paid to North Carolina residents. For purposes of this sub-subdivision, "qualified accounting" by the production

company includes both (i) withholding payments remitted to the Department of Revenue under Article 4A of Chapter 105 of the General Statutes and (ii) payments for compensation to independent contractors reported using a Form 1099. In calculating whether the required percentage has been met, the following shall be included in compensation and wages: employee fringe contributions, including health, pension, and welfare contributions; per diems, stipends, and living allowances paid for work being performed in this State; and payments made to a loan-out company for services provided in the State.

b. A bonus amount equal to (i) three percent (3%) if at least seventy-five percent (75%) of the filming occurred in development tier two and one areas or (ii) five percent (5%) if at least seventy-five percent (75%) of the filming occurred in a development tier one area. For purposes of this sub-subdivision, a "development tier area" is as defined in G.S. 143B-437.08.

(3) The funds are reserved for a production for which at least seventy-five percent (75%) of the filming occurred in the State by or with a production company with company headquarters, as defined in G.S. 143B-437.01, in this State.

(4) The funds are not contingent on the existence, proof, or guarantee of a distribution agreement.

(5) A production is not limited to feature-length films, television series, or commercials but can consist of short films, documentaries, or other similar audiovisual works intended for distribution that meet the requirements of this subsection.

(6) No grant may be awarded that, when considered together with other grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed the amount available in the account.

(b) Applicability of Film and Entertainment Grant Fund Provisions. – Except to the extent inconsistent with this section, the provisions of G.S. 143B-437.02A shall apply to this section.

(c) Guidelines. – The Department of Commerce shall develop guidelines related to the administration of the Micro-Budget Production Grant Fund and to the selection of productions that will receive grants from the fund. At least 20 days before the effective date of any guidelines or nontechnical amendments to the guidelines, the Department of Commerce shall publish the proposed guidelines on the Department's website and provide notice to persons who have requested notice of proposed guidelines. In addition, the Department must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Department has completed these notifications."

EXTEND NATURAL GAS ECONOMIC DEVELOPMENT INFRASTRUCTURE SUNSET

SECTION 11.6. Section 3 of S.L. 2016-118, as amended by Section 7.3 of S.L. 2020-58, reads as rewritten:

"**SECTION 3.** This act is effective when it becomes law and expires July 1, ~~2026.~~ 2036. The expiration does not affect the validity of any rate adjustment surcharge mechanism imposed or authorized under the provisions of this act prior to the effective date of the expiration."

MODIFY CERTAIN ECONOMIC DEVELOPMENT PROJECT FUNDS

SECTION 11.7. Section 2C.2 of S.L. 2025-89, as amended by Section 4.1 of S.L. 2026-1, reads as rewritten:

"**SECTION 2C.2.(a)** Provided the Economic Investment Committee (EIC) awards a Job Development Investment Grant for a qualifying transformative project for an airplane manufacturer in Guilford County, there is appropriated to the Department of Commerce (Department) from the Stabilization and Inflation Reserve established in Section 2.2(q) of S.L. 2022-74 ~~to the Department of Commerce (Department)~~ the sum of one hundred eighteen million one hundred thousand dollars ($118,100,000) in nonrecurring funds for the 2025-2026 fiscal year and from the Economic Development Project Reserve established in Section 2.2(m) of S.L. 2021-180 the sum of one hundred thirty-three million nine hundred thousand dollars ($133,900,000) in nonrecurring funds for the 2026-2027 fiscal year to be allocated for acquisitions and improvements at the project site as provided in this section. For a term of years the Department, in its discretion, deems appropriate, a recipient to whom funds are allocated under this section that uses the funds, in whole or in part, to acquire or improve land (other than water and sewer improvements) may not (i) sell or otherwise encumber the land or improvement (other than utility and access easements and road rights-of-way) or (ii), absent the consent of the EIC, lease the land or improvement; any such lease must require the land or improvement to be used by the business for the purposes set out in the agreement; provided, however, that, with the approval of the EIC, the business benefitted by the funds allocated under this section may encumber its interest, or grant security interests in its interest, in the land or improvements acquired or improved with such funds as collateral for financing obtained by the business to finance the project so long as such collateral does not include any interest of the business in the land or improvements for which funds are allocated under subdivision (5) or subdivision (6) of this subsection.

For purposes of this section, the definitions of G.S. 143B-437.51 apply and a "qualifying transformative project" is a transformative project for which the Department enters into a binding contract with the business that requires, over a period of time not to exceed the base period, that the business invests at least four billion five hundred million dollars ($4,500,000,000) in private funds or funds provided by federal or foreign governments or their respective departments, agencies, divisions, or units or both and creates at least 14,000 eligible positions with an average annual wage of at least eighty-nine thousand three hundred forty dollars ($89,340). The contract constitutes a continuing obligation of the State and the business benefitted by the funds allocated for improving the project site. The contract must (i) include all of the performance criteria, remedies, and other safeguards required by the Department to secure the State's benefit derived from improvements to the airport funded by this section and (ii) require the business to repay an appropriate, proportionate amount of costs incurred by the State, or reimbursement paid to the business, for improvement of the airport for any failure by the business to meet and maintain the applicable performance criteria on which the cost incurred or reimbursement paid was based. Provided the requirements of the contract continue to be met, it is the intent of the General Assembly to appropriate ~~the sum of one hundred thirty-three million nine hundred thousand dollars ($133,900,000) in nonrecurring funds for the 2026-2027 fiscal year and~~ additional funds in future acts in the aggregate amount of one hundred ninety-eight million dollars ($198,000,000) over the following four succeeding fiscal years to support the qualifying transformative project. With respect to funds allocated to the Piedmont Triad Airport Authority (Authority), the Authority may contract for the design and construction using any delivery method it deems appropriate, and the Department shall pay the costs of the design and construction to the Authority or shall reimburse the Authority for the costs of the design and construction from the funds allocated under this subsection. If it deems it appropriate, the Authority may authorize, in writing, the business who operates the improvements to contract for the design and construction of the improvements, and the Department or the Authority, if delegated by the Department, shall pay the costs of the design and construction to the business or shall reimburse the business for the costs of the design and construction from the funds allocated under this subsection. For purposes of this subsection, neither the Authority nor the business shall be subject to the

provisions of Article 3D of Chapter 143 of the General Statutes or Article 8 of Chapter 143 of the General Statutes.

The funds appropriated ~~for the 2025-2026 fiscal year~~ in this section shall be allocated to, and used, as follows:

(1) Fifteen million dollars ($15,000,000) for each year of the 2025-2027 fiscal biennium to the Piedmont Triad Airport Authority (Authority) for the acquisition of up to 150 acres of land (i) needed at Piedmont Triad International Airport (Airport) (ii) to be owned by the Authority for the project. If funds allocated pursuant to this subdivision exceed the anticipated amount necessary for the purpose of this subdivision, the Department may reallocate the surplus for purposes authorized in subdivision (2) of this subsection.

(2) Forty-five million dollars ($45,000,000) for the 2025-2026 fiscal year and fifty million dollars ($50,000,000) for the 2026-2027 fiscal year to the Authority for site analysis, engineering, grading, site preparation, site work, and access road and taxiway construction not otherwise provided for in this section that is needed at the Airport for the project. If funds allocated pursuant to this subdivision exceed the anticipated amount necessary for the purposes of this subdivision, the Department may reallocate the surplus for the purpose authorized in subdivision (1) of this subsection.

(3) Seven million nine hundred thousand dollars ($7,900,000) for the 2025-2026 fiscal year and thirteen million seven hundred thousand dollars ($13,700,000) for the 2026-2027 fiscal year to the Department of Transportation for roadwork needed at the airport for the project. Notwithstanding any other provision of law, the Department of Transportation is authorized to utilize Progressive Design Build, Construction Management General Contractor, or any other procurement methodology to contract for the delivery of improvements for which funds are provided in this subdivision.

(4) Five million dollars ($5,000,000) to the City of Greensboro for water and sewer infrastructure improvements needed to support the project.

(5) Ten million two hundred thousand dollars ($10,200,000) for the 2025-2026 fiscal year and two hundred thousand dollars ($200,000) for the 2026-2027 fiscal year to the Department, to be allocated to and administered by the Authority on behalf of the Department, for the following:

a. Renovation costs of, and capital improvements to, an existing airport hub to (i) render it suitable for the project and (ii) be owned by the Authority. If funds allocated pursuant to this sub-subdivision exceed the amount necessary for the purpose of this subdivision, the Department may reallocate the surplus for purposes authorized in subdivision (6) of this subsection.

b. Offsets for costs required by the Federal Aviation Administration.

(6) Thirty-five million dollars ($35,000,000) for the 2025-2026 fiscal year and fifty-five million dollars ($55,000,000) for the 2026-2027 fiscal year to the Department, to be allocated to and administered by the Authority on behalf of the Department, for the following costs related to construction of a facility for manufacturing, research, and development to be owned by the Authority for the project: (i) costs for general conditions, construction administration, demolition, construction of the substructure and shell of the facility, infrastructure enhancements and upgrades, building services, and mechanical systems, (ii) contractor fees, (iii) fees for permitting, inspections, insurance, and related administrative costs, and (iv) sidewalks and a pedestrian bridge

connecting the facility to the airport hub. If funds allocated pursuant to this subdivision exceed the anticipated amount necessary for the purpose of this subdivision, the Department may reallocate the surplus for purposes authorized in sub-subdivision (5)a. of this subsection.

"**SECTION 2C.2.(b)** On September 1 of each year funds appropriated for the airport remain unexpended until all funds have been expended, the Department shall report on the use of such funds to the House of Representatives and the Senate committee or subcommittee responsible for base budget and appropriations, to the Joint Legislative Economic Development and Global Engagement Oversight Committee, to the Joint Legislative Commission on Governmental Operations, and to the Fiscal Research Division. The report shall include, at a minimum, an executive summary of the performance of the business; the performance criteria, remedies, and safeguards required by the Department for the funds; a description of the current status of the project; the amount that was paid in the prior fiscal year; the purpose for which the amount was paid; the total amount that has been paid; and any encumbrance allowed on the land or an improvement on the land, including any lease."

JMAC PROJECT

SECTION 11.8. G.S. 143B-437.012 reads as rewritten:

"**§ 143B-437.012. Job Maintenance and Capital Development Fund.**

…

(c) Definitions. – The definitions in G.S. 143B-437.51 apply in this section. In addition, as used in this section, the term "Department" means the Department of Commerce.

(d) Eligibility. – A business is eligible for consideration for a grant under this section if it satisfies the conditions of subdivision (1), (1a), (2), (2a), ~~or (2b)~~ (2b), or (2c) of this subsection and satisfies subdivision (4) of this subsection:

…

(2c) The business is a pharmaceutical manufacturing employer. A business is a pharmaceutical manufacturing employer if the business meets the following requirements:

a. The business operates a manufacturing site within the same county and river basin as the project that is the subject of the agreement.

b. The Department certifies that the business has invested or intends to invest at least two billion dollars ($2,000,000,000) of private funds in improvements to real property and additions to tangible personal property at the site of the project that is the subject of the agreement over a period of time spanning 24 months prior to entering the agreement through the term of the agreement.

c. The business employed at least 2,000 full-time employees or equivalent full-time contract employees in the State at the time the application is made and the business agrees to (i) maintain at least 2,000 full-time employees or equivalent full-time contract employees in the State for the full term of the grant and (ii) create and maintain at least 500 new full-time jobs in the county in which the project is located for the full term of the grant.

d. The business ensures that the project will supply at least sixty percent (60%) of the total aggregate water and wastewater needs required by a manufacturing site, phase, facility, or expansion of the business that is located in the same county as the project.

e. An agreement with a business under this subdivision may provide that the grant paid out over the term of the agreement be in amounts lower than equal annual payments and in amounts deviating from the factors

listed in subsection (*l*) of this section for any individual annual payment with the remaining balance paid in the final year of the agreement term.

…

(n) Limitations. – The Department may enter into no more than ~~eight~~ nine agreements under this section. The total aggregate cost of all agreements entered into under this section may not exceed ~~one hundred fifty-nine million dollars ($159,000,000).~~ two hundred nine million dollars ($209,000,000). The total annual cost of an agreement entered into under this section may not exceed ~~six million dollars ($6,000,000).~~eleven million dollars ($11,000,000) except as provided in sub-subdivision (d)(2c)e. of this section for an agreement with a business that is a pharmaceutical manufacturing employer."

SELECTSITES MODIFICATION

SECTION 11.9.(a) Section 11.12(e) of S.L. 2023-134, as amended by Section 4.3(b) of S.L. 2025-4, reads as rewritten:

"**SECTION 11.12.(e)** Allocation. – EDPNC shall allocate monies in the Fund on the following basis:

(1) Unspent funds transferred pursuant to subsection (a) of this section shall be used for engaging a national site selection firm through a competitive bid process to produce a report identifying and evaluating 15 selectsites for preferred development and marketing, of which seven must be less than 500 acres and of which an additional two must be less than 100 acres.

(2) Funds appropriated to the Fund for local government grants shall be allocated for the purposes outlined in subdivisions (b)(2), (b)(3), (b)(4), and (b)(5) of this section for selectsites determined pursuant to ~~subdivision (1) of~~ this subsection or through a similar selectsite site selection process authorized by the General Assembly. EDPNC shall prioritize local government grants that have the greatest potential to reduce the time for site readiness and reduce the risk of unforeseen conditions that could affect the site viability for advanced manufacturing projects. EDPNC shall base the grant amount on total development needs for the selectsite, prior investment in the selectsite by one or more local governments, the ability of one or more local governments to invest in the selectsite, and the ability and level of participation promised by the local government in exchange for a grant from the Fund. Monies may only be granted for, and used to acquire, a selectsite for which (i) one or more local governments have a binding option or offer to purchase and (ii) all basic due diligence has been completed, including, but not limited to, boundary surveys, title searches, State Historic Preservation Office reviews, and wetlands delineation.

(3) Funds appropriated to the Fund for the identification and evaluation of additional selectsites shall be used for engaging a national site selection firm through a competitive bid process to produce a report identifying and evaluating additional sites for inclusion into the selectsite program for preferred marketing and site development. In evaluating additional sites under this subdivision, the site selection firm shall make recommendations for the inclusion of selectsites that match market demand and take into consideration geographic diversity and return on investment. EDPNC shall engage a national site selection firm in accordance with this subdivision whenever (i) 15 or fewer selectsites remain in the program and (ii) sufficient funds are available in the Fund for that purpose."

SECTION 11.9.(b) Notwithstanding any provision of law to the contrary, funds transferred to the North Carolina Selectsite Fund by Section 11.12(a) of S.L. 2023-134 for purposes consistent with Section 11.12(e)(1) of that act, that remain unspent as of the effective date of this section, may instead be used for purposes consistent with Section 11.12(e)(2) or Section 11.12(e)(3) of that act, as modified by subsection (a) of this section.

SECTION 11.9.(c) This section becomes effective July 1, 2026, and applies to funds appropriated for the identification and evaluation of additional selectsites on or after that date.

MOTORSPORTS INDUSTRY STUDY

SECTION 11.10.(a) Of the funds appropriated in this act from the General Fund to the Department of Commerce ("Department"), the sum of four hundred thousand dollars ($400,000) in nonrecurring funds for the 2026-2027 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 and 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 11.10.(b) By April 15, 2027, 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.

GLOBAL TRANSPARK PROJECT

SECTION 11.11.(a) Transfer of Funds Conditionally Authorized. – Provided that the requirements of this section are met and notwithstanding the Committee Report described in Section 43.2 of S.L. 2023-134, the thirty million dollars ($30,000,000) in nonrecurring funds appropriated to the Department of Transportation for the construction of a flight training and corporate office facility at the Global TransPark by item 269 on page F59 of that report shall not be used for those purposes but shall instead be transferred to the Department of Commerce to be used for the construction, operation, maintenance, and repair of a flight training facility or a maintenance, repair, and overhaul facility (each, an "aircraft facility"), at the Global TransPark in accordance with this section.

SECTION 11.11.(b) Agreements Required for Transfer of Funds. – Prior to the transfer of any funds to the Department of Commerce ("Commerce") authorized under subsection (a) of this section, Commerce shall execute or facilitate the execution of one or more agreements between (i) the prospective operator of the aircraft facility ("prospective operator"), (ii) the Department of Transportation ("Transportation"), and (iii) the North Carolina Global TransPark Authority ("Authority"). The agreement or agreements shall, at a minimum, provide for all of the following:

(1) A provision requiring the prospective operator to invest a minimum of ten million dollars ($10,000,000) for the construction of the aircraft facility.

(2) A provision (i) limiting the State's obligation for the construction, operation, maintenance, and repair of the aircraft facility to no more than thirty million dollars ($30,000,000) and (ii) requiring the prospective operator to assume responsibility for any costs of construction, operation, maintenance, and repair of the aircraft facility that exceed thirty million dollars ($30,000,000).

(3) A provision requiring the Authority, as lessor, and the prospective operator, as lessee, to enter into a land lease for the land upon which the aircraft facility is built. Commerce shall have sole discretion to negotiate the terms of the land

lease required by this subdivision with the prospective operator; provided, however, that all rents received thereunder shall be paid to the Authority.

(4) A provision requiring legal ownership of the aircraft facility to remain vested in the Authority.

SECTION 11.11.(c) Payment Discretion; Exemptions. – Commerce may authorize, in writing, the prospective operator of the aircraft facility to contract for the design and construction of the facility, and Commerce shall pay the costs of the design and construction to the prospective operator or shall reimburse the prospective operator for the costs of the design and construction from the funds transferred under subsection (a) of this section. For purposes of this section, neither Commerce nor the prospective operator shall be subject to the provisions of Article 3D of Chapter 143 of the General Statutes or Article 8 of Chapter 143 of the General Statutes.

MODIFY SUBSISTENCE ALLOWANCE FOR MEMBERS OF THE UTILITIES COMMISSION

SECTION 11.12. G.S. 62-10 reads as rewritten:

"**§ 62-10. Number; appointment; terms; qualifications; chairman; vacancies; compensation; other employment prohibited.**

…

(h) The salary of each commissioner and that of the commissioner designated as chairman shall be set by the General Assembly in the Current Operations Appropriations Act. In lieu of merit and other increment raises paid to regular State employees, each commissioner, including the commissioner designated as chairman, shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, and nine and six-tenths percent (9.6%) after 10 years of service. "Service" means service as a member of the Utilities Commission.

(h1) In addition to compensation for their services, each member of the Commission who lives at least 50 miles from the City of Raleigh shall be paid ~~a~~ the following:

(1) A weekly travel allowance for each week the member travels to the City of Raleigh from the member's home for business of the Commission. The allowance shall be calculated for each member by multiplying the actual round-trip mileage from that member's home to the City of Raleigh by the rate-per-mile which is the business standard mileage rate set by the Internal Revenue Service in Rev. Proc. 93-51, December 27, 1993.

(2) A daily per diem of one hundred eighty dollars ($180.00) for each day an overnight stay is required to conduct official Commission business, not to exceed 10 overnight stays per calendar month.

(i) The standards of judicial conduct provided for judges in Article 30 of Chapter 7A of the General Statutes shall apply to members of the Commission. Members of the Commission shall be liable to impeachment for the causes and in the manner provided for judges of the General Court of Justice in Chapter 123 of the General Statutes. Members of the Commission shall not engage in any other employment, business, profession, or vocation while in office.

(j) Except as provided in subsection (h1) of this section, members of the Commission shall be reimbursed for travel and subsistence expenses at the rates allowed to State officers and employees by G.S. 138-6(a)."

EXEMPT UTILITIES COMMISSION STAFF FROM THE NORTH CAROLINA HUMAN RESOURCES ACT

SECTION 11.13.(a) 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:

…

(43) Employees of the Utilities Commission who work under the direction of the Commission as provided by G.S. 62-14.

…

(c11) The following are exempt from (i) the classification and compensation rules established by the State Human Resources Commission pursuant to G.S. 126-4(1) through (4); (ii) G.S. 126-4(5) only as it applies to hours and days of work, vacation, and sick leave; (iii) G.S. 126-4(6) only as it applies to promotion and transfer; (iv) G.S. 126-4(10) only as it applies to the prohibition of the establishment of incentive pay programs; and (v) Article 2 of Chapter 126 of the General Statutes, except for G.S. 126-7.1:

…

(4) Employees of the Utilities ~~Commission and the~~ Commission's Public Staff.

…."

SECTION 11.13.(b) G.S. 62-14(b) reads as rewritten:

"(b) 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, except that the Commission and its employees are exempt from ~~the classification and compensation rules established by the State Human Resources Commission pursuant to G.S. 126-4(1) through (4); G.S. 126-4(5) only as it applies to hours and days of work, vacation, and sick leave; G.S. 126-4(6) only as it applies to promotion and transfer; G.S. 126-4(10) only as it applies to the prohibition of the establishment of incentive pay programs; and Article 2 of Chapter 126 of the General Statutes, except for G.S. 126-7.1.~~provisions of the North Carolina Human Resources Act as provided by G.S. 126-5(c1)(43)."

ALLOW UTILITIES COMMISSION COURT REPORTERS 10 DAYS FOR TRANSCRIPTS

SECTION 11.14.(a) G.S. 62-71(c) is repealed.

SECTION 11.14.(b) G.S. 62-78(e) reads as rewritten:

"(e) The Commission may expedite the hearing and decision of any case if the public interest so requires by the use of pretrial conferences, ~~daily transcripts of evidence,~~ trial briefs, and prompt oral argument, and by granting priority to the hearing and decision of such case."

SECTION 11.14.(c) G.S. 62-81(a) reads as rewritten:

"**§ 62-81. Special procedure in hearing and deciding rate cases.**

(a) All cases or proceedings, declared to be or properly classified as general rate cases under G.S. 62-137, or any proceedings which will substantially affect any utility's overall level of earnings or rate of return, shall be set for trial or hearing by the Commission, which trial or hearing shall be set to commence within 180 days of the institution or filing thereof. All such cases or proceedings shall be subject to the time frame established under G.S. 62-134(b). All such cases or proceedings shall be tried or heard and decided in accordance with the ratemaking procedure set forth in G.S. 62-133 and such cases shall be given priority over all other cases or proceedings pending before the Commission. In all such cases the Commission shall make a transcript of the evidence and testimony presented and received by it and shall furnish a copy thereof to any party so requesting by the ~~third~~ tenth business day after the taking of such evidence and testimony."

SECTION 11.14.(d) G.S. 62-82(a) reads as rewritten:

"**§ 62-82. Special procedure on application for certificate for generating facility; appeal from award order.**

(a) Notice of Application for Certificate for Generating Facility; Hearing; Briefs and Oral Arguments. – Whenever there is filed with the Commission an application for a certificate of public convenience and necessity for the construction of a facility for the generation of electricity under G.S. 62-110.1, the Commission shall require the applicant to publish a notice thereof once a week for four successive weeks in a newspaper of general circulation in the county where such facility is proposed to be constructed and thereafter the Commission upon complaint shall, or upon its own initiative may, upon reasonable notice, enter upon a hearing to determine whether such certificate shall be awarded. Any such hearing must be commenced by the Commission not later than three months after the filing of such application, and the procedure for rendering decisions therein shall be given priority over all other cases on the Commission's calendar of hearings and decisions, except rate proceedings referred to in G.S. 62-81. Such applications shall be heard as provided in G.S. 62-60.1, and the Commission shall, upon request of the applicant, furnish a transcript of evidence and testimony submitted by the end of the ~~second~~ tenth business day after the taking of each day of testimony. The Commission or panel shall require that briefs and oral arguments in such cases be submitted within 30 days after the conclusion of the hearing, and the Commission or panel shall render its decision in such cases within 60 days after submission of such briefs and arguments. If the Commission or panel does not, upon its own initiative, order a hearing and does not receive a complaint within 10 days after the last day of publication of the notice, the Commission or panel shall enter an order awarding the certificate."

UTILITIES COMMISSION RETAIN PRIVATE COUNSEL

SECTION 11.15. G.S. 62-48 reads as rewritten:

"**§ 62-48. Appearance before courts and agencies.**

(a) The Commission is authorized and empowered to initiate or appear in such proceedings before federal and State courts and agencies as in its opinion may be necessary to secure for the users of public utility service in this State just and reasonable rates and service; provided, however, that the Commission shall not appear in any State appellate court in support of any order or decision of the Commission entered in a proceeding in which a public utility had the burden of proof.

(b) The Commission may, when appearing before federal courts and agencies on behalf of the using and consuming public in matters relating to the wholesale rates and supply of natural gas, ~~employ, subject to the approval of the Governor,~~ employ private legal counsel and be reimbursed for any resulting legal fees and costs from past and future refunds received by the North Carolina natural gas distribution companies, and may establish procedures for those natural gas distribution companies to set aside reasonable amounts of those refunds for this purpose. The Commission is also authorized to establish procedures whereby the State may be reimbursed from past and future refunds received by the North Carolina natural gas distribution companies for travel expenses incurred by staff members of the Commission and Public Staff designated to provide assistance to the Commission's private legal counsel in natural gas matters before federal courts and agencies.

(c) Notwithstanding G.S. 114-2.3 and G.S. 147-17, the Commission may engage private legal counsel to represent or provide litigation services to the Commission in proceedings before federal and State courts and agencies pursuant to subsection (a) of this section. The Commission shall supervise and manage private legal counsel employed or retained under this subsection."

NORTH CAROLINA – INDIA TRADE COMMISSION

SECTION 11.16.(a) Chapter 143 of the General Statutes is amended by adding a new Article to read:

"Article 86.

"North Carolina-India Trade Commission.

"**§ 143-826. North Carolina-India Trade Commission created; membership.**

(a) Commission Created. – The North Carolina-India Trade Commission is created. The Commission is administratively located in the Department of Commerce but shall exercise its duties independently of the Secretary of Commerce.

(b) Membership. – The Commission shall consist of the following nine members:

(1) The President Pro Tempore of the Senate, or the President Pro Tempore's designee.

(2) The Speaker of the House of Representatives, or the Speaker's designee.

(3) Two members of the Senate, one from each party, to be appointed by the President Pro Tempore of the Senate.

(4) Two members of the House of Representatives, one from each party, to be appointed by the Speaker of the House of Representatives.

(5) An individual who is active in Indian-American cultural and civic affairs, with preference for an individual with a history of cooperation in the legislative process, to be appointed by the President Pro Tempore of the Senate.

(6) An individual who is active in Indian-American cultural and civic affairs, with preference for an individual with a history of cooperation in the legislative process, to be appointed by the Speaker of the House of Representatives.

(7) An individual recognized for the individual's achievements and experience in international business, to be appointed by the Governor.

(c) Terms. – Members of the Commission shall serve terms of three years and are eligible for reappointment.

(d) Vacancies. – Whenever a vacancy on the Commission exists, the appointing authority shall appoint an individual to fill the vacancy.

(e) Officers. – Members of the Commission may elect a chair and vice-chair of the Commission.

(f) Quorum. – A majority of the Commission constitutes a quorum for the transaction of business.

(g) Administrative Services. – The Department of Commerce shall provide administrative services to the Commission.

(h) Meetings. – The Commission shall meet at least twice per year.

"**§ 143-827. Duties of North Carolina-India Trade Commission.**

The North Carolina-India Trade Commission has the following duties:

(1) Encourage bilateral trade between this State and India, including coordinating and hosting summits and other meetings encouraging commercial relations.

(2) Encourage mutual investment in this State and India, especially in infrastructure and employment.

(3) Promote business, educational, and cultural exchanges between this State and India.

(4) Recommend joint action to this State and India on policy issues of mutual agreement between this State and India.

(5) Submit an annual report to the General Assembly that includes the following:

a. The number of times the Commission met during the preceding year.

b. The minutes of the Commission's meetings.

c. Any recommendations or requests that may assist the Commission's work.

(6) Consider any other related issues, as determined necessary by the Commission."

SECTION 11.16.(b) By October 1, 2027, the North Carolina-India Trade Commission shall submit its first annual report under G.S. 143-827(5), as enacted by subsection (a) of this section.

SECTION 11.16.(c) This section becomes effective October 1, 2026.

NORTH CAROLINA – IRELAND TRADE COMMISSION

SECTION 11.17.(a) Chapter 143 of the General Statutes is amended by adding a new Article to read:

"Article 85.

"North Carolina-Ireland Trade Commission.

"**§ 143-821. North Carolina-Ireland Trade Commission created; membership.**

(a) Commission Created. – The North Carolina-Ireland Trade Commission is created. The Commission is administratively located in the Department of Commerce but shall exercise its duties independently of the Secretary of Commerce.

(b) Membership. – The Commission shall consist of the following nine members:

(1) The President Pro Tempore of the Senate, or the President Pro Tempore's designee.

(2) The Speaker of the House of Representatives, or the Speaker's designee.

(3) Two members of the Senate, one from each party, to be appointed by the President Pro Tempore of the Senate.

(4) Two members of the House of Representatives, one from each party, to be appointed by the Speaker of the House of Representatives.

(5) An individual who is active in Irish-American cultural and civic affairs, with preference for an individual with a history of cooperation in the legislative process, to be appointed by the President Pro Tempore of the Senate.

(6) An individual active in public higher education who has an interest in North Carolina-Ireland trade relations, to be appointed by the Speaker of the House of Representatives.

(7) An individual recognized for the individual's achievements and experience in international business, to be appointed by the Governor.

(c) Terms. – Members of the Commission shall serve terms of three years and are eligible for reappointment.

(d) Vacancies. – Whenever a vacancy on the Commission exists, the appointing authority shall appoint an individual to fill the vacancy.

(e) Officers. – Members of the Commission may elect a chair and vice-chair of the Commission.

(f) Quorum. – A majority of the Commission constitutes a quorum for the transaction of business.

(g) Administrative Services. – The Department of Commerce shall provide administrative services to the Commission.

(h) Meetings. – The Commission shall meet at least twice per year.

"**§ 143-822. Duties of North Carolina-Ireland Trade Commission.**

The North Carolina-Ireland Trade Commission has the following duties:

(1) Encourage bilateral trade between this State and Ireland, including coordinating and hosting summits and other meetings encouraging commercial relations.

(2) Encourage mutual investment in this State and Ireland, especially in infrastructure and employment.

(3) Promote business, educational, and cultural exchanges between this State and Ireland.

(4) Recommend joint action to this State and Ireland on policy issues of mutual agreement between this State and Ireland.

(5) Submit an annual report to the General Assembly that includes the following:

a. The number of times the Commission met during the preceding year.

b. The minutes of the Commission's meetings.

c. Any recommendations or requests that may assist the Commission's work.

(6) Consider any other related issues, as determined necessary by the Commission."

SECTION 11.17.(b) By October 1, 2027, the North Carolina-Ireland Trade Commission shall submit its first annual report under G.S. 143-822(5), as enacted by subsection (a) of this section.

SECTION 11.17.(c) This section becomes effective October 1, 2026.

PART XII. ENVIRONMENTAL QUALITY

DEQ BASE BUDGET CORRECTION

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 in developing the 2027-2029 base budget under G.S. 143C-3-5:

(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) 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.

WASTEWATER AND DRINKING WATER DIRECTIVES

SECTION 12.2.(a) Deadlines for 2023 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 June 30, 2027, 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 June 30, 2029, enter into a construction contract for the project.
(3) No later than December 31, 2031, expend all funding allocated under Section 12.2(e) of S.L. 2023-134.

SECTION 12.2.(b) Extension of Deadline. – The Department may extend the applicable deadline set forth in subsection (a) 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. For purposes of this subsection, a natural disaster constitutes good cause for a recipient if the natural disaster has impacted the scope, cost, or feasibility of the project.

SECTION 12.2.(c) 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 (a) or (b) 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.(d) Reallocation of Reverted Funds. – In reallocating funds reverted under subsection (c) 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.(e) Reporting Requirement. – Beginning October 31, 2026, 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.

SECTION 12.2.(f) Targeted Interest Rate Eligibility. – 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.

…."

SECTION 12.2.(g) Report on Loan Refusal. – G.S. 159G-26(b) is amended by adding a new subdivision to read:

"(7) Loans offered to a local government unit, nonprofit water corporation, or investor-owned drinking water corporation under this Article but not accepted and disbursed to the recipient, including (i) loans disapproved by the Local Government Commission under that Commission's approval authority set forth in G.S. 159G-40 and (ii) instances where the local government unit, nonprofit water corporation, or investor-owned drinking water corporation declined to accept the loan. The report shall include a list of the potential recipients and the reason that the loan was not accepted and disbursed."

SECTION 12.2.(h) Adjust Limits for Certain Grants. – 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 CORRECTIONS

SECTION 12.3.(a) 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 12.3.(b) 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."

SECTION 12.3.(c) Funds allocated to the Transylvania County by Section 12.2(e)(184) of S.L. 2023-134 shall, notwithstanding that subdivision or any provision of the Committee Report described in Section 43.2 of S.L. 2023-134 to the contrary, be transferred to the Office of State Budget and Management to be allocated as follows:

(1) Two million dollars ($2,000,000) to Transylvania County for enhancements to the county's emergency medical services and firefighting capacity.

(2) Two million dollars ($2,000,000) to Blue Ridge Community College (College), to be used for repairs and renovations at the College's campus in Brevard as well as for operating deficits due to enrollment loss at that campus.

(3) Two million dollars ($2,000,000) to Jackson County for the Cashiers/Glenville Fire Department (Department), for repairs and expenses related to service expansion for the Department.

(4) Forty thousand dollars ($40,000) to the Town of Webster for a stream gauge.

(5) One million four hundred sixty thousand dollars ($1,460,000) to the Town of Sylva for repairs to the public works maintenance building.

(6) One million five hundred thousand dollars ($1,500,000) to the City of Bryson City (City) for repairs and renovations of City infrastructure.

(7) One million dollars ($1,000,000) to Southwestern Community College (College) for roof repairs to the College's Swain Center.

NCUC WATER/WASTEWATER REVOLVING LOAN PROGRAM

SECTION 12.4.(a) The funds appropriated in this act to the Department of Environmental Quality, Division of Water Infrastructure, for loans to emergency operators shall be allocated to the NCUC Emergency Reserve established in G.S. 159G-22, as created by subsection (c) of this section, to be used for purposes consistent with that Reserve.

SECTION 12.4.(b) G.S. 159G-20 reads as rewritten:

"**§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

…

(7a) Emergency operator. – A person authorized by the NCUC, or a court of competent jurisdiction, to furnish water or wastewater services on an emergency basis as provided in G.S. 62-116 and G.S. 62-118.

…

(13b) NCUC. – The North Carolina Utilities Commission.

…

(14b) Private system. – A water or sewer public utility, as that term is defined under G.S. 62-3.

…."

SECTION 12.4.(c) G.S. 159G-22 reads as rewritten:

"**§ 159G-22. Water Infrastructure Fund.**

…

(k) NCUC Emergency Reserve. – The NCUC Emergency Reserve is established as an account within the Water Infrastructure Fund. The account is established to receive State funds that are to be used for loans for private systems. Revenue credited to the Reserve is neither received from the federal government nor provided as a match for federal funds.

(*l*) NCUC Emergency Accounts. – The Department is directed to establish accounts within the NCUC Emergency Reserve to administer loans for private systems. The NCUC emergency accounts must include an account for each type of loan set out in G.S. 159G-34.1."

SECTION 12.4.(d) G.S. 159G-30 reads as rewritten:

"**§ 159G-30. Department's responsibility.**

The Department, through the Division, administers the following:

(1) Loans and grants made from the CWSRF, the DWSRF, the Wastewater Reserve, ~~and~~ the Drinking Water ~~Reserve.~~Reserve, and the NCUC Emergency Reserve.

…."

SECTION 12.4.(e) G.S. 159G-31 reads as rewritten:

"**§ 159G-31. Entities eligible to apply for loan or grant.**

(a) A local government unit or a nonprofit water corporation is eligible to apply for a loan or grant from the CWSRF, the DWSRF, the Wastewater Reserve, or the Drinking Water Reserve. An investor-owned drinking water corporation is also eligible to apply for a loan or grant from the DWSRF. An emergency operator is eligible to apply for a loan from the NCUC Emergency Reserve. Other entities are not eligible for a loan or grant from these accounts.

…."

SECTION 12.4.(f) G.S. 159G-32 reads as rewritten:

"**§ 159G-32. Projects eligible for loan or grant.**

…

(e) NCUC Emergency Reserve. – The Department is authorized to make loans from the NCUC Emergency Reserve for private system projects for which an emergency operator has been appointed under G.S. 62-116 or G.S. 62-118."

SECTION 12.4.(g) Article 2 of Chapter 159G of the General Statutes is amended by adding a new section to read:

"**§ 159G-34.1. Loans available from NCUC Emergency Reserve.**

The Department is authorized to make loans under this section for projects authorized by G.S. 159G-32(e), or by any other act of the General Assembly, from the NCUC Emergency Reserve. Each type of loan must be administered through a separate account within the NCUC Emergency Reserve."

SECTION 12.4.(h) G.S. 159G-35 reads as rewritten:

"**§ 159G-35. Criteria for loans and grants.**

…

(d) NCUC Emergency Reserve. – The Department and the NCUC shall jointly develop rules and other criteria that apply to loans from the NCUC Emergency Reserve. Those rules shall include, at a minimum, the following provisions, which shall apply to each loan from the reserve:

(1) Loan funds shall only be used for private system projects for which an emergency operator has been appointed under G.S. 62-116 or G.S. 62-118.

(2) Applicant emergency operators shall submit with the loan application a detailed estimate of the total costs required to address the emergency conditions of the private system. The estimate shall be reviewed and approved by the Department and the NCUC prior to the disbursement of any loan funds to the applicant emergency operator.

(3) All loan agreements shall include a clawback provision requiring the Department or the NCUC to clawback loan proceeds in the event of noncompliance or default by the borrowing emergency operator.

(4) Subject to the loan limits under G.S. 159G-36(b2), an emergency operator may submit an amended application for additional loan funding if unforeseen conditions arise necessitating additional costs."

SECTION 12.4.(i) G.S. 159G-36 reads as rewritten:

"**§ 159G-36. Limits on loans and grants.**

…

(b2) NCUC Emergency Reserve Loan Limit. – The amount of a loan from the NCUC Emergency Reserve to an emergency operator for a private system project may not exceed the original estimate submitted by the emergency operator unless the Department and the NCUC approve an increase in the loan amount, and any approved increase shall not exceed twenty-five percent (25%) of the emergency operator's original estimate for the project. A loan from the NCUC Emergency Reserve is available only to the extent that other funding sources are not reasonably available to the applicant.

…."

SECTION 12.4.(j) G.S. 159G-37 reads as rewritten:

"**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, Drinking Water Reserve, NCUC Emergency Reserve, and Viable Utility Reserve.**

(a) Application. – An application for a loan or grant from the CWSRF, the Wastewater Reserve, the DWSRF, or the Drinking Water Reserve, a loan from the NCUC Emergency Reserve, or a grant from the Viable Utility Reserve, must be filed with the Division. An application must be submitted on a form prescribed by the Division and must contain the information required by the Division. An applicant must submit to the Division any additional information requested by the Division to enable the Division to make a determination on the application. An application that does not contain information required on the application or requested by the Division is incomplete and is not eligible for consideration. An applicant may submit an application in as many categories as it is eligible for consideration under this Article.

…."

SECTION 12.4.(k) G.S. 159G-39 reads as rewritten:

"**§ 159G-39. Review of applications and award of loan or grant.**

(a) Point Assignment. – The Division of Water Infrastructure must review all applications filed for a loan or grant under this Article for an application period. The Division must rank each ~~application~~ application, except for applications for loans from the NCUC Emergency Reserve, in accordance with the points assigned to the evaluation criteria. The Division must make a written determination of an application's rank and attach the determination to the application for the Authority's review. The Authority must consider the Division's determination of rank when the Authority determines an application's rank. The Authority's determination of rank is conclusive.

(b) Initial Consideration. – The Division may consider an application for an emergency loan from the Wastewater Reserve or the Drinking Water ~~Reserve~~ Reserve, or an application for a loan from the NCUC Emergency Reserve, at any time. The Division must consider all other loan applications and all grant applications filed during an application period at the same time in order to rank the applications. The Division shall forward all applications received for the application period to the State Water Infrastructure Authority.

…

(d) Notification of Decision. – When the Authority determines that an application's rank makes it eligible for an award of a loan or grant, or otherwise decides to award a loan under this Chapter, the Division must send the applicant a letter of intent to award the loan or grant. The notice must set out any conditions the applicant must meet to receive an award of a loan or grant. When the applicant satisfies the conditions set out in the letter of intent, the Division must send the applicant an offer to award a loan or grant. The applicant must give the Division written notice of whether it accepts or rejects the offer. A loan or grant is considered awarded when an offer to award the loan or grant is issued.

…."

SECTION 12.4.(*l*) G.S. 159G-40 reads as rewritten:

"**§ 159G-40. Terms of loan and execution of loan documents.**

(a) Approval by Local Government Commission. – The Department may not award a loan under this Article unless the Local Government Commission approves the award of the loan and the terms of the loan. The terms of a loan awarded from the CWSRF and the DWSRF must be consistent with federal law. In reviewing a proposed loan to a local government unit, the Local Government Commission must consider the loan as if it were a bond proposal and review the proposed loan in accordance with the factors set out in G.S. 159-52 for review of a proposed bond issue. The Local Government Commission must review a proposed loan to a nonprofit water ~~corporation~~ corporation, to an emergency operator, and to an investor-owned drinking water corporation in accordance with the factors set out in G.S. 159-153.

(b) Interest Rate and Maturity. – The interest rate payable on and the maximum maturity of a loan are subject to the following limitations:

(1) Interest rate. – ~~The~~ Except as provided in subdivision (3) of this subsection, the interest rate for a loan may not exceed the lesser of four percent (4%) or one half the prevailing national market rate for tax-exempt general obligation debt of similar maturities derived from a published indicator. When recommended by the Department, the Local Government Commission may set an interest rate for a loan for a targeted interest rate project at a rate that is lower than the standard rate to achieve the purpose of the target.

(2) Maturity. – ~~The~~ Except as provided in subdivision (3) of this subsection, the maximum maturity for a loan for a project that is not a targeted interest rate project is 20 years or the project's expected life, whichever is shorter. The maximum maturity for a loan for a targeted interest rate project is 30 years or the project's expected life, whichever is shorter.

(3) NCUC Emergency Reserve loans. – The interest rate for a loan from the NCUC Emergency Reserve may not exceed three percent (3%). The maximum maturity for a loan from the NCUC Emergency Reserve is 10 years.

…

(d) Debt Instrument. – A local government unit, a nonprofit water corporation, ~~and~~ an emergency operator, and an investor-owned drinking water corporation may execute a debt instrument payable to the State to evidence an obligation to repay the principal of and interest on a loan awarded under this Article. The Treasurer, with the assistance of the Local Government Commission, must develop debt instruments for use by local government units, nonprofit water corporations, emergency operators, and investor-owned drinking water corporations under this

section. The Local Government Commission must develop procedures for loan recipients to deliver debt instruments to the State without public bidding."

SECTION 12.4.(m) G.S. 159G-42 reads as rewritten:

"**§ 159G-42. Disbursement of loan or grant.**

~~The~~ Except in the case of loan disbursements from the NCUC Emergency Reserve, the Department must disburse the proceeds of a loan or grant to a recipient in a series of payments based on the progress of the project for which the loan or grant was awarded. To obtain a payment, a loan or grant recipient must submit a request for payment to the Department and document the expenditures for which the payment is requested. The Department shall establish rules governing the disbursement of loan proceeds from the NCUC Emergency Reserve which may include advance disbursements or up-front payments."

SECTION 12.4.(n) G.S. 159G-43 reads as rewritten:

"**§ 159G-43. Inspection of project.**

(a) Authority. – The Department may inspect a project for which it awards a loan or grant under this Article to determine the progress made on the project and whether the construction of the project is consistent with the project described in the loan or grant application. The inspection may be performed by personnel of the ~~Department or~~ Department, by a professional engineer licensed under Chapter 89C of the General ~~Statutes.~~Statutes, or, in the case of loans from the NCUC Emergency Reserve, by the NCUC.

(b) Disqualification. – An individual may not perform an inspection of a project under this section if the individual meets any of the following criteria:

(1) Is an officer or employee of the local government unit, nonprofit water corporation, emergency operator, or investor-owned drinking water corporation that received the loan or grant award for the project.

(2) Is an owner, officer, employee, or agent of a contractor or subcontractor engaged in the construction of the project for which the loan or grant was made."

SECTION 12.4.(o) This section becomes effective July 1, 2026, and applies to loans made on or after that date.

EXTENSION OF INTERBASIN TRANSFER STUDY AND MORATORIUM

SECTION 12.5.(a) Section 2 of S.L. 2025-74 reads as rewritten:

"**SECTION 2.(a)** 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:

…

"**SECTION 2.(c)** Report. – ~~The~~ No later than January 15, 2028, the Collaboratory shall report its findings, together with any proposed legislation, to the ~~2027 General Assembly upon its convening.~~chairs of the House Agriculture and Environment Committee; the chairs of the Senate Agriculture, Energy, and Environment Committee; the chairs of the House and Senate Regulatory Reform Committees; and the Joint Legislative Commission on Governmental Operations."

SECTION 12.5.(b) Section 3 of S.L. 2025-74 reads as rewritten:

"**SECTION 3.** Moratorium on Certain Surface Water Transfer Certificates. – In order to permit sufficient time for the General Assembly to complete the study described in Section 2 of this act, 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 ~~March 1, 2027.~~ August 1, 2028. 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."

CAPE FEAR/EMERGENCY IBT MORATORIUMS AND STUDY

SECTION 12.6.(a) Moratorium on New or Increased Interbasin Transfers and Restriction on Emergency Transfers from the Cape Fear River Basin.

SECTION 12.6.(a1) G.S. 143-215.22L is amended by adding three new subsections to read:

"(x) Moratorium on New or Increased Interbasin Transfers from the Cape Fear River Basin. – Notwithstanding any other provision of this section, the Environmental Management Commission shall not issue a certificate authorizing a new surface water transfer or an increase in an existing surface water transfer from the Cape Fear River Basin.

(y) Exceptions to Cape Fear IBT Moratorium. – The moratorium established by subsection (x) of this section shall not prohibit any of the following:

(1) Any existing transfers from the Cape Fear River Basin authorized by the Environmental Management Commission or otherwise lawfully initiated prior to July 1, 2026.

(2) Certificates authorizing a new surface water transfer from the Cape Fear River Basin to the Neuse River Basin where a notice of intent to file the petition for that transfer was filed on or before July 1, 2026. Consideration of the proposed surface water transfer by the Commission shall be based on the information required to be submitted by the petitioner as set forth in subsections (c), (d), and (g) of this section. Neither the existence of the moratorium established by subsection (x) of this section nor any other study of the Cape Fear River Basin authorized by an act of the General Assembly shall (i) be deemed necessary by the Commission for review of the proposed transfer, including the notice of intent to file a petition for a certificate, the environmental document, and the petition, (ii) constitute grounds for the Commission to delay the consideration of such a petition, or (iii) constitute grounds for the denial of such a petition.

(z) Limitation on Emergency Transfers from the Cape Fear River Basin. – The Secretary shall not approve any emergency transfer of surface water from the Cape Fear River Basin under the authority set forth in subsection (q) of this section except as set forth in this subsection. The limitations set forth in this subsection shall not apply to any emergency transfer authorized by an existing interlocal agreement, mutual aid agreement, or emergency water supply agreement between water systems that was in effect prior to July 1, 2026, up to the volume contemplated or authorized under the existing agreement.

(1) The Secretary may approve an emergency transfer to address a water supply problem caused by drought only (i) during a water shortage emergency declared under G.S. 143-355.3 and (ii) upon a written finding by the Secretary that the transfer is necessary to protect human health and safety and that there is no alternative source of water within the receiving basin to meet essential water supply requirements during the water shortage emergency period.

(2) The Secretary may approve an emergency transfer to address a water supply problem caused by a pollution incident upon written findings that (i) the pollution incident has rendered the regular water supply source for the emergency transfer recipient unusable consistent with public health and safety and (ii) the transfer is the only reasonably available alternative source to maintain essential water supply service for the duration of the pollution incident. For purposes of this subdivision, an alternative source is "reasonably available" if the cost of providing the alternative source would result in a

monthly increase or surcharge of no more than ten percent (10%) in the average monthly water bill for customers of the emergency transfer recipient.

(3) An emergency transfer approved by the Secretary under this subsection shall be (i) limited in duration to no more than 90 days, extendable for two additional 90-day extensions upon written findings by the Secretary that the emergency condition has not abated and no alternative source of water has become reasonably available; and (ii) limited in quantity to the volume of water necessary to supply essential water uses of the emergency transfer recipient.

(4) Within 30 days of authorizing an emergency transfer from the Cape Fear River Basin under this subsection, the Secretary shall report the authorization and the Secretary's written findings in support of the authorization to the Environmental Review Commission."

SECTION 12.6.(b) Long-Term Water Supply Study for High Growth Basins.

SECTION 12.6.(b1) Funds appropriated in this act to the North Carolina Collaboratory at the University of North Carolina at Chapel Hill (Collaboratory) for river basin studies shall be used by the Collaboratory to study the State's water resources and supply, projected water needs, and the statutory framework surrounding water allocation to determine the long-term water needs of the State and make recommendations for any legislative changes necessary to ensure the sustainability of North Carolina's water supply for future generations. The study shall focus on the Cape Fear, Neuse, and Catawba river basins (collectively, the High Growth Basins), which the General Assembly finds are experiencing high population growth and the potential for acute long-term water supply issues without informed water resource allocation policies. The Collaboratory shall include all the following in its study:

(1) An assessment of current and projected water supply and demand in the High Growth Basins through the year 2055, accounting for population growth, economic and industrial development, agricultural use, and projected drought frequency and severity.

(2) An assessment of the reliable yield of water supply of the High Growth Basins, including an assessment for each subbasin and major tributary. This assessment shall include a scientific evaluation of the quantity of water that can be dependably withdrawn or transferred under current and projected future hydrologic conditions without causing unacceptable environmental or economic impacts to in-basin uses.

(3) An evaluation of the adequacy, condition, and resilience of existing major water supply infrastructure in the High Growth Basins relevant to long-term water supply planning, including raw water intakes, storage, treatment capacity, and system interconnections.

(4) An evaluation of options for efficient use of existing water supply or expanding existing water supply, including regional interconnection, conjunctive use of surface and groundwater, water reuse, conservation and demand management, and new or expanded storage. To the extent possible, the Collaboratory shall also develop estimates of the capital and operating costs associated with the identified options and an assessment of potential State, federal, local, and other funding mechanisms.

(5) An assessment of water quantity, supply, utilization, and conservation data collected from consumers of water resources under existing water resource regulatory and planning programs, identification of gaps in those data, and recommendations for new reporting requirements to support informed data-centered decision making on water resource allocation issues.

(6) In the portion of the study focusing on the Neuse and Cape Fear Rivers, the Collaboratory will include an assessment of the current and anticipated water supply needs of the Triangle region of the State, and an evaluation of potential water supply resources to meet the Triangle's growing need that are alternatives to an interbasin transfer certificate authorizing a withdrawal from the Cape Fear River Basin, including an analysis of water reduction and conservation options and the feasibility of obtaining interbasin transfer certificates for withdrawal from another water source, like Kerr Lake.

(7) Any other matters pertaining to water quality, quantity, utilization, conservation, or governance issues the Collaboratory deems relevant.

SECTION 12.6.(b2) Consultation. – In collecting and analyzing data relevant to this study, the Collaboratory shall consult with the United States Army Corps of Engineers, the Department of Environmental Quality, the Environmental Management Commission, the State Water Infrastructure Authority, the North Carolina League of Municipalities, and other relevant public and private entities, as determined by the Collaboratory.

SECTION 12.6.(b3) Report. – The Collaboratory shall provide an interim report on the study set forth in this section by December 31, 2028, and a final report of its findings, together with any proposed legislation, no later than July 1, 2029, to the Environmental Review Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division.

DEQ FAST-41 PERMITTING PROCESS FOR CRITICAL ENERGY INFRASTRUCTURE

SECTION 12.7.(a) Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.22. Department participation in the federal FAST-41 process for permitting critical energy infrastructure.**

(a) Definitions. – The following definitions apply in this section:

(1) Critical energy infrastructure. – Any project located in this State, in whole or in part, that is any of the following:

a. A nuclear energy generation facility, including any associated nuclear facility, electric transmission facility, and water supply or wastewater infrastructure.

b. A natural gas-fired electric generation facility, including any associated electric transmission facility and water supply or wastewater infrastructure.

c. A natural gas pipeline, including any associated compressor station and water supply or wastewater infrastructure.

The term "critical energy infrastructure" includes associated equipment, appurtenances, hardware, software, digital infrastructure, or other infrastructure necessary for construction, operational, reliability, or security purposes.

(2) Department. – The Department of Environmental Quality.

(3) Department authorization. – Any permit, certification, approval, consultation, concurrence, consistency determination, or other authorization required from the Department for a project.

(4) FAST-41 process. – The federal environmental review and authorization coordination process established under Title 41 of the Fix America's Surface Transportation Act, 42 U.S.C. § 4370m, et seq., including any coordinated project plan, permitting timetable, federal permitting dashboard entry, or related federal-state coordination process.

(5) Federal permitting dashboard. – The online database maintained by the Executive Director of the Federal Permitting Improvement Steering Council to track the status of environmental reviews and authorizations for projects subject to the requirements of the FAST-41 process.

(6) Project sponsor. – A person or entity that is seeking a Department authorization for a critical energy infrastructure project that is either of the following:

a. A covered project, as defined in 42 U.S.C. § 4370m(6).

b. Any other project for which a specific entry has been created on the federal permitting dashboard, as authorized under 42 U.S.C. § 4370m-2(b)(2)(A)(iii).

(7) Secretary. – The Secretary of Environmental Quality.

(b) Mandatory Participation. – Notwithstanding any other provision of law, upon written request from a project sponsor, the Department shall fully participate in the FAST-41 process for any critical energy infrastructure project requiring a Department authorization. The Department shall not decline, delay, or refuse participation in the FAST-41 process when requested by a project sponsor.

(c) Required Department Actions. – For any project subject to subsection (b) of this section, the Department shall do all of the following:

(1) Designate a Department employee to serve as the single point of contact within five business days after receiving the project sponsor's written request.

(2) Identify each Department authorization that may be required for the project within 15 business days after receiving the project sponsor's written request.

(3) Participate in all meetings, consultations, coordination calls, schedule-setting discussions, and other activities requested by the project sponsor, the Federal Permitting Improvement Steering Council, the facilitating or lead federal agency, as applicable, or any other federal agency involved in the FAST-41 process.

(4) Provide proposed target dates, intermediate milestones, and final decision deadlines for each Department authorization, for purposes of inclusion in any coordinated project plan, permitting timetable, federal permitting dashboard entry, memorandum of understanding, or other FAST-41 coordination document.

(5) Agree to the inclusion of Department authorization milestones in the FAST-41 permitting timetable or federal permitting dashboard to the maximum extent allowed by State and federal law.

(6) Conduct Department review concurrently with federal environmental review and authorization processes, except when otherwise prohibited by State or federal law.

(7) Coordinate with federal agencies to use shared application materials, technical studies, environmental documents, public comments, and agency analyses to avoid duplicative review.

(8) Complete review of each complete application for a Department authorization consistent with the applicable FAST-41 permitting timetable.

(d) Complete Applications; Requests for Additional Information. – If the Department determines that an application for a Department authorization is incomplete or that additional information is required, the Department shall notify the project sponsor in writing as soon as practicable and shall identify with specificity all information needed to continue or complete review.

(e) Schedule Changes. – The Department shall not seek or agree to extend a Department authorization milestone included in a FAST-41 permitting timetable unless one of the following applies:

(1) The project sponsor materially changes the project.

(2) The project sponsor fails to provide information required by applicable law after receiving written notice under subsection (d) of this section.

(3) The extension is necessary to comply with State or federal law.

(4) The Secretary determines in writing that extraordinary circumstances make the existing milestone impracticable.

(f) Legislative Notice. – If the Department misses a final decision deadline for a Department authorization included in a FAST-41 permitting timetable by more than 30 days, the Secretary shall submit a written report to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the chairs of the House Appropriations Committee on Agriculture and Natural and Economic Resources. The report shall identify the critical energy infrastructure project, the missed deadline, the reason for the delay, any actions taken by the Department to resolve the delay, and the expected date of final agency action.

(g) State and Federal Law Not Affected. – Nothing in this section shall be construed to waive or modify any substantive State or federal permitting standard, public notice requirement, public hearing requirement, environmental protection requirement, or requirement for administrative or judicial review. Nothing in this section shall be construed as requiring the Department to approve any application for a permit, certification, concurrence, consistency determination, or any other authorization required from the Department for a project.

(h) Construction. – This section shall be liberally construed to require active, timely, and good-faith participation on behalf of the Department in the FAST-41 process and to ensure that State permitting actions for critical energy infrastructure are coordinated with federal environmental review and authorization schedules to the maximum extent allowed by law."

SECTION 12.7.(b) This section is effective when it becomes law and applies to requests from project sponsors received by the Department on or after that date.

VIOLATIONS REPORTING TO UTILITIES COMMISSION

SECTION 12.8. Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.25. Report on violations by water or wastewater public utilities to the Utilities Commission.**

(a) The Department of Environmental Quality shall notify the Utilities Commission whenever it finds that a water or wastewater public utility, regulated by the Commission under Chapter 62 of the General Statutes, has committed three or more violations within a 12-month period of an environmental permit or law administered by the Department. In implementing this section, the Department, in partnership with the Commission, shall develop and maintain an online reporting system that contains updated information on the compliance status of each water or wastewater public utility with respect to any applicable environmental permit or law administered by the Department.

(b) Pursuant to G.S. 62-34, the Utilities Commission may investigate and inspect a water or wastewater public utility in violation of any environmental permit or law. In accordance with the authority granted under G.S. 62-42, the Utilities Commission may order the water or wastewater public utility to take remedial actions necessary to reasonably and adequately serve the public convenience and necessity."

COASTAL STORMWATER RETROFIT PILOT COST-SHARE ASSISTANCE PROGRAM

SECTION 12.9.(a) Grant Funds for DEQ Coastal Stormwater Permitting. – Notwithstanding any provision of S.L. 2023-134 or the Committee Report referenced in Section 43.2 of that act to the contrary, of the funds allocated to the Department of Environmental Quality (Department) by Section 5.6(f)(17)a. of S.L. 2023-134 to provide a directed grant to the North Carolina Coastal Federation, Inc. (Coastal Federation), a nonprofit corporation, to establish and administer the Stormwater Retrofit Pilot Cost-Share Program (Program) established in Section 5.6(h) of S.L. 2023-134, the Coastal Federation may use funds to provide a grant to the Department to be used to support a time-limited position in the Division of Energy, Mineral, and Land Resources to provide compliance assistance for existing stormwater permit holders. The Department may accept grant funds from the Coastal Federation and use the funds to support a time-limited position in the Division of Energy, Mineral, and Land Resources to provide compliance assistance for existing stormwater permit holders. Funds received by the Department from the Coastal Federation are hereby appropriated for the purposes provided in this subsection.

SECTION 12.9.(b) Stormwater Permit Modifications. – Notwithstanding the requirements of 15A NCAC 02H .1040(7), the Director of the Division of Energy, Mineral, and Land Resources of the Department (Director) may approve on a case-by-case basis an application, submitted by a stormwater permit holder who has received grant funding under the Stormwater Retrofit Pilot Cost-Share Program established in Section 5.6(h) of S.L. 2023-134, to modify an existing stormwater permit if the Director certifies that the proposed modifications will improve current stormwater management performance to the maximum extent practicable in respect to current site conditions and that water quality standards and best usages will not be threatened. Upon certifying a proposed modification to a stormwater permit pursuant to this subsection, the Director may do any of the following:

(1) Update modified permits to reflect actual, as-built conditions based on applicant-provided maps and documentation, including drainage areas and built-upon areas.

(2) Allow the use of the design storm in effect at the time the original permit was issued when it is not feasible for the applicant to meet current requirements, provided that the stormwater control measures are designed to capture and treat stormwater volume to the maximum extent practicable.

(3) Allow the use of stormwater control measures that do not meet all applicable minimum design criteria adopted by the Department in 15A NCAC 02H .0150 through 15A NCAC 02H .0162.

(4) Allow the use of new or innovative stormwater technologies that have not yet been approved pursuant to 15A NCAC 02H .1050(15), upon an initial showing by the applicant, using a design justified and sealed by a licensed professional engineer, that water quality standards and best usages will be protected in perpetuity based on siting, site preparation, design, construction, and maintenance of the stormwater technology, as evidenced through sufficient scientific and engineering studies.

(5) Allow a combination of structural and non-structural approaches, including volume-matching, distributed practices, and site-scale retrofits, in order to approve hydrologic function and pollutant reduction.

SECTION 12.9.(c) Applicant Demonstration. – An applicant to modify an existing stormwater permit in accordance with subsection (b) of this section shall demonstrate to the satisfaction of the Director all of the following:

(1) The applicant received grant funding from the North Carolina Coastal Federation, Inc., a nonprofit corporation, under the Stormwater Retrofit Pilot Cost-Share Program established under Section 5.6(h) of S.L. 2023-134.

(2) Noncompliance with 15A NCAC 02H .1000 is not the result of willful, intentional, or negligent actions by the current property owner.

(3) Full compliance cannot be reasonably achieved solely through operational and maintenance measures.

(4) The existence of practical difficulties or hardships due to the physical nature of the project that prevents strict compliance with 15 NCAC 02H .1000, including size, shape, topography, or unique characteristics of existing development.

(5) The proposed modifications will improve current stormwater management performance to the maximum extent practicable compared with the current site conditions.

(6) Water quality standards and best usages will not be threatened.

(7) The project is designed such that impacts to surface waters from pollutants present in stormwater from the site will be mitigated to the maximum extent practicable.

SECTION 12.9.(d) Compliance with Federal Law Not Affected. – Nothing in subsection (b) or (c) of this section shall be construed to abrogate the Department's authority to impose and enforce federal stormwater control requirements or obviate the need for a permit holder to comply with such requirements.

FLOOD RESILIENCY BLUEPRINT POSITIONS

SECTION 12.10.(a) Funds appropriated in this act from the General Fund to the Department of Environmental Quality to implement the Flood Resiliency Blueprint (Blueprint) under Section 5.9(c) of S.L. 2021-180, as amended, shall be used to provide funding for six time-limited positions to continue implementation of the Blueprint as set forth in Section 5.6(f)(10) of S.L. 2023-134.

SECTION 12.10.(b) The positions authorized in subsection (a) of this section are exempt from the State Human Resources Act, Chapter 126 of the General Statutes, except for Articles 6 and 7 of that Chapter. The positions shall remain time-limited positions. Neither the positions nor the appointments to them shall be converted to permanent, and no employee, while holding these positions, shall be designated as having a permanent appointment or accrue career State employee status by reason of holding the position without further legislative authorization. These positions exist only as long as the funds provided in subsection (a) of this section remain available, and the Department may terminate the positions and separate the employees when those funds are exhausted, reduced, or otherwise unavailable.

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."

QUADRIENNIAL FEE MODIFICATIONS

SECTION 12.12.(a) G.S. 143B-279.19(a) reads as rewritten:

"**§ 143B-279.19. Quadriennial adjustment of certain fees and rates.**

(a) Adjustment for Legislatively Mandated Salaries and Benefits. – Beginning July 1, 2025, and every four 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 during the prior two ~~bienniums.~~ bienniums; provided, however, that any increase in a fee or rate under this subsection shall not exceed the cost of service being provided. 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) Notwithstanding G.S. 143B-279.19(a), for the initial adjustment to fees imposed on non-Title V facilities under G.S. 143-215.3(a)(1b), the adjustment shall reflect only the change in the Consumer Price Index since the effective date of this section.

SECTION 12.12.(c) This section becomes effective July 1, 2026.

REVISE MOTOR VEHICLE EMISSIONS INSPECTION REQUIREMENTS

SECTION 12.13.(a) G.S. 143-215.107A(c), as amended by Section 12.7 of S.L. 2023-134, reads as rewritten:

"(c) ~~Counties~~ Areas Covered. – Motor vehicle emissions inspections shall be performed in ~~Mecklenburg County.~~areas of the State (i) classified by the United States Environmental Protection Agency (EPA) as not attaining the National Ambient Air Quality Standards for ozone or carbon monoxide (CO) and where the Commission determines that a motor vehicle emissions inspection program is required by federal law to achieve attainment with National Ambient Air Quality Standards and (ii) that are currently attaining the National Ambient Air Quality Standards for ozone or CO, but where the Commission finds that motor vehicle emissions inspection programs are necessary to preclude a violation of a current or pending revision to National Ambient Air Quality Standards for ozone or CO. For purposes of this section, a revision to a National Ambient Air Quality Standard is pending if the EPA has proposed the revision in order to comply with the periodic review requirements of 42 U.S.C. § 7409(d)."

SECTION 12.13.(b) Subsection (a) of this section becomes effective 15 days after the date that the United States Environmental Protection Agency approves an amendment to the North Carolina State Implementation Plan that removes Mecklenburg County from the State's motor vehicle emissions inspection and maintenance program. The Secretary of the Department of Environmental Quality shall (i) provide notice of the EPA approval to the Revisor of Statutes no later than 15 days after the approval becomes effective and (ii) provide notice of the EPA approval along with the effective date of this section on its website and by written or electronic notice to emissions inspection mechanic license holders, emissions inspection station licensees, and self-inspector licensees in the county where motor vehicle emissions inspection requirements are removed by this section. The remainder of this section is effective when it becomes law.

SECTION 12.13.(c) Section 12.7(d) of S.L. 2023-134 reads as rewritten:

"**SECTION 12.7.(d)** Subsections (a) and (b) of this section become effective ~~on the first day of a month that is 60 days after the Secretary of the Department of Environmental Quality certifies to the Revisor of Statutes that the United States Environmental Protection Agency has approved~~ 15 days after the date that the United States Environmental Protection Agency approves an amendment to the North Carolina State Implementation Plan submitted as required by subsection (c) of this section and applies to motor vehicles inspected, or due to be inspected, on

or after that date. The Secretary of the Department of Environmental Quality shall (i) provide notice of the EPA approval to the Revisor of Statutes no later than 15 days after the approval becomes effective and (ii) provide this notice of approval along with the effective date of this section on its website and by written or electronic notice to emissions inspection mechanic license holders, emissions inspection station licensees, and self-inspector licensees in the county where motor vehicle emissions inspection requirements are removed by this section. The remainder of this section is effective when it becomes law."

DOWNSTREAM INUNDATION MAPS

SECTION 12.14.(a) 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 12.14.(b) 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.

…."

SCRAP TIRE AMENDMENTS

SECTION 12.15.(a) G.S. 105-187.19(b) reads as rewritten:

"(b) Each quarter, the Secretary shall credit thirty percent (30%) of the net tax proceeds to the Scrap Tire Disposal Account. ~~In the event the amount in the Account exceeds three hundred thousand dollars ($300,000) at the end of any fiscal year, such excess shall be credited to the Highway Fund.~~ On or after October 1 of each year, the Secretary and the State Controller shall determine the total of net tax proceeds credited to the Account during the prior fiscal year and transfer the unencumbered and unobligated portion of that balance in excess of three hundred thousand dollars ($300,000) to the Highway Fund. The Secretary shall distribute the remaining seventy percent (70%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer."

SECTION 12.15.(b) G.S. 130A-309.63(b) reads as rewritten:

"(b) Use. – The Department may use revenue in the Account only as authorized by this section.

…

(4) The Department may use the remaining revenue in the Account only to clean ~~up~~ up: (i) abandoned scrap tires where the Department has determined the potential for a nuisance exists or a responsible party cannot be identified and (ii) illegal scrap tire collection sites that the Department has determined are a nuisance. The Department may use funds in the Account to clean up a nuisance tire collection site only if no other funds are available for that purpose."

SECTION 12.15.(c) G.S. 130A-309.63(b)(2) reads as rewritten:

"(2) The Department may use up to fifteen percent (15%) of the revenue in the Account to make grants to encourage the use of processed scrap tire materials. These grants may be made to encourage the use of tire-derived fuel, crumb rubber, carbon black, or other components of tires for use in products such as fuel, tires, mats, auto parts, gaskets, flooring material, or other applications of processed tire materials. These grants shall be made in consultation with the Department of Commerce, the Division of Environmental Assistance and ~~Outreach~~ Customer Service of the Department, and, where appropriate, the Department of Transportation. ~~Grants to encourage the use of processed scrap tire materials shall not be used to process tires.~~"

SECTION 12.15.(d) G.S. 130A-309.09C(g) reads as rewritten:

"(g) In addition to any other penalties provided by law, a unit of local government that does not comply with the requirements of G.S. 130A-309.09A(b), G.S. 130A-309.09A(d), and G.S. 130A-309.09B(a) shall not be eligible for grants from ~~the Solid Waste Management Trust Fund,~~ the Scrap Tire Disposal Account, or the White Goods Management Account and shall not receive the proceeds of the scrap tire disposal tax imposed by Article 5B of Chapter 105 of the General Statutes or the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105 of the General Statutes to which the unit of local government would otherwise be entitled. The Secretary shall notify the Secretary of Revenue to withhold payment of these funds to any unit of local government that fails to comply with the requirements of G.S. 130A-309.09A(b), G.S. 130A-309.09A(d), and G.S. 130A-309.09B(a). Proceeds of the scrap tire disposal tax that are withheld pursuant to this subsection shall be credited to the Highway Fund. Proceeds of the white goods disposal tax that are withheld pursuant to this subsection shall be credited to the Highway Fund."

SECTION 12.15.(e) G.S. 130A-309.06(c)(8) is repealed.

UST EXPRESS CERTIFICATION

SECTION 12.16.(a) G.S. 143-215.94U reads as rewritten:

"**§ 143-215.94U. Registration of petroleum commercial underground storage tanks; operation of petroleum underground storage tanks; operating permit required.**

(a) The owner or operator of each petroleum commercial underground storage tank shall annually obtain an operating permit from the Department for the facility at which the tank is located. The Department shall issue an operating permit only if the owner or operator has done all of the following:

(1) Notified the Department of the existence of all tanks as required by 40 Code of Federal Regulations § 280.22 (1 July 1994 Edition) or 42 U.S.C. § 6991a, if applicable, at the facility.

…

(7) Received certification from the Department for all commercial petroleum underground storage tanks installed or replaced at the facility.

(8) If applicable, paid all fees related to express certification of newly installed or replaced tanks.

…."

SECTION 12.16.(b) G.S. 143B-279.13 reads as rewritten:

"**§ 143B-279.13. Express permit and certification reviews.**

(a) The Department of Environmental Quality shall develop an express review program to provide express permit and certification reviews in all of its regional offices. Participation in the express review program is voluntary, and the program shall be supported by the fees determined pursuant to subsection (b) of this section. The Department of Environmental Quality shall determine the project applications to review under the express review program from those who request to participate in the program. The express review program may be applied to any one or all of the permits, approvals, or certifications in the following programs: (i) the erosion and sedimentation control program, (ii) the coastal management program, ~~and~~ (iii) the water quality programs, including water quality certifications and stormwater ~~management.~~ management, and (iv) the waste management program, including underground storage tank certifications. The express review program shall focus on the following permits or certifications:

…

(6) Underground storage tanks installation and replacement certifications under Part 2B of Article 21A of Chapter 143 of the General Statutes."

…

(b) The Department of Environmental Quality shall set the fees for express application review under the express review program at a level sufficient to cover all program expenses. Notwithstanding G.S. 143-215.3D, the maximum permit application fee to be charged under subsection (a) of this section for the express review of a project application requiring all of the permits under subdivisions (1) through (5) of subsection (a) of this section shall not exceed five thousand five hundred dollars ($5,500). Notwithstanding G.S. 143-215.3D, the maximum permit application fee to be charged for the express review of a project application requiring all of the permits under subdivisions (1) through (4) of subsection (a) of this section shall not exceed four thousand five hundred dollars ($4,500). Notwithstanding G.S. 143-215.3D, the maximum permit application fee charged for the express review of a project application for any other combination of permits under subdivisions (1) through (5) of subsection (a) of this section shall not exceed four thousand dollars ($4,000). The maximum permit application fee to be charged for the express review of a project application under subdivision (6) of subsection (a) of this section shall not exceed four thousand dollars ($4,000).

(b1) As set forth in subsection (a1) of this section, express review of a project application involving additional permits or certifications issued by the Department of Environmental Quality other than those under subdivisions (1) through (5) of subsection (a) of this section may be

allowed by the Department, and, notwithstanding G.S. 143-215.3D or any other statute or rule that sets a permit fee, the maximum permit application fee charged for the express review of a project application that includes a permit, approval, or certification designated for express review under subsection (a1) of this section shall not exceed four thousand dollars ($4,000), plus one hundred fifty percent (150%) of the fee that would otherwise apply by statute or rule for that particular permit, approval, or certification.

(b2) Additional fees, not to exceed fifty percent (50%) of the original permit application fee under this section, may be charged for subsequent reviews due to the insufficiency of the permit applications.

(b3) The Department of Environmental Quality may establish the procedure by which the amount of the fees under this subsection is determined, and the fees and procedures are not rules under G.S. 150B-2(8a) for the express review program under this section.

…."

CLARIFY REQUIREMENTS FOR HAZARDOUS WASTE RECYCLING

SECTION 12.17. 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 12.18.(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 12.18.(b) This section becomes effective January 1, 2027.

BEACH AND INLET MANAGEMENT PLAN AND REPORT

SECTION 12.19.(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 12.19.(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~~ Environmental Quality 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 12.19.(c) Notwithstanding G.S. 143-215.73O(c), the Department of Environmental Quality shall submit the revised beach and inlet management plan to the General Assembly no later than July 1, 2027. In subsequent odd-numbered years, the Department shall submit the revised plan by March 1 of that year, as provided in G.S. 143-215.73O(c).

SECTION 12.19.(d) The Department of Environmental Quality shall provide an interim report no later than December 1, 2026, on its progress toward updating the beach and inlet management plan and meeting the July 1, 2027, deadline set forth in subsection (c) of this section. The report shall be provided to the Environmental Review Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division.

EXTEND SHELLFISH LEASE MORATORIUM IN THE NEW HANOVER COUNTY AREA

SECTION 12.20.(a) Section 7 of S.L. 2019-37, as amended by Section 12.3 of S.L. 2021-180, reads as rewritten:

"**SECTION 7.** Notwithstanding G.S. 113-202 and G.S. 113-202.1, a moratorium on new shellfish cultivation leases and new water column leases for aquaculture shall be imposed for all those waters enclosed by a line beginning at 34° 13.10221' N -77° 48.79544' W on the mainland side near Wrightsville Beach Bridge; running southeasterly to a point at 34° 12.51584' N -77° 47.81847' W on Wrightsville Beach; following the shoreline southwesterly to a point at 34° 11.121' N -77° 48.848' W at Masonboro Inlet; running southwesterly to a point at 34° 10.927' N -77° 48.771' W at Masonboro Inlet; continuing southwesterly to a point at 34° 05.04108' N -77° 52.08324' W near IWW marker #159 continuing running southwesterly to a point at 34° 03.64140' N -77° 53.41338' W on the mainland adjacent to the eastern mouth of Snow's Cut; running northeasterly along the shoreline to the point of beginning. The moratorium shall expire ~~July 1, 2026.~~ July 1, 2028. For purposes of this section, a new shellfish cultivation lease or water column lease shall include applications for either type of lease received by the Secretary, but not granted as of July 1, 2019."

SECTION 12.20.(b) This section becomes effective June 30, 2026, and applies to the Department's consideration of applications for shellfish leases submitted to the Department on or after that date, as well as applications for a new shellfish cultivation lease or a new water column lease received by the Secretary but not granted as of July 1, 2019.

COASTAL RESERVE AGENCY AUTHORITY

SECTION 12.21. G.S. 113A-129.2 reads as rewritten:

"**§ 113A-129.2. Coastal Reserve Program.**

(a) There is hereby created a North Carolina Coastal Reserve System for the purpose of acquiring, improving, and maintaining undeveloped coastal land and water areas in a natural state.

(b) This system shall be established and administered by the Department of Environmental ~~Quality. In so doing the Department shall consult with and seek the ongoing advice of~~ Quality, subject to: (i) use standards adopted for the system by the Coastal Resources Commission and (ii) permits and orders issued by the Coastal Resources ~~Commission.~~ Commission concerning activities allowed in the system. The Department may by rule define the areas to be included in this system and set standards for its use.

(c) This system shall be established within the coastal area as defined by G.S. 113A-103(2).

(d) All acquisitions or dispositions of property for lands within this system shall be in accordance with the provisions of Chapter 146 of the General Statutes.

(e) All lands and waters within the system shall be used primarily for research and education. Other public uses, such as hunting, fishing, navigation, and recreation, shall be allowed to the extent consistent with these primary uses. Improvements and alterations to the lands shall be limited to those consistent with these uses.

(f) With respect to any component of the system that is also a dedicated nature preserve pursuant to Part 42 of Article 2 of Chapter 143B of the General Statutes, the Department and the

Commission, in accordance with the authority granted to each pursuant to subsection (b) of this section, shall act as primary custodian to manage such components, in accordance with the articles of dedication. The Secretary of Natural and Cultural Resources shall monitor these preserves, and shall retain authority to report alleged violations of the approved management plan or the articles of dedication for such preserves, in which case the Secretary shall request the Department of Administration to coordinate mediation with the primary custodian. If mediation is unsuccessful in resolving the issue, the Department of Natural and Cultural Resources shall have standing and a right of action in the Superior Court of Wake County, or the county in which the component is located, to enforce the terms of any articles of dedication applicable to such components."

EMC STAFFING FUNDING FLEXIBILITY

SECTION 12.22.(a) G.S. 143B-283(b4) reads as rewritten:

"(b4) 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 duty and responsibility as provided by law. The chair shall organize and direct the work of the Commission ~~staff.~~ staff and may use the Temporary Solutions Program administered by the Office of State Human Resources at the chair's discretion to acquire new temporary employees. Any additional clerical and other services required by the Commission shall be supplied by the Secretary of the Department at the direction of the chair.

(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."

SECTION 12.22.(b) Up to one hundred fifty thousand dollars ($150,000) of the funds appropriated in any fiscal year to the Environmental Management Commission (Commission) for permanent staff may also be used to contract with public or private entities for special studies or projects that the chair of the Commission determines are needed to improve the efficiency of Commission staff in adopting rules for the protection, preservation, and enhancement of the water and air resources of the State.

AI ENVIRONMENTAL PERMIT REVIEW PILOT PROGRAM

SECTION 12.23.(a) Funds appropriated in this act from the General Fund to the Department of Environmental Quality for incorporating artificial intelligence (AI) in the permitting process shall be used to implement the pilot program set forth in this section.

SECTION 12.23.(b) AI Pilot Program; Established. – The Department of Environmental Quality, in consultation with the Department of Information Technology, shall establish a pilot program to use AI-assisted software platforms to modernize and improve the efficiency of the Department's permitting and plan review process and to address increasing workload demands across the Department's environmental permitting programs. In conducting the pilot program, the Department shall enter into a contract with a third-party vendor that can furnish a software platform capable of providing AI-assisted review of permit and license applications across multiple environmental permitting programs. This contract shall not be subject to Article 3 or Article 8 of Chapter 143 of the General Statutes. The Department shall, in selecting a software vendor to furnish an AI-assisted platform, give significant weight to a vendor's demonstrated ability to offer data security and privacy protections and to facilitate

improved accuracy and permit processing times for government-sector customers. Furthermore, the software vendor chosen by the Department must meet the following minimum qualifications:

(1) The vendor, in addition to any parent entity, must be incorporated and headquartered in the United States and maintain all data collected, stored, or processed under the contract on servers physically located in the United States.

(2) The vendor's platform must be capable of providing AI-assisted review of permit and license applications across multiple environmental permitting programs, including programs related to air quality, wastewater, stormwater, solid waste, underground storage tanks, mining, well construction, erosion and sedimentation control, riparian buffers, surface and ground water withdrawals, coastal development, and marine fisheries and aquaculture. A platform that is limited to only construction or building permits does not meet this qualification.

(3) The vendor must demonstrate existing or previous deployments or pilots with State-level government agencies. A vendor that only has experience working with municipal or county building departments does not meet this qualification.

(4) The vendor's platform must feature an AI-native architecture, purposefully designed to utilize AI technology. A legacy platform retrofitted to enable the use of AI technology on the platform does not meet this qualification.

(5) The vendor's platform must feature both an applicant-facing, pre-submission compliance tool and a staff-facing, first-review tool as part of a single, integrated platform. These capabilities shall not be offered as separate, stand-alone products requiring separate vendor relationships.

(6) The vendor's platform must support AI-assisted review of regulatory filing documents, including narrative applications, financial disclosures, compliance certifications, structured forms, and handwritten materials. A platform that is limited to reviewing architectural drawings, computer-aided design (CAD) files, building information modeling (BIM) files, or construction plans does not meet this qualification.

SECTION 12.23.(c) Report. – Beginning March 1, 2027, the Department of Environmental Quality shall report on a quarterly basis until the pilot program has been fully implemented to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. The quarterly report shall include all of the following:

(1) A detailed summary of any contracts awarded by the Department to third-party vendors providing AI-assisted software platforms.

(2) A detailed description of the specific capabilities of the AI-assisted software platform utilized by the Department and how this platform was utilized by the Department to assist with specific environmental permitting programs.

(3) An analysis of any insights or lessons learned from the Department's efforts to incorporate AI-assisted software platforms in environmental permitting programs.

(4) An itemized estimate of the costs of implementing the pilot program.

(5) Any recommendations pertaining to the implementation of a future program to incorporate AI-assisted software platforms in environmental permitting programs, including cost estimates and staffing requirements.

(6) Any recommendations of statutory changes required to incorporate, on a more comprehensive and permanent basis, AI-assisted software platforms throughout the Department's multiple environmental permitting programs.

PART XIII. LABOR

ELEVATOR PERMIT MODIFICATION

SECTION 13.1. Notwithstanding any provision of law to the contrary, the maximum fee set forth in G.S. 95-110.5A(b) for a new or alteration construction permit shall not exceed twenty-five thousand dollars ($25,000) for an eligible permit applicant. The Department of Labor (Department) shall reimburse eligible permit applicants the amount of the permit application fee submitted that exceeds twenty-five thousand dollars ($25,000). For purposes of this section, an "eligible permit applicant" is an applicant who (i) executed an alteration or installation contract on or before July 7, 2025, and (ii) applied for a permit under G.S. 95-110.5A(b) on or before July 1, 2026. Eligible permit applicants shall submit all relevant documentation required by the Department to substantiate the reimbursement required by this section in a manner provided by the Department.

EXEMPT DEPARTMENT OF LABOR FROM CERTAIN PROCUREMENT, CONTRACT, AND PUBLIC CONTRACT REQUIREMENTS

SECTION 13.2.(a) Article 1 of Chapter 95 of the General Statutes is amended by adding a new section to read:

"**§ 95-14.2. Exemption of Department of Labor from certain purchasing and contracting requirements.**

The Department of Labor may elect to be exempted from oversight by the Department of Administration on the matters of purchasing, contracts, acquisition and maintenance of real property, and leasing of office space under G.S. 143-341(2), (4)d., (4)d1., and (8)d. and Article 6 of Chapter 146 of the General Statutes. The election allowed by this section shall be made in writing by the Commissioner of Labor and shall be sent to the Secretary of Administration. Any acquisition of real property made by the Department pursuant to this section is subject to approval by the Council of State."

SECTION 13.2.(b) This section is effective when it becomes law and applies to purchases made, contracts entered into, or other actions taken by the Department of Labor on or after that date.

CREATE THE BUILDING CODES AND INTERPRETATIONS BUREAU

SECTION 13.3.(a) Chapter 95 of the General Statutes is amended by adding a new Article to read:

"Article 24.

"Building Codes and Interpretations Bureau.

"**§ 95-280. Establish Building Codes and Interpretations Bureau.**

(a) The Building Codes and Interpretations Bureau is created within the Department of Labor, and the Bureau shall exercise its powers and duties as prescribed by this Article. The Department of Labor shall provide administrative, clerical, and any other support services to the Bureau for the purpose of carrying out its powers and duties under this Article and the laws of this State. The Department of Labor may enter into one or more memoranda of understanding with the Department of Insurance, the Office of the State Fire Marshal, or both, regarding additional support services or assistance to be provided to the Bureau. A memorandum of understanding entered into under this subsection shall specify the scope and duration of any services or assistance to be provided, the procedures for requesting and providing those services or assistance, and any cost allocation or reimbursement responsibilities of the parties. A

memorandum of understanding may also address the sharing or transfer of records and information, access to information systems, technical assistance, subject-matter expertise, administrative or clerical support, budgetary, human resources, information technology, or legal support, confidentiality, data security, and any other matter the parties determine necessary for the Bureau to carry out its powers and duties under this Article.

(b) In addition to the duties prescribed by this Article, the Bureau shall manage the work of the following:

(1) Building Code Council, Article 9 of Chapter 143 of the General Statutes.

(2) Residential Code Council, Article 9 of Chapter 143 of the General Statutes.

(3) Code Interpretations Section.

(c) The head of the Bureau is the Director, who shall have the authority as is necessary to direct and oversee the Bureau and may delegate any duties and responsibilities necessary to ensure proper management of the Bureau. The Director shall be appointed by and serve at the pleasure of the Commissioner of Labor. In any action, proceeding, or matter of any kind, to which the Director is a party or in which the Director may have an interest, all pleadings, legal notices, and other legal documents may be signed and verified on behalf of the Director by any other agent or employee of the Bureau so authorized by the Director. The Commissioner may delegate any powers, duties, and responsibilities that the Commissioner determines will best serve the public interest to the Director of the Building Codes and Interpretations Bureau.

"**§ 95-281. State Building Code Regulatory Fund; State Building Code regulatory fee; fee remittance.**

(a) Special Fund. – A special fund in the Department of Labor, the State Building Code Regulatory Fund, is created. The fees collected pursuant to this section shall be deposited in the State Building Code Regulatory Fund. The Department shall use all funds credited to the Fund to support the Building Codes and Interpretations Bureau.

(b) State Building Code Regulatory Fee. – In addition to building permit fees levied by local governments pursuant to G.S. 160D-402, each building permit applicant shall pay a State Building Code regulatory fee for the costs incurred by the Building Codes and Interpretations Bureau of the Department of Labor in administering, developing, interpreting, providing technical assistance on, and supporting the consistent application of the North Carolina State Building Code, as defined in G.S. 143-138, including the enforcement of interpretations and decisions pursuant to G.S. 95-283. Local governments shall collect this fee in the following amounts:

(1) One hundred dollars ($100.00), with all building permits issued for the construction of buildings and structures subject to the North Carolina Building Code.

(2) Twenty-five dollars ($25.00), with all building permits issued for the construction of buildings and structures subject to the North Carolina Residential Code.

(3) Ten dollars ($10.00), with all building permits issued for work subject to the North Carolina State Building Code other than described in subdivisions (1) and (2) of this subsection.

(c) Local Government Remittance to the Fund. – The local government shall remit funds collected pursuant to subsection (b) of this section to the Department of Labor on a quarterly basis to be credited to the State Building Code Regulatory Fund. With each quarterly remittance, the local government shall also submit to the Department of Labor a report stating the number of building permits issued during the quarter for each category of permit described in subdivisions (1), (2), and (3) of subsection (b) of this section.

(d) Miscellaneous Fees. – Except for fees collected under G.S. 143-138.1(a), 143-139.4(h), and 143-143.4(b)(5), all fees collected under Article 9 of Chapter 143 of the General Statutes shall be credited to the State Building Code Regulatory Fund.

"**§ 95-282. Administration of laws; adopt rules.**

The Commissioner shall administer the provisions of this Article and as otherwise provided by law. The Commissioner is authorized to adopt rules in accordance with Chapter 150B of the General Statutes in order to enforce, carry out, and make effective the provisions of this Article. The Commissioner is prohibited from adopting any rule that relates to the responsibilities of the Building Code Council and the Residential Code Council, established pursuant to Article 9 of Chapter 143 of the General Statutes.

"**§ 95-283. Peremptory mandamus to enforce interpretations and decisions.**

(a) If a local government fails to apply or implement an interpretation or decision of the Bureau, Building Code Council, or Residential Code Council, the Bureau may apply to a superior court judge who has jurisdiction for a writ of peremptory mandamus. If said judge shall find that the interpretation or decision of the Bureau, Building Code Council, or Residential Code Council was valid and within the scope of its powers, the court shall issue such writ of peremptory mandamus.

(b) An appeal shall lie to the Court of Appeals for the refusal or the grant of such peremptory mandamus.

"**§ 95-284. Court appearances.**

Whenever the Director or any employee of the Bureau is requested or subpoenaed to testify as an expert witness in any civil or administrative action, the party making the request or filing the subpoena and on whose behalf the testimony is given shall, upon receiving a statement of the cost from the Director, reimburse the Bureau for the actual time and expenses incurred by the Bureau in connection with the testimony.

"**§ 95-285. Referral to North Carolina Code Officials Qualification Board.**

Whenever the Commissioner has reason to believe that the local inspectors or local investigators are not doing their duty in applying the North Carolina State Building Code, as amended, and interpretations of the Code, the Commissioner shall refer any information of conduct which violates Article 9C of Chapter 143 of the General Statutes to the North Carolina Code Officials Qualification Board for review.

"**§ 95-286. Bureau personnel.**

The Bureau may hire such additional personnel as may be necessary to handle the work of the Bureau, within the limits of funds appropriated to it by the General Assembly or available within the State Building Code Regulatory Fund, established pursuant to G.S. 95-281."

SECTION 13.3.(b) G.S. 126-5(c1) reads as rewritten:

"(c1) Except as to Articles 6 and 7 of this Chapter, this Chapter does not apply to any of the following:

…

(5) Officials or employees whose salaries are fixed by the General Assembly, or by the Governor, or by the Governor and Council of State, or by the Governor subject to the approval of the Council of State.

(5a) Employees of the Building Codes and Interpretations Bureau established pursuant to Article 24 of Chapter 95 of the General Statutes.

(6) Employees of the Office of the Governor that the Governor, at any time, in the Governor's discretion, exempts from the application of this Chapter by means of a letter to the Director of the Office of State Human Resources designating these employees.

…."

SECTION 13.3.(c) This section becomes effective January 1, 2027.

CONFORMING CHANGES RELATED TO THE BUILDING CODES AND INTERPRETATIONS BUREAU

SECTION 13.4.(a) G.S. 58-78A-1 reads as rewritten:

"**§ 58-78A-1. Office of the State Fire Marshal.**

…

(b) The Office of the State Fire Marshal shall be responsible for all of the following:

(1) State Fire and Rescue Commission, Article 78 of this Chapter.
(2) Investigation of Fires and Inspection of Premises, Article 79 of this Chapter.
(3) State Volunteer Fire Department, Article 80 of this Chapter.
(4) Pyrotechnics Training and Permitting, Article 82A of this Chapter.
(5) Management of Aqueous Film-Forming Foams, Article 82B of this Chapter.
(6) Local Firefighters' Relief Funds, Article 84 of this Chapter.
(7) Statewide Firefighters' Relief Fund, Article 85 of this Chapter.
(8) State Fire Protection Grant Fund, Article 85A of this Chapter.
(9) North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, Article 86 of this Chapter.
(9a) Firefighters' Cancer Insurance Program, Article 86A of ~~Chapter 58 of the General Statutes.~~this Chapter.
(10) Volunteer Safety Workers Assistance, Article 87 of this Chapter.
(11) Rescue Squad Workers' Relief Fund, Article 88 of this Chapter.
~~(12) Building Code Council and Residential Code Council, Article 9 of Chapter 143 of the General Statutes.~~
(13) North Carolina Manufactured Housing Board-Manufactured Home Warranties, [Article 9A of Chapter 143 of the General Statutes].
(14) Uniform Standards Code for Manufactured Homes, Article 9B of this Chapter [Article 9B of Chapter 143 of the General Statutes].
(15) North Carolina Code Officials Qualification Board, Article 9C of this Chapter [Article 9C of Chapter 143 of the General Statutes].
(16) North Carolina Home Inspector Licensure Board, Article 9F of this Chapter [Article 9F of Chapter 143 of the General Statutes].
(17) ~~Engineering and Building Codes~~ Division of Engineering in the Department of Insurance.
(18) Risk Management Division in the Department of Insurance.
(19) Community Risk Reduction Division in the Department of Insurance.
(20) Ratings and Inspections.
(21) Grants and Governmental Services.

…."

SECTION 13.4.(b) G.S. 143A-78 is repealed.

SECTION 13.4.(c) G.S. 143-136(d) reads as rewritten:

"(d) Duties. – The Building Code Council shall review and consider any proposal for revision or amendment to the North Carolina State Building Code volumes, as specified in G.S. 143-138(a), and any other code applicable to commercial or multi-family construction. The Council shall oversee revision of codes as specified in G.S. 143-138(a) and applicable to commercial or multi-family construction pursuant to G.S. 143-138(d). The Council shall also consider any appeal or interpretation arising under G.S. 143-141 pertaining to Code volumes, as set forth in G.S. 143-138(a), and codes applicable to commercial or multi-family construction and make disposition of the appeal or issue an interpretation. Notwithstanding any other provision of this Article, the Building Code Council shall have exclusive authority under this Article to prepare, adopt, amend, promulgate, and review the Code volumes and parts of the Code for which it is expressly responsible under G.S. 143-138(a) and shall have no authority to review, approve, disapprove, amend, or otherwise take action with respect to any Code volume or part of the Code that the Residential Code Council is expressly responsible for under G.S. 143-138(a)."

SECTION 13.4.(d) G.S. 143-136.1(d) reads as rewritten:

"(d) Duties. – The Residential Code Council shall review and consider any proposal for revision or amendment to the North Carolina Residential Code, and any other code applicable to residential construction as set forth in G.S. 143-138(a). The Council shall oversee revision of the North Carolina Residential Code and codes applicable to dwellings subject to the North Carolina Residential Code pursuant to G.S. 143-138(d). The Council shall also consider any appeal or interpretation arising under G.S. 143-141 pertaining to Code volumes, as specified in G.S. 143-138(a), and make disposition of the appeal or issue an interpretation. Notwithstanding any other provision of this Article, the Residential Code Council shall have exclusive authority under this Article to prepare, adopt, amend, promulgate, and review the Code volumes and parts of the Code for which it is expressly responsible under G.S. 143-138(a) and shall have no authority to review, approve, disapprove, amend, or otherwise take action with respect to any Code volume or part of the Code that the Building Code Council is expressly responsible for under G.S. 143-138(a)."

SECTION 13.4.(e) G.S. 143-137 reads as rewritten:

"**§ 143-137. Organization of Building Code Council; rules; meetings; staff; fiscal affairs.**

(a) First Meeting; Organization; Rules. – Within 30 days after its appointment, the Building Code Council shall meet on call of the ~~State Fire Marshal.~~ Commissioner of Labor. The Council shall adopt ~~rules~~ rules, policies, and guidance as it may deem necessary for the proper discharge of its duties. The chair may establish and appoint members to committees as the work of the Council may require. In addition, the chair may establish and appoint ad hoc code revision committees to consider and prepare revisions and amendments to the Code volumes, as specified in G.S. 143-138(a). Each ad hoc committee shall consist of members of the Council, licensed contractors, and design professionals most affected by the Code volume for which the ad hoc committee is responsible, and members of the public. Ad hoc committees shall meet upon the call of their respective chairs and shall report their recommendations to the Council.

…

(c) Staff. – Personnel of the ~~Division of Engineering of the Department of Insurance~~ Building Codes and Interpretations Bureau of the Department of Labor shall serve as staff for the Council, and have the following duties:

(1) Keeping an accurate and complete record of all meetings, hearings, correspondence, laboratory studies, and technical work performed by or for the Council, and making these records available for public inspection at all reasonable times.

(2) Handling correspondence for the Council.

(3) Providing additional support services to the Council as the Commissioner of Labor determines necessary for the Council to carry out its duties under this Article.

(d) Fiscal Affairs of the Council. – ~~All funds~~ Funds for the operations of the Council and its staff shall be ~~appropriated~~ comprised of funds from the State Building Code Regulatory Fund and funds appropriated to the ~~Department of Insurance~~ Department of Labor for the use of the Council. All such appropriated funds shall be held in a separate or special account on the books of the ~~Department of Insurance,~~ Department of Labor, with a separate financial designation or code number to be assigned by the ~~Department of Insurance~~ Department of Labor or its agent. Expenditures for staff salaries and operating expenses shall be made in the same manner as the expenditure of any other ~~Department of Insurance~~ Department of Labor funds. The ~~Office of the State Fire Marshal~~ Commissioner of Labor may hire such additional personnel as may be necessary to handle the work of the ~~Building Code~~ Council, within the limits of funds ~~appropriated~~ available to the ~~Department of Insurance~~ Department of Labor for the Council and with the approval of the Council.

…."

SECTION 13.4.(f) G.S. 143-137.1 reads as rewritten:

"**§ 143-137.1. Organization of Residential Code Council; rules; meetings; staff; fiscal affairs; quorum.**

(a) First Meeting; Organization; Rules. – Within 30 days after its appointment, the Residential Code Council shall meet on call of the ~~State Fire Marshal.~~ Commissioner of Labor. The Council shall adopt ~~rules~~ rules, policies, and guidance it may deem necessary for the proper discharge of its duties. The chair may establish and appoint members to any committees the work of the Council may require. In addition, the chair may establish and appoint ad hoc code revision committees to consider and prepare revisions and amendments to the North Carolina Residential Code. Each ad hoc committee shall consist of members of the Council, licensed contractors, and design professionals most affected by the North Carolina Residential Code, and members of the public. Committees shall meet upon the call of their respective chairs and shall report their recommendations to the Council.

…

(c) Staff. – Personnel of the ~~Division of Engineering of the Department of Insurance~~ Building Codes and Interpretations Bureau of the Department of Labor shall serve as staff for the Residential Code Council, and have the following duties:

(1) Keeping an accurate and complete record of all meetings, hearings, correspondence, laboratory studies, and technical work performed by or for the Council, and making these records available for public inspection at all reasonable times.

(2) Handling correspondence for the Council.

(3) Providing additional support services to the Council as the Commissioner of Labor determines necessary for the Council to carry out its duties under this Article.

(d) Fiscal Affairs of the Council. – ~~All funds~~ Funds for the operations of the ~~Residential Code~~ Council and its staff shall be ~~appropriated~~ comprised of funds from the State Building Code Regulatory Fund and funds appropriated to the ~~Department of Insurance~~ Department of Labor for the use of the Council. ~~These~~ All such appropriated funds shall be held in a separate or special account on the books of the ~~Department of Insurance,~~ Department of Labor, with a separate financial designation or code number to be assigned by the ~~Department of Insurance~~ Department of Labor or its agent. Expenditures for staff salaries and operating expenses shall be made in the same manner as the expenditure of any other ~~Department of Insurance~~ Department of Labor funds. The ~~Department of Insurance~~ Commissioner of Labor may hire any additional personnel necessary to handle the work of the Council, within the limits of funds ~~appropriated~~ available to the Department of Labor for the Council and with the approval of the Council.

…."

SECTION 13.4.(g) G.S. 143-138 reads as rewritten:

"**§ 143-138. North Carolina State Building Code.**

…

(a1) Additional Adoption Requirements. –

(1) The Building Code Council or Residential Code Council shall request the Office of State Budget and Management to prepare a fiscal note for a proposed Code change that has a substantial economic impact, as defined in G.S. 150B-21.4(b1), or that increases the cost of residential housing by eighty dollars ($80.00) or more per housing unit. The change can become effective only in accordance with G.S. 143-138(d). Neither the ~~Office of the State Fire Marshal~~ Building Codes and Interpretations Bureau of the Department of Labor nor the Councils shall be required to expend any monies to pay for the preparation of any fiscal note under this section by any person outside of the ~~Office of the State Fire Marshal~~ Building Codes and Interpretations Bureau of

the Department of Labor or Councils unless the ~~Office~~ Bureau or Councils contract with a third-party vendor to prepare the fiscal note.

(2) The responsible Council shall conduct a cost-benefit analysis for all proposed changes considered after January 1, 2018, to the North Carolina Energy Conservation Code.

…

(d) Amendments of the Code. – The Building Code Council and Residential Code Council may periodically revise and amend those parts of the North Carolina State Building Code for which those Councils are responsible, either on their own motion or upon application from any citizen, State agency, or political subdivision of the State. In addition to the periodic revisions or amendments made by the responsible Council, the Residential Code Council shall perform a comprehensive review and revise or amend the North Carolina Residential Code only every six years, to become effective the first day of January of the following year, with at least six months between adoption and effective date. The first six-year revision by the Residential Council under this subsection shall be adopted to become effective January 1, 2031, and every six years thereafter. After its appointment pursuant to G.S. 143-136.1, the Residential Code Council shall review the North Carolina Energy Conservation Code, the North Carolina Fuel Gas Code, and the North Carolina Mechanical Code as applicable to residential construction and may amend those codes and any relevant chapters of the North Carolina Residential Code, affected by that review, ~~by January 1, 2026.~~ as soon as practicable. Following the adoption of ~~amendments~~ amendments, if any, to the North Carolina Residential Code affected by that review, the North Carolina Residential Code shall also be subject to the first six-year revision under this subsection. In adopting any amendment, the Building Code Council and Residential Code Council shall comply with the same procedural requirements and the same standards for adoption of the Code. The Building Code Council and Residential Code Council, through the ~~Office of the State Fire Marshal,~~ Building Codes and Interpretations Bureau, shall publish in the North Carolina Register all appeal decisions made by the responsible Code Council and all formal opinions at least semiannually. The Building Code Council and Residential Code Council, through the ~~Office of the State Fire Marshal,~~ Building Codes and Interpretations Bureau, shall also publish at least semiannually in the North Carolina Register a statement providing the accurate website address and information on how to find additional commentary and interpretation of the Code.

…

(e) Effect upon Local Codes. – Except as otherwise provided in this section, the North Carolina State Building Code shall apply throughout the State, from the time of its adoption. Approved rules shall become effective in accordance with G.S. 150B-21.3. However, any political subdivision of the State may adopt a fire prevention code and floodplain management regulations within its jurisdiction. Provided a political subdivision shall not adopt local fire prevention code provisions which apply to dwellings subject to the North Carolina Residential Code which are not prescriptively required by the North Carolina Residential Code. The territorial jurisdiction of any municipality or county for this purpose, unless otherwise specified by the General Assembly, shall be as follows: Municipal jurisdiction shall include all areas within the corporate limits of the municipality and extraterritorial jurisdiction areas established as provided in G.S. 160D-202 or a local act; county jurisdiction shall include all other areas of the county. No such code or regulations, other than floodplain management regulations and those permitted by G.S. 160D-1128, shall be effective until they have been officially approved by the Building Code Council as providing adequate minimum standards to preserve and protect health and safety, in accordance with the provisions of subsection (c) above. Local floodplain regulations may regulate all types and uses of buildings or structures located in flood hazard areas identified by local, State, and federal agencies, and include provisions governing substantial improvements, substantial damage, cumulative substantial improvements, lowest floor elevation, protection of mechanical and electrical systems, foundation construction, anchorage, acceptable

flood resistant materials, and other measures the political subdivision deems necessary considering the characteristics of its flood hazards and vulnerability. In the absence of approval by the Building Code Council, or in the event that approval is withdrawn, local fire prevention codes and regulations shall have no force and effect. Provided any local regulations approved by the local governing body which are found by the Council to be more stringent than the adopted statewide fire prevention code and which are found to regulate only activities and conditions in buildings, structures, and premises that pose dangers of fire, explosion or related hazards, and are not matters in conflict with the State Building Code, may be approved. Local governments may enforce the fire prevention code of the State Building Code using civil remedies authorized under G.S. 143-139, 153A-123, and 160A-175. If the State Fire Marshal or other State official with responsibility for enforcement of the Code institutes a civil action pursuant to G.S. 143-139, a local government may not institute a civil action under G.S. 143-139, 153A-123, or 160A-175 based upon the same violation. Appeals from the assessment or imposition of such civil remedies shall be as provided in G.S. 160D-1127.

A local government may not adopt any ordinance in conflict with the exemption provided by subsection (c1) of this section. No local ordinance or regulation shall be construed to limit the exemption provided by subsection (c1) of this section.

…

(g) Publication and Distribution of Code. – The Building Code Council and Residential Code Council shall cause to be printed, after adoption by each responsible Code Council, the North Carolina State Building Code, or any part of the Code, and each amendment thereto. It shall, at the State's expense, distribute copies of the Code and each amendment to State and local governmental officials, departments, agencies, and educational institutions, as is set out in the table below. (Those marked by an asterisk will receive copies only on written request to the Council.)

OFFICIAL OR AGENCY	NUMBER OF COPIES
State Departments and Officials	
Governor	1
Lieutenant Governor	1
Auditor	1
Treasurer	1
Secretary of State	1
Superintendent of Public Instruction	1
Attorney General (Library)	1
Commissioner of Agriculture	1
Commissioner of Labor	1
Director of Building Codes and Interpretations Bureau	1
Members of the Residential Code Council	1 each
Members of the Building Code Council	1 each
State Fire Marshal	1
Department of Environmental Quality	1
Department of Health and Human Service	1
Division of Adult Correction and Juvenile Justice of the Department of Public Safety	1
Board of Transportation	1
Utilities Commission	1
Department of Administration	1
Clerk of the Supreme Court	1
Clerk of the Court of Appeals	1
Department of Natural and Cultural Resources [State	

Library] 1
Supreme Court Library 1
Legislative Library 1
Office of Administrative Hearings 1
Rules Review Commission 1
Schools
All state-supported colleges and universities
in the State of North Carolina ..... *1 each
Local Officials
Clerks of the Superior Courts ..... 1 each
Chief Building Inspector of each incorporated
municipality or county 1

In addition, the Building Code Council and Residential Code Council shall make additional copies available at such price as it shall deem reasonable to members of the general public. The proceeds from sales of the Code, or any part of the Code, shall be credited to the ~~Insurance Regulatory Fund under G.S. 58-6-25.~~North Carolina State Building Code Regulatory Fund under G.S. 95-281.

…

(i) Section 1008 of Chapter X of Volume 1 of the North Carolina State Building Code, Title "Special Safety to Life Requirements Applicable to Existing High-Rise Buildings" as adopted by the North Carolina State Building Code Council on March 9, 1976, as ratified and adopted as follows:

SECTION 1008-SPECIAL SAFETY TO LIFE REQUIREMENTS APPLICABLE TO EXISTING HIGH-RISE BUILDINGS

1008 – GENERAL.

(a) Applicability. – Within a reasonable time, as fixed by "written order" of the building official, and except as otherwise provided in subsection (j) of this section every building the [then] existing, that qualifies for classification under Table 1008.1 shall be considered to be a high-rise building and shall be provided with safety to life facilities as hereinafter specified. All other buildings shall be considered as low-rise. NOTE: The requirements of Section 1008 shall be considered as minimum requirements to provide for reasonable safety to life requirements for existing buildings and where possible, the owner and designer should consider the provisions of Section 506 applicable to new high-rise buildings.

(b) Notification of Building Owner. – The ~~Office of the State Fire Marshal~~ Building Codes and Interpretations Bureau will send copies of amendments adopted to all local building officials with the suggestion that all local building officials transmit to applicable building owners in their jurisdiction copies of adopted amendments, within six months from the date the amendments are adopted, with the request that each building owner respond to the local building official how he plans to comply with these requirements within a reasonable time.

NOTE: Suggested reasonable time and procedures for owners to respond to the building official's request is as follows:

(1) The building owner shall, upon receipt of written request from the building official on compliance procedures within a reasonable time, submit an overall plan required by 1008(c) below within one year and within the time period specified in the approved overall plan, but not to exceed five years after the overall plan is approved, accomplish compliance with this section, as evidenced by completion of the work in accordance with approved working drawings and specifications and by issuance of a new Certificate of Compliance by the building official covering the work. Upon approval of building owner's overall plan, the building official shall issue a "written

order", as per 1008(a) above, to comply with Section 1008 in accordance with the approved overall plan.

(2) The building official may permit time extensions beyond five years to accomplish compliance in accordance with the overall plan when the owner can show just cause for such extension of time at the time the overall plan is approved.

(3) The local building official shall send second request notices as per 1008(b) to building owners who have made no response to the request at the end of six months and a third request notice to no response building owners at the end of nine months.

(4) If the building owner makes no response to any of the three requests for information on how the owner plans to comply with Section 1008 within 12 months from the first request, the building official shall issue a "written order" to the building owner to provide his building with the safety to life facilities as required by this section and to submit an overall plan specified by (1) above within six months with the five-year time period starting on the date of the "written order".

(5) For purposes of this section, the Construction Section of the Division of Health Service Regulation, Department of Health and Human Services, will notify all non-State owned I-Institutional buildings requiring licensure by the Division of Health Service Regulation and coordinate compliance requirements with the ~~Office of the State Fire Marshal~~ Building Codes and Interpretations Bureau and the local building official.

(c) Submission of Plans and Time Schedule for Completing Work. – Plans and specifications, but not necessarily working drawings covering the work necessary to bring the building into compliance with this section shall be submitted to the building official within a reasonable time. (See suggested time in NOTE of Section 1008(b) above). A time schedule for accomplishing the work, including the preparation of working drawings and specifications shall be included. Some of the work may require longer periods of time to accomplish than others, and this shall be reflected in the plan and schedule.

NOTE: Suggested Time Period For Compliance:

SUGGESTED TIME PERIOD FOR COMPLIANCE

ITEM	CLASS I (SECTION)	CLASS II (SECTION)	CLASS III (SECTION)	TIME FOR COMPLETION
Signs in Elevator Lobbies and Elevator Cabs	1008.2(h)	1008.3(h)	1008.4(h)	180 days
Emergency Evacuation Plan	1008(b)	NOTE:		180 days
Corridor Smoke Detectors (Includes alternative door closers)	1008.2(c)	1008.3(c)	1008.4(c)	1 year
Manual Fire Alarm	1008.2(a)	1008.3(a)	1008.4(a)	1 year
Voice Communication System Required	1008.2(b)	1008.3(b)	1008.4(b)	2 years
Smoke Detectors Required	1008.2(c)	1008.3(c)	1008.4(c)	1 year
Protection and Fire Stopping for Vertical Shafts	1008.2(f)	1008.3(f)	1008.4(f)	3 years

Special Exit Requirements-Number, Location and Illumination to be in accordance with Section 1007	1008.2(e)	1008.3(e)	1008.4(e)	3 years
Emergency Electrical Power Supply	1008.2(d)	1008.3(d)	1008.4(d)	4 years
Special Exit Facilities Required	1008.2(e)	1008.3(e)	1008.4(e)	5 years
Compartmentation for Institutional Buildings	1008.2(f)	1008.3(f)	1008.4(f)	5 years
Emergency Elevator Requirements	1008.2(h)	1008.3(h)	1008.4(h)	5 years
Central Alarm Facility Required		1008.3(i)	1008.4(i)	5 years
Areas of Refuge Required on Every Eighth Floor			1008.4(j)	5 years
Smoke Venting			1008.4(k)	5 years
Fire Protection of Electrical Conductors			1008.4(*l*)	5 years
Sprinkler System Required			1008.4(m)	5 years

(d) Building Official Notification of ~~Office of State Fire Marshal.~~ Building Codes and Interpretations Bureau. – The building official shall send copies of written notices ~~he sends~~ sent to building owners to the ~~Engineering and Building Codes Division~~ Building Codes and Interpretations Bureau for their files and also shall file an annual report by August 15th of each year covering the past fiscal year setting forth the work accomplished under the provisions of this section.

(e) Construction Changes and Design of Life Safety Equipment. – Plans and specifications which contain construction changes and design of life safety equipment requirements to comply with provisions of this section shall be prepared by a registered architect in accordance with provisions of Chapter 83A of the General Statutes or by a registered engineer in accordance with provisions of Chapter 89C of the General Statutes or by both an architect and engineer particularly qualified by training and experience for the type of work involved. Such plans and specifications shall be submitted to the ~~Engineering and Building Codes Division of the Department of Insurance~~ Building Codes and Interpretations Bureau for approval. Plans and specifications for I-Institutional buildings licensed by the Division of Health Service Regulation as noted in (b) above shall be submitted to the Construction Section of that Division for review and approval.

(f) Filing of Test Reports and Maintenance on Life Safety Equipment. – The engineer performing the design for the electrical and mechanical equipment, including sprinkler systems, must file the test results with the ~~Engineering and Building Codes Division of the Department of Insurance,~~ Building Codes and Interpretations Bureau, or to the agency designated by the ~~Office of the State Fire Marshal,~~ Building Codes and Interpretations Bureau, that such systems have been tested to indicate that they function in accordance with the standards specified in this section and according to design criteria. These test results shall be a prerequisite for the Certificate of Compliance required by (b) above. Test results for I-Institutional shall be filed with the Construction Section, Division of Health Service Regulation. It shall be the duty and responsibility of the owners of Class I, II and III buildings to maintain smoke detection, fire detection, fire control, smoke removal and venting as required by this section and similar emergency systems in proper operating condition at all times. Certification of full tests and

inspections of all emergency systems shall be provided by the owner annually to the fire department.

(g) Applicability of Chapter X and Conflicts with Other Sections. – The requirements of this section shall be in addition to those of Sections 1001 through 1007; and in case of conflict, the requirements affording the higher degree of safety to life shall apply, as determined by the building official.

(h) Classes of Buildings and Occupancy Classifications. – Buildings shall be classified as Class I, II or III according to Table 1008.1. In the case of mixed occupancies, for this purpose, the classification shall be the most restrictive one resulting from the application of the most prevalent occupancies to Table 1008.1.

FOOTNOTE: Emergency Plan. – Owners, operators, tenants, administrators or managers of high-rise buildings should consult with the fire authority having jurisdiction and establish procedures which shall include but not necessarily be limited to the following:

(1) Assignment of a responsible person to work with the fire authority in the establishment, implementation and maintenance of the emergency pre-fire plan.

(2) Emergency plan procedures shall be supplied to all tenants and shall be posted conspicuously in each hotel guest room, each office area, and each schoolroom.

(3) Submission to the local fire authority of an annual renewal or amended emergency plan.

(4) Plan should be completed as soon as possible.

1008.1 – ALL EXISTING BUILDINGS SHALL BE CLASSIFIED AS CLASS I, II AND III ACCORDING TO TABLE 1008.1.

TABLE 1008.1
Scope

CLASS (1)	OCCUPANCY GROUP (3)(4)	OCCUPIED FLOOR ABOVE AVERAGE GRADE EXCEEDING HEIGHT (2)
CLASS I	Group R-Residential Group B-Business Group E-Educational Group A-Assembly Group H-Hazardous Group I-Institutional-Restrained	60' but less than 120' above average grade or 6 but less than 12 stories above average grade.
	Group I Institutional Unrestrained	36' but less than 60' above average grade or 3 but less than 6 stories above average grade.
CLASS II	Group R-Residential Group B-Business Group E-Educational Group A-Assembly Group H-Hazardous Group I-Institutional-Restrained	120' but less than 250' above average grade or 12 but less than 25 stories above average grade.
	Group I-Institutional-Unrestrained	60' but less than 250' above average grade or 6 but less than 25 stories above average grade.
	Group R-Residential	250' or 25 stories

	Group B-Business	above average grade.
CLASS III	Group E-Educational	
	Group I-Institutional	
	Group A-Assembly	
	Group H-Hazardous	

NOTE 1: The entire building shall comply with this section when the building has an occupied floor above the height specified, except that portions of the buildings which do not exceed the height specified are exempt from this section, subject to the following provisions:

(a) Low-rise portions of Class I buildings must be separated from high-rise portions by one-hour construction.

(b) Low-rise portions of Class II and III buildings must be separated from high-rise portions by two-hour construction.

(c) Any required exit from the high-rise portion which passes through the low-rise portions must be separated from the low-rise portion by the two-hour construction.

NOTE 2: The height described in Table 1008.1 shall be measured between the average grade outside the building and the finished floor of the top occupied story.

NOTE 3: Public parking decks meeting the requirements of Section 412.7 and less than 75 feet in height are exempt from the requirements of this section when there is no other occupancy above or below such deck.

NOTE 4: Special purpose equipment buildings, such as telephone equipment buildings housing the equipment only, with personnel occupant load limited to persons required to maintain the equipment may be exempt from any or all of these requirements at the discretion of the ~~Engineering and Building Codes Division~~ Building Codes and Interpretations Bureau provided such special purpose equipment building is separated from other portions of the building by two-hour fire rated construction.

…."

SECTION 13.4.(h) G.S. 143-138.1 reads as rewritten:

"**§ 143-138.1. Introduction and instruction of the North Carolina State Building Code; posting of written commentaries and interpretations on ~~Office of State Fire Marshal~~ Building Codes and Interpretations Bureau's website.**

(a) Prior to the effective date of Code changes pursuant to G.S. 143-138, the responsible Code Council and the Office of the State Fire Marshal shall provide for instructional classes for the various trades affected by the changes. The Office of the State Fire Marshal shall develop the curriculum for each class but shall consult the affected licensing boards and trade organizations. The curriculum shall include explanations of the rationale and need for each Code amendment or revision. Classes may also be conducted by, on behalf of, or in cooperation with the North Carolina Code Officials Qualification Board, licensing boards, trade associations, and professional societies. The Office of the State Fire Marshal may charge fees sufficient to recover the costs it incurs under this section. The ~~responsible Code Council~~ State Fire Marshal shall ensure that courses are accessible to persons throughout the State.

(b) The Office of the State Fire Marshal shall post and maintain on that portion of its website devoted to the Building Code Council and Residential Code Council written commentaries and written interpretations made and given by ~~staff~~ the Building Codes and Interpretations Bureau to each responsible Code Council and the Office for each section of the North Carolina State Building Code within 10 business days of issuance."

SECTION 13.4.(i) G.S. 143-139 reads as rewritten:

"**§ 143-139. Enforcement of the North Carolina State Building Code.**

…

(b) General Building Regulations. – ~~The~~ Except as provided in G.S. 95-283, the State Fire Marshal shall have general authority, through the Division of Engineering of the Department

of Insurance, to supervise, administer, and enforce all sections of the North Carolina State Building Code pertaining to plumbing, electrical systems, general building restrictions and regulations, heating and air conditioning, fire protection, and the construction of buildings generally, except those sections of the Code, the enforcement of which is specifically allocated to other agencies by subsections (c) through (e) below. In the exercise of the duty to supervise, administer, and enforce the North Carolina State Building Code (including local building codes which have superseded the State Building Code in a particular political subdivision pursuant to G.S. 143-138(e)), the State Fire Marshal, through the Division of Engineering, shall:

(1) Cooperate with local officials and local inspectors duly appointed by the governing body of any local government pursuant to Article 11 of Chapter 160D of the General Statutes, or any other applicable statutory authority.

(2) In accordance with G.S. 143-139.4, timely assign a Code-enforcement official from the marketplace pool established under G.S. 143-151.12(9)a. to conduct any plumbing, electrical systems, general building restrictions and regulations, heating and air-conditioning, or general construction inspection required by the North Carolina State Building Code.

(3) Develop eligibility criteria for and procedures to conduct certain inspections required by the North Carolina State Building Code as remote inspections. For the purposes of this subdivision, a "remote inspection" means an inspection of the manner of construction for North Carolina State Building Code compliance that an inspector conducts by (i) interactive real-time audio and video communication with a permit holder or (ii) a review of an electronic video recording submission by a permit holder.

…."

SECTION 13.4.(j) G.S. 143-140.1 reads as rewritten:

"**§ 143-140.1. Alternative design construction and methods; appeals.**

The Building Code Council ~~shall, by January 1, 2023,~~ shall promulgate rules, procedures, and policies for the approval of alternative designs and construction that follow the volumes of the North Carolina State Building ~~Code.~~ Code, as specified in G.S. 143-138(a). The Residential Code Council ~~shall, by January 1, 2026,~~ shall promulgate rules, procedures, and policies for the approval of alternative designs and construction that follow the volumes of the North Carolina State Building ~~Code.~~ Code, as specified in G.S. 143-138(a). In the event of a dispute between a local authority having jurisdiction and the designer or owner-representative regarding alternative designs and construction, and notwithstanding any other section within this Article, appeals by the designer or owner-representative on matters pertaining to alternative design construction or methods shall be heard by the ~~Engineering and Building Codes Division of the Department of Insurance.~~ Building Codes and Interpretations Bureau of the Department of Labor. The ~~Engineering and Building Codes Division~~ Building Codes and Interpretations Bureau of the Department of Labor shall issue its decision regarding an appeal filed under this section within 10 business days. The ~~State Fire Marshal~~ Commissioner of Labor shall adopt rules in furtherance of this section."

SECTION 13.4.(k) The rules, procedures, and policies for the approval of alternative designs and construction the Residential Code Council is required to promulgate, pursuant to G.S. 143-140.1, as amended by subsection (j) of this section, shall be completed within 12 months of the date the 2024 North Carolina Residential Code becomes effective, by law.

SECTION 13.4.(*l*) G.S. 143-141 reads as rewritten:

"**§ 143-141. Appeals to Building Code Council and Residential Code Council.**

(a) Method of Appeal. – Whenever any person desires to take an appeal to the responsible Code Council from the decision of a State enforcement agency relating to any matter under this Article or under the North Carolina State Building Code, the appellant shall within 30 days after the decision give written notice of appeal to the responsible Code Council through the ~~Division~~

~~of Engineering of the Department of Insurance.~~ Building Codes and Interpretations Bureau of the Department of Labor. A copy of the notice of appeal shall be filed at the same time with the enforcement agency from which the appeal is taken. The chairman of the responsible Code Council shall fix a reasonable time and place for a hearing, giving reasonable notice to the appellant and to the enforcement agency. Such hearing shall be not later than the next regular meeting of the responsible Code Council. The responsible Code Council shall thereupon conduct a full and complete hearing as to the matters in controversy, after which it shall within a reasonable time give a written decision setting forth its findings of fact and its conclusions.

…

(c1) Posting on ~~State Fire Marshal~~ Building Codes and Interpretations Bureau of the Department of Labor Website – The ~~Office of the State Fire Marshal~~ Building Codes and Interpretations Bureau of the Department of Labor shall post and maintain on that portion of its website devoted to the responsible Code Council all appeal decisions, interpretations, and variations of the Code issued by the responsible Code Council within 10 business days of issuance.

…."

SECTION 13.4.(m) G.S. 143-151.8 reads as rewritten:

"**§ 143-151.8. Definitions.**

…

(c) For purposes of this Article, "willful misconduct, gross negligence, or gross incompetence" in addition to the meaning of those terms under other provisions of the General Statutes or at common law, includes any of the following:

…

(2) Refusing to accept an alternative design or construction method that has been appealed under G.S. 143-140.1 and found by the ~~Office of the State Fire Marshal~~ Building Codes and Interpretations Bureau of the Department of Labor to comply with the Code under the conditions or circumstances set forth in the ~~Office of the State Fire Marshal's~~ Bureau's decision for that appeal.

…

(5) Refusing to implement or adhere to an interpretation of the North Carolina State Building Code issued by the Building Code Council, Residential Code Council, or the ~~Office of the State Fire Marshal.~~Building Codes and Interpretations Bureau of the Department of Labor.

…."

SECTION 13.4.(n) G.S. 143-151.9 reads as rewritten:

"**§ 143-151.9. North Carolina Code Officials Qualification Board established; members; terms; vacancies.**

(a) There is hereby established the North Carolina Code Officials Qualification Board in the Department of Insurance. The Board shall be composed of 20 members appointed as follows:

(1) One member who is a city or county manager;

(2) Two members, one of whom is an elected official representing a city over 5,000 population and one of whom is an elected official representing a city under 5,000 population;

(3) Two members, one of whom is an elected official representing a county over 40,000 population and one of whom is an elected official representing a county under 40,000 population;

(4) Two members serving as building officials with the responsibility for administering building, plumbing, electrical and heating codes, one of whom serves a county and one of whom serves a city;

(5) One member who is a registered architect;

(6) One member who is a registered engineer;

(7) Two members who are licensed general contractors, at least one of whom specializes in residential construction;
(8) One member who is a licensed electrical contractor;
(9) One member who is a licensed plumbing or heating contractor;
(10) One member selected from the faculty of the North Carolina State University School of Engineering and one member selected from the faculty of the School of Engineering of the North Carolina Agricultural and Technical State University;
(11) One member selected from the faculty of the School of Government at the University of North Carolina at Chapel Hill;
(12) One member selected from the Community Colleges System Office;
(13) One member selected from the Division of Engineering ~~and Building Codes~~ in the Department of Insurance; and,
(14) One member who is a local government fire prevention inspector and one member who is a citizen of the State.

The various categories shall be appointed as follows: (1), (2), (3), and (14) by the Governor; (4), (5), and (6) by the General Assembly upon the recommendation of the President Pro Tempore in accordance with G.S. 120-121; (7), (8), and (9) by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121; (10) by the deans of the respective schools of engineering of the named universities; (11) by the Dean of the School of Government at the University of North Carolina at Chapel Hill; (12) by the President of the Community Colleges System; and (13) by the State Fire Marshal.

…."

SECTION 13.4.(o) G.S. 143-151.19 reads as rewritten:

"**§ 143-151.19. Administration.**

(a) The Division of Engineering ~~and Building Codes~~ in the Department of Insurance shall provide clerical and other staff services required by the Board, and shall administer and enforce all provisions of this Article and all rules promulgated pursuant to this Article, subject to the direction of the Board, except as delegated by this Article to local units of government, other State agencies, corporations, or individuals.

…."

SECTION 13.4.(p) G.S. 143-151.63 reads as rewritten:

"**§ 143-151.63. Administration.**

(a) The Division of Engineering ~~and Building Code~~ in the Department of Insurance shall provide clerical and other staff services required by the Board, and shall administer and enforce all provisions of this Article and all rules adopted under this Article, subject to the direction of the Board. The Board shall reimburse the Division for its services to the Board.

(b) Any monies received by the Board pursuant to this Article shall be deposited in the State treasury to the account of the Board and shall be used to administer this Article.

(c) The books and records of the Board are subject to the oversight of the State Auditor, as provided in G.S. 93B-4."

SECTION 13.4.(q) G.S. 160D-402 reads as rewritten:

"**§ 160D-402. Administrative staff.**

(a) Authorization. – Local governments may appoint administrators, inspectors, enforcement officers, planners, technicians, and other staff to develop, administer, and enforce development regulations authorized by this Chapter.

(b) Duties. – Duties assigned to staff may include, but are not limited to, drafting and implementing plans and development regulations to be adopted pursuant to this Chapter; determining whether applications for development approvals are complete; receiving and processing applications for development approvals; providing notices of applications and

hearings; making decisions and determinations regarding development regulation implementation; determining whether applications for development approvals meet applicable standards as established by law and local ordinance; conducting inspections; issuing or denying certificates of compliance or occupancy; enforcing development regulations, including issuing notices of violation, orders to correct violations, and recommending bringing judicial actions against actual or threatened violations; keeping adequate records; and any other actions that may be required in order adequately to enforce the laws and development regulations under their jurisdiction. A development regulation may require that designated staff members take an oath of office. The local government shall have the authority to enact ordinances, procedures, and fee schedules relating to the administration and the enforcement of this Chapter. The administrative and enforcement provisions related to building permits set forth in Article 11 of this Chapter shall be followed for those permits. Notwithstanding subsection (d) of this section, the local government shall have the authority to administer State Building Code regulatory fees pursuant to G.S. 95-281.

…."

SECTION 13.4.(r) This section becomes effective January 1, 2027.

MISCELLANEOUS TRANSITIONAL PROVISIONS RELATED TO THE BUILDING CODES AND INTERPRETATIONS BUREAU

SECTION 13.5.(a) The North Carolina State Building Code, as described in G.S. 143-138(a), and amendments to the North Carolina State Building Code adopted by the Building Code Council or Residential Code Council, or any enactment of the General Assembly directing changes to the North Carolina State Building Code, in effect on January 1, 2027, shall not be affected by this section or Sections 13.3 and 13.4, unless amended or repealed by the Building Code Council or Residential Code Council, as applicable.

SECTION 13.5.(b) Notwithstanding G.S. 143-136(a1), G.S. 143-136.1(b), any act appointing a member to the Building Code Council or Residential Code Council, any resolution confirming an appointment to the Building Code Council or Residential Code Council, or any other provision of law, each initial term of office for a seat on the Building Code Council or Residential Code Council described in G.S. 143-136(a1) or G.S. 143-136.1(b), whether the seat is filled or vacant on the effective date of this subsection, is extended by one year. As used in this subsection, the term "initial term" includes any unexpired portion of an initial term. A person appointed, or whose appointment is confirmed, on or after the effective date of this subsection to a seat for an initial term extended under this subsection shall serve for the remainder of the initial term as extended. A vacancy occurring in an initial term extended under this subsection shall be filled in accordance with G.S. 143-136 or G.S. 143-136.1, as applicable, for the remainder of the initial term as extended. The successor appointed after the expiration of an initial term extended under this subsection shall serve for a term of five years. Thereafter, successors shall serve for the terms prescribed by G.S. 143-136(a1) or G.S. 143-136.1(b), as applicable.

SECTION 13.5.(c) The Building Code Council and Residential Code Council are transferred to the Department of Labor as a Type II transfer, as defined in G.S. 143A-6, and shall be administered through the Building Codes and Interpretations Bureau of the Department of Labor, as established pursuant to G.S. 95-280. The Councils shall continue to exercise their prescribed statutory powers independently of the Department of Labor and the Commissioner of Labor, except that the management functions of the Councils, as defined in G.S. 143A-6, shall be performed under the direction and supervision of the Commissioner of Labor.

SECTION 13.5.(d) The Code Interpretations Section and the management, administrative support, and staff support functions assigned to or primarily used by the Office of the State Fire Marshal for the Code Interpretations Section or for the management and operation of the Building Code Council and Residential Code Council under Article 9 of Chapter 143 of the General Statutes, together with the records, resources, appropriations, positions, and other

property assigned to or primarily used for those functions, are transferred to the Department of Labor. Except as otherwise provided in this section, including subsection (f) of this section, the transfer under this subsection has all of the elements of a Type I transfer, as defined in G.S. 143A-6.

SECTION 13.5.(e) Nothing in this section shall be construed to transfer to the Department of Labor or the Commissioner of Labor the prescribed statutory powers of the Building Code Council or Residential Code Council, other than management functions consistent with the Type II transfer under subsection (c) of this section, or to transfer enforcement authority of the Office of the State Fire Marshal or the State Fire Marshal except as expressly provided in this act. The Department of Labor and the Office of State Budget and Management are authorized to take all other steps necessary to consolidate the Building Code Council and Residential Code Council, to effectuate the transfers required by subsections (c) and (d) of this section, and to ensure continuation of services in the Department of Labor. The following shall occur:

(1) The State Treasurer shall transfer the balance of remaining funds allocated for the Building Code Council and Residential Code Council to the State Building Code Regulatory Fund established by G.S. 95-281, as enacted by Section 13.3 of this act, for use by the Department of Labor.

(2) The following positions of the Office of the State Fire Marshal are included in the Type I transfer described in subsection (d) of this section and are transferred to the Department of Labor. The positions shall be assigned as provided in subsection (g) of this section, and the Department of Labor may eliminate, modify, or reorganize positions as needed for the efficient operation of the Department:

	Position number	Title
a.	60013434	Admin. Asst. Building Code Council.
b.	60013387	Division of Chief Interpretations, Sec. Building Code Council.
c.	60013389	Supervisor, Code Interpretations Systems Section.
d.	60013707	Chief Plumbing Code Consultant.
e.	60013395	Chief Mechanical & Fuel Gas Consultant.
f.	60013552	Residential Building Code Inspector.
g.	60013394	Supervisor, Code Interpretations Buildings Section.
h.	60013380	Chief Residential Code Consultant.
i.	60013392	Chief Accessibility Code Consultant.
j.	60013378	Chief Fire Code Consultant.
k.	60013372	Chief Existing Building Code Consultant.
l.	60013549	Administrative Specialist I.
m.	60013313	Asst. General Counsel I.

SECTION 13.5.(f) Employees occupying positions listed in subdivision (2) of subsection (e) of this section immediately before January 1, 2027, shall continue as personnel of the Office of the State Fire Marshal until the Department of Labor, in consultation with the Office of the State Fire Marshal, the Office of State Human Resources, and the Office of State Budget and Management, takes the personnel, budgetary, and accounting actions necessary to implement the Type I transfer described in subsection (d) of this section with respect to those positions and employees in accordance with law. Programs and functions of the Office of the State Fire Marshal affected by the transfers required by subsections (c) and (d) of this section shall continue without any reduction in funds, responsibilities, or administrative support, including budgetary, human resources, information technology, and legal services, until final action is taken by the Department of Labor to implement the transfer of those programs and functions from the Office of the State Fire Marshal.

SECTION 13.5.(g) Subject to the authority of the Department of Labor under subdivision (2) of subsection (e) of this section to eliminate, modify, or reorganize positions, the positions listed in subdivision (2) of subsection (e) of this section shall be assigned as follows:

(1) The positions enumerated in sub-subdivisions a. through k. of subdivision (2) of subsection (e) of this section shall be assigned to the Code Interpretations Section within the Building Codes and Interpretations Bureau, as established pursuant to G.S. 95-280.

(2) The positions enumerated in sub-subdivisions *l.* and m. of subdivision (2) of subsection (e) of this section shall be assigned to the Building Codes and Interpretations Bureau, as established pursuant to G.S. 95-280.

SECTION 13.5.(h) Personnel of the Engineering and Building Codes Division of the Office of the State Fire Marshal who are not employees described in subsection (f) of this section shall continue as personnel of the Office of the State Fire Marshal or, at their option and as applicable, as personnel of the Engineering Division of the Department of Insurance.

SECTION 13.5.(i) No pending action or proceeding brought by or against the Office of the State Fire Marshal, the Building Code Council, or the Residential Code Council that relates to a function transferred pursuant to subsection (c) or (d) of this section shall be affected by any provision of this section or Sections 13.3 and 13.4 of this act.

SECTION 13.5.(j) The transfers required by subsections (c) and (d) of this section shall not affect any ongoing investigation in effect on January 1, 2027, conducted by or involving the Office of the State Fire Marshal. Prosecutions for offenses or violations committed before January 1, 2027, are not abated or affected by this section or Sections 13.3 and 13.4 of this act.

SECTION 13.5.(k) The transfers required by subsections (c) and (d) of this section shall not affect any ongoing decision, interpretation, or order in effect on January 1, 2027, issued by the Office of the State Fire Marshal or any Council or Bureau affected by the transfers required by subsections (c) and (d) of this section. Any interpretation pending on January 1, 2027, shall be transferred to the Building Codes and Interpretations Bureau, as established pursuant to G.S. 95-280, to render the final interpretation.

SECTION 13.5.(*l*) Rules and forms adopted by the Office of the State Fire Marshal, or any Council or Bureau affected by the transfers required by subsections (c) and (d) of this section, in effect on January 1, 2027, shall remain in effect until amended or repealed by the responsible Council or Bureau affected by the transfers required by subsections (c) and (d) of this section, as necessary.

SECTION 13.5.(m) If any provision of this section or of Sections 13.3 and 13.4 of this act, or the application of any such provision, is held invalid, the invalidity does not affect other provisions or applications of this section or of Sections 13.3 and 13.4 of this act that can be given effect without the invalid provision or application. To this end, the provisions of this section and Sections 13.3 and 13.4 of this act are severable.

SECTION 13.5.(n) The Department of Labor, the Office of State Budget and Management, the State Controller, the State Treasurer, and the Office of the State Fire Marshal may take any administrative, budgetary, personnel, information technology, accounting, or other preparatory action necessary before January 1, 2027, to implement this section and Sections 13.3 and 13.4 of this act. Except as otherwise provided in this section or either of those sections, no transfer of statutory authority, positions, funds, records, or functions required by this section or either of those sections shall occur before January 1, 2027.

SECTION 13.5.(o) Of the funds appropriated in this act from the General Fund to the Department of Labor, the sum of two million dollars ($2,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used for expenses incurred to consolidate the Building Code Council and Residential Code Council, to effectuate the transfers required by subsections (c) and (d) of this section, and to ensure continuation of services in the Department of Labor pursuant to this section and Sections 13.3 and 13.4 of this act. In addition to positions transferred pursuant

to subdivision (2) of subsection (e) of this section, the Department of Labor may reestablish or create positions as needed with funds available pursuant to this subsection or transferred pursuant to subdivision (1) of subsection (e) of this section.

SECTION 13.5.(p) Subsection (b) of this section is effective when it becomes law. Subsections (n) and (o) of this section become effective July 1, 2026. The remainder of this section becomes effective January 1, 2027.

PART XIV. NATURAL AND CULTURAL RESOURCES

DNCR REPORT ON NEW/EXPANDED FACILITIES COSTS

SECTION 14.1. The Department of Natural and Cultural Resources shall submit a report by December 15, 2026, to the Fiscal Research Division estimating the operating expenses associated with each newly established, expanded, or updated facility, including State historic sites, museums, aquariums, and parks, that the Department anticipates will require additional appropriations for the 2027-2028 fiscal year. The report shall include all of the following information related to the anticipated funding needs for each new, expanded, or updated facility:

(1) An estimate of personnel costs, including position titles accompanied by a description of job duties and how these duties relate to the new, expanded, or updated facility.
(2) An estimate of operating costs, including costs related to insurance, utilities, facility maintenance, waste or recycling services, supplies, equipment maintenance contracts, uniforms, and animal food.
(3) The total requirements for the new, expanded, or updated facility.
(4) An estimate of any increased receipts related to visitation to the new, expanded, or updated facility.

EXEMPT CERTAIN DNCR DIVISIONS FROM TEMPORARY SOLUTIONS PROGRAM

SECTION 14.2. G.S. 126-6.3(a) reads as rewritten:

"**§ 126-6.3. Temporary employment needs of Cabinet and Council of State agencies; use of the Temporary Solutions Program.**

(a) Use of Temporary Solutions Required for Cabinet Agencies. – Notwithstanding G.S. 126-5 or any other provision of law, all Cabinet agencies that utilize temporary employees to perform work that is not information technology-related shall employ them through the Temporary Solutions Program administered by the Office of State Human Resources (OSHR). Council of State agencies may use the Temporary Solutions Program in the discretion of the agency. The following Cabinet agencies are exempt from the required use of the Temporary Solutions Program:

(1) The Department of Transportation, Ferry Division, is exempt ~~from the required use of the Temporary Solutions Program~~ when there is an established need for peak season hires or when the work requires a specific skill set beyond the scope of temporary employees.
(2) The following administrative divisions within the Department of Natural and Cultural Resources:
  a. Division of Parks and Recreation.
  b. Division of North Carolina Aquariums.
  c. Division of State Historic Sites.
  d. Division of State History Museums.
  e. North Carolina Museum of Art.
  f. North Carolina State Museum of Natural Sciences.
  g. North Carolina Zoological Park.

h. Tryon Palace Commission.
i. U.S.S. North Carolina Battleship Commission."

NC SYMPHONY CHALLENGE GRANT

SECTION 14.3.(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 beginning in the 2026-2027 fiscal year 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 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 subsection (b) of this section.

SECTION 14.3.(b) 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.

NC ARTS COUNCIL MEMBERSHIP AND APPOINTMENT CHANGES

SECTION 14.4.(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 Council shall be appointed as follows:

(1) The Governor shall appoint three members.

(2) The General Assembly shall appoint six members, 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) The terms of the members of the Council shall be for three years. All members shall serve at the pleasure of the appointing authority and may be removed by the appointing authority at any time. An 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 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~~ constitutes 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 14.4.(b) Notwithstanding G.S. 143B-88, as amended by subsection (a) of this section, the terms of the members of the North Carolina Arts Council (Council) presently serving shall expire at the conclusion of the term for which they were appointed. Upon the expiration of the terms of the members presently serving, appointments to the Council shall be made as follows:

(1) Upon expiration of the terms of the eight 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.

(2) Upon expiration of the terms of the eight 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.

(3) Upon expiration of the terms of the eight members whose terms expire June 30, 2028, 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.

(4) Appointments made for terms expiring after June 30, 2028, shall be made in accordance with G.S. 143B-88, as amended by subsection (a) of this section.

SECTION 14.4.(c) This section becomes effective June 30, 2026.

NC ARTS COUNCIL GRANTS ADMINISTRATION

SECTION 14.5. Article 2 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-87.1. Limitation on awarding funds based on the race, ethnicity, or cultural identity of an organization's leadership.**

Neither the Department nor an organization distributing funds on behalf of the Department may adopt or apply a policy to distribute public funding under this Part or Part 24 of this Article based on the racial, ethnic, or cultural identities of a recipient organization's officers or the members of its governing board."

AUTHORIZE FIRST BROAD RIVER STATE TRAIL

SECTION 14.6.(a) The General Assembly authorizes the Department of Natural and Cultural Resources to add the First Broad River Trail in Cleveland and Rutherford Counties between the river's head of navigation in Golden Valley in Rutherford County and the river's confluence with the Broad River in Cleveland County to the State Parks System as a State Trail, as provided in G.S. 143B-135.54(b).

SECTION 14.6.(b) The Department shall support, promote, encourage, and facilitate the establishment of trail segments on State park lands and on lands of other federal, State, local, and private landowners. On segments of the First Broad River State Trail that cross property controlled by agencies or owners other than the Department's Division of Parks and Recreation, the laws, rules, and policies of those agencies or owners shall govern the use of the property.

SECTION 14.6.(c) The requirement of G.S. 143B-135.54(b) that additions be accompanied by adequate appropriations for land acquisition, development, and operations shall not apply to the authorization set forth in this section; provided, however, that the State may receive donations of appropriate land and may purchase other needed lands for the First Broad River State Trail with existing funds in the North Carolina Land and Water Fund, the Complete the Trails Fund, the Parks and Recreation Trust Fund, the federal Land and Water Conservation Fund, and other available sources of funding.

SECTION 14.6.(d) This section is effective when it becomes law.

ESTABLISH THE BRUSHY MOUNTAIN STATE NATURAL AREA

SECTION 14.7.(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 14.7.(b) This section is effective when it becomes law.

STATE PARKS REPAIR AND RENOVATION FUNDING

SECTION 14.8. Notwithstanding G.S. 143B-135.56, funds allocated by G.S. 143B-135.56(b)(1) from the Parks and Recreation Trust Fund to the State Parks System for the 2026-2027 fiscal year may only be used for repairs and renovations of park facilities and not for capital projects or land acquisition.

COMPLETE THE TRAILS GRANTS

SECTION 14.9.(a) Funding. – Funds appropriated in this act to the Department of Natural and Cultural Resources for the 2026-2027 fiscal year for Complete the Trails Grants shall be allocated to the Complete the Trails Fund to be used for planning, construction, promotion, and maintenance of component trails of the North Carolina Trails System as set forth in subsection (d) of this section.

SECTION 14.9.(b) Definitions. – The following definitions apply in this section:

(1) Complete the Trails Fund. – The Complete the Trails Fund established in Section 14.7 of S.L. 2021-180.

(2) Department. – The Department of Natural and Cultural Resources.

(3) Eligible entity. – Any of the following:
   a. A municipality or county.
   b. A regional council of government created pursuant to Part 2 of Article 20 of Chapter 160A of the General Statutes.
   c. A public authority, as defined in G.S. 159-7.
   d. A nonprofit entity with which the Department has signed a Memorandum of Understanding (MOU) for support of a Trail, as defined in this section.

(4) Eligible trail project. – Any of the following:
   a. Planning, design, and related environmental assessment or permitting activities for trails.
   b. Land and easement acquisition for trails.
   c. Construction of trails and trail structures.
   d. Trail amenities.
   e. Maintenance activities, which include rehabilitation of trails and trail structures, the installation of water bars, the relocation of eroded trail

segments, and other activities that will mitigate erosion or deterioration of trails or prevent future erosion or deterioration of trails.

f. Matching funds for grants awarded by the federal government or any other non-State source or entity to an eligible entity for any of the purposes set forth in this subdivision.

(5) Trail. – A component of the State Trails System authorized as set forth in G.S. 143B-135.54.

(6) Trail amenities. – Markers, signage, benches, water fountains, restroom facilities, bathhouses, campsites, docks, boat ramps, parking facilities, picnic facilities, equipment rental facilities, and other improvements or structures intended to enhance visitor experience for trail users.

(7) Trail structures. – Bridges, boardwalks, retaining walls, and other structures that are necessary for visitors to use the trail to travel from one location to another. For paddle trails, trail structures include waterway access points and watercraft launch structures.

SECTION 14.9.(c) Directives. – The following directives apply to trail projects funded under this section:

(1) The project must be located in the State.

(2) Wherever possible and appropriate, trail amenities and trail structures developed by eligible entities with funds allocated by this section shall follow standard designs and specifications for the State Trails System as the Department may specify.

SECTION 14.9.(d) Complete the Trails Grants. – Funds allocated to the Complete the Trails Fund by subsection (a) of this section shall be used to provide grants to eligible entities for eligible trail projects.

SECTION 14.9.(e) Report. – The Department shall report annually no later than October 1 regarding the use of funds allocated by this section. The annual report will include a list of grant recipients and amounts, a description of trail projects funded, and a summary of non-State funds leveraged with grant funding. The Department may discontinue annual reporting upon providing a final summary report after it awards all funds allocated by this section. These reports may be included as a part of the report required by G.S. 143B-135.102.

GREAT TRAILS FUNDS

SECTION 14.10.(a) Funding. – Funds appropriated in this act to the Department of Natural and Cultural Resources for the 2026-2027 fiscal year for the Great Trails State Program is allocated to the Great Trails Fund established in Section 14.6(c) of S.L. 2023-134 to be used for new trail development and extension of existing trails as described in this section.

SECTION 14.10.(b) Definitions. – The following definitions apply in this section:

(1) Department. – The Department of Natural and Cultural Resources.

(2) Eligible entity. – Any of the following:

a. A municipality or county.

b. A regional council of government created pursuant to Part 2 of Article 20 of Chapter 160A of the General Statutes.

c. A public authority, as defined in G.S. 159-7.

d. A nonprofit entity, provided the entity demonstrates in a manner acceptable to the Department that the unit or units of local government where the eligible trail project will be conducted have been notified of and support the trail project.

(3) Eligible trail project. – Any of the following:

a. Planning, design, and related environmental assessment or permitting activities for trails.
b. Land and easement acquisition for trails.
c. Construction of trails and trail structures.
d. Trail amenities.
e. Maintenance activities, which include rehabilitation of trails and trail structures, the installation of water bars, the relocation of eroded trail segments, and other activities that will mitigate erosion or deterioration of trails or prevent future erosion or deterioration of trails.
f. Matching funds for grants awarded by the federal government or any other non-State source or entity to an eligible entity for any of the purposes set forth in this subdivision.

(4) Trail. – Includes paved trails or greenways, natural surface trails, biking trails, equestrian trails, and any other type of trail recognized by the Department. The term does not include a series of tourism attractions related to a particular theme that are jointly marketed based on that theme and are interconnected only by vehicular roadways.

(5) Trail amenities. – Markers, signage, benches, water fountains, restroom facilities, bathhouses, campsites, docks, nonmotorized watercraft launch facilities and waterway access areas, parking facilities, picnic facilities, equipment rental facilities, and other improvements or structures intended to enhance visitor experience for trail users.

(6) Trail structures. – Bridges, boardwalks, retaining walls, and other structures that are necessary for visitors to use the trail to travel from one location to another. For paddle trails, trail structures include waterway access points and watercraft launch structures.

SECTION 14.10.(c) Directives. – The following directives apply to trail projects funded under this section:

(1) The project must be located in the State.

(2) Wherever possible and appropriate, trail amenities and trail structures developed by eligible entities with funds allocated by this section shall follow standard designs and specifications for the State Trails System as the Department may specify.

SECTION 14.10.(d) Great Trails Grants. – Funds allocated to the Great Trails State Program by subsection (a) of this section shall be used to provide grants to eligible entities for eligible trail projects as set forth in this subsection:

(1) The Department is authorized to accept applications for grants authorized by this section and evaluate them based on criteria that includes the amount of additional funding being provided from other sources for the proposed project, current access to trails and other outdoor recreational facilities in the area of the proposed project, and the size and demographics of the population served by the proposed project. Notwithstanding G.S. 143B-135.56, an eligible entity receiving a grant from the Department shall provide a match as set forth in this subsection.

(2) Match. – Grants shall be matched by an eligible entity receiving a grant as follows:

a. The Department may determine the amount of match based on the wealth of the county where the trail project is located. In the case of trail projects in more than one county, the match shall be based on the lowest wealth county.

b. The match shall be no greater than one non-State dollar ($1.00) for every one dollar ($1.00) from the Fund and no less than one non-State dollar ($1.00) for every four dollars ($4.00) from the Fund.

c. The match may include cash, fee waivers, in-kind services, the donation of assets, the provision of infrastructure, or a combination of these. Noncash matches must be quantifiable and documented in a manner as the Department may specify.

(3) Limitation. – Grants made under this subsection shall not exceed five hundred thousand dollars ($500,000) per project.

SECTION 14.10.(e) Reports. – The Department shall report no later than October 1 of each fiscal year in which funds allocated by this section are expended to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division regarding the use of funds allocated by this section. The annual report will include a list of grant recipients and amounts, a description of trail projects funded, and a summary of non-State funds leveraged with grant funding. The Department may discontinue annual reporting upon providing a final summary report after it awards all funds allocated by this section. These reports may be included as a part of the report required by G.S. 143B-135.102.

AQUARIUM AND ZOO REPAIR AND RENOVATION PROJECT AUTHORIZATION

SECTION 14.11.(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 14.11.(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.

…."

AMERICAN BATTLEFIELD TRUST – EXPANSION

SECTION 14.12. 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.

PART XV. WILDLIFE RESOURCES COMMISSION

ABANDONED AND DERELICT VESSELS

SECTION 15.1.(a) Removal of Abandoned and Derelict Vessels. – Funds appropriated in this act from the Boating Account established in G.S. 75A-3(c) to the Wildlife Resources Commission (WRC) for the removal of abandoned and derelict vessels shall be used to contract with the Coastal Federation (Federation) to remove and dispose of abandoned and derelict vessels identified by the WRC. Prior to the removal and disposal of a vessel under this subsection, the WRC shall (i) send written notice to the last known owner of the status of the vessel if an owner can be determined and (ii) post a notice on the vessel advising that the vessel is abandoned. If no response to the written notice to the owner or the notice posted on the vessel is received within 30 days indicating intent to recover while taking specific acts to remove the vessel, then the Federation may proceed with removal and disposal of the vessel. The Federation may remove and dispose of abandoned and derelict vessels on private property after receiving written permission from the property owner or an authorized representative of the property owner and following the other procedures set forth in this section. However, the Federation shall prioritize the use of State funds for the removal of abandoned and derelict vessels located on public waters and lands. As used in this section, the phrase "abandoned and derelict vessel" means an abandoned vessel, as defined in G.S. 75A-2, or a vessel, as defined in G.S. 75A-2, that is left for more than 30 days in one of the following states:

(1) In a wrecked, junked, or substantially damaged or dismantled condition upon any public waters and lands of the State.

(2) Docked, grounded, or beached upon the property of another without the consent of the owner of the property.

SECTION 15.1.(b) Immediate Abatement Authorized. – When a state of emergency, as defined in G.S. 166A-19.3, has been declared, the WRC may act, authorize, or join in action with the Federation and with other agencies and contractors in the area subject to the declaration to immediately determine and abate any unsafe conditions or obstructions to navigation of abandoned and derelict vessels without following the procedures set forth in subsection (a) of this section, with the following modifications: (i) the notification requirement may be satisfied by telephone or email communication from federal, State, or local agencies and (ii) within 15 days of the removal or abatement of the vessel, the WRC shall begin owner investigation and notification as set forth in subsection (a) of this section.

SECTION 15.1.(c) Forfeiture. – An abandoned or derelict vessel, together with all cargo, tackle, and equipment, that remains unclaimed or has not been otherwise brought into compliance 30 days after the notices required by this section shall be deemed forfeited and may be disposed of at any suitable solid waste facility permitted for such waste.

SECTION 15.1.(d) Limitation of Liability. – The WRC, any cooperating law enforcement agency, or any contractor or employee or agent of the WRC acting under authority granted by this section to remove, relocate, cause to be removed or relocated, or dispose of an abandoned or derelict vessel from waters of the State, public land, or private land shall not be held liable in any claim or action seeking damages for any damage to an abandoned or derelict vessel resulting from such relocation, removal, or disposal unless the damage is a result of gross negligence or willful misconduct.

SECTION 15.1.(e) Report. – The Federation shall report on the use of the funds allocated by this section to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on or before October 1, 2027. The

report shall include a description of the number, type, and approximate location of vessels removed and a summary of funding from other public and private sources obtained by the Federation for the program funded by this section.

SECTION 15.1.(f) Boating Account Revisions. – G.S. 75A-3(c) reads as rewritten:

"(c) The Boating Account is established within the Wildlife Resources Fund created under G.S. 143-250. Interest and other investment income earned by the Account accrues to the Account. All moneys collected pursuant to the numbering and titling provisions of this Chapter shall be credited to this Account. Motor fuel excise tax revenue is credited to the Account under G.S. 105-449.126. The Commission shall use revenue in the Account, subject to the Executive Budget Act and the Personnel Act, for the administration and enforcement of this Chapter; for activities relating to boating and water safety including education and waterway marking and improvement; and for boating access area acquisition, development, and maintenance. The Commission shall use at least three dollars ($3.00) of each one-year certificate of number fee and at least nine dollars ($9.00) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 for boating access area acquisition, development, and maintenance. The Commission shall (i) transfer on a quarterly basis ~~fifty percent (50%)~~ forty percent (40%) of each one-year certificate of number fee and ~~fifty percent (50%)~~ forty percent (40%) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 to the Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund established by ~~G.S. 143-215.73F.~~G.S. 143-215.73F and (ii) use ten percent (10%) of each one-year certificate of number fee and ten percent (10%) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 for the removal of abandoned and derelict vessels in a manner authorized by law."

SECTION 15.1.(g) Fee Revisions. – G.S. 75A-5 reads as rewritten:

"**§ 75A-5. Application for certificate of number; fees; reciprocity; change of ownership; conformity with federal regulations; records; award of certificates; renewal of certificates; transfer of partial interest; destroyed or junked vessels; abandonment; change of address; duplicate certificates; display.**

…

(a1) Fees. – The fees for certificates of number are as set out in this subsection:

(1) The fee for a certificate of number for a one-year period is:

a. ~~Thirty dollars ($30.00)~~ Thirty-two dollars ($32.00) for a vessel that is less than 26 feet in length.

b. ~~Fifty dollars ($50.00)~~ Seventy dollars ($70.00) for a vessel that is 26 feet or more in length.

(2) The fee for a certificate of number for a three-year period is:

a. ~~Ninety dollars ($90.00)~~ Ninety-six dollars ($96.00) for a vessel that is less than 26 feet in length.

b. ~~One hundred fifty dollars ($150.00)~~ Two hundred ten dollars ($210.00) for a vessel that is 26 feet or more in length.

…

(j1) Duplicate Certificates. – The Commission shall issue a duplicate certificate of number for a vessel upon application by the person entitled to hold the certificate, if the Commission is satisfied that the original certificate of number has been lost, stolen, mutilated, or destroyed, or has become illegible. The Commission shall charge a fee of ~~five dollars ($5.00)~~ six dollars ($6.00) for issuance of each duplicate certificate.

…."

SECTION 15.1.(h) Continuing Authority and Sunset. – The appropriation of funds from the Boating Account to the WRC and the authority to address abandoned and derelict vessels described in this section are intended to continue beyond the end of the 2026-2027 fiscal

year and shall expire upon the enactment of a Current Operations Appropriations Act, as defined in G.S. 143C-1-1, for the 2027-2029 fiscal biennium.

SECTION 15.1.(i) Effective Date. – Subsections (f) and (g) of this section become effective October 1, 2026, and apply to fees imposed for certificates of number and duplicate certificates issued on or after that date. The remainder of this section is effective July 1, 2026.

PART XVI. ADMINISTRATIVE OFFICE OF THE COURTS

COLLECTION OF WORTHLESS CHECKS

SECTION 16.1. G.S. 7A-308 reads as rewritten:

"**§ 7A-308. Miscellaneous fees and commissions.**

…

(c) A person who participates in a program for the collection of worthless checks under G.S. 14-107.2 must pay a fee of sixty dollars ($60.00). The fee collected under this subsection must be remitted to the State by the clerk of the court in the county in which the program is established and credited to the Collection of Worthless Checks Fund. The Collection of Worthless Checks Fund is created as a special revenue fund. Revenue in the Fund does not revert at the end of the fiscal year, and interest and other investment income earned by the Fund accrues to the Fund. ~~The~~ Except as otherwise provided in subsection (c1) of this section, the money in the Fund is subject to appropriation by the General Assembly and may be used solely for the expenses of the programs established under G.S. 14-107.2 for the collection of worthless checks, including personnel, equipment, and other costs of district attorneys' offices that are attributable to the provision of these programs.

(c1) Notwithstanding any provision of subsection (c) of this section to the contrary, the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund at the end of a fiscal year for the purchase or repair of office or information technology equipment during the fiscal year immediately following that fiscal year. Prior to using any funds under this subsection, 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 16.2.(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 16.2.(b) This section becomes effective January 1, 2027, and subsequent elections for judgeships in District Court Districts 5A and 5B shall be held accordingly.

REVISE MAGISTRATES IN VARIOUS COUNTIES

SECTION 16.3.(a) 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:

County	Magistrates Min.	Additional Seats of Court
…		
Avery	~~3~~4	
…		
Burke	~~5.6~~6	
Cabarrus	~~10~~11	Kannapolis
…		
Durham	~~18~~17	
…		
Franklin	~~4~~5	
…		
Iredell	~~9~~10	Mooresville
…		
New Hanover	~~14~~15	
…		
Vance	~~6~~5	
…		
Wilson	~~7~~8	

…."

SECTION 16.3.(b) In order to effectuate the revisions for Franklin and Vance Counties set forth in subsection (a) of this section, the Administrative Office of the Courts shall transfer position number 60006095 from Vance County to Franklin County.

ADJUST NUMBER OF ASSISTANT DISTRICT ATTORNEYS IN VARIOUS COUNTIES

SECTION 16.4.(a) 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*
…		
8	Edgecombe, Nash, Wilson	~~22~~25
…		
14	Cumberland	~~25~~29
…		
20	Robeson	~~13~~20
21	Anson, Richmond, Scotland	~~11~~12
…		
36	Burke, Caldwell, Catawba	~~21~~24

…."

SECTION 16.4.(b) G.S. 7A-60(a1), as amended by subsection (a) of this section, 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*
…		
19	Catawba	~~10~~12
…		
36	Burke, Caldwell	~~11~~12

…."

SECTION 16.4.(c) Subsection (b) of this section becomes effective January 1, 2027.

DELINEATE LOCATION OF NEW DEPUTY CLERK POSITIONS

SECTION 16.5. Of the funds appropriated in this act to the Administrative Office of the Courts to be used to hire deputy clerk positions, 44 of the positions shall be allocated in accordance with the following chart:

COUNTY	NUMBER OF DEPUTY CLERKS
Chatham	0.5
Columbus	1
Currituck	1
Harnett	1
Moore	1
Rutherford	1
Hoke	1.5
Iredell	1.5
Franklin	1.5
Craven	1.5
Pitt	1.5
Johnston	2
Wilson	2
Brunswick	5
Wake	10
Onslow	12

MODIFY REVERSION AND REPORTING DATES FOR CERTAIN HUMAN TRAFFICKING COMMISSION GRANTS

SECTION 16.6.(a) G.S. 7A-354.1 reads as rewritten:

"**§ 7A-354.1. Human Trafficking Commission Competitive Grant Program.**

…

(c) Grant ~~Maximum.~~ Maximum, Amount, and Term. – The Commission shall set the maximum amount of each grant based upon the availability of funds, provided that no grantee shall receive more than fifty thousand dollars ($50,000) in grant funds in each State fiscal year. The term of each grant shall be for two fiscal years comprising a State budget biennium. Grant funds and any interest earned on those funds in the possession or control of a grantee that are not expended, made subject to an encumbrance, or disbursed to a subgrantee by August 31 of the fiscal year following the grant term shall revert to the State.

(d) Grantee Reporting. – No later than ~~February 1~~ August 31 of each year following a year in which a grantee received funds pursuant to the Grant Program created under this section, each grantee shall submit a report to the Commission that includes all of the following:

…

(e) Commission Reporting. – No later than ~~April 1~~ October 31 of each year, the Commission shall submit a report on the grants awarded in the previous year to the Senate

Appropriations Committee on Justice and Public Safety, the House of Representatives Appropriations Committee on Justice and Public Safety, the Joint Legislative Oversight Committee on Justice and Public Safety, and the Fiscal Research Division. The report shall contain all of the following:

…."

SECTION 16.6.(b) This section becomes effective July 1, 2026, and applies to grants awarded on or after that date.

CONVERT HUMAN TRAFFICKING COMMISSION GRANT MANAGER INTO PERMANENT POSITION

SECTION 16.7. The Office of State Budget and Management shall convert position number 65037969, a time-limited position at the Human Trafficking Commission, into a permanent position.

REPORT ON HUMAN TRAFFICKING COMMISSION STUDY

SECTION 16.8. By September 1, 2027, the Human Trafficking Commission shall submit a report to the Joint Legislative Oversight Committee on Justice and Public Safety providing an update on its progress in using funds appropriated in this act to develop a comprehensive State assessment of human trafficking data and efforts to combat human trafficking.

REVISE LAW GOVERNING ELECTRONIC SIGNATURES OF COURT DOCUMENTS

SECTION 16.9.(a) Section 24 of S.L. 2025-70 is repealed.

SECTION 16.9.(b) G.S. 7A-49.5 is amended by adding a new subsection to read:

"(f) Notwithstanding any provision of law or rule to the contrary, the chief district court judge and the senior resident superior court judge of their respective districts may establish rules to allow for the court's manual signature of (i) orders of the court executed outside of court and (ii) fee application orders from private assigned counsel submitted on the appropriate form (AOC CR 225). This subsection does not apply to criminal judgments. Where manual signatures are permitted, the party obtaining the court's manual signature shall bear sole responsibility for filing the executed document with the clerk through eFile and Serve. For purposes of this subsection, the term "manual signature" means the act of physically signing a paper document with a pen, pencil, or other writing utensil."

SECTION 16.9.(c) This section is effective when it becomes law.

CHANGE NAME OF NORTH CAROLINA INNOCENCE INQUIRY COMMISSION

SECTION 16.10.(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 16.10.(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 16.10.(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 16.10.(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 16.10.(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 16.10.(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 16.10.(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 16.11.(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 16.11.(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 16.12.(a) If House Bill 308, 2026 Regular Session of the 2025 General Assembly, becomes law, Section 12(d) of that act is repealed.

SECTION 16.12.(b) 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."

SECTION 16.12.(c) This section is effective when it becomes law and applies to reports submitted on or after that date.

EXTEND REPORTING REQUIREMENT FOR THE NC LEGAL EDUCATION ASSISTANCE FOUNDATION (NC LEAF) FUNDS

SECTION 16.13.(a) Section 16.9(a) of S.L. 2023-134 reads as rewritten:

"**SECTION 16.9.(a)** No later than February 1, 2025, ~~and February 1, 2026,~~ and annually thereafter until the funds referenced in this subsection have been exhausted, the NC Legal Education Assistance Foundation (NC LEAF) shall report to the Joint Legislative Oversight Committee on Justice and Public Safety, at a minimum, all of the following:

(1) An accounting of all loan repayment assistance funds distributed during the prior year.

(2) The number of individuals that received funds from the Foundation during the prior year.

(3) The job titles and salaries of the individuals that received funds from the Foundation during the prior year."

SECTION 16.13.(b) This section is effective when it becomes law and applies to reports submitted on or after that date.

PROHIBIT SEX OFFENDERS FROM SEASONAL CHILD CARE CAMPS

SECTION 16.14.(a) G.S. 14-208.18 reads as rewritten:

"**§ 14-208.18. Sex offender unlawfully on premises.**

(a) It shall be unlawful for any person required to register under this Article, if the offense requiring registration is described in subsection (c) of this section, to knowingly be at any of the following locations:

(1) On the premises of any place intended primarily for the use, care, or supervision of minors, including, but not limited to, (i) schools, (ii) children's museums, (iii) child care centers, (iv) nurseries, ~~and playgrounds.~~(v) playgrounds, and (vi) seasonal child care camps when operating as a seasonal child care camp.

(2) Within 300 feet of any location intended primarily for the use, care, or supervision of minors when the place is located on premises that are not intended primarily for the use, care, or supervision of minors, including, but not limited to, places described in subdivision (1) of this subsection that are

located in malls, shopping centers, or other property open to the general public.

(3) At any place where minors frequently congregate, including, but not limited to, libraries, arcades, amusement parks, recreation parks, and swimming pools, when minors are present.

(4) On the State Fairgrounds during the period of time each year that the State Fair is conducted, on the Western North Carolina Agricultural Center grounds during the period of time each year that the North Carolina Mountain State Fair is conducted, and on any other fairgrounds during the period of time that an agricultural fair is being conducted.

…."

SECTION 16.14.(b) This section becomes effective December 1, 2026, and applies to offenses committed on or after that date.

CLARIFY DISTINCTION BETWEEN COSTS AND EXPENSES AWARDED

SECTION 16.15.(a) G.S. 6-20 reads as rewritten:

"**§ 6-20. Costs allowed or not, in discretion of court.**

In actions where allowance of costs is not otherwise provided by the General Statutes, costs may be allowed in the discretion of the court. ~~Costs~~ Expenses awarded by the court are subject to the limitations on assessable or recoverable ~~costs~~ expenses set forth in G.S. 7A-305(d), unless specifically provided for otherwise in the General Statutes."

SECTION 16.15.(b) 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, the following shall be ~~assessed:~~assessed and are recoverable:

…

(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:~~assessed and are recoverable:

…

(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.~~ clerk, and this cost is recoverable. 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 16.15.(c) This section is effective when it becomes law and applies to actions pending or filed on or after that date. This section applies to judgments entered and docketed before the effective date for which costs have been docketed.

REVISE MILEAGE REIMBURSEMENT FOR MEMBERS OF THE SENTENCING COMMISSION

SECTION 16.16.(a) G.S. 164-38 reads as rewritten:

"**§ 164-38. Terms of members; compensation; expenses.**

The terms of existing members shall expire on June 30, 1997, unless they resign or are removed. New members shall be appointed or the existing members reappointed by the

appointing authorities to serve terms of two years, unless they resign or are removed. Members serving by virtue of elective or appointive office or as designees of such officeholders may serve only so long as the officeholders hold those respective offices. Members appointed by the Speaker of the House and the President Pro Tempore of the Senate may be removed by the appointing authority without cause. Vacancies occurring before the expiration of a term shall be filled in the manner provided for the members first appointed. A member of the Commission may be removed only for disability, neglect of duty, incompetence, or malfeasance in office. Before removal, the member is entitled to a hearing. Effective with respect to members designated on or after July 1, 1992, a person making a designation pursuant to G.S. 164-37 may not make another designation, except that the person's successor in elective or appointive office may make a new designation.

The Commission members shall receive no salary for serving. All Commission members shall receive necessary subsistence ~~and travel~~ expenses in accordance with the provisions of G.S. 120-3.1, 138-5, and 138-6 as applicable. However, notwithstanding the provisions of G.S. 120-3.1, 138-5, and 138-6, all Commission members shall receive necessary travel expenses at the rate applicable to members of the Commission employed by the Judicial Branch of government."

SECTION 16.16.(b) This section becomes effective December 1, 2026.

PERMIT LOCAL SUPPLEMENTATION FOR MAGISTRATE PAY

SECTION 16.17.(a) G.S. 7A-300.1 reads as rewritten:

"**§ 7A-300.1. Local supplementation of salaries for certain officers and employees.**

(a) In order to attract and retain the best qualified officers and employees for positions in the Judicial Branch of government, the Administrative Office of the Courts may contract with the governing body of a city or county for the provision of local funds to supplement the salaries of Judicial Department employees, other than elected ~~officials and magistrates,~~ officials, who serve the superior court district, district court district, or prosecutorial district containing that unit of local government. Any employee who receives salary supplementation under this section shall be notified before receiving it that the supplementation is subject to the availability of local funds, may be discontinued at any time, and is not "compensation" for purposes of the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System.

…."

SECTION 16.17.(b) This section is effective when it becomes law.

INCREASE NUMBER OF SPECIAL ASSISTANT UNITED STATES ATTORNEYS

SECTION 16.18. G.S. 7A-60(a3) reads as rewritten:

"(a3) In a manner not inconsistent with applicable State law, the North Carolina Conference of District Attorneys shall have the authority to assign to specific counties assistant district attorney positions created by the General Assembly for the purpose of serving as special assistant United States attorneys. The Conference will retain assignment authority of assistant district attorney positions referenced in this subsection for so long as the positions are funded for that purpose.

The number of assistant district attorney positions subject to the requirements of this subsection shall not exceed ~~12.~~16."

ESTABLISH A PROCEDURE FOR COMPLEX FAMILY FINANCIAL CASE DISPOSITION

SECTION 16.19.(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, postseparation 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 of 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, postseparation 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 16.19.(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, 2026, 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 16.19.(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 16.19.(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, 2027, 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 16.19.(e) G.S. 7A-305, as amended by Section 16.15 of this act, 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, the following shall be assessed and are recoverable:

…

(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.

…

(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 and are recoverable:

…

(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,~~ G.S. 7A-45.3 or as a complex family financial claim under G.S. 7A-45.1, 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.

…."

SECTION 16.19.(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 16.19.(g) Subsection (e) of this section becomes effective July 1, 2026, and applies to claims filed on or after that date. The remainder of this section becomes effective July 1, 2026. 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, 2026. Notices of Designation may be filed beginning January 1, 2027.

ESTABLISH THE COUNCIL OF DISTRICT ATTORNEYS

SECTION 16.20.(a) The caption of Subchapter VIII of Chapter 7A of the General Statutes reads as rewritten:

"**SUBCHAPTER VIII. COUNCIL AND CONFERENCE OF DISTRICT ATTORNEYS.**"

SECTION 16.20.(b) Article 32 of Chapter 7A of the General Statutes is amended by adding a new Part 1 to be entitled "Council of District Attorneys."

SECTION 16.20.(c) Article 32 of Chapter 7A of the General Statutes is amended by adding a new Part 2 to be entitled "Conference of District Attorneys."

SECTION 16.20.(d) G.S. 7A-411, 7A-412, and 7A-413 are recodified under Part 2 of Article 32 of Chapter 7A of the General Statutes as created in subsection (c) of this section, as follows:

Former Citation	Recodified Citation
7A-411	7A-417
7A-412	7A-418
7A-413	7A-420

SECTION 16.20.(e) The Council of District Attorneys is established in this section as an independent department within the Judicial Branch, separate and apart from the Judicial Department. The Conference of District Attorneys and the district attorneys are transferred to the Council of District Attorneys in the same manner that a Type II transfer would be made for an executive agency to a principal executive branch department under G.S. 143A-6, except that the records, personnel, property, obligations, and unexpended balances of appropriations, allocations, or other funds of the district attorneys and Conference of District Attorneys, including the functions of budgeting and purchasing, are transferred to, vested in, and consolidated within the newly created Council of District Attorneys. The Office of State Budget and Management and the State Controller shall establish within the General Fund a new budget fund for the Council of District Attorneys for all funds appropriated or transferred to the Council of District Attorneys. The budget fund established under this subsection shall be separate from the budget fund used for the various district attorney offices.

SECTION 16.20.(f) Article 32 of Chapter 7A of the General Statutes, as amended by subsections (b), (c), and (d) of this section, reads as rewritten:

"Article 32.

"Council and Conference of District Attorneys.

"Part 1. Council of District Attorneys.

"**§ 7A-411.1. Establishment and purpose; duties.**

(a) Establishment. – There is created the Council of District Attorneys of North Carolina. The Council shall be administered by an Executive Director, as provided in G.S. 7A-414. The purpose of the Council is to improve the administration of justice in North Carolina by coordinating the prosecution efforts of the various district attorneys, assisting in the administration of their offices and the Conference of District Attorneys, and by exercising the powers and performing the duties provided in this Article.

(b) Membership. – The Council shall consist of nine members as follows:

(1) The President of the Conference.

(2) The Vice-president of the Conference.

(3) Seven additional members of the Conference elected by the Conference pursuant to G.S. 7A-419.

(c) Powers. – The Council shall exercise its prescribed powers independently of the Director of the Administrative Office of the Courts. Subject to G.S. 7A-413.1, the Council may enter into contracts, own property, and accept funds, grants, and gifts from any public or private source to pay expenses incident to implementing its purposes.

(d) Administration. – The Director of the Administrative Office of the Courts shall provide the following enumerated services to the Council, the Conference, and offices of district attorneys unless the Council provides 30 days' prior written notice to the Director of the Administrative Office of the Courts that it is opting out of an enumerated service, in which case the Council shall thereafter be responsible for providing the service: (i) access to purchase office supplies from the Administrative Office of the Courts' warehouse, including distribution of purchased supplies to the Council, the Conference, and the offices of district attorneys, and (ii) network and data services, including computing and peripheral devices to access network and data services. The Director of the Administrative Office of the Courts shall establish service rates for information technology services, equipment, and materials, and shall charge the Council for the proportionate share of the cost of computing and peripheral devices and of maintaining and operating information technology for the Council, the Conference, and the offices of district attorneys.

(e) Duties. – The Council shall evaluate the criminal dockets and the practice and procedures of the criminal courts for the purpose of making recommendations concerning the number of district attorneys required for the efficient administration of justice.

(f) Budget. – The budget shall be independent of the Judicial Department's budget. The Council shall be solely responsible for preparing, presenting, managing, and certifying the budget and shall have the final authority with respect to preparation of the budget and with regard to the representation of matters pertaining to the budget before the General Assembly.

(g) Definitions. – The following definitions apply to this Article:

(1) Accounting system. – The total structure of records and procedures which discover, record, classify, and report information on the financial position and operating results of the Council, the Conference, and the offices of district attorneys, or any of their funds, balanced account groups, and organizational components.

(2) Budget. – Any funds appropriated by the General Assembly for the Council, the Conference, and the offices of district attorneys or any other funds received for the Council, the Conference, or offices of district attorneys.

(3) Conference. – The Conference of District Attorneys of North Carolina.

(4) Council. – The Council of District Attorneys.

(5) Executive Director. – The Executive Director of the Council of District Attorneys.

(6) Internal auditing. – An independent, objective assurance and consulting activity designed to add value to and improve an organization's operations. Internal auditing helps an organization accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes. The types of audits the internal auditors may provide include all of the following:

a. Efficiency or economy audits to evaluate areas at risk and require improvements to promote operating effectiveness and efficiency, mitigate the risk of liability, and realize economies.

b. Financial audits to determine whether financial operations are properly functioning.

c. Compliance audits or reviews to assess compliance with laws and regulations.

d. Internal control audits to assess the controls related to financial transactions and reporting.

e. Case file and procedural audits to ensure efficiency, effectiveness, and compliance.

f. Performance and management audits entail an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus or that synthesize information on best practices.

g. Investigative or fraud audits to make an independent assessment of allegations of fraud, misuse, or process manipulation or alleged violations of federal, State, or local laws.

"**§ 7A-413.1. Powers of Council.**

(a) The Council may:

(1) Cooperate with citizens and other public and private agencies to promote the effective administration of criminal justice.

(2) Assist prosecutors in the effective prosecution and trial of criminal offenses, and provide training, publications, and any other related services.

(3) Develop advisory manuals to assist prosecutors in the organization and administration of their offices, case management, calendaring, case tracking, filing, and office procedures.

(4) Contract with the School of Government at the University of North Carolina at Chapel Hill concerning education and training programs for prosecutors and staff.

(5) Provide legal counsel and advice to the district attorneys and their staff related to the performance of their duties through attorneys employed by the Council.

(6) Pursuant to G.S. 7A-68, allocate additional administrative assistants to prosecutorial districts based on need and within available appropriations.

(7) Pursuant to G.S. 7A-69.2, allocate additional district attorney legal assistants to prosecutorial districts based on need and within available appropriations.

(8) Establish management and oversight of the budget and any disbursement of funds.

(9) Establish policies and procedures with respect to the distribution of funds appropriated under this Article, including rates of compensation for assistant district attorneys and other employees and schedules of allowable expenses. Nothing in this subdivision shall be construed as superseding or altering any provision of a Current Operations Appropriations Act appropriating funds to the Council.

(10) Prescribe policies and procedures for the payment of experts and other witnesses acting on behalf of prosecutorial offices, as provided for in G.S. 7A-314.

(11) Identify programs and policies that create greater efficiencies and effectiveness in prosecutorial functions and that provide information on the fiscal and practical impact created by changes in the criminal law and procedure.

(12) In compliance with and subject to information technology, security, and data protection policies promulgated by the Administrative Office of the Courts, provide district attorneys with the software, including software-as-a-service applications, they need to effectively meet their prosecutorial function and comply with constitutional and statutory requirements, provided that for so long as the Director of the Administrative Office of the Courts is providing network and data services, devices, or other information technology infrastructure or resources to the Council under G.S. 7A-411.1(d), all of the following apply:

a. Any information technology provided by the Council and contracts for such technology entered into on or after the effective date of this sub-subdivision shall be approved in advance by the Administrative Office of the Courts.

b. The Director of the Administrative Office of the Courts may cancel or suspend any information technology that is procured by the Council without the approval required in sub-subdivision a. of this subdivision.

c. The Council shall be responsible for all of the following, and such responsibilities include (i) breach notification and credit monitoring requirements, (ii) liability for third-party claims, (iii) damage caused to the Administrative Office of the Courts' network, devices, infrastructure, and other information technology resources, and (iv) other related harm:

1. Cybersecurity incidents, as defined in G.S. 143B-1320(a)(4a) that are caused by software provided by the Council, including software-as-a-service applications.
2. Violations of Article 2A of Chapter 75 of the General Statutes that are caused by software provided by the Council, including software-as-a-service applications.

(13) Provide for the assignment of special prosecutors and determine compensation if necessary pursuant to G.S. 7A-64.

(14) Analyze the use of contractual positions at the Council or within district attorneys' offices and, after consultation with the Joint Legislative Commission on Governmental Operations and in accordance with the provisions of Chapter 143C of the General Statutes, convert contractual positions to permanent State positions when the Council determines it is in the best interests of the Council or district attorneys to do so.

(15) Employ staff counsel or retain private counsel to provide legal services for the district attorneys' offices. The Council may approve the expenditure of lapsed salary savings to pay for legal services under G.S. 7A-414.1(a).

(b) The Council may adopt such other rules pursuant to Chapter 150B of the General Statutes and procedures as it deems necessary for the conduct of business by the Council.

(c) Any legal counsel or advice provided by attorneys employed by the Council provided pursuant to subdivision (2) or (5) of subsection (a) of this section is confidential and privileged, including any documents or other communications made or used in connection with that legal counsel or advice. All communications or documents made confidential by this subsection are not "public records" as defined by G.S. 132-1 and shall not be open to public inspection, examination, or copying except as provided by G.S. 132-1.4(g).

"**§ 7A-413.2. Supporting services.**

Fees for the services of an expert witness or other witnesses for the State, including travel expenses, lodging, and other appearance expenses of witnesses for the State and other necessary expenses of counsel, shall be paid by the Council in accordance with rules adopted by the Council.

"**§ 7A-414. Executive ~~Director; clerical support.~~Director.**

(a) The ~~Conference~~ Council shall employ an Executive Director and any necessary supporting staff to assist it in carrying out its duties. The Executive Director shall be an attorney licensed and eligible to practice in the courts of this State at the time of appointment and at all times during service as the Executive Director.

(b) The Executive Director shall do all of the following:

(1) Prepare and submit to the Council a proposed budget, an annual report containing pertinent data on the operations, costs, and needs of the Council, the Conference, and the offices of district attorneys.

(2) Assist the Council in developing rules and standards for the delivery of services under this Article.

(3) Administer and coordinate the operations of the Council and supervise compliance with standards adopted by the Council.

(4) Maintain and staff as necessary an Internal Audit Division of the Council of District Attorneys in accordance with G.S. 7A-414.2 that does all of the following:

a. Evaluates and discloses potential weaknesses in the effectiveness of internal controls in the Council, the Conference, or the offices of district attorneys for the purpose of safeguarding public funds and assets and minimizing incidences of fraud, waste, and abuse.

b. Examines and analyzes the design and effectiveness of administrative and procedural operations.

c. Ensures overall compliance with federal and State laws, internal and external regulations, rules and procedures, and other applicable requirements.

d. Inspects and reviews the effectiveness and efficiency of processes conducted by district attorneys.

e. Collaborates with other divisions to guide, direct, and support the Council, the Conference, and offices of district attorneys in efforts to conform to both recommended and required compliance standards.

f. Executes routine audits of the systems and controls of the Council, the Conference, and the offices of district attorneys, including all of the following:

1. Accounting systems and controls.

2. Administrative systems and controls.

3. Electronic data processing systems and controls.

(5) Subject to policies and procedures established by the Council, hire such professional, technical, and support personnel as deemed reasonably necessary for the efficient operation of the Council.

(6) Keep and maintain proper financial records for use in calculating the costs of the operations of the Council.

(7) Apply for and accept on behalf of the Council any funds that may become available from government grants, private gifts, donations, or bequests from any source.

(8) Employ staff counsel or retain private counsel to provide legal services for the Council and any district attorney or staff. The Executive Director may approve the expenditure of lapsed salary savings to pay for legal services under G.S. 7A-414.1.

(c) In lieu of merit and other increment raises paid to regular State employees, the Executive Director shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, and twenty-four percent (24%) after 25 years of service. Service means service as any of the following:

(1) Executive Director of the Council, including previous service as the Executive Director of the Conference.

(2) A district attorney, assistant district attorney, or resource prosecutor.

(3) A public defender, appellate defender, or assistant public or appellate defender.

(4) A justice or judge of the General Court of Justice.

(5) A clerk of superior court.

"**§ 7A-414.1. Legal services for Council, district attorney, and staff.**

(a) The Executive Director may employ staff counsel or retain private counsel to provide legal services, including litigation services, to (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney, in any action or matter arising in the scope and course of the person's official duties. The Executive Director shall supervise and manage counsel employed or retained under this section. The Executive Director may use funds available to the Council to employ or retain counsel authorized under this section.

(b) All of the following apply when the Executive Director employs or retains counsel under this section to provide litigation services:

(1) Employed or retained counsel shall not provide litigation services for the defense of a civil or criminal action or proceeding brought against (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney, if the Executive Director determines that any of the conditions in G.S. 143-300.4(a) exist. The Executive Director's provision of litigation services for the defense of (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney shall raise a presumption that no grounds for refusal to defend were discovered.

(2) If the action or proceeding for which employed or retained counsel is to provide litigation services is one in which plaintiffs or claimants seek in excess of one million dollars ($1,000,000) in damages or for which a final judgment orders the State to pay the sum of one million dollars ($1,000,000) or more, the Executive Director shall report the litigation to the Attorney General's office and the Attorney General shall complete reports under G.S. 114-2.6.

(3) Judgments and settlements in actions or proceedings against (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney where the Executive Director has approved the provision of litigation services shall be paid by the State in accordance with G.S. 143-300.6(a) as modified by subsection (c) of this section.

(4) If the settlement or resolution of the action involves the sum of seventy-five thousand dollars ($75,000) or more, the Executive Director shall report the settlement to the Attorney General's office, and the Attorney General shall complete reports under G.S. 114-2.4(b).

(c) When the Attorney General provides for representation in a civil or criminal action or proceeding for which (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney is a party, whether under this section, G.S. 114-2, or Article 31A of Chapter 143 of the General Statutes, any compromise or settlement must be approved by the Council, the district attorney, or the employee named in the action. The approval of the Attorney General shall not be required for the compromise or settlement of any claim in the action or proceeding.

(d) When the Executive Director employs or retains counsel under this section, G.S. 114-2(1) through (2), 114-2.3, 143C-6-9(b), and 147-17(a) through (c1) shall not apply.

(e) This section does not prohibit the Attorney General's office from representing (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney pursuant to Article 31A of Chapter 143 of the General Statutes upon that official's or employee's request to the Attorney General.

(f) The coverage afforded (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney under this section shall be excess coverage over any commercial liability insurance, other than insurance written under G.S. 58-32-15, up to the limit provided in G.S. 143-300.6(a).

(g) All communications or documents made or used in connection with the provision of legal services by counsel employed or retained under this section are not "public records" as defined by G.S. 132-1 and shall not be open to public inspection, examination, or copying.

(h) The following definitions apply in this section:

(1) Civil or criminal action or proceeding. – As defined in G.S. 143-300.2.

(2) Employee. – As defined in G.S. 143-300.2.

(3) Litigation services. – Legal work conducted in anticipation of, or in preparation for, any suit or action.

(4) Private counsel. – Any licensed attorney retained by, engaged by, or otherwise representing (i) a current or former official or employee of the Council, (ii) any current or former district attorney, or (iii) any current or former employee of a district attorney, but does not include a licensed attorney who holds a permanent budgeted position in the Council or the Department of Justice.

"**§ 7A-414.2. Internal audit standards; report and work papers.**

(a) Internal audits shall comply with the Standards for the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors and, when appropriate, Government Auditing Standards issued by the Comptroller General of the United States.

(b) Except as otherwise provided in this section, the Internal Audit Division shall maintain all audit reports, examinations, investigations, surveys, drafts, work papers, and other documents prepared by the internal auditors in accordance with rules established by the Council pursuant to G.S. 7A-413.1(b) and applicable retention schedules established by the Department of Natural and Cultural Resources. Except as provided in this section or upon an order issued in Wake County Superior Court upon 10 days' notice and hearing finding that access is necessary to a proper administration of justice, audit work papers, drafts, and all audit documents other than the final audit report are available only to the Internal Audit Division, the Executive Director, and other persons in the internal auditor's discretion for the limited purpose of ensuring the accuracy and reliability of the final audit report. Pertinent work papers and other supportive material related to issued audit reports may be, at the internal auditor's discretion and unless otherwise prohibited by law, made available for inspection by duly authorized representatives of the State and federal government who desire access to and inspection of such records in connection with some matter officially before them, including criminal investigations.

(c) Where professional guidelines, government standards, and the rules established by the Council fail to specify or are in conflict, the rules established by the Council shall govern.

"**§ 7A-415. Resource prosecutors.**

The ~~Conference~~ Council of District Attorneys may employ resource prosecutors as appointed by the executive director. A resource prosecutor shall be an attorney licensed and eligible to practice in the courts of this State and shall serve at the pleasure of the executive director. A resource prosecutor shall take the same oath of office as a district attorney in this State and shall be authorized to represent the State in any court of this State without taking an additional oath. When assisting a district attorney, a resource prosecutor shall have the same authority, power, and privileges as an assistant district attorney serving in the requesting district attorney's office.

"**§ 7A-415.1. Training.**

Pursuant to the provisions of G.S. 7A-413.1, the Council shall:

(1) Establish a uniform statewide training program for district attorneys, assistant district attorneys, district attorney administrative assistants, district attorney investigators, and district attorney legal assistants.

(2) Implement, supervise, and fund training programs.

"**§ 7A-416. ~~Conference~~ Council of District Attorneys legislative liaison.**

The ~~Conference~~ Council of District Attorneys may designate liaison personnel to lobby for legislative action in accordance with Article 5 of Chapter 120C of the General Statutes. Any legislative liaison appointed pursuant to this statute shall report for employment purposes to and serve at the pleasure of the Council.

"Part 2. Conference of District Attorneys.

"**§ 7A-417. Establishment and purpose.**

There is created the Conference of District Attorneys of North Carolina, of which every district attorney in North Carolina is a member. The purpose of the Conference is to assist in

improving the administration of justice in North Carolina by ~~coordinating the prosecution efforts of the various district attorneys, by assisting them in the administration of their offices,~~ electing and advising the Council of District Attorneys, and by exercising the powers and performing the duties provided for in this Article.

"**§ 7A-418. Annual meetings; organization; election of officers.**

(a) Annual Meetings. – The Conference shall meet annually at a time and place selected by the President of the Conference.

(b) Election of Officers. – Officers of the Conference are a President, ~~a President-elect,~~ a Vice-president, and other officers from among its membership that the Conference may designate in its bylaws. Officers are elected for one-year terms at the annual Conference, and take office on July 1 immediately following their election.

~~(c) Executive Committee. – The Executive Committee of the Conference consists of the President, the President-elect, the Vice-president, and four other members of the Conference. One of these four members shall be the immediate past president if there is one and if he continues to be a member.~~

(d) Organization and Functioning; Bylaws. – The bylaws may provide for the organization and functioning of the Conference, including the powers and duties of its officers and committees. The bylaws shall state the number of members required to constitute a quorum at any meeting of the ~~Conference or the Executive Committee.~~ Conference. The bylaws shall set out the procedure for amending the bylaws.

(e) Calling Meetings; Duty to Attend. – The President or the ~~Executive Committee~~ Council may call a meeting of the Conference upon 10 days' notice to the members, except upon written waiver of notice signed by at least three-fourths of the members. A member should attend each meeting of the Conference ~~and the Executive Committee~~ of which ~~he~~ the member is given notice. Members are entitled to reimbursement for travel and subsistence expenses at the rate applicable to State employees.

"**§ 7A-419. Election of Council of District Attorneys.**

(a) In addition to the President and Vice-president elected pursuant to G.S. 7A-418, the Conference shall elect seven additional members of the Conference to serve on the Council.

(b) The additional Council members shall be elected at the annual Conference and take office on July 1 immediately following their election as follows:

(1) One of the members shall be the immediate past president if there is one and if that person continues to be a member of the Conference. If there is no immediate past president or the immediate past president is no longer a member of the Conference, any member of the Conference may be elected. This member shall serve a one-year term on the Council.

(2) Two members of the Conference from prosecutorial districts one through 22. At the initial election of the Council, one of these members shall serve a one-year term and the other shall serve a two-year term. At the expiration of the initial terms, election of these two members shall be for two-year terms.

(3) Two members of the Conference from prosecutorial districts 23 through 43. At the initial election of the Council, one of these members shall serve a one-year term and the other shall serve a two-year term. At the expiration of the initial terms, election of these two members shall be for two-year terms.

(4) Two additional members of the Conference. At the initial election of the Council, one of these members shall serve a one-year term and the other shall serve a two-year term. At the expiration of the initial terms, election of these two members shall be for two-year terms.

(c) Members elected to the Council shall serve until a successor has been elected. Vacancies shall be filled by appointment by the President, in consultation with the Vice-president and Executive Director, for the remainder of the unexpired term. Removal of Council members

shall only be for good cause as established by the Conference, which shall include that the person is no longer a member of the Conference.

"**§ 7A-420. Powers of Conference.**

(a) The Conference may:

(1) Cooperate with citizens and other public and private agencies to promote the effective administration of criminal justice.

(2) ~~Assist prosecutors in the~~ Advise the Council in providing effective prosecution and trial of criminal offenses, and ~~develop an advisory trial manual.~~in providing training.

(3) ~~Develop~~ Advise the Council in developing advisory manuals to assist prosecutors in the organization and administration of their offices, case management, calendaring, case tracking, filing, and office procedures.

(4) Contract with the School of Government at the University of North Carolina at Chapel Hill concerning education and training programs for prosecutors and staff.

~~(5) Provide legal counsel and advice to the district attorneys and their staff related to the performance of their duties through attorneys employed by the Conference.~~

(6) Advise the Council in allocation of additional administrative assistants, district attorney investigators, and district attorney legal assistants to prosecutorial districts.

(7) Advise the Council in the fulfillment of any of the Council's duties.

(b) The Conference may not adopt rules pursuant to Chapter 150B of the General Statutes.

~~(c) The Conference shall approve all transfers of funds appropriated by the General Assembly for the offices of district attorneys prior to the Administrative Office of the Courts completing the transfer.~~

~~(d) Any legal counsel or advice provided by attorneys employed by the conference provided pursuant to subdivision (2) or (5) of subsection (a) of this section is confidential and privileged, including any documents or other communications made or used in connection with that legal counsel or advice. All communications or documents made confidential by this subsection are not "public records" as defined by G.S. 132-1 and shall not be open to public inspection, examination, or copying except as provided by G.S. 132-1.4(g).~~"

SECTION 16.20.(g) Article 9 of Chapter 7A of the General Statutes reads as rewritten:

"Article 9.

"District Attorneys and Prosecutorial Districts.

"**§ 7A-60. District attorneys and prosecutorial districts.**

…

(a3) In a manner not inconsistent with applicable State law, the ~~North Carolina Conference~~ Council of District Attorneys shall have the authority to assign to specific counties assistant district attorney positions created by the General Assembly for the purpose of serving as special assistant United States attorneys. The ~~Conference~~ Council will retain assignment authority of assistant district attorney positions referenced in this subsection for so long as the positions are funded for that purpose.

The number of assistant district attorney positions subject to the requirements of this subsection shall not exceed 16.

…

"**§ 7A-64. Temporary assistance for district attorneys.**

(a) A district attorney may apply to the ~~Director of the Administrative Office of the Courts to:~~Executive Director of the Council of District Attorneys to do any of the following:

(1) Temporarily assign an assistant district attorney from another district, after consultation with the district attorney thereof, to assist in the prosecution of cases in the requesting ~~district;~~district.

(2) Authorize the temporary appointment, by the requesting district attorney, of a qualified attorney to assist the requesting district ~~attorney; or~~attorney.

(3) Enter into contracts with local governments for the provision of services by the State pursuant to G.S. 153A-212.1 or G.S. 160A-289.1.

(a1) Repealed by Session Laws 2012-7, s. 9, effective June 7, 2012.

(b) The ~~Director of the Administrative Office of the Courts~~ Executive Director of the Council of District Attorneys may provide this assistance only upon a showing by the requesting district attorney supported by facts that at least one of the following circumstances apply:

(1) Criminal cases have accumulated on the dockets of the superior or district courts of the district beyond the capacity of the district attorney and the district attorney's full-time assistants to keep the dockets reasonably current.

(2) The overwhelming public interest warrants the use of additional resources for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving a threat to public safety.

(3) Repealed by Session Laws 2023-34, s. 1, effective June 9, 2023, and applicable to investigations and prosecutions occurring on or after that date.

(4) A county within the jurisdiction of the requesting district attorney is subject to a disaster declaration by the Governor pursuant to G.S. 166A-19.3(3).

(c) The length of service and compensation of any temporary appointee or the terms of any contract entered into with local governments shall be fixed by ~~Director of the Administrative Office of the Courts~~ the Executive Director of the Council of District Attorneys in each case. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section or to obligate the ~~Administrative Office of the Courts~~ Council of District Attorneys to provide the administrative costs of establishing or maintaining the positions or services provided for under this section. Further, nothing in this section shall be construed to obligate the ~~Administrative Office of the Courts~~ Council of District Attorneys to maintain positions or services initially provided for under this section.

(d) Notwithstanding any other provision of this section to the contrary, when a district attorney excludes themselves from an investigation or prosecution due to a conflict of interest or for other good cause, the district attorney may apply to the ~~Administrative Office of the Courts~~ Council of District Attorneys to have another district attorney, a resource prosecutor from the ~~Conference~~ Council of District Attorneys, or a qualified attorney assume responsibility as a special prosecutor for the investigation and prosecution of the matter.

After ~~consulting with the Conference of District Attorneys and~~ securing the consent of the district attorney or resource prosecutor, the ~~Administrative Office of the Courts~~ Council of District Attorneys may assign a district attorney or resource prosecutor to an investigation or prosecution pursuant to this subsection.

In the event a qualified attorney is appointed to an investigation or prosecution pursuant to this subsection, payment for services must be approved by the ~~Conference of District Attorneys and the Director of the Administrative Office of the Courts.~~Council of District Attorneys.

Upon appointment as a special prosecutor pursuant to this subsection, the special prosecutor shall have all the authority that the requesting district attorney would otherwise have had in that investigation or prosecution.

"**§ 7A-65. Compensation and allowances of district ~~attorneys and~~ attorneys, assistant district ~~attorneys.~~attorneys, and resource prosecutors.**

…

(c) In lieu of merit and other increment raises paid to regular State employees, a district attorney shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%)

of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, and nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, and twenty-four percent (24%) after 25 years of service. Service shall mean service in the elective position of a district attorney and shall not include service as a deputy or acting district attorney. Service shall also mean service as a justice or judge of the General Court of Justice, clerk of superior court, assistant district attorney, resource prosecutor, public defender, appellate defender, or assistant public or appellate defender.

(d) In lieu of merit and other increment raises paid to regular State employees, an assistant district attorney or resource prosecutor shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, and twenty-four percent (24%) after 25 years of service. "Service" means service as an assistant district attorney, district attorney, resource prosecutor, public defender, appellate defender, assistant public or appellate defender, justice or judge of the General Court of Justice, or clerk of superior court. ~~For purposes of this subsection, "resource prosecutor" means a former assistant district attorney who has left the employment of the district attorney's office to serve in a specific, time-limited position with the Conference of District Attorneys.~~

…

"**§ 7A-68. ~~Administrative~~ District attorney administrative assistants.**

(a) Each district attorney shall be entitled to one administrative assistant to be appointed by the district attorney and to serve at his pleasure. The assistant need not be an attorney licensed to practice law in the State of North Carolina. The Council of District Attorneys shall allocate additional administrative assistants to prosecutorial districts on the basis of need and within available appropriations.

(b) It shall be the duty of the administrative assistant to assist the district attorney in preparing cases for trial and in expediting the criminal court docket, and to assist in such other duties as may be assigned by the district attorney.

(c) When traveling on official business, each administrative assistant is entitled to reimbursement for his subsistence and travel expenses to the same extent as State employees generally.

"**§ 7A-69. District attorney investigators.**

(a) Each district attorney is entitled to at least one district attorney investigator to be appointed by the district attorney and to serve at the district attorney's pleasure. The Council of District Attorneys shall allocate additional district attorney investigators to prosecutorial districts on the basis of need and within available appropriations.

(b) It shall be the duty of the district attorney investigator to investigate cases preparatory to trial and to perform such other Duties as may be assigned by the district attorney.

(c) The district attorney investigators are entitled to reimbursement for subsistence and travel expenses to the same extent as State employees generally.

"**§ 7A-69.2. District attorney legal assistants.**

(a) District attorney legal assistant positions are established under the district attorneys' offices. Each prosecutorial district is allocated at least one district attorney legal assistant to be employed by the district attorney. The Council of District Attorneys shall allocate additional assistants to prosecutorial districts on the basis of need and within available appropriations.

(b) Each district attorney may also use any volunteer or other personnel to assist the assistant. The assistant is responsible for coordinating efforts of the law enforcement and district attorney office to assure that each victim and witness is provided fair treatment under Article 45

of Chapter 15A of the General Statutes, Fair Treatment for Certain Victims and Witnesses, and shall also provide administrative and legal support to the district attorney office.

(c) District attorney legal assistants are entitled to reimbursement for subsistence and travel expenses to the same extent as State employees generally."

SECTION 16.20.(h) G.S. 7A-300.1, as amended by Section 16.17 of this act, reads as rewritten:

"**§ 7A-300.1. Local supplementation of salaries for certain officers and employees.**

(a) In order to attract and retain the best qualified officers and employees for positions in the Judicial Branch of government, the Administrative Office of the Courts may contract with the governing body of a city or county for the provision of local funds to supplement the salaries of Judicial Department employees, other than elected officials, who serve the superior court ~~district,~~ district or district court ~~district, or prosecutorial~~ district containing that unit of local government. The Council of District Attorneys may contract with the governing body of a city or county for the provision of local funds to supplement the salaries of employees of district attorneys' offices who serve the prosecutorial district containing that unit of local government. Any employee who receives salary supplementation under this section shall be notified before receiving it that the supplementation is subject to the availability of local funds, may be discontinued at any time, and is not "compensation" for purposes of the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System.

…."

SECTION 16.20.(i) G.S. 7A-314 reads as rewritten:

"**§ 7A-314. Uniform fees for witnesses; experts; limit on number.**

(a) Except for a witness that is a former State, county, or municipal ~~law-enforcement~~ law enforcement officer, a witness under subpoena, bound over, or recognized, other than a salaried State, county, or municipal ~~law-enforcement~~ law enforcement officer, or an out-of-state witness in a criminal case, whether to testify before the court, Judicial Standards Commission, jury of view, magistrate, clerk, referee, commissioner, appraiser, or arbitrator shall be entitled to receive five dollars ($5.00) per day, or fraction thereof, during his attendance, which, except as to witnesses before the Judicial Standards Commission, must be certified to the clerk of superior court. Compensation of witnesses acting on behalf of the court ~~or prosecutorial offices~~ shall be paid in accordance with the rules established by the Administrative Office of the Courts. Compensation of witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services. Compensation of witnesses acting on behalf of prosecutorial offices shall be paid under G.S. 7A-413.2 in accordance with rules established by the Council of District Attorneys.

(a1) A witness that is a former State, county, or municipal ~~law-enforcement~~ law enforcement officer that is under subpoena, bound over, or recognized, whether to testify before the court, Judicial Standards Commission, jury of view, magistrate, clerk, referee, commissioner, appraiser, or arbitrator, shall be entitled to receive twenty dollars ($20.00) per hour, or fraction thereof, during the former ~~law-enforcement~~ law enforcement officer's attendance, which, except as to witnesses before the Judicial Standards Commission, must be certified to the clerk of superior court. Compensation of witnesses acting on behalf of the court ~~or prosecutorial offices~~ shall be paid in accordance with the rules established by the Administrative Office of the Courts. Compensation of witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services. Compensation of witnesses acting on behalf of prosecutorial offices shall be paid under G.S. 7A-413.2 in accordance with rules established by the Council of District Attorneys.

(b) A witness entitled to a fee set forth in subsections (a) or (a1) of this section, and a ~~law-enforcement~~ law enforcement officer who qualifies as a witness, shall be entitled to receive an allowance or reimbursement for travel expenses as follows:

(1) A witness whose residence is outside the county of appearance but within 75 miles of the place of appearance shall be entitled to receive mileage reimbursement at the rate currently authorized for State employees, for each mile necessarily traveled from his place of ~~resident~~ residence to the place of appearance and return, each day. Reimbursements to witnesses acting on behalf of the court ~~or prosecutorial offices~~ shall be paid in accordance with the rules established by the Administrative Office of the Courts. Reimbursements to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services. Reimbursements to witnesses acting on behalf of prosecutorial offices shall be paid under G.S. 7A-413.2 in accordance with rules established by the Council of District Attorneys.

(2) A witness whose residence is outside the county of appearance and more than 75 miles from the place of appearance shall be entitled to receive mileage reimbursement at the rate currently authorized State employees for one round-trip from his place of residence to the place of appearance. A witness required to appear more than one day shall be entitled to receive an allowance or reimbursement for expenses incurred for lodging and meals not to exceed the maximum currently authorized for State employees, in lieu of daily mileage. Allowances or reimbursements to witnesses acting on behalf of the court ~~or prosecutorial offices~~ shall be paid in accordance with the rules established by the Administrative Office of the Courts. Reimbursements and travel allowances to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services. Allowances or reimbursements to witnesses acting on behalf of prosecutorial offices shall be paid under G.S. 7A-413.2 in accordance with rules established by the Council of District Attorneys.

(c) A witness who resides in a state other than North Carolina and who appears for the purpose of testifying in a criminal action and proves ~~his~~ the witness' attendance may be compensated at the rate allowed to State officers and employees by subdivisions (1) and (2) of G.S. 138-6(a) for one round-trip from the witness's place of residence to the place of appearance, and five dollars ($5.00) for each day that the witness is required to travel and attend as a witness, upon order of the court based upon a finding that the person was a necessary witness. If such a witness is required to appear more than one day, the witness is also entitled to an allowance or reimbursement for expenses incurred for lodging and meals, not to exceed the maximum currently authorized for State employees. Reimbursements and travel allowances to witnesses acting on behalf of the court ~~or prosecutorial offices~~ shall be paid in accordance with the rules established by the Administrative Office of the Courts. Reimbursements to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services. Reimbursements and travel allowances to witnesses acting on behalf of prosecutorial offices shall be paid under G.S. 7A-413.2 in accordance with rules established by the Council of District Attorneys.

(d) Subject to the specific limitations set forth in G.S. 7A-305(d)(11), an expert witness, other than a salaried State, county, or municipal ~~law-enforcement~~ law enforcement officer, shall receive such compensation and allowances as the court, or the Judicial Standards Commission, in its discretion, may authorize. A ~~law-enforcement~~ law enforcement officer who appears as an expert witness shall receive reimbursement for travel expenses only, as provided in subsection (b) of this section. Compensation of experts acting on behalf of the court ~~or prosecutorial offices~~ shall be paid in accordance with the rules established by the Administrative Office of the Courts. Compensation of experts provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services. Compensation of experts acting on behalf

of prosecutorial offices shall be paid under G.S. 7A-413.2 in accordance with rules established by the Council of District Attorneys.

(e) If more than two witnesses are subpoenaed, bound over, or recognized, to prove a single material fact, the expense of the additional witnesses shall be borne by the party issuing or requesting the subpoena."

SECTION 16.20.(j) G.S. 7A-315 reads as rewritten:

"**§ 7A-315. Liability of State for witness fees in criminal cases when defendant not liable.**

In a criminal action, if no prosecuting witness is designated by the court as liable for the costs, and the defendant is acquitted, or convicted and unable to pay, or a nolle prosequi is entered, or judgment is arrested, or probable cause is not found, or the grand jury fails to return a true bill, the State shall be liable for the witness fees allowed per G.S. 7A-314 and any expenses for blood tests and comparisons incurred per ~~G.S. 8-50.1(a).~~G.S. 8-50.1(a), except liability for witness fees for the State shall be in accordance with G.S. 7A-413.2."

SECTION 16.20.(k) G.S. 7A-316 reads as rewritten:

"**§ 7A-316. Payment of witness fees in criminal actions.**

A witness in a criminal action who is entitled to a witness fee and who proves his attendance prior to assessment of the bill of costs shall be paid by the clerk from State funds and the amount disbursed shall be assessed in the bill of costs. When the State is liable for the fee, a witness who proves his attendance not later than the last day of court in the week in which the trial was completed shall be paid by the clerk from State funds. If more than two witnesses shall be subpoenaed, bound over, or recognized, to prove a single material fact, disbursements to such additional witnesses shall be charged against the party issuing or requesting the subpoena. Liability for witness fees for the State shall be in accordance with G.S. 7A-413.2."

SECTION 16.20.(*l*) G.S. 7A-343 reads as rewritten:

"**§ 7A-343. Duties of Director.**

The Director is the Administrative Officer of the Courts, and the Director's duties include all of the following:

…

(2) Determine the state of the dockets and evaluate the practices and procedures of the courts, and make recommendations concerning the number of ~~judges, district attorneys,~~ judges and magistrates required for the efficient administration of justice.

…

(9f) Prescribe policies and procedures for the payment of those experts acting on behalf of the court ~~or prosecutorial offices,~~ as provided for in G.S. 7A-314(d).

…."

SECTION 16.20.(m) G.S. 7A-347 is repealed.

SECTION 16.20.(n) G.S. 7A-348 is repealed.

SECTION 16.20.(o) G.S. 14-107.2 reads as rewritten:

"**§ 14-107.2. Program for collection in worthless check cases.**

(a) As used in this section, the terms "check passer" and "check taker" have the same meaning as defined in G.S. 14-107.1.

(a1) The ~~Administrative Office of the Courts~~ Council of District Attorneys may authorize the establishment of a program for the collection of worthless checks in any prosecutorial district where economically feasible. The ~~Administrative Office of the Courts~~ Council of District Attorneys may consider the following factors when making a feasibility determination:

(1) The population of the district.

(2) The number of worthless check prosecutions in the district.

(3) The availability of personnel and equipment in the district.

(b) Upon authorization by the ~~Administrative Office of the Courts,~~ Council of District Attorneys, a district attorney may establish a program for the collection of worthless checks in

cases that may be prosecuted under G.S. 14-107. The district attorney may establish a program for the collection of worthless checks in cases that would be punishable as misdemeanors, in cases that would be punishable as felonies, or both. The district attorney shall establish criteria for the types of worthless check cases that will be eligible under the program.

(b1) A community mediation center may establish and charge fees for its services in the collection of worthless checks as part of a program established under this section and may assist the ~~Administrative Office of the Courts~~ Council of District Attorneys and district attorneys in the establishment of worthless check programs in any districts in which worthless check programs have not been established.

(c) If a check passer participates in the program by paying the fee under G.S. 7A-308(c) and providing restitution to the check taker for (i) the amount of the check or draft, (ii) any service charges imposed on the check taker by a bank or depository for processing the dishonored check, and (iii) any processing fees imposed by the check taker pursuant to G.S. 25-3-506, then the district attorney shall not prosecute the worthless check case under G.S. 14-107.

(d) The ~~Administrative Office of the Courts~~ Council of District Attorneys shall establish procedures for remitting the fee and providing restitution to the check taker."

SECTION 16.20.(p) G.S. 15A-831 reads as rewritten:

"**§ 15A-831. Responsibilities of law enforcement agency.**

(a) As soon as practicable but within 72 hours after identifying a victim covered by this Article, the investigating law enforcement agency shall provide the victim with at least the following information in writing, on a form created by the ~~Conference~~ Council of District Attorneys:

…

(d) Upon receiving the information in subsection (a) of this section, the victim shall, on a form created by the ~~Conference~~ Council of District Attorneys and provided by the investigating law enforcement agency, indicate whether the victim wishes to receive any further notices from the investigating law enforcement agency on the status of the accused during the pretrial process. If the victim elects to receive further notices during the pretrial process, the victim shall return the form to the investigating law enforcement agency within 10 business days of receipt of the form. The victim shall be responsible for notifying the investigating law enforcement agency of any changes in the victim's name, address, and telephone number.

…."

SECTION 16.20.(q) G.S. 15A-1475, as amended by Section 16.10 of this act, reads as rewritten:

"**§ 15A-1475. Reports.**

The 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~~ Council of District Attorneys and the Director of the State Bureau of Investigation."

SECTION 16.20.(r) G.S. 114-2.2 is amended by adding a new subsection to read:

"(e) Subsection (a) of this section does not apply to consent judgments entered into by the Council of District Attorneys, a district attorney, or an employee of a district attorney's office. To be effective against the State, a consent judgment entered into by the Council of District Attorneys, or a district attorney or employee of a district attorney's office who is a party in his or her official capacity, must be signed by the Executive Director of the Council of District Attorneys."

SECTION 16.20.(s) G.S. 114-2.4 is amended by adding a new subsection to read:

"(a4) Where a dispute, claim, or controversy is brought against the Council of District Attorneys, a district attorney, or an employee of a district attorney's office, a proposed settlement agreement or other agreement that would require the payment of monies from State funds, including potential attorneys' fees, shall be approved by the Executive Director of the Council of District Attorneys, or by and through a designee of his or her choice, before the agreement may be entered."

SECTION 16.20.(t) G.S. 132-1.4(g) reads as rewritten:

"(g) Disclosure of records of criminal investigations and criminal intelligence information that have been transmitted to a district attorney, a staff member of the ~~Conference~~ Council of District Attorneys, or other attorney authorized to prosecute a violation of law shall be governed by this section and Chapter 15A of the General Statutes."

SECTION 16.20.(u) G.S. 143C-6-9(b) reads as rewritten:

"(b) Lapsed salary savings shall not be used to pay for litigation services provided by private counsel. As used in this subsection, litigation services and private counsel are as defined in G.S. 147-17(c1) and G.S. 114-2.3(d). This subsection does not apply to legal services provided to the Judicial Branch under ~~G.S. 7A-343.7(a).~~G.S. 7A-343.7(a) or G.S. 7A-414.1(a)."

SECTION 16.20.(v) G.S. 153A-212.1 reads as rewritten:

"**§ 153A-212.1. Resources to protect the public.**

Subject to the requirements of G.S. 7A-41, 7A-44.1, 7A-64, 7A-102, 7A-133, and 7A-498.7, a county may appropriate funds under contract with the State for the provision of services for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving threats to public safety. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section. Further, nothing in this section shall be construed to obligate the Administrative Office of the ~~Courts~~ Courts, the Council of District Attorneys, or the Office of Indigent Defense Services to maintain positions or services initially provided for under this section."

SECTION 16.20.(w) G.S. 160A-289.1 reads as rewritten:

"**§ 160A-289.1. Resources to protect the public.**

Subject to the requirements of G.S. 7A-41, 7A-44.1, 7A-64, 7A-102, 7A-133, and 7A-498.7, a city may appropriate funds under contract with the State for the provision of services for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving threats to public safety. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section. Further, nothing in this section shall be construed to obligate the Administrative Office of the ~~Courts~~ Courts, the Council of District Attorneys, or the Office of Indigent Defense Services to maintain positions or services initially provided for under this section."

SECTION 16.20.(x) The person in the position of Executive Director of the Conference of District Attorneys on July 1, 2026, shall serve as the Executive Director of the Council of District Attorneys without additional action by the Council of District Attorneys, and may remain in that position until such time as the Council of District Attorneys may choose otherwise, or that person shall choose to resign.

SECTION 16.20.(y) The Executive Committee of the Conference of District Attorneys shall act as the Council of District Attorneys for purposes of transition planning pursuant to this section until such time as the Conference of District Attorneys elects new officers and the Council of District Attorneys as required by G.S. 7A-411.1 and G.S. 7A-419, enacted in subsection (f) of this section. Notwithstanding any provision of G.S. 7A-419 to the contrary, members elected at the initial election of the Council shall take office as soon as practicable after the election for initial terms that expire in accordance with the applicable provisions of G.S. 7A-419.

SECTION 16.20.(z) The Executive Committee of the Conference of District Attorneys and the Administrative Office of the Courts shall report on or before December 1, 2026, to the Chairs of the Senate and House Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety regarding (i) a plan for the orderly transfer of budget and related authority from the Administrative Office of the Courts to the Council of District Attorneys; (ii) the rules, standards, and other regulations anticipated to be developed by the Council for the delivery of prosecution services; and (iii) other matters for implementation of the provisions of this section.

SECTION 16.20.(aa) Budget Fund 100072, Conference of District Attorneys or district attorney office funds contained within Fund Codes 22001 and 22005, and any other unexpended balances of appropriations, allocations, or other funds for the Conference of District Attorneys or district attorney offices, are transferred from the Administrative Office of the Courts to the Council of District Attorneys. Additionally, the Administrative Office of the Courts shall transfer to the Council of District Attorneys (i) a total of five full-time equivalent positions, with three positions from human resources and two positions from financial services and (ii) any vehicles and furniture that have been purchased with funds from Budget Fund 100072 or Conference of District Attorneys or district attorney office funds contained within Fund Codes 22001 and 22005. The transfer of positions required under this subsection shall include any funds, equipment, supplies, records, and other property supporting the positions.

SECTION 16.20.(bb) The Council of District Attorneys and the Conference of District Attorneys shall be permitted until July 1, 2027, to continue using the office space and other equipment of the Administrative Office of the Courts that is currently used by the Conference of District Attorneys. Thereafter, the Council and the Conference shall vacate the office space provided by the Administrative Office of the Courts, unless otherwise authorized by the Director of the Administrative Office of the Courts pursuant to a lease agreement that provides for the payment of reasonable rent and costs for utilities, equipment, services, and supplies used by the Council and the Conference incident to the leasing of the office space. The Administrative Office of the Courts and the Council may collaborate to renovate or reconfigure leased space under this provision to accommodate the Council's and the Conference's needs, and the Council shall bear all costs associated with any agreed-upon renovations but shall not retain any ownership interests in real property or entitlement to reimbursement of such funds once expended.

SECTION 16.20.(cc) Beginning July 1, 2027, the Administrative Office of the Courts shall not be obligated to provide any services, equipment, or other personnel or operational support to the Council of District Attorneys, the Conference of District Attorneys, or district attorney offices except as enumerated in G.S. 7A-411.1(d).

SECTION 16.20.(dd) Nothing in this section shall be construed as superseding or altering for the 2026-2027 fiscal year the Conference's authority under G.S. 7A-413(c) related to the approval of transferring funds.

SECTION 16.20.(ee) By December 1, 2026, the Administrative Office of the Courts shall submit to the Fiscal Research Division a recommended methodology to be used to establish a rate schedule for information technology services that has been mutually developed with the Fiscal Research Division and the Conference of District Attorneys.

SECTION 16.20.(ff) Subsections (z), (bb), (dd), (ee), and (ff) of this section are effective when they become law. Except as otherwise provided, this section becomes effective July 1, 2027.

MODIFY GENERAL COURT OF JUSTICE COSTS

SECTION 16.21.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the

prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section. No court may waive or remit all or part of any court fines or costs without providing notice and opportunity to be heard by all government entities directly affected. The court shall provide notice to the government entities directly affected of (i) the date and time of the hearing and (ii) the right to be heard and make an objection to the remission or waiver of all or part of the order of court costs at least 15 days prior to hearing. Notice shall be made to the government entities affected by first-class mail to the address provided for receipt of court costs paid pursuant to the order. The costs referenced in this subsection are listed below:

…

(4) For support of the General Court of Justice, the sum of one hundred ~~forty-seven~~ seventy-seven dollars and fifty cents ~~($147.50)~~ ($177.50) in the district court, including cases before a magistrate, and the sum of one hundred ~~fifty-four~~ eighty-four dollars and fifty cents ~~($154.50)~~ ($184.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of ninety-five cents ($.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.

…."

SECTION 16.21.(b) G.S. 7A-305, as amended by Sections 16.15 and 16.19 of this act, 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, the following shall be assessed and are recoverable:

…

(2) For support of the General Court of Justice, the sum of ~~one~~ two hundred ~~eighty~~ ten dollars ~~($180.00)~~ ($210.00) in the superior court and the sum of one hundred ~~thirty~~ sixty dollars ~~($130.00)~~ ($160.00) in the district court except that if the case is assigned to a magistrate the sum shall be ~~eighty~~ one hundred ten dollars ~~($80.00).~~ ($110.00). 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 thirty dollars ~~($1,100)~~ ($1,130) 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 thirty dollars ~~($1,100)~~ ($1,130) for support of the General Court of 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 thirty dollars ~~($1,100)~~ ($1,130) for support of the General Court of Justice. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ninety-five cents ($.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.

…

(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 and are recoverable:

…

(3) For support of the General Court of Justice, the sum of ~~one~~ two hundred ~~eighty~~ ten dollars ~~($180.00)~~ ($210.00) 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 or as a complex family financial claim under G.S. 7A-45.1, filing fees shall be collected and disbursed in accordance with subsection (a) of this section, and the sum of one hundred ~~thirty~~ sixty dollars ~~($130.00)~~ ($160.00) in the district court, except that if the case is assigned to a magistrate, the sum shall be ~~eighty~~ one hundred ten dollars ~~($80.00).~~ ($110.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ninety-five cents ($.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.

…."

SECTION 16.21.(c) This section becomes effective December 1, 2026, and applies to costs assessed on or after that date.

MODIFY CIVIL REVOCATION FEE

SECTION 16.22.(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 16.22.(b) This section becomes effective December 1, 2026, and applies to fees assessed on or after that date.

INCREASE TELECOMMUNICATIONS AND DATA CONNECTIVITY FEE

SECTION 16.23.(a) G.S. 7A-304(a)(2a) reads as rewritten:

"(2a) For the upgrade, maintenance, and operation of the judicial and county courthouse telecommunications and data connectivity, the sum of ~~four~~ fourteen dollars ~~($4.00),~~ ($14.00), to be credited to the Court Information Technology Fund."

SECTION 16.23.(b) G.S. 7A-306(a)(1a) reads as rewritten:

"(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse telecommunications and data connectivity, the sum of ~~four~~ fourteen dollars ~~($4.00),~~ ($14.00), to be credited to the Court Information Technology Fund."

SECTION 16.23.(c) G.S. 7A-307(a)(1a) reads as rewritten:

"(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse telecommunications and data connectivity, the sum of ~~four~~

fourteen dollars ~~($4.00),~~ ($14.00), to be credited to the Court Information Technology Fund."

SECTION 16.23.(d) This section becomes effective December 1, 2026, and applies to costs assessed on or after that date.

ADJUST APPOINTMENT AUTHORITY FOR CERTAIN SPECIAL SUPERIOR COURT JUDGE POSITIONS

SECTION 16.24.(a) G.S. 7A-45.1 reads as rewritten:

"**§ 7A-45.1. Special judges.**

…

(a10) Except for the judgeships abolished pursuant to subsection (a8) of this section, and except as provided in ~~subsection~~ subsections (a12) through (a14) of this section, upon the retirement, resignation, removal from office, death, or expiration of the term of any special superior court judge on or after September 1, 2014, each judgeship shall be filled for a full eight-year term beginning upon the judge's taking office according to the following procedure prescribed by the General Assembly pursuant to Article IV, Section 9(1) of the North Carolina Constitution. As each judgeship becomes vacant or the term expires, the Governor shall submit the name of a nominee for that judgeship to the General Assembly for confirmation by ratified joint resolution. Upon each such confirmation, the Governor shall appoint the confirmed nominee to that judgeship.

However, upon the failure of the Governor to submit the name of a nominee within 90 days of the occurrence of the vacancy or within 90 days of the expiration of the judge's term, as applicable, the President Pro Tempore of the Senate and the Speaker of the House of Representatives jointly shall submit the name of a nominee to the General Assembly. 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, and the county of residence of the appointee.

The Governor may withdraw any nomination prior to it failing on any reading, and in case of such withdrawal the Governor shall submit a different nomination within 45 days of withdrawal. If a nomination shall fail any reading, the Governor shall submit a different nomination within 45 days of such failure. In either case of failure to submit a new nomination within 45 days, the President Pro Tempore of the Senate and the Speaker of the House of Representatives shall submit the name of a nominee to the General Assembly under the procedure provided in the preceding paragraph.

No person shall occupy a special superior court judgeship authorized under this subsection in any capacity, or have any right to, claim upon, or powers of those judgeships, unless that person's nomination has been confirmed by the General Assembly by joint resolution or appointed through the enactment of a bill upon the failure of the Governor to submit a nominee. Until confirmed by the General Assembly and appointed by the Governor, or appointed by the General Assembly upon the failure of the Governor to appoint a nominee, and qualified by taking the oath of office, a nominee is neither a de jure nor a de facto officer.

…

(a14) Notwithstanding any provision of this section to the contrary, effective January 1, 2025, upon the retirement, resignation, removal from office, death, or expiration of the term of two special superior court judgeships filled by appointment of the Governor, each judgeship shall be filled by the General Assembly through enactment of a bill for 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. A bill appointing a special superior court judge under this subsection shall state the name of the person being appointed, the office to which the appointment is being made, and the judicial division of residence of the appointee. One of the

judges shall be nominated by the Speaker of the House of Representatives and one shall be nominated by the President Pro Tempore of the Senate.

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. The legislative officer who nominated the special superior court judge whose term has ended shall nominate the new special superior court judge.

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.

…."

SECTION 16.24.(b) In order to implement G.S. 7A-45.1(a14), as enacted by subsection (a) of this section, the special superior court judgeships held by the following State position numbers shall be subject to the process set forth in that subsection:

(1) 60006166

(2) 65024100

IOLTA REVISIONS

SECTION 16.25.(a) Section 25 of S.L. 2025-70 is repealed.

SECTION 16.25.(b) Article 4 of Chapter 84 of the General Statutes is amended by adding a new section to read:

"**§ 84-22.1. NC IOLTA Board of Trustees established; members; terms; vacancies.**

(a) The North Carolina Interest on Lawyers' Trust Accounts (NC IOLTA) Board of Trustees is hereby established under the North Carolina State Bar to administer the funds received by the North Carolina 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.

(b) The Board shall consist of nine members: three persons appointed by the Council of the North Carolina State Bar, two persons appointed by the Chief Justice of the Supreme Court of North Carolina, two persons appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, and two persons appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives. All appointments by the General Assembly shall be subject to the provisions of G.S. 120-121, and vacancies in the positions filled by those appointments shall be filled pursuant to G.S. 120-122. All persons appointed by the Council and the Chief Justice shall be attorneys in good standing and authorized to practice law in this State. All persons appointed shall serve terms of three years. No person shall serve more than eight consecutive years on the Board. Board members may continue to serve until their successors have been appointed. The initial terms of the members appointed by the Council of the North Carolina State Bar shall expire August 31, 2027. The initial terms of the members appointed by the Chief Justice shall expire August 31, 2028. All other initial terms of members appointed pursuant to this subsection shall expire August 31, 2029.

(c) Vacancies on the Board occurring for any reason shall be filled by the authority making the original appointment of the person causing the vacancy.

(d) Each member of the Board, before assuming the duties of his or her office, shall take an oath for the faithful performance of his or her duties. A Board member may be removed at the pleasure of the authority making the original appointment or by the Board for misconduct, incompetence, or neglect of duty.

(e) Members of the Board who are State officers or employees shall receive no per diem compensation for serving on the Board, but shall be reimbursed for their expenses in accordance

with G.S. 138-6. Members of the Board who are full-time salaried public officers or employees other than State officers or employees shall receive no per diem compensation for serving on the Board, but shall be reimbursed for their expenses in accordance with G.S. 138-6 in the same manner as State officers or employees. All other Board members shall receive per diem compensation and reimbursement in accordance with G.S. 93B-5.

(f) The Chief Justice shall designate one of the Chief Justice's appointees as Chair of the Board, and the Chair of the Board may designate another member as the vice-chair, who may preside in the absence of the Chair. The Board shall meet at the call of the Chair or a majority of the members of the Board at such time, date, and location as may be decided upon by a majority of the Board. A quorum of the Board shall consist of a majority of its total membership."

SECTION 16.25.(c) Definition. – "Grant Program Rule" means 27 NCAC 01D .1301 for purposes of this section and its implementation.

SECTION 16.25.(d) Grant Program Rule. – Until the effective date of the revised permanent rule that the North Carolina State Bar (State Bar) is required to adopt pursuant to subsection (f) of this section, the State Bar shall implement the Grant Program Rule as provided in subsection (e) of this section.

SECTION 16.25.(e) Implementation. – Notwithstanding any provision of 27 NCAC 01D .1301 to the contrary, all of the following shall apply:

(1) North Carolina Interest on Lawyers' Trust Accounts (IOLTA) grants shall not be awarded to any entity that provides representation, assistance, or advocacy in matters governed by federal immigration law, including applications for visas, lawful permanent residency, asylum, deportation defense, naturalization, and any other immigration benefit or relief.

(2) IOLTA grants shall not be awarded to any entity that provides representation, assistance, or advocacy in matters related to the performance of or in furtherance of surgical gender transition procedures, or the provision of puberty-blocking drugs or cross-sex hormones to a minor, as those terms are defined in G.S. 90-21.150.

(3) IOLTA grants shall not be awarded to any entity that engages in any oral, written, or electronically transmitted communication or any advertisement, telegram, letter, article, newsletter, or other printed or written matter or device which contains a direct suggestion to the public to contact public officials in support of or in opposition to pending or proposed legislation, regulations, executive decisions, or any decision by the electorate on a measure submitted to it for a vote. This prohibition includes the provision of financial contributions by recipients to, or participation by recipients in, any demonstration, march, rally, fundraising drive, lobbying campaign, letter writing or telephone campaign for the purpose of influencing the course of such legislation, regulations, decisions by administrative bodies, or any decision by the electorate on a measure submitted to it for a vote. This prohibition does not include communications which are limited solely to reporting on the content or status of, or explaining, pending or proposed legislation or regulations. This prohibition shall not apply to entities that advocate solely for their own funding, internal rules, or laws directly affecting their own existence or structure.

(4) The IOLTA Board of Trustees may reserve a portion of IOLTA funds received to cover administrative expenses. IOLTA grants may be made from available funds not used to cover administrative expenses under this subdivision as follows:

a. No more than fifteen million dollars ($15,000,000) per fiscal year of funds received on or after July 1, 2025, to the Office of Indigent

Defense Services for the Private Assigned Counsel (PAC) Fund. Funds received or otherwise available in a fiscal year in excess of the fifteen million dollar ($15,000,000) limitation set forth in this sub-subdivision shall be carried over to the next fiscal year and used in accordance with this sub-subdivision.

b. All unexpended and unencumbered funds received prior to July 1, 2025, for programs designed to improve the administration of justice as may be proposed by the IOLTA Board of Trustees and approved annually by the North Carolina Supreme Court. No more than two million dollars ($2,000,000) may be used per fiscal year for grants authorized under this sub-subdivision.

SECTION 16.25.(f) Adoption. – The State Bar shall adopt rules to amend the Grant Program Rule consistent with this section by no later than November 1, 2026. The State Bar may adopt temporary rules to comply with the deadline set in this subsection. Any temporary rules adopted in accordance with this subsection shall remain in effect until permanent rules that replace the temporary rules become effective.

SECTION 16.25.(g) Effective Date. – All funds received by the North Carolina 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, shall not be encumbered or expended for the purpose of awarding grants or for any purpose other than administrative costs except pursuant to the guidelines and categories of the Grant Program Rule enacted by subsections (c) through (f) of this section. Subsections (c) through (f) of this section expire when permanent rules adopted as required by subsection (f) of this section become effective.

REQUIRE THE COMMISSION ON INDIGENT DEFENSE SERVICES TO PROVIDE CONFIDENTIAL PUBLIC DEFENDER PERFORMANCE EVALUATIONS TO SENIOR RESIDENT SUPERIOR COURT JUDGES

SECTION 16.26.(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 16.26.(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 16.26.(c) This section is effective when it becomes law and applies to public defender terms ending on or after November 30, 2026.

REPEAL OUTDATED REPORT ON PRIVATE ASSIGNED COUNSEL REQUESTS FOR PROPOSALS

SECTION 16.27. Section 18A.4 of S.L. 2013-360, as amended by Section 18B.1(k) of S.L. 2014-100, is repealed.

DUTY STATION STUDY AND REPORT

SECTION 16.28. The Office of Indigent Services shall study any potential cost-savings that may be attained by reducing the footprint of leased office spaces. By March 1, 2027, the Office of Indigent Services shall submit a report to the Joint Legislative Oversight Committee on Justice and Public Safety and the Fiscal Research Division on its findings, including all of the following information:

(1) The location of duty stations for employees of the Office of the Capital Defender.

(2) The utilization of all leased office spaces by all employees of the Office of Indigent Services with a duty station in the City of Durham.

REVISIONS TO PRIVATE ASSIGNED COUNSEL FEES

SECTION 16.29.(a) G.S. 7A-458 reads as rewritten:

"**§ 7A-458. Counsel fees.**

The fee to which an attorney who represents an indigent person is entitled shall be fixed in accordance with rules adopted by the Office of Indigent Defense ~~Services.~~ Services or an act of the General Assembly. Fees shall be based on the factors normally considered in fixing attorneys' fees, such as the nature of the case, and the time, effort and responsibility involved. Fees shall not be set or ordered at rates higher than those established by the rules adopted under this section without the approval of the Office of Indigent Defense Services. Even if the trial, appeal, hearing or other proceeding is never held, preparation therefor is nevertheless compensable and, in capital cases and other extraordinary cases pending in superior court, a fee for services rendered and payment for expenses incurred may be allowed pending final determination of the case. The Office of Indigent Defense Services shall not implement any change in fees without the prior approval of the General Assembly through the enactment of a general law."

SECTION 16.29.(b) G.S. 7A-498.5 reads as rewritten:

"**§ 7A-498.5. Responsibilities of Commission.**

…

(f) Subject to G.S. 7A-498.2(e) the Commission shall establish policies and procedures with respect to the distribution of funds appropriated under this Article, including rates of compensation for appointed counsel, schedules of allowable expenses, appointment and compensation of expert witnesses, and procedures for applying for and receiving compensation. The rate of compensation set for expert witnesses may be no greater than the rate set by the Administrative Office of the Courts under G.S. 7A-314(d). The Office of Indigent Defense Services shall not implement any change in rates of compensation without the prior approval of the General Assembly through the enactment of a general law.

…."

SECTION 16.29.(c) The Office of Indigent Defense Services shall increase each fee set by rule under G.S. 7A-458 as of July 1, 2026, by no more than thirty dollars ($30.00).

SECTION 16.29.(d) This section is effective when it becomes law and applies to changes in rates or fees implemented on or after that date.

INCREASE INDIGENT DEFENSE FEE

SECTION 16.30.(a) G.S. 7A-304(a)(3c) reads as rewritten:

"(3c) For legal representation to indigent defendants and others entitled to counsel under North Carolina law, the sum of ~~five~~ twenty-five dollars ~~($5.00)~~ ($25.00) to be remitted to the Office of Indigent Defense Services for the Private Assigned Counsel Fund."

SECTION 16.30.(b) This section becomes effective December 1, 2026, and applies to costs assessed on or after that date.

ESTABLISH PUBLIC DEFENDER DISTRICT 22 TO SERVE CASWELL AND ROCKINGHAM COUNTIES

SECTION 16.31. G.S. 7A-498.7(a) reads as rewritten:

"**§ 7A-498.7. Public Defender Offices.**

(a) The following counties of the State are organized into the defender districts listed below, and in each of those defender districts an office of public defender is established:

Defender District	**Counties**
…	
21	Hoke, Scotland
22	Caswell, Rockingham
24	Guilford
…	

After notice to, and consultation with, the affected district bar, senior resident superior court judge, and chief district court judge, the Commission on Indigent Defense Services may recommend to the General Assembly that a district or regional public defender office be established. A legislative act is required in order to establish a new office or to abolish an existing office."

PART XVII. ADULT CORRECTION

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 17.1.(a) Part 1 of Article 16 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1446. Authority to contract for the purchase of prison beds.**

The Department of Adult Correction may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, or any successor entity of the named organization, for the purchase of prison beds for minimum security female inmates. The Center for Community Transitions, Inc., or any successor entity, 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."

SECTION 17.1.(b) The first report required under G.S. 143B-1446, as enacted by subsection (a) of this section, shall be submitted no later than February 1, 2027.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM FUNDING USE

SECTION 17.2. 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 the 2026-2027 fiscal year to reimburse sheriffs utilizing inmate labor pursuant to the provisions of Section 19C.10 of S.L. 2021-180.

INCREASE THE STATEWIDE MISDEMEANANT CONFINEMENT FUND DAILY REIMBURSEMENT AMOUNT AND REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL EXPENSES

SECTION 17.3.(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 17.3.(b) Notwithstanding G.S. 143C-6-9, the Department of Adult Correction may use funds available to the Department for the 2026-2027 fiscal year 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, 2026, 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.

SECTION 17.3.(c) Subsection (a) of this section becomes effective July 1, 2026, and applies to misdemeanants housed on or after that date.

NURSE STAFFING AT STATE PRISONS REPORT

SECTION 17.4.(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, 2027, 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 17.4.(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 17.5.(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 17.5.(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 17.6.(a) G.S. 148-65.7 reads as rewritten:

"**§ 148-65.7. Fees.**

(a) Persons convicted in this State who make a request for transfer to another state pursuant to the compact shall pay a transfer application of two hundred fifty dollars ($250.00) for each transfer application submitted. The transfer application fee shall be paid to the Compact Commissioner upon submission of the transfer application. The Commissioner or the Commissioner's designee may waive the application fee if either the Commissioner or the Commissioner's designee finds that payment of the fee will constitute an undue economic burden on the offender.

~~All~~ Except as otherwise provided in subsection (c) of this section, all fees collected pursuant to this section shall be deposited in the Interstate Compact Fund and shall be used only to support administration of the Interstate Compact.

The Interstate Compact Fund is established within the Division of Community Supervision and Reentry of the Department of Adult Correction as a nonreverting, interest-bearing special revenue account. Accordingly, revenue in the Fund at the end of a fiscal year does not revert, and interest and other investment income earned by the Fund shall be credited to it. All moneys collected by the Division of Community Supervision and Reentry of the Department of Adult Correction pursuant to this subsection shall be remitted to the State Treasurer to be deposited and held in this Fund. Moneys in the Fund shall be used to supplement funds otherwise available to the Division of Community Supervision and Reentry of the Department of Adult Correction for the administration of the Interstate Compact.

…

(c) Notwithstanding any provision of subsection (a) of this section to the contrary, fees collected for the Interstate Compact Fund during a fiscal biennium may be used by the Department of Adult Correction during that 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. 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 subsection and for what purposes the funds were used."

SECTION 17.6.(b) This section is effective when it becomes law and applies to fees collected on or after that date.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 17.7.(a) Seized and forfeited assets transferred to the Department of Adult Correction during the 2026-2027 fiscal year 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 17.7.(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 17.7.(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.

FURTHER DELINEATE REIMBURSEMENT PROCEDURES FOR ROADWAY CLEANUP PROGRAM

SECTION 17.8.(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 17.8.(b) This section becomes effective October 1, 2026, and applies to work hours performed in the next calendar month after this section becomes effective.

AMEND INMATE MEDICAL COST CONTAINMENT REPORTING REQUIREMENT

SECTION 17.9.(a) G.S. 143B-1470(c) reads as rewritten:

"(c) The Department of Adult Correction shall report ~~quarterly~~ semiannually by March 1 and September 1 of each year to the Joint Legislative Oversight Committee on Justice and Public ~~Safety~~ Safety, the Joint Legislative Oversight Committee on Health and Human Services, 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~~ six-month period for all the information requested."

SECTION 17.9.(b) This section is effective when it becomes law and applies to reports submitted on or after that date.

REVISE RECIPIENTS AND FREQUENCY OF STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM REPORT

SECTION 17.10.(a) G.S. 148-32.1(b2)(1) reads as rewritten:

"(1) Report no later than the fifteenth day of March and September of each ~~month~~ year to the Office of State Budget and ~~Management and~~ Management, the Fiscal Research ~~Division~~ Division, and the Joint Legislative Oversight Committee on Justice and Public Safety on the Statewide Misdemeanant Confinement Program. Each ~~monthly~~ report shall include all of the following:

a. The daily population delineated by misdemeanant or DWI monthly housing.
b. The cost of housing prisoners under the Program.
c. The cost of transporting prisoners under the Program.
d. Personnel costs.
e. Inmate medical care costs.
f. The number of counties that volunteer to house inmates under the Program.
g. The administrative costs paid to the Sheriffs' Association and to the Department of Adult Correction."

SECTION 17.10.(b) This section is effective when it becomes law and applies to reports submitted on or after that date.

MORATORIUM ON SALE OR DISPOSITION OF PRISON FACILITIES AND REPEAL OF THE DEPARTMENT OF ADULT CORRECTION'S EXEMPTION FROM THE GENERAL LAW GOVERNING THE APPLICATION OF NET PROCEEDS FROM DISPOSITIONS

SECTION 17.11.(a) Unless authorized by a subsequent act of the General Assembly, the Department of Adult Correction is prohibited from selling or otherwise disposing of a prison facility until July 1, 2028. This section does not apply to a prison facility that has not been in operation since July 1, 2016.

SECTION 17.11.(b) G.S. 146-30(d)(16) is repealed.

SECTION 17.11.(c) Subsection (b) of this section becomes effective July 1, 2026, and applies to dispositions made on or after that date.

ELIMINATE SELECT NONMEDICAL POSITIONS VACANT FOR OVER ONE YEAR

SECTION 17.12. The Department of Adult Correction shall eliminate positions from non-healthcare-related divisions of the Department that have been vacant for more than one year from the effective date of this section. The total number of positions eliminated from a division in accordance with this section shall not exceed fifty percent (50%) of that division's total number of vacant positions.

USAGE OF FUNDS FROM VACANT POSITION CUTS

SECTION 17.13.(a) Part 1 of Article 16 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1447. Salary increases from eliminating vacant positions.**

The Department shall not increase an employee's salary with savings from eliminating any vacant position if the employee is (i) grade NC26 or higher on the North Carolina standard compensation plan or (ii) grade LG09 or higher on the Legal compensation plan."

SECTION 17.13.(b) This section becomes effective July 1, 2026, and applies to actions taken by the Department of Adult Correction on or after that date.

REQUIRE THE DEPARTMENT OF ADULT CORRECTION TO OBTAIN APPRAISALS OF CERTAIN PROPERTIES

SECTION 17.14. The Department of Adult Correction (Department) shall obtain an appraisal assessing the value for each of the following properties according to their best and

highest use and shall submit the appraisals to the Joint Legislative Oversight Committee on Justice and Public Safety and the Fiscal Research Division no later than January 1, 2027:

(1) Any property owned by the Department that is located along the French Broad River in the Counties of Buncombe, Henderson, Madison, and Transylvania, including the Craggy Correctional Center and Craggy Laundry.

(2) Any property owned by the Department that (i) is located on Blue Ridge Road in the City of Raleigh and (ii) was not transferred to the Department of Natural and Cultural Resources for use by the North Carolina Museum of Art.

DEPARTMENT OF ADULT CORRECTION MODERNIZATION OF THE OFFENDER MANAGEMENT INFORMATION SYSTEM

SECTION 17.15. The Department of Adult Correction (Department) shall ensure that any modernization or improvements made to offender management information systems (OPUS) does not interfere or otherwise impede the ability of OPUS to integrate or interface with other information technology systems used by the State that OPUS integrates or interfaces with as of the effective date of this section, including the health information exchange network.

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 2026-2027 fiscal year pursuant to applicable federal law shall be credited to the budget of 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 department 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.

REDIRECT USE OF FUNDS FOR CRIME LAB STUDY

SECTION 18.2. Notwithstanding any provision of law to the contrary, the Department of Justice shall transfer any unexpended and unencumbered funds appropriated in S.L. 2021-180 for the study authorized under Section 18.9 of that act (Budget Code: 42115; Budget Fund: 400430) to the Department of Adult Correction to use for costs related to replacing high-mileage vehicles used by the Department of Adult Correction.

TIME-LIMITED ATTORNEYS FOR CAPITAL CASES

SECTION 18.3.(a) Limitation on Area of Practice. – Of the funds appropriated in this act from the General Fund to the Department of Justice (Department) to hire attorneys for time-limited positions, the attorneys hired shall focus their practice solely on capital cases.

SECTION 18.3.(b) Nonreversion of Funds. – Any funds described in subsection (a) of this section that remain unspent or unencumbered at the end of the 2026-2027 fiscal year shall not revert and shall remain available until June 30, 2029, for the purpose set forth in subsection (a) of this section. Any funds described in subsection (a) of this section that remain unspent or unencumbered on June 30, 2029, shall revert to the General Fund and remain unspent until appropriated by an act of the General Assembly.

SECTION 18.3.(c) Report. – By June 1, 2027, and annually thereafter until the funds described in subsection (a) of this section are fully exhausted or revert in accordance with subsection (b) of this section, the Department shall report for the year prior to the report date on both of the following to the Joint Legislative Oversight Committee on Justice and Public Safety and the Fiscal Research Division:

(1) A detailed analysis of any effect the attorneys referenced in subsection (a) of this section had on the capital caseload of the Department.

(2) The number of capital cases each attorney referenced in subsection (a) of this section worked on and a certification that each attorney's practice at the Department was solely focused on capital cases.

PART XIX. PUBLIC SAFETY

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 19.1.(a) Article 6 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-6-12.1. No transfer of certain positions, personnel, or funds to other State agencies.**

(a) Prohibition. – 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 any of the following to any other State agency during a fiscal biennium unless the transfer was (i) included in the base budget for one or both fiscal years of that biennium or (ii) otherwise authorized by legislation enacted during or applicable to that biennium:

(1) The Department of Public Safety.

(2) The Department of Adult Correction.

(3) The State Bureau of Investigation.

(4) The State Highway Patrol.

(b) Applicability. – This section does not apply to the consolidation of information technology positions into the Department of Information Technology pursuant to G.S. 143B-1325."

SECTION 19.1.(b) This section becomes effective July 1, 2026, and applies to transfers on or after that date.

ELECTRONIC SURVEILLANCE FOR HUMAN TRAFFICKING AND MONEY LAUNDERING

SECTION 19.2.(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 19.2.(b) This section becomes effective December 1, 2026, and applies to offenses committed on or after that date.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 19.3.(a) Seized and forfeited assets transferred to the Alcohol Law Enforcement Division of the Department of Public Safety (ALE) during the 2026-2027 fiscal year 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 19.3.(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 19.3.(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.

REPEAL LAW ENFORCEMENT TRAFFIC STATISTICS REPORT

SECTION 19.4.(a) G.S. 143B-903 is repealed.

SECTION 19.4.(b) G.S. 143B-393(a)(9) is repealed.

CRITICAL INFRASTRUCTURE THEFT

SECTION 19.5.(a) G.S. 14-159.4 reads as rewritten:

"**§ 14-159.4. Cutting, mutilating, defacing, or otherwise injuring property to obtain nonferrous metals.**

(a) Definition of Nonferrous Metals. – For purposes of this section, the term "nonferrous metals" means metals not containing significant quantities of iron or steel, including, but not limited to, copper wire, copper clad steel wire, copper pipe, copper bars, copper sheeting, aluminum other than aluminum cans, a product that is a mixture of aluminum and copper, catalytic converters, lead-acid batteries, and stainless steel beer kegs or containers.

(a1) Definition of Critical Infrastructure. – For the purpose of this section, the term "critical infrastructure" means communications, electric, gas, water, wastewater, transportation, public safety, emergency services, and hospitals and includes facilities or assets where disruption would materially impair public health, safety, or security.

(b) Prohibited Act. – It is unlawful for a person to do or attempt to do any of the following: willfully and wantonly cut, mutilate, deface, or otherwise injure any personal or real property of another, including any fixtures or improvements, for the purpose of obtaining nonferrous metals in any amount.

(c) Punishment. – Violations of this section are punishable as follows:

(1) Default. – If the direct injury is to property, and the amount of loss in value to the property, the amount of repairs necessary to return the property to its condition before the act, or the property loss (including fixtures or improvements) is less than one thousand dollars ($1,000), a violation shall be punishable as a Class 1 misdemeanor. If the applicable amount is one thousand dollars ($1,000) or more, but less than ten thousand dollars ($10,000), a violation shall be punishable as a Class H felony. If the applicable amount is ten thousand dollars ($10,000) or more, a violation shall be deemed an aggravated offense and shall be punishable as a Class F felony.

(2) When person suffers serious injury. – Unless the conduct is covered under some other provision of law providing greater punishment, a violation of this section that results in a serious injury to another person is punishable as a Class A1 misdemeanor.

(3) When person suffers a serious bodily injury. – Unless the conduct is covered under some other provision of law providing greater punishment, a violation of this section that results in serious bodily injury to another person is punishable as a Class F felony. For purposes of this subdivision, "serious bodily injury" is as defined in G.S. 14-32.4.

(4) When person is killed. – Unless the conduct is covered under some other provision of law providing greater punishment, a violation of this section that results in the death of another person is punishable as a Class D felony.

(5) When critical infrastructure affected. – Unless the conduct is covered under some other provision of law providing greater punishment, a violation of this section that results in the disruption of communication or electrical service to critical ~~infrastructure or to more than 10 customers of the communication or electrical service is guilty of a Class 1 misdemeanor.~~infrastructure is guilty of a Class C felony.

(d) Liability. – This section does not create or impose a duty of care upon the owner of personal or real property that would not otherwise exist under common law. A public or private owner of personal or real property shall not be civilly liable:

(1) To a person who is injured while committing or attempting to commit a violation of this section.

(2) To a person who is injured while a third party is committing or attempting to commit a violation of this section.

(3) For a person's injuries caused by a dangerous condition created as a result of a violation of this section, when the owner does not know and could not have reasonably known of the dangerous condition.

(e) Mandatory Restitution. – Upon conviction of an offense under this section, the sentencing court shall order restitution to any affected owner or operator and any entity that includes all of the following:

(1) Actual repair and replacement costs (including labor, contractor charges, equipment rental, splicing, testing, and site restoration).

(2) Emergency response and temporary restoration costs.

(3) Costs of traffic control, permitting, and expedited construction required to restore service.

(4) Documented customer credits or regulatory penalties paid as a direct result of the incident, to the extent permitted by law."

SECTION 19.5.(b) Article 22 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-159.5. Unauthorized possession of certain nonferrous metals used in the provision of critical infrastructure.**

(a) Unless the conduct is covered under some other provision of law providing greater punishment, it shall be a Class 1 misdemeanor for any person to intentionally or knowingly possess nonferrous metals used, or intended to be used, in the provision of critical infrastructure, as those terms are defined in G.S. 14-159.4, without authorization as provided by subsection (b) of this section. A second or subsequent violation of this section shall be a Class H felony.

(b) A person is authorized to possess critical infrastructure nonferrous metals if the person is any of the following, or an agent to any of the following, and the person does not have knowledge that the nonferrous metals were unlawfully obtained:

(1) The owner of the nonferrous metals.

(2) A public utility or common carrier.
(3) A telecommunications provider.
(4) A cable service provider.
(5) A video service provider.
(6) A manufacturing, industrial, commercial, retail, or other business that sells the material in the ordinary course of the seller's business.
(7) A carrier-for-hire acting in the course and scope of the carrier's business with a bill of lading or a contract verifying transport information.
(8) A secondary metals recycler, as defined in G.S. 66-420, and acting within the course and scope of the entity's business.
(9) A person acting in the ordinary course of the person's business who lawfully acquires possession of the materials during construction, remodeling, demolition, or salvage of a building or other structure in which the materials were installed or contained."

SECTION 19.5.(c) This section becomes effective December 1, 2026, and applies to offenses committed on or after that date.

MOVE DEPARTMENT OF PUBLIC SAFETY OUT OF THE ARCHDALE BUILDING

SECTION 19.6. By December 1, 2026, all Department of Public Safety employees and contractors working at the Archdale Building located on North Salisbury Street in the City of Raleigh shall vacate that property and move to the building housing the North Carolina Education Lottery located on Capital Boulevard in the City of Raleigh. The Department of Administration shall take all steps necessary to effectuate the move required by this section.

EXPAND SCOPE OF RESPONDER ASSISTANCE INITIATIVE

SECTION 19.7. 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 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.

ADJUTANT GENERAL CONFIRMATION

SECTION 19.8.(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 being 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 19.8.(b) This section is effective when it becomes law.

CLARIFICATION ON STATUS OF BONUS FOR MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD

SECTION 19.9. Any bonus awarded to a member of the North Carolina National Guard from funds appropriated in this act shall not be considered compensation for any retirement system administered by the State.

LIMIT USE OF COMMUNITY PROGRAMS

SECTION 19.10. Subpart A of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-803. Limitation on use of community program contract funds.**

(a) Funds appropriated to the Department in a 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).

(b) Funds appropriated to the Department for a fiscal biennium for community programs may not be used for staffing, operations, maintenance, or any other expenses of youth development center or detention facilities.

(c) The Department shall submit an electronic report by October 1 of each year of a 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:

(1) An itemized list of the contracts that have been executed.
(2) The amount of each contract.
(3) The date the contract was executed.
(4) The purpose of the contract.
(5) The number of juveniles that will be served and the manner in which they will be served.
(6) The amount of money transferred to the Juvenile Crime Prevention Council fund.
(7) 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, 2026, 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 2026-2027 fiscal year 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 the 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.

TECHNICAL CORRECTIONS RELATED TO MAKING THE STATE BUREAU OF INVESTIGATION AN INDEPENDENT DEPARTMENT

SECTION 20.2.(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 20.2.(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 20.2.(c) 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 20.2.(d) 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 20.2.(e) 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

and for purposes of G.S. 90-21.175 and Article 18J of this Chapter. 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 20.2.(f) 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 20.2.(g) 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 20.2.(h) G.S. 90-210.25(a)(5)h. reads as rewritten:

"h. All applicants for licensure, including any owner, partner, manager, member, operator, or officer of a business entity applying for licensure under this Article, shall consent to a criminal history record check.

Refusal to consent to a criminal history record check may constitute grounds for the Board to deny licensure to an applicant. The Board shall ensure that the State and national criminal history is checked for any applicant applying for initial licensure or for reinstatement of licensure, if such licensure has been expired for three or more years. 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; provided, however, that the Board and the applicant may consent to the use of a criminal background check vendor other than the ~~Department of Public Safety,~~ Bureau, the cost of which shall be paid by the applicant. If the ~~Department of Public Safety~~ Bureau performs the criminal background check, 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 Board, its officers and employees, acting in good faith and in compliance with this section, shall be immune from civil liability for denying licensure to an applicant based on information provided in the applicant's criminal history record check.

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 20.2.(i) 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 20.2.(j) 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 20.2.(k) 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 20.2.(*l*) 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 20.2.(m) 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 20.2.(n) 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 20.2.(o) The following sections of the General Statutes are recodified as follows:

Former Citation	Recodified Citation
143B-901	143B-1208.15A
143B-902	143B-1208.16
143B-904	143B-1208.18
143B-905	143B-1208.19

SECTION 20.2.(p) G.S. 143B-1208.15A, as recodified under subsection (o) of this section, reads as rewritten:

"**§ 143B-1208.15A. 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 20.2.(q) G.S. 143B-1208.16, as recodified under subsection (o) 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 20.2.(r) [RESERVED]

SECTION 20.2.(s) G.S. 143B-1208.18, as recodified under subsection (o) 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 20.2.(t) G.S. 143B-1208.19, as recodified under subsection (o) 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 20.2.(u) [RESERVED]

SECTION 20.2.(v) 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 20.2.(w) Section 38.4(a) of S.L. 2023-134, as amended by Section 7.1 of S.L. 2024-1, Section 3E.1 of S.L. 2024-57, and Section 4.1(b) of S.L. 2025-89, 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 Bureau of 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 Division of Emergency Management shall initiate a pilot project where the division shall be deemed a separate, stand-alone entity within the Department of Public Safety in all matters related to information technology, and the division shall autonomously manage 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:

…."

SECTION 20.2.(x) 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 20.2.(y) 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 20.2.(z) 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.

WORKERS' COMPENSATION FOR RESERVE OFFICERS

SECTION 20.3. 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."

ADD THE STATE BUREAU OF INVESTIGATION AND THE STATE HIGHWAY PATROL TO THE STATE VACANT POSITIONS REPORT

SECTION 20.4. 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."

REPEAL OUTDATED REPORT ON GANG PREVENTION RECOMMENDATIONS

SECTION 20.5. G.S. 143B-1730 is repealed.

EXEMPTION FROM THE DEPARTMENT OF INFORMATION TECHNOLOGY ARTICLE FOR THE STATE BUREAU OF INVESTIGATION

SECTION 20.6. G.S. 143B-1320(b) reads as rewritten:

"(b) Exemptions. – Except as otherwise specifically provided by law, this Article does not apply to the following entities: the General Assembly, the Judicial Department, the Community Colleges System Office, The University of North Carolina and its constituent institutions, the Office of the State Auditor, the State Board of Elections, the State Highway Patrol, the State Bureau of Investigation, and the Department of State Treasurer. 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 shall 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.

(5) For the Office of the State Auditor, by the State Auditor.

(6) For the State Board of Elections, by the Executive Director of the State Board of Elections.

(7) For the State Highway Patrol, by the Commander of the State Highway Patrol.

(8) For the Department of State Treasurer, other than the Investment Authority under Part 1 of Article 6 of Chapter 147 of the General Statutes, by the State Treasurer.

(9) For the Investment Authority under Part 1 of Article 6 of Chapter 147 of the General Statutes, by the Board of Directors of the Authority.

(10) For the State Bureau of Investigation, by the Director of the Bureau."

AMEND TERM OF THE DIRECTOR OF THE STATE BUREAU OF INVESTIGATION

SECTION 20.7. Notwithstanding the provisions of G.S. 143B-1208.12, the Director of the State Bureau of Investigation, position number 60010613, serving on July 1, 2023, shall, in the absence of vacancy resulting from death, resignation, or physical or mental incapacity, (i) continue to serve as the Director of the State Bureau of Investigation until June 30, 2027, and (ii) serve, for a six-year term beginning July 1, 2027, without additional nomination by the Governor or confirmation by the General Assembly.

ELIMINATE THE CRIMINAL JUSTICE INFORMATION NETWORK GOVERNING BOARD

SECTION 20.8.(a) The Criminal Justice Information Network Governing Board created under G.S. 143B-1204, and any positions authorized under G.S. 143B-1206, are eliminated. The unexpended balances of appropriations, allocations, or other funds for the Board, including the Alternatives to Pre-trial Detention Fund established in Section 19A.7B of S.L. 2021-180, and any other remaining resources of the Board, are transferred from the Department of Public Safety to the State Bureau of Investigation.

SECTION 20.8.(b) Part 8 of Article 13 of Chapter 143B of the General Statutes is repealed.

SECTION 20.8.(c) Section 19A.7B of S.L. 2021-180, as amended by Section 5.3 of S.L. 2021-189, reads as rewritten:

"…

"**SECTION 19A.7B.(b)** Fund Creation. – There is established the Alternatives to Pre-trial Detention Fund within the ~~Department of Public Safety~~ State Bureau of Investigation as a special revenue fund to be used to create a domestic violence notification system (Program) in accordance with the product and service requirements established in subsections (c) and (d) of Section 4.2C of Session Law 2020-80.

"**SECTION 19A.7B.(c)** Criteria. – The ~~Criminal Justice Information Network, under the direction of the Criminal Justice Information Network Governing Board,~~ State Bureau of Investigation shall consult, collaborate, and provide direction for the chief district court judges when developing the Program. In accordance with the provisions of subsections (c) and (d) of Section 4.2C of Session Law 2020-80, the Program provider shall also operate a 24-hour in-State call monitoring center and shall offer victims access to a tangible GPS notification device that provides victims instantaneous notification if the defendant or offender is within close proximity. The device shall have the ability to automatically switch cellular networks, thus ensuring the device is not dependent upon one particular cellular network provider. The Program shall also be accessible and available for other specialty courts in the State.

"**SECTION 19A.7B.(d)** Administrative. – ~~Of the funds allocated to the Criminal Justice Information Network in this act in the 2021-2022 fiscal year to be used for the Program, the Criminal Justice Information Network may retain up to two hundred thousand dollars ($200,000) for administrative costs associated with the implementation of the Program.~~ For the ~~2022-2023~~ 2026-2027 fiscal year and subsequent fiscal years, the ~~Criminal Justice Information Network~~ State Bureau of Investigation may retain up to two percent (2%) of funds allocated for the Program annually for administrative costs associated with the Program.

"**SECTION 19A.7B.(e)** Report. – Beginning on October 1, ~~2022,~~ 2026, and annually thereafter, the ~~Criminal Justice Information Network~~ State Bureau of Investigation shall report to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the results of the Program. The report, at a minimum, shall include a percentage breakdown on the usage per case subject area and any legislative recommendations for improving the Program."

SECTION 20.8.(d) Section 19F.7 of S.L. 2023-134 is repealed.

SCHOOL SAFETY GRANTS

SECTION 20.9.(a) Definitions. – For the purposes 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 20.9.(b) Program; Purpose. – The Executive Director of the Center for Safer Schools shall establish the School Safety Grants Program (Program) for the 2026-2027 fiscal year. The purpose of the Program shall be to improve safety in public school units by providing grants in the 2026-2027 fiscal year 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 20.9.(c) 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. 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 20.9.(d) 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 20.9.(e) 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 the 2026-2027 fiscal year for the services identified in this subdivision.

SECTION 20.9.(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 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, 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 the 2026-2027 fiscal year for the services identified in this subdivision.

SECTION 20.9.(g) 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 20.9.(h) 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 2026-2027 fiscal year, 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 20.9.(i) 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 20.9.(j) 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 the 2026-2027 fiscal year for administrative costs associated with the Program.

SECTION 20.9.(k) Program Report. – No later than April 1, 2027, 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.

CRITICAL INCIDENT SCHOOL MAPPING DATA

SECTION 20.10.(a) G.S. 115C-105.53(a) reads as rewritten:

"(a) Each public school unit shall provide the following to local law enforcement agencies: (i) schematic diagrams, including digital schematic diagrams, ~~and~~ (ii) either keys to the main entrance of all school buildings or emergency access to key storage devices such as KNOX® boxes for all school ~~buildings.~~ buildings, and (iii) access to school mapping data developed pursuant to G.S. 143B-1209.103. Public school units shall provide updates of the schematic diagrams to local law enforcement agencies when substantial modifications such as new facilities or modifications to doors and windows are made to school buildings. Public school units shall also be responsible for providing local law enforcement agencies with updated access to school buildings when changes are made to the locks and other access control devices of the main entrances or to key storage devices such as KNOX® boxes."

SECTION 20.10.(b) G.S. 115C-105.54(a) reads as rewritten:

"(a) Each public school unit shall provide the following to the Division of Emergency Management (Division) at the Department of Public Safety: (i) schematic diagrams, including digital schematic diagrams, ~~and~~ (ii) emergency response information requested by the Division for the School Risk Management Plan ~~(SRMP).~~ (SRMP), and (iii) access to school mapping data developed pursuant to G.S. 143B-1209.103. Public school units shall also provide updated schematic diagrams and emergency response information to the Division when such updates are made. The Division shall ensure that the diagrams and emergency response information are securely stored and distributed as provided in the SRMP to first responders, emergency personnel, and school personnel and approved by the Department of Public Instruction."

SECTION 20.10.(c) Article 13A of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1209.103. Critical Incident School Mapping Program.**

(a) Definitions. – The following definitions apply in this section:

(1) Authorized Vendor or Vendor. – A company that is selected by the State Bureau of Investigation to provide the school mapping services and data as required by this section.

(2) Governing body of a public school unit. – As defined in G.S. 115C-5.

(3) Public school unit. – As defined in G.S. 115C-5.

(4) School mapping data. – Data in an electronic or digital format produced to assist local, State, and federal public safety agencies that provide emergency services in responding to emergencies at a public school unit.

(b) Establishment. – The Center for Safer Schools (Center) shall establish a Critical Incident School Mapping Program (Program). The purpose of the Program is to provide accurate maps of each public school unit in the State for use in the case of an emergency.

(c) Production of School Mapping Data. – The Center shall collaborate with governing bodies of public school units to produce accurate mapping data for each public school unit in this State, subject to the appropriation of funds for this purpose. School mapping data shall include accurate floor plans of each public school unit overlaid on accurate imagery of the school grounds and shall meet all of the following requirements:

(1) Be in formats that conform to, integrate with, and are accessible within all software platforms used in local public safety and by the city, county, State, and federal public safety agencies that could provide emergency services at the school without requiring the purchase of additional software or payment of fees to access the data.

(2) Be created, stored, and maintained exclusively within the United States for the entire duration of the mapping process and thereafter to ensure security of the data.

(3) Be viewable and printable from open-source document or image viewers and in an electronic or digital file format that can be integrated into interactive mobile platforms in use by local, State, and federal public safety agencies.

(4) Be verified for accuracy by a walk-through of public school unit facilities by Authorized Vendor (Vendor) personnel, including the school grounds.

(5) Be oriented true north.

(6) Be overlaid on current, verified aerial imagery.

(7) Contain site-specific labeling that matches the structure of the public school unit facilities, including room labels, hallway names, and external door or stairwell numbers and locations of hazards, critical utility locations, key boxes, automated external defibrillators, and trauma kits.

(8) Contain site-specific labeling that matches the public school unit grounds, including parking areas, athletic fields, surrounding roads, and neighboring properties.

(9) Be overlaid with gridded x and y coordinates.

(10) Be updated and reverified according to a schedule established by the Center.

(d) Use of School Mapping Data. – School mapping data shall be provided, upon request, to each governing body of a public school unit, local law enforcement agency, and other public safety agency for use in response to emergencies.

(e) Use of Vendors. – The State Bureau of Investigation (Bureau), in consultation with the Center, may contract with up to three Vendors to provide the school mapping services and data required by this section. In contracting under the authority set forth in this subsection, the Bureau shall conduct the procurement in accordance with the methods set forth in G.S. 143-135.9 and award contracts that ensure access to a bulk and shared pricing process that realizes savings through efficiencies. The governing body of a public school unit, in consultation with the primary local law enforcement agency responsible for the governing body's public school units, shall enter into an agreement with a Vendor pursuant to this section to complete the mapping requirement set forth in subsection (c) of this section.

(f) Requirements of Vendors. – A Vendor contracted with under subsection (e) of this section shall meet all of the following requirements:

(1) Provide local, tabletop training to include local stakeholders.

(2) Upon completion of the mapping, obtain certification from the primary local law enforcement agency for the public school unit that was mapped that the school mapping services and data meet the requirements set forth in this section and submit that certification to the Center for payment.

(3) Conduct all walk-through requirements set forth in this section.

(g) Funding Limitation. – For any recurring funds appropriated for the Program, the amount used for each school in a public school unit shall not exceed five hundred dollars ($500.00) per year.

(h) Privacy. – All data and information acquired and stored in the Program in accordance with this section are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

SECTION 20.10.(d) The Center for Safer Schools (Center) shall amend or adopt rules to implement the provisions of G.S. 143B-1209.103, as enacted by subsection (c) of this section. The contracting and procurement required under G.S. 143B-1209.103(e), as enacted by subsection (c) of this section, shall be completed by no later than January 31, 2027.

SECTION 20.10.(e) Of the nonrecurring funds appropriated to the Center for Safer Schools for the 2026-2027 fiscal year for implementing the requirements of this section, the Department shall expend no more than five thousand dollars ($5,000) per school in a public school unit.

ADJUST USER FEE FOR DIVISION OF CRIMINAL INFORMATION

SECTION 20.11.(a) G.S. 143B-1208.19(d), as recodified and amended under Section 20.2 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 20.11.(b) This section becomes effective July 1, 2026, and applies to fees levied on or after that date.

TRANSFER SAMARCAND TRAINING ACADEMY TO THE STATE BUREAU OF INVESTIGATION

SECTION 20.12.(a) All functions, powers, duties, and obligations vested in the Samarcand Training Academy in the Department of Public Safety are transferred to, vested in, and consolidated within the State Bureau of Investigation by a Type I transfer, as defined in G.S. 143A-6.

SECTION 20.12.(b) The former East Montgomery High School facility that was operated as a training facility within the Department of Public Safety is transferred to the State Bureau of Investigation. The State Bureau of Investigation shall control the use of the facility and all real and personal property at the facility.

SECTION 20.12.(c) Section 16A.4 of S.L. 2015-241 is repealed.

SECTION 20.12.(d) G.S. 143B-1001 is recodified as G.S. 143B-1209 and reads as rewritten:

"**§ 143B-1209. Samarcand Training Academy.**

(a) The former juvenile detention facility known as Samarcand Manor, located in Moore County, is redesignated as a law enforcement and corrections training facility and assigned to the Director of the State Bureau of Investigation. There is established, using this facility and within the ~~Department of Public Safety,~~ State Bureau of Investigation, the Samarcand Training Academy.

(b) The ~~Department of Public Safety~~ State Bureau of Investigation shall employ the staff of the Samarcand Training ~~Academy and~~ Academy, the ~~Secretary of Public Safety~~ Director of the State Bureau of Investigation shall direct ~~its operations.~~the Academy's operations, and the Academy shall be administered by a Director.

(b1) The operating budget for Samarcand Training Academy shall be funded by the State Bureau of Investigation but shall be independent of the operating budget of any Division within the State Bureau of Investigation and shall be managed and administered by the Director of the Academy with oversight by the Director of the State Bureau of Investigation.

(c) The Samarcand Training Academy's duties shall include, but are not limited to, all of the following:

(1) ~~Delivering~~ Except as otherwise provided in subsection (d) of this section, delivering or providing use of its facilities for training programs for public safety personnel or agencies, including:
   a. Federal, State, and local law enforcement agencies.
   b. Federal and State correction agencies.
   c. The North Carolina National Guard.
   d. The United States Military.
   e. Jails and other correctional facilities maintained by local governments.
   f. The courts of the State and juvenile justice agencies.
   g. Any other agency with a public safety objective.

(2) Developing a predetermined fee structure designed to cover actual costs of material services for the use of its facilities.

(3) Taking other actions as may be deemed necessary or appropriate to carry out its assigned duties and responsibilities, as directed by the ~~Secretary of Public Safety.~~Director of the State Bureau of Investigation.

(d) Except for firearms training that requires the use of a firing range, and except as otherwise requested by a constituent institution of The University of North Carolina or an institution of the North Carolina Community College System, North Carolina Basic Law Enforcement Training (BLET) shall not be held at the Samarcand Training Academy for public safety personnel or agencies covered under subdivision (1) of subsection (c) of this section who are not conducting BLET at the Samarcand Training Academy as of July 1, 2026."

SECTION 20.12.(e) Section 40.1(c1)(7) of S.L. 2021-180 reads as rewritten:

"(7) Four million five hundred thousand dollars ($4,500,000) for the 2021-2022 fiscal year to the ~~Department of Public Safety~~ State Bureau of Investigation for repairs and renovations related to the Safer Schools Training Academy."

SECTION 20.12.(f) This section is effective when it becomes law.

ALLOW STATE BUREAU OF INVESTIGATION TO ASSIST STATE AUDITOR

SECTION 20.13. G.S. 143B-1208.3 reads as rewritten:

"**§ 143B-1208.3. General powers and duties of Director and law enforcement officers of the State Bureau of Investigation.**

The Director of the Bureau and other sworn law enforcement officers of the State Bureau of Investigation are given the same power of arrest as is now vested in the sheriffs of the several counties, and their jurisdiction shall be statewide. The Director of the Bureau and other sworn law enforcement officers of the Bureau may give assistance to sheriffs, police officers, district attorneys, ~~and judges~~ judges, and the State Auditor when called upon by them and so directed. They shall also give assistance, when requested, to the ~~Department of Public Safety~~ Department of Adult Correction in the investigation of cases pending before the parole office and of complaints lodged against parolees, when so directed by the Governor."

PART XXI. STATE HIGHWAY PATROL

STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS

SECTION 21.1. Part 3 of Article 17 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1751. Receipt-supported positions.**

(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.

(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.

(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.

(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 2026-2027 fiscal year 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 department 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.

MODIFY GOVERNOR'S CRIME COMMISSION TO ADD COMMANDER OF THE STATE HIGHWAY PATROL

SECTION 21.3.(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 21.3.(b) This section is effective when it becomes law.

TECHNICAL CHANGE TO VIPER REPORTING REQUIREMENT

SECTION 21.4. Part 2 of Article 17 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1731. Report on State's VIPER system.**

The State Highway Patrol shall report semiannually no later than March 1 and September 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the progress of the Voice Interoperability Plan for Emergency Responders (VIPER) system."

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) This section becomes effective December 1, 2026, and applies to fees assessed on or after that date.

MOTOR VEHICLE FLEET RATE INFORMATION

SECTION 22.2. 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.

…."

INVENTORY OF STATE LAND AND BUILDINGS

SECTION 22.3.(a) Not later than November 15, 2026, 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. The Department shall consult with the North Carolina Trucking Association to create a record within the report of land directly adjacent to highways and interstates that provide areas for commercial motor vehicles, as defined in G.S. 20-4.01, to park.

SECTION 22.3.(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.

…."

SECTION 22.3.(c) Subsection (b) of this section becomes effective July 1, 2026. The remainder of this section is effective when it becomes law.

STATE AGENCY LAND REALLOCATIONS/MOTOR FLEET MODIFICATIONS

SECTION 22.4.(a) G.S. 143-341(4)g. reads as rewritten:

"g. To allocate and reallocate land, buildings, and space in buildings to the several State agencies, in accordance with rules adopted by the Governor with the approval of the Council of State; provided that if the proposed reallocation is of land with an appraised value of at least twenty-five thousand dollars ($25,000), the reallocation may only be made only after (i) consultation with the Joint Legislative Commission on Governmental ~~Operations.~~ Operations and (ii) confirmation by the Office of State Budget and Management that no additional appropriation of State funds is needed as a result of the reallocation. The authority granted in this paragraph shall not apply to the State Legislative Building and grounds or to the Legislative Office Building and grounds."

SECTION 22.4.(b) G.S. 143-341(8) reads as rewritten:

"(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:

…

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 Department shall not implement any change in amounts allocated and charged without the prior approval of the General Assembly through the enactment of a general law.

…."

SECTION 22.4.(c) Subsection (a) of this section is effective when it becomes law and applies to reallocations on or after that date. The remainder of this section becomes effective July 1, 2026.

ELIMINATE OFFICE FOR HISTORICALLY UNDERUTILIZED BUSINESSES

SECTION 22.5.(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 22.5.(b) The North Carolina Small Business Enterprise Program shall be administered by the Office of Purchase & Contract in the Department of Administration.

SECTION 22.5.(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.

…

(b) Notwithstanding the other provisions of this section, the services of the Department of Administration may be made available to the Authority, when requested by the Authority, with regard to matters governed by Article 8 of Chapter 143 of the General Statutes and G.S. 143-341(3). The Authority shall report quarterly to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources on any building contract to which this exemption is applied. ~~The quarterly report required by this subsection shall specifically include information regarding the Authority's compliance with the provisions of G.S. 143-128.2.~~"

SECTION 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(*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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(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 22.5.(u) G.S. 18C-141 reads as rewritten:

"**§ 18C-141. Selection of lottery game retailers.**

(a) The Director shall recommend to the Commission those persons with whom to contract as lottery game retailers. ~~To the extent practicable, the Director shall meet the minority participation goals under Article 8 of Chapter 143 of the General Statutes.~~

…."

SECTION 22.5.(v) G.S. 18C-151 reads as rewritten:

"**§ 18C-151. Contracts.**

(a) Except as otherwise specifically provided in this subsection for contracts for the purchase of services, apparatus, supplies, materials, or equipment, Article 8 of Chapter 143 of the ~~General Statutes, including the provisions relating to minority participation goals,~~ General Statutes shall apply to contracts entered into by the Commission. If this subsection and Article 8 of Chapter 143 are in conflict, the provisions of this subsection shall control. In recognition of the particularly sensitive nature of the Lottery and the competence, quality of product, experience, and timeliness, fairness, and integrity in the operation and administration of the Lottery and maximization of the objective of raising revenues, a contract for the purchase of services, apparatus, supplies, materials, or equipment requiring an estimated aggregate expenditure of three hundred thousand dollars ($300,000) or more may be awarded by the Commission only after the following have occurred:

…

~~(4) The Commission has complied with the minority participation goals of G.S. 143-128.2 and G.S. 143-128.3.~~

…."

SECTION 22.5.(w) 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 22.5.(x) G.S. 63A-19, 116D-4, 143-48.4, 143-128.2, 143-128.3, 143-128.4, and 143-131(b) are repealed.

MODIFY BID REQUIREMENTS FOR WATER AND SEWER CONSTRUCTION CONTRACTS

SECTION 22.6.(a) G.S. 143-132 is amended by adding a new subsection to read:

"(a1) Water and Sewer Construction Contracts. – Notwithstanding the requirement in subsection (a) of this section that at least three competitive bids be received, and except as provided in this subsection, no contract that is subject to G.S. 143-129 and is for the construction of water systems or facilities or sewage disposal systems or facilities shall be awarded by any board or governing body of the State, or of any institution of the State government, or of any political subdivision of the State unless at least two competitive bids have been received from reputable and qualified contractors regularly engaged in their respective lines of endeavor. If, after advertisement for bids as required by G.S. 143-129, fewer than two competitive bids have been received from reputable and qualified contractors regularly engaged in their respective lines of endeavor, the board or governing body shall again advertise for bids. If, as a result of the second advertisement, fewer than two competitive bids are received from reputable and qualified contractors regularly engaged in their respective lines of endeavor, the board or governing body may then let the contract to the lowest responsible bidder submitting a bid for the project, even though only one bid is received. Except as otherwise provided in this subsection, this subsection does not otherwise alter the requirements of G.S. 143-129 or this section. For purposes of this subsection, the following definitions 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 22.6.(b) This section is effective when it becomes law and applies to contracts awarded on or after that date and before January 1, 2031. G.S. 143-132(a1), as enacted by this section, expires January 1, 2031. The expiration of G.S. 143-132(a1) does not affect the validity of a contract awarded before January 1, 2031.

REPORTING REQUIREMENTS FOR DHHS HEADQUARTERS OPERATIONS BUDGET

SECTION 22.7. The Department of Administration shall provide a detailed financial report of all operating expenditures and parking receipts for the Department of Health and Human Services headquarters campus located at 1915 Health Services Way in Raleigh for the 2025-2027 fiscal biennium to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division by March 1, 2027.

DOA SHP VEHICLE TRANSFER

SECTION 22.8. The Department of Administration shall transfer ownership of all current vehicles from central motor fleet management assigned to the Investigative Services Unit to the State Highway Patrol (Patrol), at no cost to the Patrol. Funds appropriated to the Patrol for leasing those vehicles shall instead be used for fuel, maintenance, insurance, and other costs associated with ownership of the vehicles.

INCLUDE CATAWBA INDIAN NATION IN NORTH CAROLINA COMMISSION OF INDIAN AFFAIRS

SECTION 22.9.(a) G.S. 143B-407 reads as rewritten:

"**§ 143B-407. North Carolina State Commission of Indian Affairs – membership; term of office; chairman; compensation.**

(a) The State Commission of Indian Affairs shall consist of two persons appointed by the General Assembly, the Secretary of Health and Human Services, the Assistant Secretary of Commerce in charge of the Division of Employment Security, the Secretary of Administration, the Secretary of Environmental Quality, the Commissioner of Labor or their designees and ~~21~~ 23 representatives of the Indian community. These Indian members shall be selected by tribal or community consent from the Indian groups that are recognized by the State of North Carolina and are principally geographically located as follows: the Coharie of Sampson and Harnett Counties; the Eastern Band of Cherokees; the Catawba Indian Nation; the Haliwa Saponi of Halifax, Warren, and adjoining counties; the Lumbees of Robeson, Hoke and Scotland Counties; the Meherrin of Hertford County; the Waccamaw-Siouan from Columbus and Bladen Counties; the Sappony; the Occaneechi Band of the Saponi Nation of Alamance and Orange Counties, and the Native Americans located in Cumberland, Guilford, Johnston, Mecklenburg, Orange, and Wake Counties. The Coharie shall have two members; the Eastern Band of Cherokees, two; the Catawba Indian Nation, two; the Haliwa Saponi, two; the Lumbees, three; the Meherrin, one; the Waccamaw-Siouan, two; the Sappony, one; the Cumberland County Association for Indian People, two; the Guilford Native Americans, two; the Metrolina Native Americans, two; the Occaneechi Band of the Saponi Nation, one, the Triangle Native American Society, one. Of the two appointments made by the General Assembly, one shall be made upon the recommendation of the Speaker, and one shall be made upon recommendation of the President Pro Tempore of the Senate. Appointments by the General Assembly shall be made in accordance with G.S. 120-121 and vacancies shall be filled in accordance with G.S. 120-122.

(b) Members serving by virtue of their office within State government shall serve so long as they hold that office. Members representing Indian tribes and groups shall be elected by the tribe or group concerned and shall serve for three-year ~~terms except that at the first election of~~

~~Commission members by tribes and groups one member from each tribe or group shall be elected to a one-year term, one member from each tribe or group to a two-year term, and one member from the Lumbees to a three-year term. The initial appointment from the Indians of Person County shall expire on June 30, 1999. The initial appointment from the Triangle Native American Society shall expire June 30, 2003. The initial appointment of the Occaneechi Band of the Saponi Nation shall expire June 30, 2005. Thereafter, all Commission members will be elected to three-year terms.~~ terms. All members shall hold their offices until their successors are appointed and qualified. Vacancies occurring on the Commission shall be filled by the tribal council or governing body concerned. Any member appointed to fill a vacancy shall be appointed for the remainder of the term of the member causing the vacancy. The Governor shall appoint a ~~chairman~~ chair of the Commission from among the Indian members of the Commission, subject to ratification by the full ~~Commission. The initial appointments by the General Assembly shall expire on June 30, 1983. Thereafter, successors shall serve for terms of two years.~~ Commission, to serve a two-year term.

In the event that a vacancy occurs among the membership representing Indian tribes and groups and the vacancy temporarily cannot be filled by the tribe or group for any reason, the Commission membership may designate a tribal or group member to serve on the Commission on an interim basis until the tribe or group is able to select a permanent member to fill the vacancy. The service of the interim member shall terminate immediately upon appointment by the tribe or group of a member to fill the vacancy in its membership.

(c) Commission members who are seated by virtue of their office within the State government shall be compensated at the rate specified in G.S. 138-6. Commission members who are members of the General Assembly shall be compensated at the rate specified in G.S. 120-3.1. Indian members of the commission shall be compensated at the rate specified in G.S. 138-5."

SECTION 22.9.(b) Subsection (a) of this section becomes effective 10 days after the date the Catawba Indian Nation is granted State recognition as an American Indian tribe by the North Carolina State Commission of Indian Affairs.

SECTION 22.9.(c) Except as otherwise provided, this section is effective when it becomes law.

PART XXIII. ADMINISTRATIVE HEARINGS [RESERVED]

PART XXIV. OFFICE OF STATE AUDITOR

STATE AUDITOR/ASSESSMENT OF IT SECURITY STANDARDS & RECOMMENDATIONS

SECTION 24.1.(a) Article 5A of Chapter 147 of the General Statutes is amended by adding a new section to read:

"**§ 147-64.6E. Security practices of State information technology systems.**

(a) Definitions. – The following definitions apply in this section:

(1) Covered agency. – A State agency or agency as defined in G.S. 143B-1320(a)(17) and any entity listed in G.S. 143B-1320(b).

(2) Information technology. – As defined in G.S. 143B-1320.

(b) Assessment; Recommendations; Written Response. – After assessing the security practices of information technology systems maintained or used by a covered agency, the Office of the State Auditor may include in its report to the covered agency recommendations concerning the security practices assessed. If the Auditor includes recommendations under this subsection, the covered agency shall provide a written response to the Auditor, unless the Auditor extends the time for response. The written response shall include any actions the covered agency has taken or plans to take in response to the recommendations and, for any recommendation the covered agency has not implemented or does not plan to implement, the covered agency's reasons

for that decision. Recommendations issued under this section are advisory and do not require implementation by the covered agency.

(c) Confidentiality. – Any written response required under this section shall be prepared and maintained in a manner that protects information confidential under State or federal law. Nothing in this section shall be construed to authorize or require the disclosure of information that is confidential under State or federal law, including information protected under G.S. 132-6.1(c) or G.S. 147-64.6(d)."

SECTION 24.1.(b) G.S. 143B-1377 reads as rewritten:

"**§ 143B-1377. State CIO approval of security standards and risk assessments.**

…

(e) Nothing in this section shall be construed to preclude the Office of the State ~~Auditor~~ Auditor, as part of its statutory duties and responsibilities, from assessing the security practices of State information technology ~~systems as part of its statutory duties and responsibilities.~~systems, including information technology systems maintained or used by a covered agency as defined in G.S. 147-64.6E, or from issuing recommendations and requiring written reports under G.S. 147-64.6E."

STATE AUDITOR/PERFORMANCE AUDIT AND FACILITIES ASSESSMENT FOR THE DEPARTMENT OF ADULT CORRECTION

SECTION 24.2.(a) The State Auditor shall conduct a performance audit of the Department of Adult Correction (Department) and shall complete a comprehensive facilities assessment of correctional facilities operated by or under the authority of the Department. The audit and assessment shall include, at a minimum, all of the following:

(1) A review of the Department's financial operations, budget practices, expenditure controls, and use of appropriated funds.

(2) An evaluation of occupancy, utilization, bed capacity, operational capacity, and staffing of State correctional facilities operated by or under the authority of the Department.

(3) An assessment of correctional facilities operated by or under the authority of the Department, including the physical condition of the facilities, deferred maintenance needs, capital needs, safety and security needs, and the suitability of each facility for continued operation.

(4) The identification of options for the future use, maintenance, modernization, consolidation, closure, repurposing, replacement, or expansion of correctional facilities operated by or under the authority of the Department, together with estimated operational and fiscal impacts and any barriers to implementation.

(5) Any other matter the State Auditor deems relevant to evaluating the Department's fiscal stewardship, operational efficiency, and facility needs.

SECTION 24.2.(b) In conducting the audit and assessment required by subsection (a) of this section, the State Auditor may review, consider, update, or supplement any prior facility condition assessment or related report completed by or for the Department, including any assessment or report resulting from funds appropriated in S.L. 2021-180. The State Auditor shall not be bound by the findings or recommendations of any prior assessment or report.

SECTION 24.2.(c) The State Auditor may contract for audit assistance, facility assessment services, correctional operations expertise, and other subject-matter expertise as the State Auditor deems necessary or desirable to complete the audit and assessment required by this section, in accordance with G.S. 147-64.7(b).

SECTION 24.2.(d) The Department shall provide the State Auditor and the State Auditor's authorized representatives, including any contractors retained pursuant to subsection (c) of this section, with access to Department employees, facilities, systems, data, records,

reports, and other information the State Auditor deems necessary to complete the audit and assessment required by this section.

SECTION 24.2.(e) No later than June 30, 2027, the State Auditor shall submit a report on the audit and assessment required by this section, including the options identified pursuant to subdivision (4) of subsection (a) of this section, to the Joint Legislative Oversight Committee on Justice and Public Safety and the Fiscal Research Division.

STATE AUDITOR INVESTIGATION TARGETING MEDICAID WASTE AND ABUSE

SECTION 24.3.(a) Of the funds appropriated in this act to the Department of State Auditor (State Auditor), the sum of two million five hundred thousand dollars ($2,500,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to conduct an investigation of waste and abuse within the Medicaid program and to assist with the audit required under Section 3C.10 of S.L. 2026-1.

SECTION 24.3.(b) No later than February 28, 2027, the State Auditor shall submit a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division that includes recommendations on actions related to eliminating waste and abuse in the Medicaid program based on the results of the State Auditor's investigations and audits.

AUDIT OF STATE VETERANS HOME TRUST FUND

SECTION 24.4.(a) The Office of the State Auditor shall conduct a financial audit of the North Carolina Veterans Home Trust Fund (Fund) established under G.S. 143B-1293. The audit shall cover the period beginning July 1, 2023, and ending June 30, 2026, and shall include, at a minimum, an examination of all of the following:

(1) Receipts credited to the Fund, including payments received from the United States Department of Veterans Affairs and payments made by or on behalf of residents of the State veterans homes.
(2) Disbursements and transfers from the Fund, including compliance with the authorized uses of the Fund under G.S. 143B-1293 and the annual transfer to the North Carolina Veterans Cemeteries Trust Fund required by that section.
(3) The balance of the Fund at the end of each fiscal year covered by the audit.
(4) The Department of Military and Veterans Affairs' administration of the Fund, including internal controls over Fund receipts and disbursements and oversight of contracts for the operation of the State veterans homes.

SECTION 24.4.(b) The Department of Military and Veterans Affairs shall provide the State Auditor with access to all records, personnel, and information the State Auditor deems necessary to conduct the audit required by this section.

SECTION 24.4.(c) No later than March 1, 2027, the State Auditor shall report the results of the audit required by this section, including any findings and recommendations, to the chairs of the Senate Appropriations/Base Budget Committee, the chairs of the House Appropriations Committee, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division.

DEPARTMENT OF STATE AUDITOR CHANGES

SECTION 24.5.(a) Of the funds appropriated from the General Fund to the Department of State Auditor, the sum of five hundred thousand dollars ($500,000) in recurring funds beginning in the 2026-2027 fiscal year shall be used by the Department to pay for the cost of auditing the Annual Comprehensive Financial Report.

SECTION 24.5.(b) Notwithstanding any other provision of law, the Auditor may change existing appropriated positions and benefits responsible for performing financial

statement audits to receipt-supported positions and benefits. These appropriated funds shall not revert to the General Fund.

SECTION 24.5.(c) G.S. 147-64.6 reads as rewritten:

"**§ 147-64.6. Duties and responsibilities.**

…

(c) Responsibilities. – The Auditor is responsible for the following acts and activities:

…

(3) The Auditor, on the Auditor's own initiative and as often as the Auditor deems necessary, or as requested by the Governor or the General Assembly, shall, to the extent deemed practicable and consistent with the Auditor's overall responsibility as contained in this Article, make or cause to be made audits of all or any part of the activities of the State agencies. Each State agency receiving a financial statement audit by the Auditor under this ~~subdivision~~ subsection shall prepare ~~a~~ and submit financial ~~statement~~ statements and supplementary information ~~in the format required by the Auditor. Financial statements and supplementary information prepared as required by this subdivision shall be completed and submitted~~ to the Auditor not later than 60 days after the deadline for the State agency's Annual Comprehensive ~~Annual~~ Financial Report submission as established by the State Controller.

…

(5) The Auditor may contract with federal audit agencies, or any governmental agency, on a cost reimbursable basis, for the Auditor to perform audits of federal grants and programs administered by State agencies in accordance with agreements negotiated between the Auditor and the contracting federal audit agencies or any governmental agency. In instances where the grantee State agency subgrants these federal funds to local governments, regional councils of government, and other local groups or private or semiprivate institutions or agencies, the Auditor may examine the books and records of these subgrantees to the extent necessary to determine eligibility and proper use in accordance with State and federal laws.

~~The Auditor shall charge and collect from the contracting federal audit agencies, or any governmental agencies, the actual cost of all the audits of the grants and programs contracted by the Auditor to do. Amounts collected under these arrangements shall be deposited in the State Treasury and be budgeted in the Department of State Auditor and shall be available to hire sufficient personnel to perform these contracted audits and to pay for related travel, supplies, and other necessary expenses.~~

…

(11) The Auditor shall, through appropriate tests, satisfy himself or herself concerning the propriety of the data presented in the Annual Comprehensive ~~Annual~~ Financial Report and shall express ~~the appropriate auditor's~~ an audit opinion of it in accordance with generally accepted auditing standards.

…

(13) At the conclusion of an audit, the Auditor or the Auditor's designated representative shall discuss the audit with the official whose office is subject to audit and submit necessary underlying facts developed for all findings and recommendations that may be included in the audit report. On audits of economy and efficiency and program results, the auditee's written response shall be included in the final report if received within 15 ~~to 30~~ days from receipt of the draft report. ~~The length of time shall be determined by the~~

~~Auditor and shall be commensurate with the number and complexity of the findings.~~

…

(25) The Auditor may elect to be exempted from oversight by the Department of Administration on the matters of purchasing, contracts, acquisition and maintenance of real property, leasing of office space, and disposition of surplus property under G.S. 143-341(2), (4)d. and d1., and (8)d., Article 6 of Chapter 146 of the General Statutes, and Article 3A of Chapter 143 of the General Statutes. This election shall be made in writing by the Auditor and shall be sent to the Secretary of Administration. Any acquisition of real property made by the Auditor pursuant to this subdivision is subject to approval by the Council of State.

(26) The Auditor may enter into an agreement with the Council of District Attorneys to assign resource prosecutors under G.S. 7A-415 to matters referred by the Auditor to district attorneys. A resource prosecutor working under this agreement may do all of the following:

a. Handle financial crimes and any criminal matters that result from an investigation conducted by the Auditor.

b. Assist the Auditor and Auditor's staff in criminal matters.

c. At the request of a district attorney, prosecute criminal matters that result from an investigation by the Auditor.

d. Perform other duties assigned by the Executive Director of the Council of District Attorneys.

(27) The Auditor may enter into agreements under G.S. 147-64.7(b) for subject-matter expertise and assistance in auditing Medicaid providers, as defined in G.S. 108C-2, and all of the following shall apply to those audits and agreements:

a. The Auditor and the Department of Health and Human Services shall promote, to the extent possible, coordinated nonduplicating audits to reduce audit overlap and undue costs. The Auditor and the Department of Health and Human Services shall meet at least quarterly to review trends, analytics, and planned provider audit activities. The Department of Health and Human Services shall enter into any necessary memorandum of agreement with the Auditor to (i) facilitate the receipt of any applicable federal matching funds for audits under this subdivision and (ii) ensure that State funds are not being used to pay for duplicative efforts, including paying fees for the identification of any duplicative overpayment.

b. The Auditor shall notify and coordinate with the Department of Health and Human Services before auditing Medicaid providers for suspected fraud, waste, or abuse to ensure no duplication of efforts are underway by the Department of Health and Human Services, prepaid health plans, the NC Department of Justice Medicaid Investigation Division, or federal auditors.

c. The Auditor shall share the results of any audit of a Medicaid provider completed by the Auditor or its contractors with the Department of Health and Human Services.

d. The Auditor and any contractors that enter into agreements under this subdivision shall work with the Department of Health and Human Services with respect to potential adverse determinations, as defined in G.S. 108C-2. The Auditor shall refer any matter of suspected

Medicaid provider fraud to the Department of Health and Human Services for review and submission to the NC Department of Justice Medicaid Investigation Division, as defined in 42 C.F.R. § 455.21(a)(1), and shall refer any matters of improper government activities to the appropriate law enforcement entities in accordance with G.S. 147-64.6B.

e. Any contingent fees paid to contractors that enter into agreements with the Auditor under this subdivision shall be calculated as a percentage of any recovery of an identified final overpayment, as defined in G.S. 108C-2, and shall not exceed the State share of the amount of the final overpayment that is actually recovered multiplied by the applicable contingency fee rate. Any contingency fee rate paid shall not exceed the maximum contingency fee rate that the Department of Health and Human Services is authorized to pay under 42 C.F.R. § 455.510. No contingent fee shall be paid under this subdivision before all appeal rights have been exhausted.

f. If an audit under this subdivision results in the recovery of an overpayment, then, in accordance with federal law, the Department of Health and Human Services shall be responsible for returning the federal share of the overpayment to the Centers for Medicare and Medicaid Services.

The Auditor and any contractors that enter into agreements with the Auditor under this subdivision are not acting under the Medicaid Recovery Audit Contractors Program set forth in 42 U.S.C. § 1396a(a)(42) and 42 C.F.R. Part 455, Subpart F. Nothing in this subdivision limits the authority of the Department of Health and Human Services as the single State agency designated under 42 C.F.R. § 431.10.

…

(f) Costs of Audits. – The Auditor shall charge and collect from contracting federal audit agencies, or any governmental agencies, the actual cost of all audits of the grants and programs contracted by the Auditor to do pursuant to subdivision (5) of subsection (c) of this section. The Auditor may charge and collect from each State agency the actual cost of the financial statement audits completed pursuant to subdivision (3) of subsection (c) of this section and the actual cost of audits of the financial information and workbooks prepared by State agencies for submission into the Annual Comprehensive Financial Report when the audits support the Auditor's opinion of the Annual Comprehensive Financial Report. The Auditor shall not charge or collect from the Office of the State Controller any costs associated with auditing the Annual Comprehensive Financial Report. Amounts collected under this subsection shall be deposited with the Department of State Treasurer and shall be budgeted for the Department of State Auditor. The Department of State Auditor may use these funds to hire sufficient personnel to perform these contracted audits and to pay for related travel, supplies, and other necessary expenses."

SECTION 24.5.(d) G.S. 147-64.7(b)(2) reads as rewritten:

"(2) No State agency ~~may~~ shall enter into ~~any~~ a contract for auditing services ~~which~~ that may impact ~~on~~ the State's ~~comprehensive annual financial report~~ Annual Comprehensive Financial Report without consultation with, and the prior written approval of, the ~~Auditor, except in instances where audits are called for by the Governor under G.S. 143C-2-1 and he shall so notify the~~ Auditor. The Auditor shall prescribe policy and establish guidelines containing appropriate criteria for selection and use of independent public accountants, qualified management consultants, or other professional persons by State agencies and governing bodies to perform all or part of the audit function."

SECTION 24.5.(e) Subsections (a) and (b) of this section become effective July 1, 2026. Subsections (c) and (d) of this section become effective October 1, 2026. The remainder of this section is effective when it becomes law.

PART XXV. BUDGET AND MANAGEMENT

RURAL HEALTH CARE STABILIZATION FUND/MARTIN COUNTY

SECTION 25.1.(a) Martin County Care Center. – Notwithstanding G.S. 131A-32, of the cash balance of the Rural Health Care Stabilization Fund (Fund), the sum of twenty-five million dollars ($25,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be allocated to Martin County for a care center which shall include a rural emergency hospital.

SECTION 25.1.(b) UNC System Medical Education/Training Fund. – Notwithstanding G.S. 131A-32, of the cash balance of the Fund, the sum of four million five hundred thousand dollars ($4,500,000) in nonrecurring funds for the 2026-2027 fiscal year shall be allocated to the Board of Governors of The University of North Carolina (UNC) for the UNC System Medical Education and Training Fund, established pursuant to G.S. 116-36.10, as enacted by this act. These funds shall be used in accordance with G.S. 116-36.10, as enacted by this act.

SECTION 25.1.(c) Area Health Education at UNC Chapel Hill. – Notwithstanding G.S. 131A-32, of the cash balance of the Fund, the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be allocated to Area Health Education at UNC Chapel Hill (Budget Code 16022).

SECTION 25.1.(d) G.S. 131A-32 reads as rewritten:

"**§ 131A-32. The Rural Health Care Stabilization Fund.**

The Rural Health Care Stabilization Fund is created as a nonreverting special fund in the Office of State Budget and Management. The Fund shall operate as a revolving fund consisting of funds appropriated to, or otherwise received by, the Rural Health Care Stabilization Program and all funds received as repayment of the principal of or interest on a loan made from the Fund. Funds received as repayment shall revert to the General Fund at the end of each State fiscal year. The State Treasurer is the custodian of the Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3. Moneys in the Fund shall only be used for loans made pursuant to this Article. The Fund shall close upon the receipt of the last payment due on a loan made from the Fund."

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 dollars ($1,000,000) in nonrecurring funds 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, 2027, 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.

THE INDEPENDENCE FUND

SECTION 26.2.(a) Notwithstanding the provisions of G.S. 143B-1293, of the funds appropriated in this act to the Office of State Budget and Management – Special Appropriations, the sum of one million dollars ($1,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used to provide a directed grant to The Independence Fund, Inc., a nonprofit corporation, to continue to expand the Veterans Justice Intervention (VJI) program by working with law enforcement agencies all across the State. These funds may be used to contract with a subject matter expert for the assessment, coordination, and implementation of the VJI in each of the law enforcement departments.

SECTION 26.2.(b) As a condition of receiving the funds authorized in subsection (a) of this section, The Independence Fund, Inc., shall do all of the following:

(1) Partner with other nonprofits, State and local governments, and federal agencies to develop and assess each county's initial response to veterans in crises and develop and maintain an updated data collection process map for each county.

(2) Educate first responders, local community support employees, and others on veteran-specific crisis intervention, suicide prevention, and VA resources available through the Veterans Affairs Administration.

(3) Execute training plans based on the data collection process maps developed pursuant to subdivision (1) of this subsection.

(4) Monitor the program and maintain regular contact with each county to ensure up-to-date training and availability and allocation of resources.

(5) By June 30, 2027, report to the Joint Legislative Committee on General Government, the Joint Legislative Committee on Justice and Public Safety, and the Fiscal Research Division on the effectiveness of the program.

CAGC GRANT FUNDING FOR COMMUNITY COLLEGES

SECTION 26.3. Of the funds appropriated in this act to the Office of State Budget and Management – Special Appropriations, the sum of one million dollars ($1,000,000) in nonrecurring funds for the 2026-2027 fiscal year shall be provided to CAGC Foundation, Inc. (CAGC), a nonprofit corporation, to be used as follows:

(1) To conduct outreach, recruitment, career coaching, and placement, and to provide grants to employers for internships, apprenticeships, and other work-based learning for eligible participants. For purposes of this subdivision, the term "eligible participant" means a woman, minority, veteran, low-wealth individual, or an individual that has been previously incarcerated.

(2) To provide financial assistance to individuals to pursue a career pathway through a registered apprenticeship or trade program.

(3) To provide grants to community colleges selected by CAGC, in consultation with the Community Colleges System Office, to campuses that have developed an eight-week work-based learning program where construction programs currently exist or to campuses where there is a demand to expand construction programs to develop such a program. The work-based learning program shall involve the construction industry and shall focus on core competencies, including applied hands-on skills, safety training, and soft skills training.

TECHNICAL CORRECTION TO CITY OF ROCKY MOUNT DIRECTED GRANT

SECTION 26.4.(a) Notwithstanding G.S. 143C-1-2(b), any provision of S.L. 2023-134, as amended, or the Committee Report referenced in Section 43.2 of that act to the contrary, the amount of the directed grant to the City of Rocky Mount in the sum of eight million five hundred thousand dollars ($8,500,000) in nonrecurring funds appropriated to the Office of

State Budget and Management – Special Appropriations for the 2023-2024 fiscal year for affordable housing and a judicial center that has not been expended or encumbered by the City of Rocky Mount as of the effective date of this section, in an amount not to exceed six million six hundred sixty-seven thousand nine hundred fifty-nine dollars and twenty-five cents ($6,667,959.25), shall instead be used by the City of Rocky Mount only for the project to replace the existing Old Mill Road sewer pump station, including the construction of a force main and other ancillary infrastructure necessary for the operation of the replacement pump station. Funds described in this section shall not revert but shall remain available to the City of Rocky Mount for purposes consistent with this section until the project described in this section is complete. Upon completion of the project described in this section, any remaining funds shall be returned to the Office of State Budget and Management and shall revert to the General Fund.

SECTION 26.4.(b) This section is effective when it becomes law.

WORTH COURT TECHNICAL CORRECTION

SECTION 26.5. Notwithstanding Section 6.1(a) of S.L. 2024-1, as amended by Section 2E.1(a) of S.L. 2024-57 and Section 6.1 of S.L. 2025-4, the funds disbursed to the North Carolina Human Trafficking Commission (Commission) for the WORTH Court shall instead be used by the Commission for any purpose within the authority of the Commission.

HOYLE HISTORIC HOMESTEAD FUNDS

SECTION 26.6. Notwithstanding any provision of S.L. 2023-134 or the Committee Report referenced in Section 43.2 of that act to the contrary, the directed grant to Hoyle Historic Homestead, Inc., in the sum of eighty-five thousand dollars ($85,000) in nonrecurring funds for the 2023-2024 fiscal year to be used for capital costs and related equipment purchases associated with the bathroom project may also be used for other repairs or maintenance projects at the Hoyle Historic Homestead site.

LAKE JUNALUSKA GRANT EXTENSION

SECTION 26.7.(a) Notwithstanding any provision of law to the contrary, the funds appropriated in Section 6.2 of S.L. 2022-6 to be allocated as a directed grant to Haywood County for various projects at Lake Junaluska shall not revert until June 30, 2027.

SECTION 26.7.(b) This section is retroactively effective June 30, 2025.

COASTAL CAROLINA COMMUNITY COLLEGE TECHNICAL CORRECTION

SECTION 26.8. Notwithstanding any provision of S.L. 2023-134 or the Committee Report referenced in Section 43.2 of that act to the contrary, the funds appropriated to the Office of State Budget and Management – Special Appropriations as a directed grant to Coastal Carolina Community College (College) for the 2023-2024 fiscal year for a math and science building shall instead be used by the College for the Innovation and Event Center.

IREDELL COUNTY DIRECTED GRANT CORRECTION

SECTION 26.9. Section 6.2(3) of S.L. 2026-1 is repealed. The directed grant disbursed to Iredell County under S.L. 2023-134 and the Committee Report referenced in Section 43.2 of that act for capital improvements or equipment at the fairgrounds shall be used for that original purpose.

PART XXVII. OFFICE OF STATE CONTROLLER [RESERVED]

PART XXVIII. ELECTIONS [RESERVED]

PART XXIX. GENERAL ASSEMBLY

CLARIFY NONREVERSION OF GENERAL ASSEMBLY FUNDS

SECTION 29.1.(a) G.S. 120-32 reads as rewritten:

"**§ 120-32. Commission duties.**

The Legislative Services Commission is authorized to:

…

(11) Specify, at its sole discretion, the operating and capital uses within the General Assembly budget of funds appropriated to the General Assembly, including which funds remain available for expenditure after the end of the biennial fiscal ~~period and~~ period or project completion, which funds revert under ~~G.S. 143C-1-2.~~G.S. 143C-1-2, and which funds revert under G.S. 143C-4-3.1.

…."

SECTION 29.1.(b) The purpose of this section is to clarify existing law that all funds appropriated to the General Assembly do not revert except in the discretion of the Legislative Services Commission, and 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 [RESERVED]

PART XXXII. INSURANCE

DIRECT DOI AND OSFM TO LEASE STATE-OWNED PROPERTY

SECTION 32.1.(a) The Department of Insurance (Department) shall seek State-owned property to lease for office space to occupy at the conclusion of its current private lease. If an adequate State-owned building cannot be leased for office space by September 30, 2028, the Department shall renew its current lease for a one-year period. No later than March 1, 2027, the Department shall provide 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 listing all State-owned buildings with adequate capacity to house the Department.

SECTION 32.1.(b) The Office of the State Fire Marshal (OSFM) shall seek State-owned property to lease for office space to occupy at the conclusion of its current private lease. If an adequate State-owned building cannot be leased for office space by October 31, 2026, OSFM shall renew its current lease for a one-year period. No later than March 1, 2027, OSFM shall provide 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 listing all State-owned buildings with adequate capacity to house OSFM.

SECTION 32.1.(c) This section is effective when it becomes law.

STUDY INSURANCE PROGRAM FOR CHILD CARE PROVIDERS

SECTION 32.2.(a) Appropriation. – Of the funds appropriated in this act from the General Fund to the Department of Insurance, the sum of three hundred fifty thousand dollars ($350,000) in nonrecurring funds for the 2026-2027 fiscal year shall be used for the purposes of conducting the study required by this section.

SECTION 32.2.(b) Study. – The Department of Insurance shall utilize a consulting firm, an actuarial firm, a brokerage firm, or any combination thereof to study the feasibility of establishing liability insurance coverage, including State-supported captive insurance, risk-pooling, joint underwriting association, joint reinsurance, or other organizations, for North Carolina child care providers in order to provide liability insurance coverage to participating child care providers, which has the potential to support risk distribution while promoting strong governance and shared accountability. All of the following shall be part of the study undertaken in accordance with this subsection:

(1) The collection of loss data and operational information from child care providers statewide in order to estimate program feasibility, premium requirements, and necessary surplus levels.

(2) An evaluation of the viability of a program that is designed primarily to provide general liability coverage, including a focus on sexual abuse and molestation (SAM) coverage, whether offered separately or bundled.

(3) A determination of the amount of public funding needed to initially capitalize the insurer and an exploration of potential alternative solutions to that public funding.

(4) An analysis of conditions in the traditional, excess and surplus (E&S), and unauthorized foreign reinsurance markets, including costs, affordability, availability of liabilities coverages, and the barriers that child care providers experience in accessing adequate liability coverage.

(5) A determination of whether commercial insurance carriers would be willing to participate in this program, including discussion of developing an assigned risk pool.

(6) The recommended design for the most viable program for North Carolina child care providers.

(7) Identification of any legislative changes necessary to implement any recommendations contained within the report, including any funding recommendations.

SECTION 32.2.(c) Cooperation. – The Department of Health and Human Services shall cooperate with the Department of Insurance, and any entity with which the Department of Insurance has contracted, for the purposes of supplying any information necessary to conduct the study required by this section.

SECTION 32.2.(d) Report. – No later than May 1, 2027, the Department of Insurance shall submit a report to the Joint Legislative Oversight Committee on General Government with the findings of the study required by this section.

REQUIRE PAYMENT OF MOTOR VEHICLE DAMAGE CLAIM WITHIN 10 DAYS

SECTION 32.3.(a) G.S. 58-3-180(b) reads as rewritten:

"(b) ~~The~~ When a motor vehicle is damaged and the claim is covered by an insurer, the insurer shall adhere to the following procedures:

(1) Pay the amount determined by the insurer to be payable under a policy covering damage to a motor vehicle ~~shall be paid~~ regardless of the repair service or source selected by the claimant.

(2) Mail or deliver loss and claim payments within 10 business days after the claim is settled. Supplemental claims shall be handled in the same manner."

SECTION 32.3.(b) This section becomes effective October 1, 2026, and applies to claims arising on or after that date.

PART XXXII-A. OFFICE OF STATE FIRE MARSHAL

DIRECT OSBM TO GIVE OSFM SEPARATE BUDGET CODE

SECTION 32A.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 32A.2. 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.

…."

VOLUNTEER FIRE DEPARTMENT FUND MODIFICATIONS

SECTION 32A.3.(a) G.S. 58-87-1(a1)(1) is reenacted as it existed immediately before its expiration.

SECTION 32A.3.(b) G.S. 58-87-1, as amended by subsection (a) of this section, reads as rewritten:

"**§ 58-87-1. Volunteer Fire Department Fund.**

(a) Fund. – The Volunteer Fire Department Fund is created as an interest-bearing, nonreverting fund in the Department to provide grants to volunteer fire departments to purchase equipment and make capital improvements. The State Fire Marshal shall administer the Fund. Up to one percent (1%) of the Fund may be used for additional staff and resources to administer the Fund in each fiscal year.

(a1) Grant Program. – An eligible fire department may apply to the State Fire Marshal for a grant under this section. In awarding grants under this section, the State Fire Marshal must, to the extent possible, select applicants from all parts of the State based upon need. The State Fire Marshal must award the grants on May 15, or on the first business day after May 15 if May 15 falls on a weekend or a holiday, of each year subject to the following limitations:

(1) The size of a grant may not exceed ~~forty thousand dollars ($40,000).~~fifty thousand dollars ($50,000) for equipment purchases and one hundred thousand dollars ($100,000) for all other eligible uses under subdivision (3) of this subsection.

(2) Repealed by Session Laws 2021-178, s. 2, effective December 1, 2021.

(2a) The applicant shall match the grant as follows:

a. Applicants receiving less than or equal to fifty thousand dollars ($50,000) per year from municipal and county funding are not required to match the grant funding.

b. Applicants receiving more than fifty thousand dollars ($50,000) but less than or equal to seventy-five thousand dollars ($75,000) per year from municipal and county funding shall match one dollar ($1.00) for each three dollars ($3.00) of grant funds.

c. Applicants receiving more than seventy-five thousand dollars ($75,000) per year from municipal and county funding shall match the grant on a dollar-for-dollar basis.

…."

SECTION 32A.3.(c) This section becomes effective July 1, 2026, and applies to grants applied for on or after that date.

STATE PUBLIC EDUCATION PROPERTY INSURANCE FUND MODIFICATION

SECTION 32A.4. G.S. 58-31A-25 reads as rewritten:

"**§ 58-31A-25. Insurance of property by public education boards; notice of election to insure and information to be furnished; outstanding policies.**

All public education boards may insure all public education property titled to (i) that board or (ii) the county or unit of local government where that board is located 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. Each public education board shall give notice of its election to insure in the Fund at least 90 days prior to such insurance becoming effective and shall furnish to the State Fire Marshal a full and complete list of all outstanding property insurance policies, giving in complete detail the name of the insurers, 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."

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.**

(a) Establishment. – 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.

(b) Uses. – The Department of Military and Veterans Affairs may use interest earned on the Fund for the following:

(1) Up to four hundred thousand dollars ($400,000) per year may be used to create up to four full-time equivalent positions to maintain and operate the existing State veterans' cemeteries.

(2) Up to three hundred fifty thousand dollars ($350,000) per year may be used to contract with a vendor to maintain and operate the State's veterans' cemeteries.

"**§ 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) For the 2026-2027 fiscal year, the Department of Military and Veterans Affairs shall use the funds provided under G.S. 65-45(b)(2), as enacted by this section, to contract with a vendor to maintain and operate solely the Sandhills State Veterans Cemetery. The Department shall provide a report detailing improvements and care to the House Appropriations Committee on General Government and the Senate Appropriations Committee on General Government and Information Technology.

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) Of the funds appropriated to the Department of Military and Veterans Affairs for the 2026-2027 fiscal year for maintenance and improvements, notwithstanding G.S. 100-2, 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." Each plaque shall be of substantially similar size and material to the existing Western Carolina State Veterans Cemetery plaque commemorating the Gettysburg Address. The Department may spend up to forty thousand dollars ($40,000) for all four plaques.

DMVA/STATUTORY CHANGES

SECTION 35.2.(a) Article 14 of Chapter 143B of the General Statutes, as amended by S.L. 2025-20 and S.L. 2025-72, 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.

…

"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 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.~~ Program Director does not have to be a veteran, but preference shall be given to veteran applicants in accordance with G.S. 128-15. 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.**

…

(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.

…."

SECTION 35.2.(b) The maximum amount of State funds that may be disbursed to the Veterans Life Center pursuant to G.S. 143B-1218 is seven hundred fifty thousand dollars ($750,000) in nonrecurring funds for the 2026-2027 fiscal year.

NORTH CAROLINA VETERANS CEMETERY TRUST FUND AND VETERANS LIFE CENTER MODIFICATIONS

SECTION 35.3.(a) Of the funds appropriated in this act to the Department of Military and Veterans Affairs, the sum of seven hundred fifty thousand dollars ($750,000) in nonrecurring funds shall be allocated for the Veterans Life Center Challenge Grant, consistent with G.S. 143B-1218, as amended by subsection (b) of this section.

SECTION 35.3.(b) G.S. 143B-1218 reads as rewritten:

"**§ 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 General Assembly may institute a maximum amount of State funds that may be disbursed pursuant to this section for 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.

(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:

…."

SECTION 35.3.(c) G.S. 143B-1293(d) reads as rewritten:

"(d) Miscellaneous. – The following provisions apply to the trust fund created in subsection (a) of this section:

…

~~(1a) Of the funds deposited in the trust fund each fiscal year, the Department of Military and Veterans Affairs shall transfer ten percent (10%) of the receipts collected in each fiscal year from the trust fund to the North Carolina Veterans Cemeteries Trust Fund on June 30 of each fiscal year.~~

(2) ~~Except as provided in subdivision (1a) of this subsection, monies~~ Funds remaining in the trust fund at the end of each fiscal year shall remain on deposit in the State treasury to the credit of the North Carolina Veterans Home Trust Fund.

…."

SECTION 35.3.(d) G.S. 143B-1218, as amended by subsection (b) of this section, expires on June 30, 2027.

SECTION 35.3.(e) Any funds remaining pursuant to the Veterans Life Center Challenge Grant after the 2026-2027 fiscal year grant disbursement to the Center shall revert to the General Fund at the end of the 2026-2027 fiscal year.

SECTION 35.3.(f) Subsection (b) of this section is effective when it becomes law. Subsection (c) of this section becomes effective June 30, 2026. The remainder of this section is effective when it becomes law.

REPORTING REQUIREMENT FOR GRANTS TO COUNTY VETERANS OFFICES

SECTION 35.4. G.S. 143B-1211 reads as rewritten:

"**§ 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:

…

(24) Contribute each fiscal year to each county that applies for it an amount for the maintenance and operation of a county veterans services program. Participating counties shall furnish the Department such reports, accountings, and other information at such times and in such form as the Department may require. Not later than March 1 of each year, the Department shall 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 which counties received funds from the Department pursuant to this subdivision and the dollar amount that each county received from the Department pursuant to this subdivision in the previous calendar year. The amount contributed to each county under this subdivision shall be as follows:

a. If funds appropriated to the Department for contributions under this subdivision exceed the total amount of county requests received by December 31 of each year, the contribution to each county shall be the full amount requested by each county.

b. If the funds appropriated to the Department for contributions under this subdivision are insufficient to fund the full amount of county requests received by December 31 of each year, the contribution to each county shall be a pro rata share of the amount appropriated to the Department for contributions under this section, up to the amount requested by the county."

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.

…."

SCRAP TIRE DISPOSAL TAX WITHHOLDING INCREASE

SECTION 36.2. G.S. 105-187.19(a) reads as rewritten:

"(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."

TAX FRAUD ANALYTICS

SECTION 36.3. Of the funds appropriated in this act to the Department of Revenue, the sum of five million four hundred thousand dollars ($5,400,000) in recurring funds for the 2026-2027 fiscal year 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 to fund detection analytics, software, information reporting, collections case management, collections optimization, managed services, and technical infrastructure. The Department shall continue to coordinate with 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

SECURITIES SALESMAN DUAL REGISTRATION FEES

SECTION 37.1.(a) 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. A salesman applicant or registrant, or a dealer filing on behalf of a salesman applicant or registrant, shall pay, in addition to the filing fee otherwise required for a salesman under this subsection, an additional filing fee of one hundred twenty-five dollars ($125.00) for each additional dealer with which the salesman applies to be registered, or with which the salesman renews registration, as authorized under G.S. 78A-36(b). The additional filing fee is due whether the registration with the additional dealer is requested or renewed by initial application, renewal application, amendment, transfer, relicense, or other filing, and whether the filing is made directly with the Administrator or through a central registration depository or other alternative method of registration authorized under G.S. 78A-40, including any successor registration system. The Administrator may by rule reduce ~~the registration fee~~ any registration fee required under this subsection proportionately when the registration will be in effect for less than a full year. All additional filing fees collected under this subsection shall be paid over to the State Treasurer to go into the General Fund in accordance with G.S. 78-45(c).

…."

SECTION 37.1.(b) Section 2 of S.L. 2025-52 is repealed.

REDUCE DUTIES OF THE PUBLICATIONS DIVISION & MODERNIZE SOS STATUTES

SECTION 37.2.(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 37.2.(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 37.2.(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 officials 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 37.2.(d) G.S. 147-34, 147-41, 147-43, and 147-54 are repealed.

SECTION 37.2.(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.

PART XXXVIII. TREASURER

EXEMPT DEPARTMENT OF STATE TREASURER FROM CERTAIN PROCUREMENT, CONTRACT, AND PUBLIC CONTRACT REQUIREMENTS

SECTION 38.1.(a) Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

"**§ 147-68.7. Exemption of Department of the State Treasurer from certain purchasing and contracting requirements.**

The Department may elect to be exempted from oversight by the Department of Administration on the matters of purchasing, contracts, acquisition and maintenance of real property, and leasing of office space under G.S. 143-341(2), (4)d. and d1., and (8)d. and Article 6 of Chapter 146 of the General Statutes. This election shall be made in writing by the State Treasurer and shall be sent to the Secretary of Administration. Any acquisition of real property made by the Department pursuant to this section is subject to approval by the Council of State."

SECTION 38.1.(b) This section is effective when it becomes law and applies to purchases made, contracts entered into, or other actions taken by the Department of the State Treasurer on or after that date.

PART XXXVIII-A. OCCUPATIONAL LICENSING BOARDS

NORTH CAROLINA ENGINEERING AND LAND SURVEYING ACT UPDATE

SECTION 38A.1.(a) G.S. 89C-3(4) is reenacted as it existed immediately before its repeal under Section 1(a) of S.L. 2022-1 and is recodified as G.S. 89C-3(4b) so that the definitions in G.S. 89C-3 remain in alphabetical order. The Revisor of Statutes shall make any conforming changes necessary to reflect this recodification.

SECTION 38A.1.(b) G.S. 89C-13(b)(1) is reenacted as it existed immediately before its repeal under Section 1(b) of S.L. 2022-1.

SECTION 38A.1.(c) G.S. 89C-3 reads as rewritten:

"**§ 89C-3. Definitions.**

The following definitions apply in this Chapter:

…

(7) Practice of land surveying. –

a. Providing professional services such as consultation, investigation, testimony, evaluation, planning, mapping, assembling, and interpreting reliable scientific measurements and information relative to the location, size, shape, or physical features of the earth,

improvements on the earth, the space above the earth, or any part of the earth, whether the gathering of information for the providing of these services is accomplished by conventional ground measurements, by aerial photography, by global positioning via satellites, or by a combination of any of these methods, and the utilization and development of these facts and interpretations into an orderly survey map, plan, report, description, or project. The practice of land surveying includes the following:

1. Locating, relocating, establishing, laying out, or retracing any property line, easement, or boundary of any tract of land;
2. Locating, relocating, establishing, or laying out the alignment or elevation of any of the fixed works embraced within the practice of professional engineering;
3. Making any survey for the subdivision of any tract of land, including the topography, alignment and grades of streets and incidental drainage within the subdivision, and the preparation and perpetuation of maps, record plats, field note records, and property descriptions that represent these surveys;
4. Determining, by the use of the principles of land surveying, the position for any survey monument or reference point, or setting, resetting, or replacing any survey monument or reference point;
5. Determining the configuration or contour of the earth's surface or the position of fixed objects on the earth's surface by measuring lines and angles and applying the principles of mathematics or photogrammetry;
6. Providing geodetic surveying which includes surveying for determination of the size and shape of the earth both horizontally and vertically and the precise positioning of points on the earth utilizing angular and linear measurements through spatially oriented spherical geometry; and
7. Creating, preparing, or modifying electronic or computerized data, including land information systems and geographic information systems relative to the performance of the ~~practice of land surveying.~~activities in sub-sub-subdivisions 1. through 6. of this sub-subdivision.

…."

SECTION 38A.1.(d) G.S. 89C-10 reads as rewritten:

"**§ 89C-10. Board powers.**

(a) Rulemaking Authority. – The Board may adopt and amend all rules and rules of procedure as may be reasonably necessary for the proper performance of its duties, the regulation of its procedures, meetings, records, the administration of examinations, and the authority to enforce the rules of professional conduct as may be adopted by the Board pursuant to G.S. 89C-20.

The action by the Board in carrying out any of the powers specified in this section shall be binding upon all persons licensed under this Chapter, including corporations and business firms holding certificates of authorization.

(b) Official Seal. – The Board shall adopt and have an official seal, which shall be affixed to each certificate issued.

(c) Enforcement Through Injunctions. – The Board may in the name of the State apply for relief, by injunction, in the established manner provided in cases of civil procedure, without

bond, to enforce the provisions of this Chapter, or to restrain any violation of the provisions of this Chapter. In proceedings for injunctive relief, it shall not be necessary to allege or prove either that an adequate remedy at law does not exist, or that substantial or irreparable damage would result from the continued violation of the provisions of this Chapter. The members of the Board shall not be personally liable under this proceeding. When the Board prevails in actions brought under this subsection to enforce violations of G.S. 89C-23(a)(3), (4), (5), (6), or (8), and the court finds that the violation was committed with fraudulent intent or intentional deceit, the court shall award the Board (i) reasonable attorneys' fees not to exceed five thousand dollars ($5,000) and (ii) the costs associated with obtaining the relief, including costs associated with the investigation and prosecution of the violation.

(d) Examinations. – The Board may subject an applicant for licensure to any examination necessary to determine the applicant's qualifications.

(e) Issuance of Licenses. – The Board may issue an appropriate certificate of licensure to any applicant who, in the opinion of the Board, has met the requirements of this Chapter.

(f) Investigations. – It shall be the responsibility and duty of the Board to conduct a regular program of investigation concerning all matters within its jurisdiction under the provisions of this Chapter. The investigation of a licensee is confidential until the Board issues a citation to the licensee. The investigation of a nonlicensee is confidential until the Board approves any action authorized under this Chapter against the nonlicensee. The Board may expend its funds for salaries, fees, and per diem expenses, in connection with its investigations, provided that no funds other than per diem expenses shall be paid to any member of the Board in connection with its investigations, nor may any member of the Board give testimony and later sit in deciding on any matter which may directly involve punitive action for the testimony.

(g) Instructional Programs. – The Board may use its funds to establish and conduct instructional programs for persons who are currently licensed to practice engineering or land surveying, as well as refresher courses for persons interested in obtaining adequate instruction or programs of study to qualify them for licensure to practice engineering or land surveying. The Board may expend its funds for these purposes and may not only conduct, sponsor, and arrange for instructional programs, but also may carry out instructional programs through extension courses or other media. The Board may enter into plans or agreements with community colleges, public or private institutions of higher learning, State and county boards of education, or with the governing authority of any industrial education center for the purpose of planning, scheduling or arranging courses, instruction, extension courses, or in assisting in obtaining courses of study or programs in the field of engineering and land surveying. The Board shall encourage the educational institutions in this State to offer courses necessary to complete the educational requirements of this Chapter. The Board may expend its funds to support nonprofit engineering and surveying professional societies, as well as nonprofit foundations dedicated to advancing the engineering and surveying professions, for the purposes of encouraging licensure and providing continuing education to licensees. For the purpose of carrying out these objectives, the Board may adopt rules as may be necessary for the educational programs, instruction, extension services, or for entering into plans or contracts with persons or educational and industrial institutions.

(g1) Continuing Education for Surveying Apprenticeships. – The Board shall review and promulgate rules establishing continuing education requirements for surveying apprenticeships and encourage the workforce development of the profession.

(h) Licensing Sponsors of Competency Activities. – The Board may license sponsors of continuing professional competency activities who agree to conduct programs in accordance with standards adopted by the Board. Sponsors shall pay a license fee established by the Board, not to exceed two hundred fifty dollars ($250.00) for licensure under this subsection. The license fee shall accompany the application. Sponsors shall renew their licenses annually on a form provided by the Board.

(i) Real Property Transactions. – The Board shall have the power to acquire, hold, rent, encumber, alienate, and otherwise deal with real property in the same manner as a private person or corporation, subject only to approval of the Governor and the Council of State. Collateral pledged by the Board for an encumbrance is limited to the assets, income, and revenues of the Board."

SECTION 38A.1.(e) G.S. 89C-12 reads as rewritten:

"**§ 89C-12. Records and reports of Board; evidence.**

The Board shall keep a record of its proceedings and a register of all applicants for licensure, showing for each the date of application, name, age, education, and other qualifications, place of business and place of residence, whether the applicant was rejected or a certificate of licensure granted, and the date licensure was rejected or granted. The books and register of the Board shall be prima facie evidence of all matters recorded by the Board, and a copy duly certified by the secretary of the Board under seal shall be admissible in evidence as if the original were produced. A roster showing the names and places of business and of residence of all licensed professional engineers and all licensed professional land surveyors shall be ~~prepared by the secretary of the Board current to the month of January of each year.~~ published on the Board's website. On or before the first day of May of each year, the Board shall submit to the Governor a report on its transactions for the preceding year, and shall file with the Secretary of State a copy of the report, together with a complete statement of the receipts and expenditures of the Board attested by the chair and the secretary and a copy of the roster of licensed professional engineers and professional land surveyors."

SECTION 38A.1.(f) G.S. 89C-13, as amended by subsection (b) of this section, reads as rewritten:

"**§ 89C-13. General requirements for licensure.**

(a) Engineer Intern. – To be certified as an engineer intern, an applicant shall (i) pass the fundamentals of engineering examination and make application to the Board, (ii) be of good character and reputation, (iii) ~~submit three character references to the Board, one of whom is a professional engineer, (iv)~~ comply with the requirements of this Chapter, and ~~(v)~~ (iv) meet one of the following requirements:

(1) Education. – Be a graduate of an EAC/ABET accredited engineering curriculum or of a related science curriculum which has been approved by the Board as being of satisfactory standing.

(2) Education and experience. – Be a graduate of an engineering curriculum or related science curriculum of four years or more, other than curriculums approved by the Board as being of satisfactory standing in subdivision (1) of this subsection, and possess engineering experience satisfactory to the Board with a specific record of four or more years of progressive experience on engineering projects of a grade and character satisfactory to the Board.

…

(b) Land Surveyor Applicant. – The evaluation of a land surveyor applicant's qualifications shall involve a consideration of the applicant's education, technical, and land surveying experience, exhibits of land surveying projects with which the applicant has been associated, and recommendations by references. The land surveyor applicant's qualifications may be reviewed at an interview if the Board determines it necessary. Educational credit for institute courses, correspondence courses, or other courses shall be determined by the Board.

The following shall be considered as minimum evidence satisfactory to the Board that the applicant is qualified for licensure as a professional land ~~surveyor:~~surveyor or land surveyor intern:

(1) To be certified as a land surveyor intern, an applicant shall (i) pass the fundamentals of land surveying examination and make application to the Board, (ii) be of good character and reputation, (iii) ~~submit three character~~

~~references to the Board, one of whom is a professional land surveyor, (iv)~~ comply with the requirements of this Chapter, and ~~(v)~~ (iv) satisfy one of the following requirements related to education and experience:

a. Be a graduate of a surveying curriculum of four years or more or other equivalent curriculum in surveying approved by the Board.

b. Have rightful possession of an associate degree in surveying technology approved by the Board, a record satisfactory to the Board of four years of progressive practical experience, two years of which shall have been under a practicing professional land surveyor, and have satisfactorily passed a written and oral examination as required by the Board.

c. Have graduated from high school or completed a high school equivalency certificate with a record satisfactory to the Board of 10 years of progressive, practical experience, six years of which shall have been under a practicing licensed land surveyor, and have satisfactorily passed any oral and written examinations required by the Board.

(1a) To be licensed as a professional land surveyor, an applicant shall (i) be of good character and reputation, (ii) submit five character references to the Board, three of whom are professional land surveyors or individuals acceptable to the Board, with personal knowledge of the applicant's land surveying experience, (iii) comply with the requirements of this Chapter, and (iv) meet one of the following requirements:

…

~~h. Professional Engineers in Land Surveying. Any person presently licensed to practice professional engineering under this Chapter shall upon application be licensed to practice land surveying, providing a written application is filed with the Board within one year next after June 19, 1975.~~

~~i. Photogrammetrists. Any person presently practicing photogrammetry with at least seven years of experience in the profession, two or more of which shall have been in responsible charge of photogrammetric mapping projects meeting National Map Accuracy Standards shall, upon application, be licensed to practice land surveying, provided:~~

~~1. The applicant submit certified proof of graduation from high school, high school equivalency, or higher degree;~~

~~2. The applicant submit proof of employment in responsible charge as a photogrammetrist practicing within the State of North Carolina to include itemized reports detailing methods, procedures, amount of applicant's personal involvement and the name, address, and telephone numbers of the client for five projects completed by the applicant with the State. A final map for one of the five projects shall also be submitted;~~

~~3. Five references to the applicant's character and quality of work, three of which shall be from professional land surveyors, are submitted to the Board; and~~

~~4. The application is submitted to the Board by July 1, 1999. After July 1, 1999, no photogrammetrist shall be licensed without meeting the same requirements as to education, length of~~

~~experience, and testing required of all land surveying applicants.~~

~~j. Any person performing activities described in G.S. 89C-3(7)a.2. and 7. with at least seven years of experience in performing mapping science surveys, two or more of which have been in responsible charge of mapping science projects that meet the requirements of 21 NCAC 56.1608, shall, upon application, be licensed to practice surveying in their area of competence (mapping science) provided all of the following requirements are met:~~

~~1. The applicant submits certified proof of graduation from high school, high school equivalency, or higher degree.~~

~~2. The applicant submits proof of employment in responsible charge of mapping science projects within the State of North Carolina, including itemized reports detailing methods, procedures, amount of applicant's personal involvement, and the name, address, and telephone numbers of the client for five projects completed by the applicant within the State. The applicant shall also submit a final map, report, or digital product for one of the five projects.~~

~~3. Five references as to the applicant's character and quality of work, three of which shall be from professional land surveyors, are submitted to the Board.~~

~~4. The application is submitted to the Board by July 1, 2014. After July 1, 2014, no individual performing surveys described in 21 NCAC 56.1608 shall be licensed without meeting the same requirements as to education, length of experience, and testing required of all land surveying applications.~~

(2) Repealed by Session Laws 2013-98, s. 2 effective June 12, 2013.

The Board shall require an applicant to submit exhibits, drawings, plats, or other tangible evidence of land surveying work executed by the applicant under proper supervision and which the applicant has personally accomplished or supervised.

Land surveying encompasses a number of disciplines including geodetic surveying, hydrographic surveying, cadastral surveying, engineering surveying, route surveying, photogrammetric (aerial) surveying, and topographic surveying. A professional land surveyor shall practice only within the surveyor's area of expertise.

~~The Board shall require an applicant to submit exhibits, drawings, plats, or other tangible evidence of land surveying work executed by the applicant under proper supervision and which the applicant has personally accomplished or supervised.~~"

SECTION 38A.1.(g) G.S. 89C-14 reads as rewritten:

"**§ 89C-14. Application for licensure; license fees.**

(a) Application Requirements. – Application for licensure as a professional engineer or professional land surveyor shall be on a form prescribed and furnished by the Board. It shall contain statements made under oath, showing the applicant's education and a detailed summary of the applicant's technical and engineering or land surveying experience, and shall include the names and complete mailing addresses of the references, none of whom may be immediate members of the applicant's family or members of the Board.

The Board may accept the certified information on the copy of a current formal certificate of qualifications issued by the National Council of Examiners for Engineering and Surveying in lieu of the same information that is required for the form prescribed and furnished by the Board.

(b) Examination and Licensure Fees. – An applicant for licensure who is required to take the written examination shall pay to the Board an application fee not to exceed one hundred

dollars ($100.00). The Board may charge any fee necessary to defray the cost of any required examinations. The fee shall accompany the application. The fee for comity licensure of engineers and land surveyors who hold unexpired certificates in another state or a territory of the United States or in Canada shall be the total current fee as fixed by the Board.

(c) Certification Fees for Corporations and Firms. – The certification fee for a corporation is the amount set by the Board but shall not exceed one hundred dollars ($100.00). The fee shall accompany the application. The certification fee for a business firm is the same as the fee for a corporation. ~~The fee for renewal of a certificate of licensure of a corporation is the amount set by the Board but shall not exceed seventy-five dollars ($75.00). The fee for renewal of a certificate of licensure for a business firm is the same as the renewal fee for a corporation.~~

(d) Refunds for Denied Licensure. – Should the Board deny the issuance of a certificate of licensure to any applicant, the unobligated portion of fees paid shall be returned by the Board to the applicant.

~~(e) A candidate failing an examination may apply, and be considered by the Board, for reexamination at the end of six months. The Board shall make such reexamination charge as is necessary to defray the cost of the examination.~~

~~A candidate with a combination of three failures or unexcused absences on an examination shall only be eligible after submitting a new application with appropriate application fee and documented evidence of actions taken by the candidate to enhance the candidate's prospects for passing the exam. A candidate with a combination of three failures or unexcused absences may only be considered by the Board for reexamination at the end of 12 months following the third failure or unexcused absence. After the end of the 12-month period, the applicant may take the examination no more than once every calendar year.~~"

SECTION 38A.1.(h) G.S. 89C-16 reads as rewritten:

"**§ 89C-16. Certificates of licensure; effect; seals.**

(a) Certificate Issuance and Designation. – The Board shall issue to any applicant, who, in the opinion of the Board, has met the requirements of this Chapter, a certificate of licensure giving the licensee proper authority to practice the profession in this State. The certificate of licensure for a professional engineer shall carry the designation "professional engineer," and for a land surveyor, "professional land surveyor," shall give the full name of the licensee with the Board designated licensure number and shall be signed by the chair and the secretary under the seal of the Board.

(b) Certificate as Evidence of Authority. – This certificate shall be prima facie evidence that the person named on the certificate is entitled to all rights, privileges and responsibilities of a professional engineer or a professional land surveyor, while the certificate of licensure remains unrevoked or unexpired.

(c) Seal Requirements and Prohibited Uses. – Each licensee shall upon licensure obtain a seal of a design authorized by the Board bearing the licensee's name, license number, and the legend, "professional engineer," or "professional land surveyor." Final drawings, specifications, plans and reports prepared by a licensee shall, when issued, be certified and stamped with the seal or facsimile of the ~~seal unless the licensee is exempt under the provisions of G.S. 89C-25(7).~~ seal. It shall be unlawful for a licensee to affix, or permit the licensee's seal and signature or facsimile of the seal and signature to be affixed to any drawings, specifications, plans or reports after the expiration of a certificate or for the purpose of aiding or abetting any other person to evade or attempt to evade any provision of this Chapter. A professional engineer practicing land surveying shall use the licensee's land surveyor seal."

SECTION 38A.1.(i) G.S. 89C-17 reads as rewritten:

"**§ 89C-17. Expirations and renewals of ~~certificates.~~licenses.**

(a) ~~Certificates for licensure of corporations and~~ Expiration of Licenses. – Licenses of individuals, corporations, or business firms ~~that engage~~ engaged in the practice of engineering or land surveying shall expire on the ~~last day of the month of June following their issuance or~~

~~renewal~~ date chosen by the Board and shall become invalid on that date unless renewed. ~~All other certificates for licensure shall expire on the last day of the month of December next following their issuance or renewal, and shall become invalid on that date unless renewed. When necessary to protect the public health, safety, or welfare, the Board shall require any evidence necessary to establish the continuing competency of engineers and land surveyors as a condition of renewal of licenses. When the Board is satisfied as to the continuing competency of an applicant, it shall issue a renewal of the certificate upon payment by the applicant of a fee fixed by the Board but not to exceed seventy-five dollars ($75.00).~~ The Board, by rule, may enact a multiyear renewal cycle. The ~~secretary of the~~ Board shall notify by mail or email every person or entity licensed under this Chapter of the ~~date of expiration~~ expiration date of the ~~certificate,~~ license, the amount of the fee required for its ~~renewal for one year,~~ renewal, and any requirement as to evidence of continued professional competency. The notice shall be sent ~~by email or mailed~~ at least one month in advance of the expiration date of the ~~certificate.~~license.

(b) Renewal Process. – Renewal ~~shall be effected~~ may be accomplished at any time ~~during the month immediately following the month of expiration, by payment to the secretary of the Board of a renewal fee, as determined by the Board, which shall not exceed seventy-five dollars ($75.00).~~after issuance of the notice required under subsection (a) of this section and through the end of the calendar month following the expiration date by complying with the Board's requirements, including any professional competency requirements, as a condition of renewal. The renewal fee shall be set by the Board but shall not exceed seventy-five dollars ($75.00) per calendar year of the renewal period.

(c) Consequences of Failure to Renew. – Failure ~~on the part of any licensee~~ to renew ~~the certificate annually in~~ a license by the end of the calendar month ~~immediately~~ following the ~~month~~ date of expiration, as required above, shall deprive the licensee of the right to practice until reinstatement of the license. The license may be reinstated at ~~anytime~~ any time during the first 12 months immediately following the date the license became invalid by payment ~~of~~ of: (i) a reinstatement fee ~~of one hundred dollars ($100.00) in addition to~~ that shall be set by the Board but shall not exceed one hundred dollars ($100.00) and (ii) the established renewal fee. Failure of a licensee to reinstate the license during the first 12 months immediately following the date the license became invalid shall require the ~~individual,~~ person or entity, prior to resuming practice in North Carolina, to submit an application on the prescribed form, and to meet all other requirements for licensure as set forth in ~~Chapter 89C.~~ this Chapter. The secretary of the Board ~~is instructed to~~ shall remove from the official roster of engineers and land surveyors the names of all licensees who have not effected their renewal by the first day of the month immediately following the renewal period.

(d) Renewals in Hardship Cases. – The Board may adopt rules to provide for renewals in distress or hardship cases due to military service, prolonged illness, or prolonged absence from the State, where the applicant for renewal demonstrates to the Board that the applicant has maintained active knowledge and professional status as an engineer or land surveyor, as the case may be.

(e) Notification of Address Changes. – It shall be the responsibility of each licensee to inform the Board promptly concerning ~~change in~~ any changes to the licensee's business or residential address.

(f) Notification of Business Changes. – It shall be the responsibility of each licensed business firm and corporation to inform the Board promptly concerning any changes to its business name, address, locations, ownership, officers, or services being offered.

(g) Inactive License Status. – A licensee may request and be granted inactive status. No inactive licensee may practice in this State unless otherwise exempted in this Chapter. A licensee granted inactive status shall pay ~~annual~~ the required renewal ~~fees~~ fee but shall not be subject to ~~annual~~ continuing professional competency requirements. A licensee granted inactive status may

return to active status by meeting all requirements of the Board, including demonstration of continuing professional competency as a condition of reinstatement."

SECTION 38A.1.(j) G.S. 89C-23 reads as rewritten:

"**§ 89C-23. Unlawful to practice engineering or land surveying without licensure; unlawful use of title or terms; penalties; Attorney General to be legal adviser.**

(a) Any person ~~who shall practice,~~ who commits any of the following acts, in addition to being subject to the injunctive procedures in G.S. 89C-10(c), shall be guilty of a Class 2 misdemeanor:

(1) Practicing or ~~offer~~ offering to ~~practice,~~ practice engineering or land surveying in this State without first being licensed in accordance with the provisions of this ~~Chapter, or any person, firm, partnership, organization, association, corporation, or other entity using~~ Chapter.

(2) Using or ~~employing~~ employing, by any person, firm, partnership, organization, association, corporation, or other entity, the words "engineer" or "engineering" or "professional engineer" or "professional engineering" or "land surveyor" or "land surveying," or any modification or derivative of those ~~words in its~~ words, in the person or entity's name or form of business or activity except as licensed under this Chapter or in pursuit of activities exempted by this ~~Chapter, or any person presenting~~ Chapter.

(3) Presenting or attempting to use the certificate of licensure or the seal of ~~another, or any person who shall give any~~ another.

(4) Providing false or forged evidence of any kind to the Board or to any member of the Board in obtaining or attempting to obtain a certificate of ~~licensure, or any person who shall falsely impersonate~~ licensure.

(5) Falsely impersonating any other licensee of like or different ~~name, or any person who shall attempt~~ name.

(6) Attempting to use an expired or revoked or nonexistent certificate of ~~licensure, or who shall practice~~ licensure.

(7) Practicing or ~~offer~~ offering to practice when not ~~qualified, or any person who falsely claims~~ qualified.

(8) Falsely claiming that the person is registered under this ~~Chapter, or any person who shall violate~~ Chapter.

(9) Violating any of the provisions of this ~~Chapter, in addition to injunctive procedures set out hereinbefore, shall be guilty of a Class 2 misdemeanor. In no event shall there be representation of or holding out to the public of any engineering expertise by unlicensed persons.~~ Chapter.

(b) In no event shall any unlicensed person represent that the person is a professional engineer or a professional land surveyor or hold out to the public any engineering or land surveying expertise with the intent to practice engineering or land surveying. This prohibition shall not apply to activities described in G.S. 89C-25.

(c) It shall be the duty of all duly constituted officers of the State and all political subdivisions of the State to enforce the provisions of this Chapter and to prosecute any persons violating them.

(d) The Attorney General of the State or an assistant shall act as legal adviser to the Board and render any legal assistance necessary to carry out the provisions of this Chapter. The Board may employ counsel and necessary assistance to aid in the enforcement of this Chapter, and the compensation and expenses for the assistance shall be paid from funds of the Board."

SECTION 38A.1.(k) G.S. 89C-25 reads as rewritten:

"**§ 89C-25. Limitations on application of Chapter.**

This Chapter shall not prevent the following activities:

…

(12) Testifying as a lay or expert witness at a deposition or trial as well as the preparation and drafting of an expert report pursuant to G.S. 1A-1, Rule 26(b)(4)a.2., in preparation for testifying as an expert at a deposition or trial."

SECTION 38A.1.(*l*) G.S. 89C-25.2 is repealed.

SECTION 38A.1.(m) Subsections (a) and (b) of this section are effective retroactively to July 1, 2022, and apply to certificates or licenses issued on or after that date.

SECTION 38A.1.(n) Subsections (c) through (*l*) of this section become effective October 1, 2026.

SECTION 38A.1.(o) Except as otherwise provided, this section is effective when it becomes law.

MODIFY DENTAL MANAGEMENT ARRANGEMENT APPROVALS

SECTION 38A.2.(a) Definitions. – For purposes of this section, the following definitions apply:

(1) Board. – The North Carolina State Board of Dental Examiners.
(2) Management arrangement. – As defined in 21 NCAC 16X .0101(f)(4).
(3) Management Arrangement Rule. – 21 NCAC 16X .0101 (Management Arrangements).

SECTION 38A.2.(b) Management Arrangement Rule. – Until the effective date of the revised permanent rules that the Board is required to adopt pursuant to subsections (c) and (d) of this section, the Board shall implement the Management Arrangement Rule as provided in subsections (c) and (d) of this section.

SECTION 38A.2.(c) Implementation. – With respect to subsection (b) of the Management Arrangement Rule, the Management Arrangement Rule shall be implemented to not require review or approval of a management arrangement by the Board as follows:

"(b) Any management arrangement, contractual agreement, stipulation, or other binding instrument shall be in a writing that complies with all of the following:

(1) Is signed by all parties to the agreement;
(2) Sets forth all material terms of the arrangement between or among the parties thereto;
(3) Describes all of the types of services to be provided by the management company and the time periods during which those services will be provided; and
(4) Sets forth the aggregate compensation to be paid under the management arrangement, contractual agreement, stipulation, or other legal binding instrument with a business entity or the precise methodology for calculating such compensation."

SECTION 38A.2.(d) Additional Implementation. – With respect to the approval process for the Management Arrangement Rule for management arrangements, to not require approval of a management arrangement by the Board as follows:

"(b1) Any management arrangement, contractual agreement, stipulation, or other binding instrument shall be executable by the dentist or professional entity and the management company without pre-approval, approval, determination of compliance, or review by the Board; however, the Board may review said document separately during the normal course of investigation pursuant to a valid complaint.

(b2) The Board shall retain the authority to investigate and proceed under G.S. 90-40.1 for alleged violations of the Dental Practice Act, none of which is altered except as included herein."

SECTION 38A.2.(e) Additional Rulemaking Authority. – The Board shall adopt a rule to amend the Management Arrangement Rule consistent with subsections (c) and (d) of this section. Notwithstanding G.S. 150B-19(4), the rule adopted by the Board pursuant to this section shall be substantively identical to the provisions of subsections (c) and (d) of this section. Rules

adopted pursuant to this section are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this section 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 38A.2.(f) Conforming Rule Changes. – The Commission shall amend any additional rules under Subchapter 16X of Chapter 16 of Title 21 of the North Carolina Administrative Code prior to submission to the Rules Review Commission, necessary to implement the provisions of this section.

SECTION 38A.2.(g) Sunset. – This section expires when permanent rules adopted as required by subsections (c) and (d) of this section become effective.

SECTION 38A.2.(h) Effective Date. – This section is effective when it becomes law and applies to management arrangements executed, modified, or renewed 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. 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."

SECTION 39.1.(b) This section is effective when it becomes law.

INVESTMENT OF LOCAL GOVERNMENT IDLE FUNDS MODIFICATION

SECTION 39.2. G.S. 159-30 reads as rewritten:

"**§ 159-30. Investment of idle funds.**

…

(c) Moneys may be invested in the following classes of securities, and no others:

…

(8) Participating shares in a mutual fund for local government investment; provided that the investments of the fund are limited to those qualifying for investment under this subsection (c) and that a fund qualification factor is met. For purposes of this section, a fund qualification factor is either that said fund (i) is certified by the Local Government ~~Commission.~~ Commission or (ii) is registered with the United States Securities and Exchange Commission as a government money market fund that invests primarily in United States government securities, cash, or repurchase agreements collateralized by government securities; must seek to maintain a stable one dollar ($1.00) net asset value per share; and bears one of the two highest ratings of at least one nationally recognized rating service and does not bear a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund. The Local Government Commission shall have the authority to issue rules and regulations concerning the establishment and qualifications of any mutual fund for local government investment.

…

(13) In connection with funds held by or on behalf of a local government or public authority, which funds are subject to the arbitrage and rebate provisions of the Internal Revenue Code of 1986, as amended, participating shares in tax-exempt mutual funds, to the extent such participation, in whole or in part, is not subject to such rebate provisions, and taxable mutual funds, to the extent

such fund provides services in connection with the calculation of arbitrage rebate requirements under federal income tax law; provided, ~~the~~ all of the following are met:

a. Such fund is registered with the United States Securities and Exchange Commission as a government money market fund that invests primarily in United States government securities, cash, or repurchase agreements collateralized by government securities.

b. Such fund must seek to maintain a stable one dollar ($1.00) net asset value per share.

c. The investments of any such fund are limited to those bearing one of the two highest ratings of at least one nationally recognized rating service and not bearing a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund.

…."

LOCAL ECONOMIC DEVELOPMENT EXPENDITURE CONTROLS

SECTION 39.3.(a) G.S. 159-13 reads as rewritten:

"**§ 159-13. The budget ordinance; form, adoption, limitations, tax levy, filing.**

…

(b) The following directions and limitations shall bind the governing board in adopting the budget ordinance:

…

(21) Appropriations made for economic development shall be used for economic development purposes expressly allowed by law.

…."

SECTION 39.3.(b) G.S. 159-28 reads as rewritten:

"**§ 159-28. Budgetary accounting for appropriations.**

…

(b1) Disbursements for Purposes of Economic Development. – The finance officer or governing board, as applicable, shall notify the State Auditor of all approved disbursements for purposes of economic development if the disbursement exceeds twenty-five thousand dollars ($25,000). The notification required under this subsection shall be made on a form and in a manner prescribed by the State Auditor.

…

(e) Penalties. – If an officer or employee of a local government or public authority incurs an obligation or pays out or causes to be paid out any funds in violation of this section, that officer or employee, and the sureties on any official bond for that officer or employee, are liable for any sums so committed or disbursed. If the finance officer or any duly appointed deputy finance officer gives a false certificate to any contract, agreement, purchase order, check, draft, or other document, the finance officer or duly appointed deputy finance officer, and the sureties on any official bond, are liable for any sums illegally committed or disbursed thereby. The governing board shall determine, by resolution, if payment from the official bond shall be sought and if the governing body will seek a judgment from the finance officer or duly appointed deputy finance officer for any deficiencies in the amount.

…."

SECTION 39.3.(c) G.S. 147-64.6 reads as rewritten:

"**§ 147-64.6. Duties and responsibilities.**

…

(c) Responsibilities. – The Auditor is responsible for the following acts and activities:

…

(25) The Auditor is responsible for receiving reports of disbursements from local governments in accordance with G.S. 159-28(b1). The Auditor shall (i) develop and make available to local governments the forms required to be submitted under G.S. 159-28(b1) and (ii) annually send all reports it receives from local governments under this subdivision to the Local Government Commission and the Joint Legislative Commission on Governmental Operations.

…."

SECTION 39.3.(d) This section is effective when it becomes law and applies to local government budgets adopted, and disbursements occurring, on or after that date.

ANNEXATION/PROHIBITED AREA CHARACTERISTICS

SECTION 39.4.(a) G.S. 160A-58.54 reads as rewritten:

"**§ 160A-58.54. Character of area to be ~~annexed.~~annexed; exception.**

…

(d) Notwithstanding the provisions of this section, a municipal governing board may not extend the municipal corporate limits to include any area that meets the criteria provided in subsection (a) of this section if the area, as a planned community, also meets all of the following:

(1) Has a minimum of 1,000 contiguous acres.

(2) Has the essential characteristics of a municipality, such as (i) a detailed plan of development, including residential and mixed-use properties, (ii) medical facilities, (iii) grocery stores, (iv) family recreational facilities, (v) schools, and (vi) a method of sharing expenses to support and maintain the area.

(3) Has access to services on substantially the same basis as services provided within a municipality, including police protection, fire protection, solid waste collection, street maintenance, and water and sewer."

SECTION 39.4.(b) This section is effective when it becomes law.

LOCAL LAND DEVELOPMENT REGULATORY CHANGES

SECTION 39.5.(a) G.S. 160D-1403.1 reads as rewritten:

"**§ 160D-1403.1. Civil action for declaratory relief, injunctive relief, other remedies; joinder of complaint and petition for writ of certiorari in certain cases.**

(a) Civil Action. – ~~Except as otherwise provided in this section for claims involving questions of interpretation, in~~ In lieu of any remedies available under G.S. 160D-405 or G.S. 160D-108(h), a person with standing, as defined in subsection (b) of this section, may bring an original civil action seeking declaratory relief, injunctive relief, damages, or any other remedies provided by law or equity, in superior court or federal court to challenge the enforceability, validity, or effect of a local land development regulation for any of the following claims:

(1) The ~~ordinance,~~ local land development regulation, either on its face or as applied, is unconstitutional.

(2) The ~~ordinance,~~ local land development regulation, either on its face or as applied, is ultra vires, preempted, arbitrary or capricious, or is otherwise in excess of statutory authority.

(3) The ~~ordinance,~~ local land development regulation, either on its face or as applied, constitutes a taking of property.

(4) A decision implementing a local land development regulation by an administrative official or decision-making board is unconstitutional, on its face or as applied, is in excess of statutory authority, is ultra vires, preempted, arbitrary or capricious, made upon unlawful procedure, made in error of law, or is an abuse of discretion.

(a1) Appeals of Administrative Decisions. – If the decision being challenged under subsection (a) of this section is from an administrative official charged with enforcement or interpretation of a local land development regulation, the party with standing ~~must first~~ may, but is not required to, bring ~~any~~ that claim ~~that the ordinance was erroneously interpreted~~ to the applicable board of adjustment pursuant to G.S. 160D-405. An adverse ruling from the board of adjustment may then be challenged in an action brought pursuant to this subsection with the court hearing the matter de novo together with any of the claims listed in this subsection. Failure to appeal to the board of adjustment shall not be deemed a failure to exhaust administrative remedies for purposes of an action brought under this section.

(b) Standing. – Any of the following criteria provide standing to bring an action under this section:

(1) The person has an ownership, leasehold, or easement interest in, or possesses an option or contract to purchase the property that is the subject matter of a final and binding decision made by an administrative official or decision-making board charged with applying or enforcing a land development regulation.

(2) The person was a development permit applicant or a person applying for a development approval before the decision-making board whose decision is being challenged.

(3) The person was a development permit applicant or a person applying for a development approval who is aggrieved by a final and binding decision of an administrative official charged with applying or enforcing a land development regulation.

(4) An association, organization, society, or entity whose membership is comprised of an individual or entity identified in subdivision (1), (2), or (3) of this subsection and whose purposes are germane to the matter in controversy; provided, however, that an action brought by an association, organization, society, or entity under this subdivision may not seek damages that require individualized proof of injury to one or more individual members. An association, organization, society, or entity under this subdivision may seek a declaration that a tax, fee, or monetary contribution imposed for a development or development approval is illegal and, upon a final determination that it is illegal, the tax, fee, or monetary contribution shall be returned, as provided by G.S. 160D-106.

(c) Time for Commencement of Action. – Any action brought pursuant to this section shall be commenced within ~~one year after the date on which written notice of the final decision is delivered to the aggrieved party by personal delivery, email, or by first-class mail.~~three years of the accrual of the cause of action. Such an action accrues when the party bringing the action first has standing to do so. A cause of action for the recovery of a tax, fee, or monetary contribution related to a land development regulation, as defined in G.S. 143-755, a development regulation, or a development or development approval, accrues upon the payment of the tax, fee, or monetary contribution.

(d) Joinder. – An original civil action authorized by this section may, for convenience and economy, be joined with a petition for writ of certiorari and decided in the same proceedings. The Rules of Civil Procedure govern the parties for the claims raised in the original civil action. The record of proceedings in the appeal pursuant to G.S. 160D-1402 shall not be supplemented by discovery from the civil action unless supplementation is otherwise allowed under G.S. 160D-1402(i). The standard of review in the original civil action for the cause or causes of action pled as authorized by ~~subsection (a)~~ subdivisions (1), (2), and (3) of subsection (a) of this section is de novo. The standard of review in the original civil action for any cause of action pled as authorized by subdivision (4) of subsection (a) of this section challenging a quasi-judicial

decision is the standard set forth in G.S. 160D-1402(j), and the court shall review the record made before the decision-making board. The standard of review of the petition for writ of certiorari is the standard established in G.S. 160D-1402(j).

(e) Action Not Rendered Moot by Loss of Property. – Subject to the limitations in the State and federal constitutions and State and federal case law, an action filed under this section is not rendered moot, if during the pendency of the action, the aggrieved person loses the applicable property interest as a result of the local government action being challenged and exhaustion of an appeal described herein is required for purposes of preserving a claim for damages under this section.

(f) Stays. – An appeal under this section is stayed as provided in G.S. 160D-405.

(g) Definitions. – ~~The definitions in G.S. 143-755 apply in this section.~~In addition to the definitions set forth in G.S. 143-755, the following definitions apply to this section:

(1) Decision implementing a local land development regulation. – Includes any of the following:
  a. The grant or denial of a development approval, as defined in G.S. 160D-102, including any conditions imposed on the development approval.
  b. An issuance or denial of a development permit, as defined in G.S. 143-755, including any conditions imposed on the development permit.
  c. A decision made in response to an application or a request relating to a development permit, including a conditional zoning or rezoning decision.
  d. A determination under G.S. 160D-403(b1).
  e. A notice of violation, order, or other enforcement action issued by an administrative official or decision-making board.

(2) Local land development regulation. – Includes the following legislative decisions made by a local government:
  a. A development regulation, as defined in G.S. 160D-102.
  b. A land development regulation, as defined in G.S. 143-755."

SECTION 39.5.(b) G.S. 1-54(10) is repealed.

SECTION 39.5.(c) G.S. 1-52 is amended by adding a new subdivision to read:

"(21) Actions contesting the validity of any zoning or unified development ordinance or any provision adopted under Chapter 160D of the General Statutes or other applicable law, other than an ordinance adopting or amending a zoning map. Such an action accrues when the party bringing the action first has standing to challenge the ordinance."

SECTION 39.5.(d) G.S. 160D-1405 reads as rewritten:

"**§ 160D-1405. Statutes of limitation.**

(a) Zoning Map Adoption or Amendments. – A cause of action as to the validity of any regulation adopting or amending a zoning map adopted under this Chapter or other applicable law or a development agreement adopted under Article 10 of this Chapter accrues upon adoption of the ordinance and shall be brought within 60 days as provided in G.S. 1-54.1.

(b) Text Adoption or Amendment. – Except as otherwise provided in subsection (a) of this section, an action challenging the validity of a development regulation adopted under this Chapter or other applicable law shall be brought within ~~one year~~ three years of the accrual of the action as provided in ~~G.S. 1-54(10).~~ G.S. 1-52(21). The action accrues when the party bringing the action first has standing to challenge the ordinance. A challenge to an ordinance on the basis of an alleged defect in the adoption process shall be brought within three years after the adoption of the ordinance as provided in ~~G.S. 1-54(10).~~G.S. 1-52(21).

(c) Enforcement Defense. – Nothing in this section or in ~~G.S. 1-54(10)~~ G.S. 1-52(21) or G.S. 1-54.1 bars a party in an action involving the enforcement of a development regulation or in an action under G.S. 160D-1403.1 from raising as a claim or defense the enforceability or the invalidity of the ordinance. Nothing in this section or in ~~G.S. 1-54(10)~~ G.S. 1-52(21) or G.S. 1-54.1 bars a party that files a timely appeal from an order, requirement, decision, or determination made by an administrative official contending that the party is in violation of a development regulation from raising in the judicial appeal the invalidity of the ordinance as a defense to the order, requirement, decision, or determination. A party in an enforcement action or appeal shall not assert the invalidity of the ordinance on the basis of an alleged defect in the adoption process unless the defense is formally raised within three years of the adoption of the challenged ordinance.

…

(d) Quasi-Judicial Decisions. – ~~Unless specifically provided otherwise,~~ Except as otherwise provided in G.S. 160D-1403.1 or any other law, a petition for review of a quasi-judicial decision shall be filed with the clerk of superior court by the later of 30 days after the decision is effective or after a written copy of it is given in accordance with G.S. 160D-406(j). When first-class mail is used to deliver notice, three days shall be added to the time to file the petition.

(e) Others. – Except as provided by this section, the statutes of limitations are as provided in Subchapter II of Chapter 1 of the General Statutes."

SECTION 39.5.(e) G.S. 160D-403 is amended by adding a new subsection to read:

"(b1) Interpretive Determinations. – Upon written request by a person listed under G.S. 160D-1403.1(b), a local government, acting through an administrative official or staff designated pursuant to subsection (b) of this section, shall issue a written determination regarding the applicability or interpretation of a development regulation enacted under the authority of this Chapter to a given state of facts. Upon issuance, the determination shall be binding on the local government and the person requesting the determination, unless the determination is altered or set aside by a decision-making board or a court of competent jurisdiction. The notice and posting requirements of subsection (b) of this section shall apply to any determination requested under this subsection."

SECTION 39.5.(f) G.S. 160D-405(b) reads as rewritten:

"(b) Standing. – Any person who has standing under G.S. 160D-1402(c) or G.S. 160D-1403.1(b), or the local ~~government~~ government, may appeal an administrative decision to the board. An appeal is taken by filing a notice of appeal with the local government clerk or a local government official designated by ordinance. The notice of appeal shall state the grounds for the appeal."

SECTION 39.5.(g) G.S. 143-755 reads as rewritten:

"**§ 143-755. Permit choice.**

(a) If a development permit applicant submits a permit application for any type of development and a rule or ordinance is amended, including an amendment to any applicable land development regulation, between the time the development permit application was submitted and a development permit decision is made, the development permit applicant may choose which adopted version of the rule or ordinance will apply to the permit and use of the building, structure, or land indicated on the permit application. If the development permit applicant chooses the version of the rule or ordinance applicable at the time of the permit application, the development permit applicant shall not be required to await the outcome of the amendment to the rule, map, or ordinance prior to acting on the development permit. If an applicable rule or ordinance is amended after the development permit is wrongfully denied or after an illegal condition is imposed, as determined in a proceeding challenging the permit denial or the condition imposed, the development permit applicant may choose which adopted version of the rule or ordinance will apply to the permit and use of the building, structure, or land indicated on the permit application. Provided, however, any provision of the development permit applicant's chosen

version of the rule or ordinance that is determined to be illegal for any reason shall not be enforced upon the applicant without the written consent of the applicant.

(a1) If an applicant submits a rezoning application, including an application for conditional rezoning, and the land development regulations are amended between the time the rezoning application is submitted and a decision on the rezoning application is made, the rezoning applicant may choose which adopted version of the land development regulations will apply to the property requested to be rezoned. If the rezoning applicant chooses the version of the land development regulations applicable at the time of the rezoning application, the rezoning applicant shall not be required to await the outcome of the amendment to the land development regulations prior to having the rezoning application determined.

(b) This section applies to all development permits issued by the State and by local governments.

…

(e) For purposes of this section, the following definitions apply:

(1) Development. – Without altering the scope of any regulatory authority granted by statute or local act, any of the following:

a. The construction, erection, alteration, enlargement, renovation, substantial repair, movement to another site, or demolition of any structure.

b. Excavation, grading, filling, clearing, or alteration of land.

c. The subdivision of land as defined in G.S. 160D-802.

d. The initiation of substantial change in the use of land or the intensity of the use of land.

(2) Development permit. – An ~~administrative~~ administrative, legislative, or quasi-judicial approval that is written and that is required prior to commencing development or undertaking a specific activity, project, or development proposal, including any of the following:

a. Zoning permits.

b. Site plan approvals.

c. Special use permits.

d. Variances.

e. Certificates of appropriateness.

f. Plat approvals.

g. Development agreements.

h. Building permits.

i. Subdivision of land.

j. State agency permits for development.

k. Driveway permits.

l. Erosion and sedimentation control permits.

m. Sign permit.

n. Conditional zoning approvals.

o. Rezoning approvals.

p. Stormwater permits.

(3) Land development regulation. – Any State statute, rule, or regulation, or local ordinance affecting the development or use of real property, including any of the following:

a. Unified development ordinance.

b. Zoning regulation, including zoning maps.

c. Subdivision regulation.

d. Erosion and sedimentation control regulation.

e. Floodplain or flood damage prevention regulation.

f. Mountain ridge protection regulation.
g. Stormwater control regulation.
h. Wireless telecommunication facility regulation.
i. Historic preservation or landmark regulation.
j. Housing code."

SECTION 39.5.(h) G.S. 6-21.7 reads as rewritten:

"**§ 6-21.7. Attorneys' fees; cities or counties acting outside the scope of their authority.**

(a) In any action in which a city or county is a party, upon a finding by the court that the city or county violated a statute or case law setting forth unambiguous limits on its authority, the court shall award reasonable attorneys' fees and costs to the party who successfully challenged the city's or county's action. For purposes of this subsection, "unambiguous" means that the limits of authority are not reasonably susceptible to multiple constructions.

(b) In any action brought under G.S. 160D-1403.1 in which a city or county is found to be liable, the court shall award reasonable attorneys' fees and costs to the party who successfully challenged the city's or county's action.

(c) In any action in which a city or county is a party, upon finding by the court that the city or county took action inconsistent with, or in violation of, G.S. 160D-108(b) or G.S. 143-755, the court shall award reasonable attorneys' fees and costs to the party who successfully challenged the local government's failure to comply with any of those provisions.

(d) ~~In all other matters,~~ Except as otherwise provided in this section, the court may award reasonable attorneys' fees and costs to the prevailing private litigant. ~~For purposes of this section, "unambiguous" means that the limits of authority are not reasonably susceptible to multiple constructions.~~"

TRIBAL SPORTS WAGERING TECHNICAL CORRECTION

SECTION 39.6.(a) G.S. 14-292.2(e)(3) reads as rewritten:

"(3) Sports wagering. – ~~The placing of wagers on the outcome of professional and collegiate sports contests.~~ As defined in G.S. 18C-901. For purposes of this subdivision, the wager shall be deemed to occur where it is initiated and received, all of which must occur on Indian lands within the State lawfully permitted to conduct Class III gaming activities pursuant to G.S. 14-292.2(a)."

SECTION 39.6.(b) Subsection (a) of this section is effective when this section becomes law and applies to wagers placed on or after that date.

LABOR ORGANIZATION AGREEMENT CHANGES

SECTION 39.7.(a) G.S. 95-79 reads as rewritten:

"**§ 95-79. Certain agreements declared illegal.**

(a) Any agreement or combination between any employer and any labor union or labor organization whereby persons not members of such union or organization shall be denied the right to work for said employer, or whereby such membership is made a condition of employment or continuation of employment by such employer, or whereby any such union or organization acquires an employment monopoly in any enterprise, is hereby declared to be against the public policy and an illegal combination or conspiracy in restraint of trade or commerce in the State of North Carolina.

(b) Any provision that directly or indirectly conditions the purchase of agricultural products, the terms of an agreement for the purchase of agricultural products, or the terms of an agreement not to sue or settle litigation upon an agricultural producer's status as a union or nonunion employer or entry into or refusal to enter into an agreement with a labor union or labor organization is invalid and unenforceable as against public policy in restraint of trade or commerce in the State of North Carolina. Further, notwithstanding G.S. 95-25.8, an agreement requiring an agricultural producer to transfer funds to a labor union or labor organization for the

purpose of paying an employee's membership fee or dues is invalid and unenforceable against public policy in restraint of trade or commerce in the State of North Carolina. For purposes of this subsection, the term "agricultural producer" means any producer engaged in any service or activity included within the provisions of section 3(f) of the Fair Labor Standards Act of 1938, 29 U.S.C. § 203, or section 3121(g) of the Internal Revenue Code of 1986, 26 U.S.C. § 3121.

(c) It shall be unlawful for any local government, local government agency, or any political subdivision thereof to withhold any license, permit, or zoning approval or financial incentives or any other type of assistance, either directly or indirectly, from a business based on the refusal of the business to sign any agreement with a labor organization except as required by State or federal law.

(d) It shall be unlawful for any local government, local government agency, or any political subdivision thereof to condition the issuance of any license, permit, or zoning approval, or the provision of financial incentives or other public assistance, on a requirement that an employer (i) waive its right to communicate with its employees regarding any matter related to their employment or (ii) agree to restrict such communications, provided that such communications are otherwise permitted under applicable State and federal law.

(e) For the purposes of this section, "business" means an individual, partnership, association, joint stock company, corporation, limited liability company, business trust, legal representative, or any organized group of persons."

SECTION 39.7.(b) G.S. 95-25.1 reads as rewritten:

"**§ 95-25.1. Short title and legislative purpose; local governments preempted.**

(a) This Article shall be known and may be cited as the "Wage and Hour Act."

(b) The public policy of this State is declared as follows: The wage levels of employees, hours of labor, payment of earned wages, and the well-being of minors are subjects of concern requiring legislation to promote the general welfare of the people of the State without jeopardizing the competitive position of North Carolina business and industry. The General Assembly declares that the general welfare of the State requires the enactment of this law under the police power of the State.

(c) Repealed by Session Laws 2017-4, s. 1, effective March 30, 2017.

(d) The provisions of this Article supersede and preempt any ordinance, regulation, resolution, or policy adopted or imposed by a unit of local government or other political subdivision of the State that regulates or imposes any requirement upon an employer pertaining to compensation of employees, such as the wage levels of employees, hours of labor, payment of earned wages, benefits, leave, or well-being of minors in the workforce. Regulations prohibited by this section may not be applied, directly or indirectly, in any lease, contract, negotiation, or similar arrangement to set levels for wages, benefits, or other terms and conditions of work. No contract entered into between a unit of local government and a business for the purpose of requiring the business to set levels for wages, benefits, or other terms and conditions of work shall be enforceable. It shall further be unlawful for any unit of local government or any political subdivision thereof to require any business to participate in any council, task force, committee, or similar arrangement that has as any of its purposes, either directly or indirectly, to set levels for wages, benefits, or other terms and conditions of work. This subsection shall not apply to any of the following:

(1) A local government regulating, compensating, or controlling its own employees.
(2) Economic development incentives awarded under Chapter 143B of the General Statutes.
(3) Economic development incentives awarded under Article 1 of Chapter 158 of the General Statutes.
(4) A requirement of federal community development block grants.
(5) Programs established under G.S. 160D-1311.

(6) A local government holding legislative hearings or establishing advisory committees.

(e) For the purposes of this section, "business" has the same meaning as described in G.S. 95-79(e)."

SECTION 39.7.(c) Subsection (a) of this section becomes effective October 1, 2026, and applies to acts or omissions on or after that date. Subsection (b) of this section becomes effective October 1, 2026, and applies to contracts entered into or modified on or after that date. The remainder of this section is effective when it becomes law.

PART XL. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

SECTION 40.1. The Office of State Budget and Management shall implement the rates submitted in 2025 by the Department of Information Technology pursuant to G.S. 143B-1333 to be charged to agencies for the 2026-2027 fiscal year.

INTERNAL SERVICE FUND RATE LIMITATION

SECTION 40.2. G.S. 143B-1333 reads as rewritten:

"**§ 143B-1333. Internal Service Fund.**

(a) The Internal Service Fund is established within the Department as a fund to provide goods and services to State agencies on a cost-recovery basis. The Department shall establish fees for subscriptions and chargebacks for consumption-based services. The Department's procurement activities, including, but not limited to, the Statewide Information Technology Procurement Office, shall be funded through a combination of administrative fees as part of the IT Supplemental Staffing contract, as well as fees charged to agencies using their services. The State CIO shall establish and annually update consistent, fully transparent, easily understandable fees and rates that reflect industry standards for any good or service for which an agency is charged. These fees and rates shall be prepared and submitted by the Department to the Office of State Budget and Management and Fiscal Research Division on the date agreed upon by the State Budget Director and the Department's Chief Financial Officer. The rates shall be approved by the Office of State Budget and Management. The Office of State Budget and Management shall ensure that State agencies have the opportunity to adjust their budgets based on any rate or fee changes prior to submission of those budget recommendations to the General Assembly. The approved Information Technology Internal Service Fund budget and associated rates shall be included in the Governor's budget recommendations to the General Assembly. The Department shall not implement any change in rates without the prior approval of the General Assembly through the enactment of a general law.

…."

REPEAL CERTAIN BROADBAND GRANTS

SECTION 40.3. Section 7.1(a) and Section 7.1(c) of S.L. 2025-97 are repealed.

BEAD DEPLOYMENT

SECTION 40.4. The General Assembly recognizes that the expansion of reliable high-speed internet across the State is integral to the growth and success of our communities, businesses, and economy. In 2024, the General Assembly enacted legislation establishing the framework for the federal Broadband Equity, Access, and Deployment (BEAD) implementation across the State while establishing and authorizing appropriations from the BEAD Fund to draw down the State's share, totaling approximately $1.53 billion, of broadband expansion funding from the federal Infrastructure Investment and Jobs Act, administered by the National Telecommunications and Information Administration. The General Assembly shall continue to

meet its obligation to provide for the critical broadband infrastructure the citizens of this State need to prosper and thrive.

IDENTITY STANDARDIZATION AND STATEWIDE ACCESS MANAGEMENT

SECTION 40.5.(a) Part 3 of Article 15 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-1345. Statewide enterprise identity; access management standards.**

(a) Definitions. – The following definitions apply in this section:

(1) Covered system. – Any information technology system requiring authentication, identity verification, or authorization.

(2) Department. – The Department of Information Technology.

(3) Enterprise ICAM. – A statewide framework governing identity verification, authentication, authorization, federation, identity assurance, fraud prevention, and access management across participating agencies.

(4) Participating agency. – Any agency subject to the authority of the State Chief Information Officer pursuant to this Article.

(b) Enterprise Standards. – The Department shall establish and maintain statewide Enterprise ICAM standards applicable to participating agencies. The standards should include, at a minimum, the following:

(1) Identity proofing and assurance.

(2) Multifactor authentication.

(3) Federation and interoperability.

(4) Privileged access management.

(5) Fraud detection and risk-based identity verification.

(6) Logging and auditability.

(7) Open standards and vendor portability.

(8) Technology-neutral and modular architecture.

(9) Integration with statewide cybersecurity operations.

(c) Agency Compliance. – Participating agencies shall comply with Enterprise ICAM standards established by the Department. No participating agency shall procure, implement, renew, substantially modify, or operate a covered system unless the agency has demonstrated to the State Chief Information Officer that compliance is not presently practicable and the State Chief Information Officer provides a written waiver. Covered systems operating pursuant to contracts, renewals, or procurements existing prior to the effective date of this section may continue operating until the expiration of the applicable contract term, provided the participating agency coordinates with the Department regarding future compliance with Enterprise ICAM standards.

(d) Authority of State Chief Information Officer. – The State Chief Information Officer may do the following:

(1) Require agencies to integrate with enterprise identity services designated by the Department.

(2) Establish technical, security, interoperability, and identity assurance requirements.

(3) Procure shared enterprise identity services.

(4) Establish migration time lines for legacy systems.

(5) Adopt phased compliance requirements as necessary.

(6) Prioritize citizen-facing systems and enterprise shared services during phased implementation.

(e) Coordination with Statewide Digital Services. – In implementing this section, the Department shall coordinate with statewide digital service initiatives and citizen-facing platform modernization efforts, including initiatives authorized pursuant to Section 2F.1 of S.L. 2025-26.

The Department shall ensure enterprise identity standards support the following:

(1) Consistent citizen authentication.

(2) Interoperability across digital government platforms.

(3) Reduction of duplicative identity verification processes.

(4) Integration of statewide digital services.

(f) Waivers. – The State Chief Information Officer may grant limited waivers for systems with documented technical, operational, or federal compliance limitations."

SECTION 40.5.(b) Enterprise Identity Review. – No later than 12 months after the effective date of this section, the Department shall review the State's existing enterprise identity environment, including existing contracts, authentication platforms, federation capabilities, identity assurance services, and related managed services. The review shall evaluate whether the existing environment adequately supports the following:

(1) Enterprise interoperability.

(2) Cybersecurity and zero trust requirements.

(3) Citizen identity verification.

(4) Fraud reduction.

(5) Operational resiliency.

(6) Technology-neutral and competitively procurable enterprise identity services.

If the Department determines that the existing environment does not substantially satisfy the requirements of this section, the Department shall issue one or more competitive solicitations for enterprise identity or related services.

GOVERNMENT DATA ANALYTICS CENTER/CJLEADS ENHANCEMENTS

SECTION 40.6.(a) Of the funds appropriated to the Government Data Analytics Center (GDAC) in this act, the sum of five hundred thousand dollars ($500,000) in recurring funds beginning in the 2026-2027 fiscal year shall be used to develop and enhance data resources within the Criminal Justice Law Enforcement Automated Data Services (CJLEADS). These enhancements shall include, but are not limited to, involuntary commitment notifications to the extent allowed by federal law, real-time availability of mental health beds by location, and a resource catalog of available behavioral health services and community programs. Funds shall be used to support information reporting, software, managed services, and technical infrastructure through existing public-private partnerships and enterprise solutions within the GDAC to carry out the requirements of this section.

SECTION 40.6.(b) The Department of Health and Human Services (DHHS), the Department of Information Technology (DIT), the Administrative Office of the Courts (AOC), the Government Data Analytics Center (GDAC), the North Carolina Health Information Exchange Authority (NC HIEA), and CJLEADS shall make systematic improvements utilizing available technological resources to ensure the State is collecting and making available the most helpful information for judges to make involuntary commitment (IVC) determinations, both inpatient and outpatient; increasing data collection and sharing between DHHS and the Judicial Branch Case Management System of IVC exams and court proceedings. The DHHS and DIT shall work with GDAC and CJLEADS to implement real-time data availability for the Behavioral Health Statewide Central Availability Navigator (BH SCAN) and give law enforcement access to BH SCAN. The DHHS, DIT, and NC HIEA shall facilitate the connection of behavioral health hospitals and providers to NC HealthConnex, including grants to behavioral health facilities lacking electronic medical records systems, prioritizing those facilities with potential to contribute the most useful IVC data.

SECTION 40.6.(c) In accordance with G.S. 143B-1385, any data needed in support of this effort shall be made available through the GDAC. All data-sharing agreements necessary to comply with this section shall be executed by October 31, 2026.

SECTION 40.6.(d) The GDAC shall include information about the CJLEADS enhancements as part of its annual report pursuant to G.S. 143B-1385(f).

MIDDLE MILE BROADBAND REDUNDANCY

SECTION 40.7. The Department of Information Technology shall use up to fifteen million dollars ($15,000,000) in unencumbered funds from the Growing Rural Economies with Access to Technology Fund established in G.S. 143B-1373(b) to be provided in the form of grants for middle mile projects that close a fiber loop to create redundancies for areas consisting of barrier islands. Special consideration shall be given to those projects with a significant impact on public safety and the maintenance of emergency communication during natural disasters and public emergency events. An eligible grant recipient under this section shall be an entity that provides broadband service to both public and private end users. A grant recipient under this section shall provide matching funds of up to one million dollars ($1,000,000). State funding for any single grant under this section shall not exceed fifteen million dollars ($15,000,000

PART XLI. SALARIES AND BENEFITS

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE INCREASE

SECTION 41.1.(a) Effective July 1, 2026, 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, 2026, is awarded the following in the 2026-2027 fiscal year:

(1) A legislative salary increase in the amount of three percent (3%).

(2) Any other salary adjustment otherwise allowed or provided by law.

SECTION 41.1.(b) Effective July 1, 2026, 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.

(2) Local community college employees.

(3) Employees of The University of North Carolina.

(4) Clerks of superior court compensated under G.S. 7A-101.

(5) Officers and employees to which Section 41.15 of this Part applies.

(6) Officers and employees to which Section 41.16 of this Part applies.

(7) Officers and employees to which Section 41.17 of this Part applies.

(8) Officers and employees to which Section 41.18 of this Part applies.

(9) 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.

SECTION 41.1.(e) No eligible State law enforcement officer or law enforcement agency employee is prohibited from receiving the full salary increase provided in this act solely because the individual's salary after applying the legislative salary increase is above the maximum of the applicable salary range.

STATE-FUNDED EMPLOYEE BONUS

SECTION 41.2.(a) Effective July 1, 2026, for the 2026-2027 fiscal year, any State-funded employee (i) whose salary is set by Part VII-A of this act (except for Section 7A.1 or 7A.6), by this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed on June 30, 2026, is awarded a compensation bonus, payable as close as is practicable to October 15, 2026, in the amount of either:

(1) One thousand seven hundred fifty dollars ($1,750) awarded to employees having annual salaries of sixty-five thousand dollars ($65,000) or less on June 30, 2026; or

(2) One thousand dollars ($1,000) awarded to employees having annual salaries greater than sixty-five thousand dollars ($65,000) on June 30, 2026.

SECTION 41.2.(b) The compensation bonuses awarded by this section are not (i) compensation for the purposes of any retirement system administered by the State or (ii) part of annual salary and shall be paid out separately. These compensation bonuses shall be awarded to eligible State-funded permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The bonuses shall be adjusted pro rata for permanent part-time employees. The funds appropriated for these compensation bonuses in excess of the amounts required to implement these bonuses shall revert to the General Fund.

LOCAL LAW ENFORCEMENT BONUS

SECTION 41.3.(a) For the 2026-2027 fiscal year, a sworn local law enforcement officer employed as an officer on June 30, 2026, is eligible to receive a compensation bonus in the amount of one thousand seven hundred fifty dollars ($1,750), payable as close as is practicable to October 15, 2026.

SECTION 41.3.(b) The State Bureau of Investigation (SBI) shall award these local law enforcement compensation bonuses as provided by this section. The SBI shall report on the administration of the awards to the Fiscal Research Division by December 15, 2026.

SECTION 41.3.(c) The funds appropriated for bonuses in excess of the amounts required to implement these bonuses shall revert to the General Fund. The compensation bonuses awarded by this section are not compensation for the purposes of any retirement system administered by the State. The compensation bonuses awarded by this section are not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible officers without regard to an officer's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

GOVERNOR AND COUNCIL OF STATE

SECTION 41.4.(a) Effective July 1, 2026, 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 nine thousand one hundred sixty-five dollars ($209,165) annually, payable monthly."

SECTION 41.4.(b) Effective July 1, 2026, the annual salaries for members of the Council of State, payable monthly, are set as follows:

Council of State	**Annual Salary**
Lieutenant Governor	$173,436
Attorney General	173,436
Secretary of State	173,436
State Treasurer	173,436
State Auditor	173,436

Superintendent of Public Instruction	173,436
Agriculture Commissioner	173,436
Insurance Commissioner	173,436
Labor Commissioner	173,436

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 41.5. Effective July 1, 2026, the annual salaries, payable monthly, for the following executive branch officials are as follows:

Executive Branch Officials	**Annual Salary**
Chairman, Alcoholic Beverage Control Commission	$145,069
State Controller	202,003
Commissioner of Banks	162,818
Chair, Board of Review, Division of Employment Security	159,707
Members, Board of Review, Division of Employment Security	157,755
Chairman, Parole Commission	159,707
Full-Time Members of the Parole Commission	147,665
Chairman, Utilities Commission	181,038
Members of the Utilities Commission	162,818
Executive Director, North Carolina Agricultural Finance Authority	141,276
State Fire Marshal	143,222

JUDICIAL BRANCH

SECTION 41.6.(a) Effective July 1, 2026, the annual salaries, payable monthly, for the following judicial branch officials are as follows:

Judicial Branch Officials	**Annual Salary**
Chief Justice, Supreme Court	$209,165
Associate Justice, Supreme Court	203,736
Chief Judge, Court of Appeals	200,514
Judge, Court of Appeals	195,310
Judge, Senior Regular Resident Superior Court	179,478
Judge, Superior Court	174,199
Chief Judge, District Court	172,574
Judge, District Court	167,499
Chief Administrative Law Judge	149,078
District Attorney	172,357
Assistant Administrative Officer of the Courts	156,369
Public Defender	172,357
Director of Indigent Defense Services	173,622

SECTION 41.6.(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 three hundred thirty-eight dollars ($104,338) and the minimum salary of any assistant is at least fifty-six thousand dollars ($56,000), effective July 1, 2026.

CLERKS OF SUPERIOR COURT

SECTION 41.7. Effective July 1, 2026, G.S. 7A-101(a) reads as rewritten:

"(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~~
~~20-29~~	~~123,488~~
~~30-49~~	~~135,248~~
~~50-99~~	~~147,010~~
~~100 and above~~	~~149,949~~

~~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.~~in the amount of one hundred fifty-four thousand four hundred forty-seven dollars ($154,447)."

ASSISTANT/DEPUTY CLERKS

SECTION 41.8. Effective July 1, 2026, 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~~$41,696
Maximum	~~74,792~~$77,036

Deputy Clerks	Annual Salary
Minimum	~~$36,315~~$37,404
Maximum	~~58,740~~$60,502"

MAGISTRATES

SECTION 41.9. Effective July 1, 2026, 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~~$51,951
Step 1	~~$50,714~~$55,785
Step 2	~~$54,475~~$59,923
Step 3	~~$58,457~~$64,303
Step 4	~~$63,228~~$69,551
Step 5	~~$68,973~~$75,870
Step 6	~~$75,415.~~$82,957."

LEGISLATIVE EMPLOYEES

SECTION 41.10.(a) Effective July 1, 2026, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2026, shall be legislatively increased by three percent (3%).

SECTION 41.10.(b) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 41.11. Effective July 1, 2026, 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 nine hundred fifty-four dollars ($137,954), 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/READING CLERKS

SECTION 41.12. Effective July 1, 2026, 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-four dollars ($544.00) 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.

Each sergeant at arms 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 sergeant at arms 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 subsection."

COMMUNITY COLLEGES

SECTION 41.13.(a) Effective July 1, 2026, 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 three percent (3%).

SECTION 41.13.(b) Effective July 1, 2026, the minimum salaries for nine-month, full-time curriculum community college faculty are as follows:

Educational Level	**Minimum Salary**
Vocational Diploma/Certificate or Less	$44,414
Associate Degree or Equivalent	45,032
Bachelor's Degree	47,711
Master's Degree or Education Specialist	50,088
Doctoral Degree	53,515

SECTION 41.13.(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 41.14. Effective July 1, 2026, the Board of Governors of The University of North Carolina shall provide SHRA employees and EHRA employees with an across-the-board salary increase in the amount of three percent (3%).

CORRECTIONAL OFFICERS/YOUTH COUNSELORS/YOUTH COUNSELOR TECHNICIANS/YOUTH SERVICES BEHAVIORAL SPECIALISTS – SALARY SCHEDULE

SECTION 41.15.(a) Effective July 1, 2026, 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 pursuant to the salary schedule in subsection (b) of this section.

SECTION 41.15.(a1) Effective July 1, 2026, 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, as established in subsection (b) of this section.

(2) Youth Services Behavioral Specialists shall be paid under the Correctional Officer II salary schedule, as established in subsection (b) of this section.

(3) Youth Counselors shall be paid under the Correctional Officer III salary schedule, as established in subsection (b) of this section.

SECTION 41.15.(b) Effective July 1, 2026, the following annual salary schedule will apply under subsections (a) and (a1) of this section:

Experience	COI	COII	COIII
0	42,512	43,911	46,961
1	45,486	46,983	50,249
2	48,217	49,852	53,265
3	50,627	52,293	55,928
4	52,651	54,385	58,164
5	54,232	56,015	59,909
6+	55,317	57,136	61,108

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 HIGHWAY PATROL SALARY SCHEDULE

SECTION 41.16.(a) Effective July 1, 2026, law enforcement officers of the State Highway Patrol compensated pursuant to an experience-based salary schedule shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 41.16.(b) Effective July 1, 2026, the following annual salary schedule applies under subsection (a) of this section:

Years of Experience	FY 2026-27
0	63,250
1	67,361
2	71,739

3	76,403
4	81,368
5	86,657
6+	92,290

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 LAW ENFORCEMENT OFFICER SALARY SCHEDULE/INCREASES

SECTION 41.17.(a) Effective July 1, 2026, law enforcement officers of the State Bureau of Investigation and Alcohol Law Enforcement compensated pursuant to an experience-based salary schedule shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

SECTION 41.17.(b) Effective July 1, 2026, the following annual salary schedule applies under subsection (a) of this section:

Years of Experience	**FY 2026-27**
0	$62,150
1	66,190
2	70,492
3	75,074
4	79,953
5	85,150
6+	90,685

SECTION 41.17.(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 41.18.(a) Effective July 1, 2026, 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 41.18.(a1) Effective July 1, 2026, 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, as established in subsection (b) of this section.

SECTION 41.18.(b) Effective July 1, 2026, the following annual salary schedule applies under subsections (a) and (a1) of this section:

Years of Experience	**FY 2026-27**
0	48,374
1	51,518
2	54,869
3	58,434
4	62,233
5	66,278
6+	70,586

SECTION 41.18.(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 41.19. The following employees who are paid based on the Teachers Salary Schedule shall be paid as authorized by Section 7A.1 of this act:

(1) Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, or the Department of Adult Correction.
(2) Employees of the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, or the North Carolina School for the Deaf.
(3) Employees of schools operated by the State Board of Education.
(4) Employees of the North Carolina School of Science and Mathematics or the University of North Carolina School of the Arts.

COUNCIL OF STATE/EXEMPT POSITIONS – FLEXIBILITY

SECTION 41.20. G.S. 126-5(c14) reads as rewritten:

"(c14) Notwithstanding any provision of this Chapter to the contrary, each Council of State agency and the Office of the State Controller 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%),~~ thirty percent (30%), established by the State Human Resources Commission under G.S. 126-4(2)."

MOST STATE EMPLOYEES

SECTION 41.21. Effective July 1, 2026, unless otherwise expressly provided by this Part, the annual salaries in effect for the following persons on June 30, 2026, 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 41.22.(a) The legislative salary increases authorized by this act shall be paid effective on July 1, 2026, 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, 2026.

SECTION 41.22.(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 41.22.(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 LEGISLATIVE SALARY INCREASES

SECTION 41.23.(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 41.23.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases, bonuses, 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, bonuses, and employee benefits.

SECTION 41.23.(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 41.23.(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 41.23.(e) No later than May 1, 2027, 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.

PAY PLAN RESERVE AMENDMENTS

SECTION 41.24. Effective July 1, 2026, G.S. 143C-4-9 reads as rewritten:

"**§ 143C-4-9. Pay Plan Reserve.**

(a) Creation. – The Pay Plan Reserve is established within the General Fund. The General Assembly shall appropriate in the Current Operations Appropriations Act (Act) or other appropriations act a specific amount to this reserve for allocation, on an as-needed basis only, to fund statutory and scheduled pay expenses authorized by:

(1) G.S. 143B-1714, and the Act, for troopers of the State Highway Patrol compensated pursuant to an experience-based salary schedule.

(2) G.S. 7A-102.

(3) G.S. 7A-171.1.

~~(4) Teacher Salary Schedule, as enacted by the General Assembly.~~

~~(5) Pay Plans for Principals and Assistant Principals, as enacted by the General Assembly.~~

(6) The Act, for law enforcement officers of the State Bureau of Investigation and Alcohol Law Enforcement.

(7) The Act, for correctional officers and other employees compensated pursuant to the Correctional Officer Salary Schedule.

(8) The Act, for probation and parole officers and other employees compensated pursuant to the Probation and Parole Officer Salary Schedule.

(b) Authorized Uses. – The funds in the Pay Plan Reserve are available to agencies for employee salary and benefit costs only if the amount of funds appropriated for statutory or

scheduled salaries and benefits expenses, in any fiscal year, would be insufficient to cover those expenses for eligible employees.

…."

SALARY-RELATED CONTRIBUTIONS

SECTION 41.25.(a) 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	18.22%	18.22%	6.84%	42.11%	19.40%
Health	7.69%	7.69%	7.69%	7.69%	7.69%
Disability	0.06%	0.06%	0.06%	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	26.10%	31.10%	14.59%	49.80%	27.09%

The rate for health includes two and four-tenths percent (2.40%) for the Public Employee Health Benefit Fund and five and twenty-nine hundredths percent (5.29%) for the Retiree Health Benefit Fund.

SECTION 41.25.(b) 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 twenty-five dollars ($8,925).

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 41.26.(a) G.S. 135-5 is amended by adding the following new subsection to read:

"(aaaa) As close as is practicable to October 15, 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 and one-half percent (2.5%) 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 41.26.(b) G.S. 135-65 is amended by adding the following new subsection to read:

"(*ll*) As close as is practicable to October 15, 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 and one-half percent (2.5%) 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 41.26.(c) G.S. 120-4.22A is amended by adding the following new subsection to read:

"(ff) In accordance with subsection (a) of this section, as close as is practicable to October 15, 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 and one-half percent (2.5%) 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."

COUNCIL OF STATE SUPPLEMENTAL RETIREMENT ALLOWANCE

SECTION 41.27.(a) Chapter 138 of the General Statutes is amended by adding a new Article 1 to be entitled "General Provisions" that consists of G.S. 138-1 through G.S. 138-8.

SECTION 41.27.(b) Chapter 138 of the General Statutes is amended by adding a new Article to read:

"Article 2.

"Council of State Supplemental Retirement Allowance.

"**§ 138-20. Council of State Supplemental Retirement Allowance.**

(a) Definitions. – The following definitions apply in this section:

(1) Allowance. – The Council of State Supplemental Retirement Allowance provided for under this section.

(2) Council of State creditable service. – For individuals serving on the Council of State on July 1, 2026, the total amount of creditable service earned in the Retirement System due to an individual serving as a member of the Council of State, including service prior to July 1, 2026. For individuals who were not serving on the Council of State on July 1, 2026, the total amount of creditable service earned in the Retirement System due an individual serving as a member of the Council of State after July 1, 2026. Council of State creditable service does not include purchased service, transferred service, or service attributable to the conversion of sick leave.

(3) Non-Council of State creditable service. – The total amount of Retirement System creditable service minus the amount of Council of State creditable service.

(4) Retirement System. – The North Carolina Teachers' and State Employees' Retirement System.

(5) Supplemental Allowance Factor. – The amount calculated by first dividing the Supplemental Allowance Factor Numerator by the Supplemental Allowance Factor Denominator and then subtracting one from that figure.

(6) Supplemental Allowance Factor Denominator. – One and eighty-two hundredths percent (1.82%) multiplied by the total Retirement System creditable service.

(7) Supplemental Allowance Factor Numerator. – The lesser of the following percentages:

a. Seventy-five percent (75%).

b. The total of the following percentages:

1. One and eighty-two hundredths percent (1.82%) multiplied by the non-Council of State creditable service.

2. Four and two hundredths percent (4.02%) multiplied by the Council of State creditable service.

(8) Total Retirement System creditable service. – The total amount of service for which credit is allowed under the Retirement System at the time an individual retires under Article 1 of Chapter 135 of the General Statutes.

(b) Supplemental Retirement Allowance. – Notwithstanding any other provision of law to the contrary, every individual who serves as a member of the Council of State who qualifies under this section, and any qualifying beneficiary, shall receive a monthly supplemental retirement allowance. This allowance shall begin in the month in which the individual retires under the provisions of Article 1 of Chapter 135 of the General Statutes, or in the case of a qualifying beneficiary who has elected the survivor's alternate benefit under G.S. 135-5(m), the month in which the survivor's alternate benefit begins.

(c) Eligibility for Allowance. – In order to be eligible to receive an allowance under this section, all of the following criteria shall be met:

(1) The individual served as a member of the Council of State on or after July 1, 2026.

(2) The individual has at least five years of Council of State creditable service.

(3) The individual has retired under the provisions of Article 1 of Chapter 135 of the General Statutes.

If an individual otherwise qualified to receive an allowance under this section dies prior to retiring under the provisions of Article 1 of Chapter 135 of the General Statutes and if the sole beneficiary of the otherwise qualified individual has elected the survivor's alternate benefit under G.S. 135-5(m), then that beneficiary shall be eligible to receive the allowance under this section.

(d) Calculation of Allowance Amount. – The monthly allowance shall be calculated by multiplying the individual's Retirement System benefit amount for the applicable month by the Supplemental Allowance Factor.

(e) Duration of Payment. – Payment of the allowance shall be concurrent with the payment of the individual's Retirement System benefit or the payment of the survivor's alternate benefit to the individual's beneficiary. Any cause for suspension, forfeiture, or other cessation of benefits under Article 1 of Chapter 135 of the General Statutes shall apply to the Council of State Supplemental Retirement Allowance. Upon the death of the former Council of State member in receipt of the allowance, the allowance shall be paid to the beneficiary of that individual's Retirement System benefit, if applicable, until those benefits cease.

(f) Administration of Allowance. – The allowance shall be administered in accordance with this section and paid by the State agency, department, or institution at which the member most recently served while a member of the Council of State.

(g) 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.

(h) Sharing of Retirement Information. – Notwithstanding any provision of law to the contrary, the Department of State Treasurer shall, upon request, provide each applicable State agency, department, or institution with the requested Retirement System benefit details and beneficiary information for each individual who qualifies for an allowance under this section."

SECTION 41.27.(c) This section is effective July 1, 2026, and applies to individuals retiring on or after that date.

INCREASE BENEFITS PAYABLE UNDER NORTH CAROLINA NATIONAL GUARD PENSION FUND

SECTION 41.28.(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~~ ten dollars ~~($105.00)~~ ($110.00) per month for 20 years' creditable military service with an additional ~~ten dollars and fifty cents ($10.50)~~ eleven dollars ($11.00) per month for each additional year of ~~such~~ creditable military service; provided, however, that the total pension shall not exceed two hundred ~~ten~~ twenty dollars ~~($210.00)~~ ($220.00) 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 41.28.(b) This section applies to pension benefit amounts payable from the North Carolina National Guard Pension Fund (Pension Fund) due to a member on or after January 1, 2027. If a member becomes eligible to receive a pension benefit from the Pension Fund on or before December 31, 2026, but the pension benefit amount is paid from the Pension Fund on or after January 1, 2027, 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 41.28.(c) This section is effective January 1, 2027.

ENHANCE BENEFITS UNDER NORTH CAROLINA FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND AND MAKE TECHNICAL CHANGES TO THE RELATED STATUTES

SECTION 41.29.(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-four dollars ($184.00) 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 41.29.(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 41.29.(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 41.29.(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 41.29.(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 41.29.(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 41.29.(g) This section applies to pension benefit amounts payable from the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund due to a member or beneficiary on or after January 1, 2027. If a member or beneficiary becomes eligible to receive a pension benefit from the Pension Fund on or before December 31, 2026, but the pension benefit amount is paid from the Pension Fund on or after January 1, 2027, 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 41.29.(h) This section is effective January 1, 2027.

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
D-6 HQ (Cumberland Co.)–Maintenance Shop Replacement	DACS23-7
Research Stations–New Maintenance Shop Facilities	DACS23-8
Piedmont Research Station–Bridge	DACS23-9
Research Stations–Multipurpose Facilities	DACS23-10
NCFS–New County Offices, Region 3	DACS23-11
Tuttle Educational State Forest–Office & Education Center	DACS23-12
D-12–New Headquarters & Shop	DACS23-13
Department of Environmental Quality	
Water Resources Development Projects	DEQ-WRD26
Department of Natural and Cultural Resources	
NC Museum of History–Expansion	DNCR21-13
Zoo–New Aviary	DNCR23-1
Museum of Art/Winston-Salem–Hanes House Upgrades	DNCR26-1
Museum of Natural Sciences–Capital/Equipment/Exhibits	DNCR26-2
Stone Mountain Visitor Center	DNCR26-3

Zoo–Park Security/Modular Offices DNCR26-4

Department of Administration
State Government Executive Headquarters DOA22-1
Department of Instruction Building Renovation DOA22-3
Service Campus DOA23-1
State Agency Lease DOA23-2
Archdale Building Demolition DOA23-3
Caswell Square Demolition DOA23-4
Parking Deck–Wilmington Street DOA23-5

Department of Adult Correction
Stun Fencing/Priority 1 Fire Safety & Suppression DAC23-1
Storage Buildings DAC23-6

Department of Public Safety
State Highway Patrol–
Auditorium DPS23-3
Training Academy Facilities Enhancement–Phases 3-6 DPS23-4
Training Center Cadet Dorm & Training Bldg. DPS23-7
SHP Headquarters DPS26-1
Property Acquisition DPS26-3
State Bureau of Investigation–
SBI/SHP Maintenance Bldg. DPS26-2
SBI Logistics Bldg.–Phase 2 DPS26-4
SBI Data Center Security Improvements DPS26-5
Juvenile Justice–
Youth Detention Center R&R DPS23-1
National Guard–
NCNG Matching Fund NG25-1
Rocky Mount Complex/MILCON NG23-4
Special Forces Complex NG23-5
Louisburg Readiness Center NG23-9
Greensboro Hangar NG26-1
Constable Building NG23-3
Central Region RSOI Site (McLeansville) NG26-3
Northeast Region RSOI Site (Kinston) NG26-4
Southeast Region RSOI Site (McCain) NG26-5
Western Region RSOI Site (Morganton) NG26-6

Department of Insurance
Office of State Fire Marshal–
Land Development & Training Center DOI21-1

Department of Military and Veterans Affairs
Fayetteville Veterans Home DMVA26-1

Department of Transportation
North Carolina Global TransPark Authority–
Aircraft Maintenance Repair & Overhaul Facility TRAN23-1

General Assembly	
Education Campus Project	NCGA21-3
Education Campus Parking Deck	NCGA23-1
Education Campus Demolition	NCGA23-2
Old State Capitol/Grounds Restoration/Planning	NCGA26-1
The University of North Carolina	
Appalachian State University–	
Peacock Hall/Business	UNC/ASU21-1
Hickory Campus	UNC/ASU22-1
Walker Hall–Interior Renovation	UNC/ASU23-1
East Hall Redevelopment	UNC/ASU26-1
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
Carolina North Planning/Infrastructure	UNC/CH26-1
Elizabeth City State University–	
Sky Bridge	UNC/ECS21-2
Infrastructure Repairs–Phase 3	UNC/ECS23-1
Jenkins Hall/Dixon Hall–Labs/Classroom/Bldg. Renovation	UNC/ECS23-2
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
Medical Examiner Office	UNC/ECU23-3
Fayetteville State University–	
College of Education	UNC/FSU21-2
Parking Deck	UNC/FSU21-3
Butler Targeted Renovation	UNC/FSU23-1
H.L. Cook Building–Renovation & Addition	UNC/FSU23-2
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–	
Dent Building–Comprehensive Renovation	UNC/NCC23-1
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
Veterinary School–Large Animal Hospital	UNC/NCS23-4
Engineering Classroom Building	UNC/NCS23-5
Nuclear Study/Advanced Research & Test Reactor	UNC/NCS23-6
Business School	UNC/NCS23-7
Poe Hall Demolition/Design/Construction	UNC/NCS24-1
CLAWS Hub Program	UNC/NCS26-1
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 Theater Renovation	UNC/AVL26-1
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 Renovation	UNC/PEM23-1
University of North Carolina School of the Arts–	
Stevens Center–Renovation, Phase 2	UNC/SA23-1
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
Western Carolina University–	
Replacement Engineering Building	UNC/WCU23-1
Campus Safety Infrastructure	UNC/WCU26-1
Winston-Salem State University–	
K.R. Williams Auditorium	UNC/WSS21-1
Eller Hall–Renovation & Elevator Addition	UNC/WSS23-1
Pegram Hall–Renovation & Elevator Addition	UNC/WSS23-2
UNC Board of Governors–	
UNC Lease Funds	UNC/BOG21-1
System Office Capital Project Management Positions	UNC/BOG26-1
PBS North Carolina	UNC/PBS23-1
Repairs and Renovations–The University of North Carolina	UNC/R&R26
Repairs and Renovations–State Agencies (non-UNC)	R&R26
SCIF-Related Personnel	PERS21
OSBM Flexibility Funds	FLEX21

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**	**New/Updated**
DEQ-WRD26	N/A	$33,531,090
DNCR26-1	N/A	4,400,000
DNCR26-2	N/A	4,000,000
DNCR26-3	N/A	10,662,000
DNCR26-4	N/A	6,000,000
DOA22-3	60,000,000	250,000
DOA23-2	4,500,000	5,300,000

DOA23-5	45,000,000	65,000,000
DAC23-6	3,488,000	449,000
DPS23-1	40,450,000	35,000,000
DPS23-3	35,000,000	59,385,000
DPS23-7	43,336,785	77,769,321
DPS26-1	N/A	120,000,000
DPS26-2	N/A	8,071,000
DPS26-3	N/A	930,353
DPS26-4	N/A	33,459,000
DPS26-5	N/A	3,318,000
NG23-3	16,428,582	29,428,582
NG23-4	8,500,000	0
NG23-5	8,000,000	0
NG25-1	N/A	28,000,000
NG26-1	N/A	125,000,000
NG26-3	N/A	11,000,000
NG26-4	N/A	8,800,000
NG26-5	N/A	15,000,000
NG26-6	N/A	6,600,000
DMVA26-1	N/A	40,000,000
NCGA21-3	320,000,000	330,100,000
NCGA26-1	N/A	15,500,000
UNC/ASU21-1	40,000,000	45,000,000
UNC/ASU21-2	54,000,000	79,000,000
UNC/ASU26-1	N/A	2,000,000
UNC/CH26-1	N/A	35,000,000
UNC/ECS21-2	2,500,000	7,500,000
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/NCS23-7	4,500,000	9,500,000
UNC/NCS24-1	5,000,000	185,000,000
UNC/NCS26-1	N/A	20,000,000
UNC/SSM23-2	28,988,042	43,988,042
UNC/SSM25-1	1,600,000	2,180,000
UNC/AVL23-1	26,150,000	31,150,000
UNC/AVL26-1	N/A	4,000,000
UNC/WCU23-1	95,300,000	157,900,000
UNC/WCU26-1	N/A	2,000,000
UNC/FSU21-2	63,000,000	61,000,000
UNC/FSU21-3	10,000,000	12,000,000
UNC/BOG21-1	18,750,000	22,500,000
UNC/BOG26-1	N/A	4,000,000
UNC/R&R26	N/A	200,000,000
R&R26	N/A	200,000,000
FLEX21	175,000,000	185,000,000

SECTION 42.1.(c) The Board of Governors of The University of North Carolina shall prioritize funds allocated for project code UNC/R&R26 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.

SECTION 42.1.(d) For project code R&R26, funds allocated for the 2026-2027 fiscal year shall be utilized for repairs and renovations pursuant to G.S. 143C-8-13. The cost for any single repair and renovation project for a State agency other than The University of North Carolina that is not otherwise specifically authorized in this Part shall not exceed fifteen million dollars ($15,000,000).

SECTION 42.1.(e) Of the funds allocated for project code R&R26, the following allocations shall be made:

(1) The sum of ten million five hundred thousand dollars ($10,500,000) shall be allocated to the State Highway Patrol to be used on the Building 7 capital project.

(2) The sum of six million dollars ($6,000,000) shall be allocated evenly at two million dollars ($2,000,000) each for projects at the North Carolina School for the Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School.

SECTION 42.1.(f) For project code UNC/CH26-1, the Board of Governors of The University of North Carolina shall utilize the funding allocated for aid in developing infrastructure at Carolina North to serve future development parcels, including the following:

(1) Site mitigation and remediation.
(2) Site preparation and grading.
(3) Centralized parking.
(4) Major roads and streets.
(5) Water, sewer, stormwater, and centralized detention.
(6) Power and telecommunications.
(7) Parks, plazas, and landscaping.

SECTION 42.1.(g) Effective June 30, 2026, 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 million dollars ($20,000,000) for each fiscal year from the 2019-2020 fiscal year through the ~~2028-2029~~ 2025-2026 fiscal year."

SECTION 42.1.(h) Notwithstanding any provision of law to the contrary, of the funds appropriated from the State Capital and Infrastructure Fund to the Growing Rural Economies with Access to Technology Fund pursuant to Section 7(b) of S.L. 2019-230, as amended, the State Controller shall transfer unspent and unencumbered funds, except for the sum of fifteen million dollars ($15,000,000), to the State Capital and Infrastructure Fund.

SECTION 42.1.(i) Of the funds allocated to Fayetteville State University (FSU) for the College of Education Building capital improvement project (project code UNC/FSU21-2), FSU shall reallocate two million dollars ($2,000,000) to the Parking Deck capital improvement project (project code UNC/FSU21-3).

SECTION 42.1.(j) For project code NG26-1, all of the following shall apply:

(1) The Department of Public Safety, North Carolina National Guard (NCNG), shall seek federal reimbursement for the costs associated with the property acquisition and any federal reimbursement received shall be deposited into the State Capital and Infrastructure Fund.

(2) Notwithstanding Article 6 of Chapter 146 of the General Statutes, G.S. 143-341, or any other provision of law to the contrary, the NCNG is authorized to do the following:

a. Independently acquire real property necessary to establish the North Carolina Aviation Support Facility.

b. Assume any existing ground-lease agreement in connection with the existing property and extend or enter into a new ground lease under substantially similar conditions for a term of not less than 50 but not more than 99 years.

SECTION 42.1.(k) For project code DMVA26-1, the Office of State Budget and Management shall disburse funding that has been allocated by the General Assembly for the project during the 2026-2027 fiscal year and subsequent fiscal years contingent upon the Department of Military and Veterans Affairs entering into an agreement with an agency of the United States for the acquisition of real property for the purpose of constructing a new veterans home. From funds available in the North Carolina Veterans Home Trust Fund, established in G.S. 143B-1293, the Department of Military and Veterans Affairs shall repay the total amount of forty million dollars ($40,000,000) intended to be allocated from the State Capital and Infrastructure Fund for the project in an amount of no less than one million dollars ($1,000,000) and up to fifteen million dollars ($15,000,000) annually, commencing on the first year the construction of the facility has been completed. Reimbursement funds submitted by the Department of Military and Veterans Affairs pursuant to this subsection shall be credited to the State Capital and Infrastructure Fund.

SECTION 42.1.(*l*) For project codes DAC23-6, NG23-4, and NG23-5, the State Controller shall transfer unspent and unencumbered funds to the State Capital and Infrastructure Fund.

SECTION 42.1.(m) G.S. 143C-4-3.1 reads as rewritten:

"**§ 143C-4-3.1. State Capital and Infrastructure Fund.**

…

(b) Creation and Source of Funds. – The State Capital and Infrastructure Fund (the Fund) is established as a special fund in the General Fund to be administered by the Office of State Budget and Management to carry out the provisions of this section. With the exception of debt service obligations, appropriations from the Fund may be administered by other State agencies as deemed necessary by the Office of State Budget and Management. Interest and investment earnings received on monies in the Fund shall be credited to the Fund. The Fund shall consist of the following additional sources:

(1) The following amounts transferred from the General Fund at the beginning of the applicable fiscal year:

a. For the 2021-2022 fiscal year, the sum of one billion three hundred million dollars ($1,300,000,000).

b. For the 2022-2023 fiscal year, the sum of one billion three hundred sixty-five million five hundred thousand dollars ($1,365,500,000).

c. For the 2023-2024 fiscal year, the sum of one billion four hundred twelve million five hundred ninety-two thousand five hundred dollars ($1,412,592,500).

d. For the 2024-2025 fiscal year, the sum of one billion four hundred sixty-one million three hundred thirty-three thousand two hundred thirty-eight dollars ($1,461,333,238).

e. For the 2025-2026 fiscal year, the sum of one billion one hundred twenty million dollars ($1,120,000,000).

e1. For the 2026-2027 fiscal year, the sum of one billion one hundred thirty-nine million two hundred thousand dollars ($1,139,200,000).

f. For each fiscal year after the ~~2025-2026~~ 2026-2027 fiscal year, the transfer shall be increased three and one-half percent (3.5%) over the amount required under this subdivision for the preceding fiscal year.

…."

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 2026-2027 fiscal year and estimated amounts (in thousands) needed for completion of those projects:

Project Code	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	FY31-32
PERS21	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9	3,154.9
UNC/R&R26	200,000	200,000	200,000	200,000	200,000	200,000
R&R26	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	1,500	1,500	N/A	N/A	N/A	N/A
DNCR23-1	2,000	N/A	14,000	38,000	N/A	N/A
DNCR26-3	1,000	9,662	N/A	N/A	N/A	N/A
DOA22-1	N/A	8,800	22,000	35,200	22,000	N/A
DOA23-1	N/A	1,000	20,244	12,500	N/A	N/A
DOA23-3	N/A	N/A	11,000	N/A	N/A	N/A
DOA23-4	N/A	15,000	N/A	N/A	N/A	N/A
DOA23-5	N/A	30,000	30,000	N/A	N/A	N/A
DPS23-3	20,710.5	25,774.5	8,500	N/A	N/A	N/A
DPS23-4	N/A	N/A	19,000	48,500	77,600	48,900
DPS23-7	19,669.7	42,931.7	8,834.2	N/A	N/A	N/A
DPS26-1	12,000	30,000	48,000	30,000	N/A	N/A
DPS26-2	1,442	3,314.5	3,314.5	N/A	N/A	N/A
DPS26-4	6,234	13,612.5	13,612.5	N/A	N/A	N/A
NG23-3	N/A	13,000	N/A	N/A	N/A	N/A
NG25-1	7,000	7,000	7,000	7,000	N/A	N/A
NG26-4	N/A	8,800	N/A	N/A	N/A	N/A
NG26-5	N/A	N/A	15,000	N/A	N/A	N/A
NG26-6	N/A	N/A	N/A	6,600	N/A	N/A
DMVA26-1	10,000	30,000	N/A	N/A	N/A	N/A
UNC/ASU22-1	14,350	10,250	N/A	N/A	N/A	N/A
UNC/ASU23-1	9,900	6,300	N/A	N/A	N/A	N/A
UNC/AVL23-1	16,767	5,230	N/A	N/A	N/A	N/A
UNC/CLT23-1	12,600	19,800	N/A	N/A	N/A	N/A
UNC/CLT23-2	4,500	9,746	30,754	N/A	N/A	N/A
UNC/CH23-1	N/A	2,500	10,000	N/A	10,000	2,500
UNC/ECU23-1	23,246	18,154	N/A	N/A	N/A	N/A
UNC/ECU23-2	N/A	1,890	N/A	10,000	7,010	N/A
UNC/PEM21-1	24,400	4,250	N/A	N/A	N/A	N/A

UNC/PEM23-1	N/A	32,150	22,750	N/A	N/A	N/A
UNC/ECS23-2	N/A	1,250	N/A	11,250	N/A	N/A
UNC/FSU23-1	N/A	2,075	N/A	12,000	6,675	N/A
UNC/A&T23-2	5,335	20,912	29,455	69,798	N/A	N/A
UNC/NCC23-1	4,829.5	6,036.9	N/A	N/A	N/A	N/A
UNC/NCC23-2	4,549.8	13,649	N/A	N/A	N/A	N/A
UNC/NCC23-3	6,710.5	939.5	N/A	N/A	N/A	N/A
UNC/NCS23-1	N/A	N/A	N/A	2,000	8,000	N/A
UNC/NCS23-2	28,000	20,000	N/A	N/A	N/A	N/A
UNC/NCS23-3	39,947.7	16,752.3	N/A	N/A	N/A	N/A
UNC/NCS23-5	20,000	20,000	67,000	80,000	13,000	N/A
UNC/NCS23-6	6,500	6,500	N/A	N/A	N/A	N/A
UNC/NCS24-1	38,700	39,250	62,800	39,250	N/A	N/A
UNC/SSM23-2	4,800	15,500	7,938	N/A	N/A	N/A
UNC/SSM23-4	1,000	9,000	N/A	N/A	N/A	N/A
UNC/GBO23-1	8,470	13,310	N/A	N/A	N/A	N/A
UNC/SA23-2	N/A	2,450	8,575	N/A	13,475	N/A
UNC/WIL23-1	14,920.3	21,124.7	N/A	N/A	N/A	N/A
UNC/WIL23-2	9,720	9,720	N/A	N/A	N/A	N/A
UNC/WIL23-3	4,526.4	6,408.6	N/A	N/A	N/A	N/A
UNC/WIL24-1	N/A	N/A	29,644	23,723	21,633	N/A
UNC/WCU23-1	9,530	39,955	87,415	19,000	N/A	N/A
UNC/WSS23-1	1,810.7	8,189.3	N/A	N/A	N/A	N/A
UNC/WSS23-2	800	14,400	N/A	N/A	N/A	N/A
UNC/PBS23-1	10,000	7,325	18,412.5	8,812.5	N/A	N/A
UNC/BOG21-1	3,750	3,750	N/A	N/A	N/A	N/A
UNC/BOG26-1	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 2026-2027**
Department of Natural and Cultural Resources	
Jennette's Pier Aquarium–	
Solar Covered Walkway	$450,000
Roanoke Island Aquarium–	
Invertebrate Tank	$500,000
Pine Knoll Shores Aquarium–	
Invertebrate Tank	$2,000,000
NC Zoo–	
Elephant Shelters & Barn Bollard Repair	$2,500,000
State Historic Sites–	
House in the Horseshoe–	
Alston House Rehabilitation	$445,000
Department of Agriculture and Consumer Services	
Cooperating Grading & Field Crop Infrastructure	$250,000
Grain Storage and Drying Improvements	$500,000
Irrigation Improvements at Research Stations	$500,000

Umstead Research Station Beef Program Buildout	$2,500,000
Department of Military and Veterans Affairs	
Eastern Carolina State Veterans Cemetery Expansion	$2,138,450
Western Carolina State Veterans Cemetery Expansion	$1,954,150
Department of Public Safety	
Alcoholic Beverage Control–	
ABC Warehouse Repairs	$1,150,000
Wildlife Resources Commission	
Game Land Improvements Morganton Depot Dam	$1,286,881
D7 Storage Building	$400,000
Caswell Shooting Range Renovation	$3,850,000
New Shooting Ranges	$4,000,000
Ransom Road Depot	$10,000,000
Land Acquisition	$30,000,000
WRC Game Land Improvements	$6,000,000
McKinney Lake Hatchery Building Replacement	$1,300,000
Table Rock Hatchery Residence	$640,000
New Tillery Office Depot	$1,500,000
Inland Fish District 2 Storage Building	$840,000
Butner Lab and Office Building	$1,900,000
Caswell Depot Expansion	$100,000
BAA Renovation R&R	$900,000
Infrastructure R&R	$3,000,000
TOTAL AMOUNT OF NON-GENERAL FUND/NON-SCIF CAPITAL PROJECTS AUTHORIZED	**$80,604,481**

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 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.

REALLOCATION OF SCIF FUNDING

SECTION 42.4.(a) Of the funds appropriated from the State Capital and Infrastructure Fund for project code DOA22-3, the State Controller shall transfer all unspent and unencumbered funds to the State Capital and Infrastructure Fund. These funds are intended to be allocated from the State Capital and Infrastructure Fund to project code NCGA26-1 and may be used for the following:

(1) Capital improvements and renovations at the North Carolina State Capitol Building, including the Capitol Square.

(2) Capital improvements, renovations, and planning, including studies, drawings, and designs, for other current and future State government capital and renovation projects.

SECTION 42.4.(b) For project code NCGA26-1, 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 capital improvement, renovation, or planning activity described in this section.

SECTION 42.4.(c) This section is effective when it becomes law.

SCIF CORRECTIONS

SECTION 42.5.(a) Section 40.1 of S.L. 2023-134, as amended by Section 9.1(b) of S.L. 2024-1, Section 10(b) of S.L. 2024-34, and Section 2H.3(a) of S.L. 2024-57, reads as rewritten:

"**SECTION 40.1.(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 Adult Correction	
Stun ~~Fencing~~Fencing/Priority 1 Fire Safety & Suppression	DAC23-1
…	
Juvenile Justice–	
~~New Youth Detention Center~~Youth Detention Center R&R	DPS23-1
…	
North Carolina State University–	
…	
Nuclear ~~Study~~Study/Advanced Research & Test Reactor	UNC/NCS23-6
…	

"**SECTION 40.1.(a1)** Notwithstanding the Committee Report referenced in Section 43.2 of this act or any other provision of law to the contrary, the allocation to the Department of Adult Correction for project code DAC23-1 may also be used for fire alarm and fire suppression systems replacement at eight facilities.

"**SECTION 40.1.(a2)** Notwithstanding the Committee Report referenced in Section 43.2 of this act or any other provision of law to the contrary, the allocation to the Department of Public Safety for project code DPS23-1 shall be used for repairs and renovations of existing youth detention facilities.

…."

SECTION 42.5.(b) Section 2H.6 of S.L. 2024-57 reads as rewritten:

"**SECTION 2H.6.** There is appropriated from the State Capital and Infrastructure Fund to North Carolina State University the sum of five million dollars ($5,000,000) in nonrecurring funds for the 2024-2025 fiscal year to be used to assess the costs associated with rehabilitating or replacing Poe Hall. The study and any additional demolition or construction activity shall be known as UNC/NCS24-1."

SECTION 42.5.(c) Notwithstanding Section 36.6 of S.L. 2018-5, or the Committee Report referenced in Section 39.2 of S.L. 2018-5, of the funds appropriated for the Board of Governors of The University of North Carolina for the Planning Task Force, the Board of Governors may utilize any unexpended funds to develop systemwide space planning standards for the constituent institutions of The University of North Carolina. The updated standards shall consider current instructional pedagogies, research space needs, utilization and efficiency metrics, and best practices for higher education facility planning and operations. The University of North Carolina System Office shall report the recommended standards and any legislative recommendations to the Board of Governors and the Fiscal Research Division on or before June 1, 2028.

SECTION 42.5.(d) Section 40.8(a) of S.L. 2023-134, as enacted by Section 9.1(a) of S.L. 2024-1 and amended by Section 7.1(a) of S.L. 2025-4 and Section 5.2(a) of S.L. 2025-89, is amended by adding a new subdivision to read:

"(7) The funding allocated in the form of a grant to the College of the Albemarle in the sum of twelve million five hundred thousand dollars ($12,500,000) for

the 2023-2024 fiscal year may also be used for any other capital improvement project."

SECTION 42.5.(e) Section 40.17(a) of S.L. 2021-180, as enacted by Section 9.1(d) of S.L. 2021-189 and amended by Section 18.1 of S.L. 2022-6, Section 16 of S.L. 2022-11, Section 40.2 of S.L. 2022-74, Section 40.5(n) of S.L. 2023-134, Section 9.1(c) of S.L. 2024-1, and Section 7.1(b) of S.L. 2025-4, reads as rewritten:

"**SECTION 40.17.(a)** Notwithstanding any provision of law or the Committee Report referenced in Section 43.2 of this act to the contrary, the following grants and funds allocated from the State Capital and Infrastructure Fund are amended as follows:

…

(83) The remaining amount of funding originally allocated to Columbus County in the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2021-2022 fiscal year for a new sheriff's office may also be used by the Columbus County Sheriff for HVAC and sprinkler system projects at the detention center."

NATIONAL GUARD PROJECTS

SECTION 42.6.(a) From the funds allocated in this Part for Project Code NG25-1, 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 seven million dollars ($7,000,000) during the 2026-2027 fiscal year.

SECTION 42.6.(b) No later than June 1, 2028, 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.

RETURN ON INVESTMENT REQUIREMENTS FOR CAPITAL FUNDING

SECTION 42.7.(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 (i) building systems or (ii) environmental or sustainability systems 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 construction cost of the building system or environmental or sustainability system is recovered in 10 years or less by reducing the project operating costs. The contracting entity shall obtain written attestation at the design development phase from the engineer or architect of record for the project that the building system or environmental or sustainability systems being employed by the project meet the requirements of this subsection. When construction drawings or plans have been completed, the contracting entity shall provide a report to the Fiscal Research Division confirming that any building system or environmental or sustainability systems included in the project meet the requirements of this subsection. The requirements of this subsection shall be met regardless of whether an environmental or sustainability certification or rating is pursued."

SECTION 42.7.(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) Funds disbursed for capital improvement projects may not be used for (i) building systems or (ii) environmental or sustainability systems 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 construction cost of the building system or environmental or sustainability system is recovered in 10 years or less by reducing the project operating costs. The contracting entity shall obtain written attestation at the design development phase from the engineer or architect of record for the project that the building system or environmental or sustainability systems being employed by the project meet the requirements of this subsection. When construction drawings or plans have been completed, the contracting entity shall provide a report to the Fiscal Research Division confirming that any building system or environmental or sustainability systems included in the project meet the requirements of this subsection. The requirements of this subsection shall be met regardless of whether an environmental or sustainability certification or rating is pursued."

STATE CAPITOL LONG-TERM MAINTENANCE PLAN CHANGES

SECTION 42.8.(a) Section 40.1 of S.L. 2021-180 reads as rewritten:

"…

"**SECTION 40.1.(j)** ~~For~~ Notwithstanding any provision of law to the contrary, for project code NCGA21-4, the Legislative Services Office shall utilize the funds allocated to ~~develop~~

develop, update, and execute a long-term master maintenance plan for the State Capitol ~~Building, including~~ Building and the Capitol Square, ~~with a focus on the roof of the structure and~~ including potential capital repairs, rehabilitation, renovation, and restoration expenditures for the ~~structure and its~~ updating and preservation of the structure, roof, infrastructure system ~~components.~~ components, interior, structural elements, and the grounds. In addition, and notwithstanding any applicable provision of G.S. 100-8 to the contrary, the Legislative Services Office shall purchase from State funds and place on the grounds of the State Capitol (i) a monument celebrating North Carolina's contributions in the Revolutionary War in recognition of America's Semiquincentennial celebration and (ii) a monument honoring 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 42.8.(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, in consultation with the Legislative Services Officer and 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.

A department having custody of, entrusted with, or having jurisdiction over a portion of the Capitol shall, in matters of caring for, administering, preserving, maintaining, altering,

renovating, or furnishing such areas, consult with the Legislative Services Officer to ensure the integrity of the General Assembly's historic home."

REVERT UNSPENT SCIF GRANTS

SECTION 42.9.(a) Section 40.8(3) of S.L. 2021-180 reads as rewritten:

"(3) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, unless otherwise indicated, nonrecurring funds appropriated in this Part as grants shall not revert until ~~expended or~~ (i) expended, (ii) the particular project has been ~~completed.~~completed, or (iii) June 30, 2027, whichever occurs first. If a grant appropriated under this Part has been reallocated in a subsequent act, the funds shall not revert until (i) expended, (ii) the particular project has been completed, or (iii) two years after the reallocation, whichever occurs first. Funds reverted pursuant to this subdivision shall revert to the General Fund."

SECTION 42.9.(b) Section 40.7(3) of S.L. 2023-134 reads as rewritten:

"(3) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, unless otherwise indicated, nonrecurring funds appropriated in this Part as grants shall not revert until ~~expended or the~~ (i) expended, (ii) the particular project has been ~~completed.~~completed, or (iii) June 30, 2027, whichever occurs first. If a grant appropriated under this Part has been reallocated in a subsequent act, the funds shall not revert until (i) expended, (ii) the particular project has been completed, or (iii) two years after the reallocation, whichever occurs first. Funds reverted pursuant to this subdivision shall revert to the General Fund."

CAPITAL PROJECT ACCOUNTS

SECTION 42.10.(a) The Office of State Budget and Management (OSBM) shall identify all capital project accounts established on or before June 30, 2021, that have an unobligated cash balance as of the effective date of this act. OSBM shall transfer the remaining cash balance in each such account to the State Capital and Infrastructure Fund established under G.S. 143C-4-3.1, except that no transfer shall be made from an account if either of the following criteria is met:

(1) The funds in the account were appropriated or allocated from restricted non-General Fund or non-State Capital and Infrastructure Fund sources, including, but not limited to, federal funds, private grants, or other receipts not derived from the General Fund or the State Capital and Infrastructure Fund.

(2) The account carries an encumbrance, as that term is defined in G.S. 143C-1-1(d)(12), outstanding as of the date the transfer would otherwise occur.

SECTION 42.10.(b) Notwithstanding the funds transfer requirement in subsection (a) of this section, if OSBM identifies any capital project accounts with unspent Access NC funds, OSBM may reallocate those unspent funds to the Department of Natural and Cultural Resources for eligible accessibility projects at State Parks and Historic Sites.

SECTION 42.10.(c) OSBM shall report on the accounts reviewed and transfers made pursuant to this section, including a summary of balances transferred and accounts exempted, as part of the reporting requirements in G.S. 143C-8-14.

SECTION 42.10.(d) Funds transferred to the State Capital and Infrastructure Fund pursuant to this section are hereby appropriated for repairs and renovation projects. OSBM shall allocate funds appropriated pursuant to this subsection in accordance with the prioritization process set forth in G.S. 143C-8-13 and any applicable guidelines established by the Director of the Budget.

SECTION 42.10.(e) As used in this section, "capital project account" means any account established to receive and disburse appropriations for capital improvement projects as defined in G.S. 143C-1-1(d)(5). The term does not include appropriations to the General Assembly.

NC A&T CHANCELLOR'S RESIDENCE TRANSFER

SECTION 42.11.(a) The State of North Carolina shall convey to The North Carolina A&T Real Estate Foundation, Inc. (the Grantee), for consideration of one dollar ($1.00), all its rights, titles, and interests in the parcel identified with Land Asset ID 1128 in the inventory of State-owned land maintained by the Department of Administration pursuant to G.S. 143-341. This is the same property identified with PIN Number 7866-15-4390, as seen in the Office of the Tax Administrator in Guilford County, and is described in Deed Book 4884, Page 1816 in the Guilford County Register of Deeds.

SECTION 42.11.(b) In the event that the Grantee sells the real property described in this section, the Grantee shall use the proceeds of the sale for the purchase of a new Chancellor's residence for the North Carolina Agricultural and Technical State University.

SECTION 42.11.(c) The State of North Carolina shall convey the real property described in subsection (a) of this section "as is" and "where is" without warranty. The State makes no representations or warranties concerning the title to the property, the boundaries of the property, the uses to which the property may be put, zoning, local ordinances, or any physical, environmental, health, and safety conditions relating to the property.

SECTION 42.11.(d) The conveyance of the State's rights, titles, and interests in the real property described in subsection (a) of this section shall be exempt from the provisions of Article 7 of Chapter 146 of the General Statutes. The conveyance shall comply with the provisions of Article 16 of Chapter 146 of the General Statutes, provided that the provisions of G.S. 146-74 shall not apply.

FOREST SERVICE ALLOCATION

SECTION 42.12. Notwithstanding the Committee Report described in Section 43.2 of S.L. 2023-134 (Committee Report), or any other provision of law to the contrary, the twelve million dollars ($12,000,000) in nonrecurring funding appropriated to the Department of Agriculture and Consumer Services by Item #16 on page H2 of the Committee Report for the acquisition of property located in Franklin County for a tree nursery shall not be used for that purpose but shall instead be allocated to the North Carolina Forest Service (Service) for equipment, capital, or land acquisition by the Service.

SALUDA GRADE TRAILS CONSERVANCY CLARIFICATION

SECTION 42.13. The funds allocated by Section 2H.7(1) of S.L. 2024-57 to the Department of Natural and Cultural Resources to provide a directed grant to the Saluda Grade Trails Conservancy, a nonprofit corporation, may, notwithstanding that subdivision, also be used for purposes of designing, planning, and developing a recreational trail along the Saluda Grade, including the provision of matching funds for grants related to trail development along the Saluda Grade. For purposes of this section, "Saluda Grade" means the portion of the Norfolk Southern W-Line railroad between milepost 26 in the unincorporated community of Zirconia in Henderson County and the boundary between North Carolina and South Carolina.

NCSU/CLAWS HUB FUNDING

SECTION 42.14. For project code UNC/NCS26-1, the funding to North Carolina State University for the Commercial Leap Ahead for Wide Bandgap Semiconductors (CLAWS) Hub shall be used in conjunction with approximately one hundred million dollars ($100,000,000) in federal CHIPS Act investment and will support future federal funding, a focus on dual-use

technologies essential to broadband infrastructure, 5G/6G communications, wireless chips, artificial intelligence, quantum systems, and national defense while supporting the State's fast-growing semiconductor ecosystems by bridging university research, workforce development, commercialization, and advanced manufacturing deployment. These funds may be used for noncapital improvement purposes.

GRANTS TO NON-STATE ENTITIES

SECTION 42.15. Requirements. – For purposes of this Part, nonrecurring funds allocated from the State Capital and Infrastructure Fund as grants to non-State entities, as defined by G.S. 143C-1-1(d), are subject to all of the following requirements:

(1) As soon as practicable after the effective date of this act, each State agency administering grants shall begin disbursement of funds to each grantee non-State entity when all applicable requirements are met. However, disbursement of grant funds allocated for the 2026-2027 fiscal year shall commence no later than 100 days after the date this act becomes law, and disbursement in full to all grantees shall be completed no later than nine months after the date this act becomes law.

(2) G.S. 143C-6-23(b) through (f) and (f2) through (k) apply to the grants.

(3) Notwithstanding any provision of G.S. 143C-1-2(b) to the contrary, unless otherwise indicated, nonrecurring funds appropriated in this Part as grants shall not revert until (i) expended, (ii) the particular project has been completed, or (iii) June 30, 2029, whichever occurs first. If a grant appropriated under this Part has been reallocated in a subsequent act, the funds shall not revert until (i) expended, (ii) the particular project has been completed, or (iii) two years after the reallocation, whichever occurs first. Funds reverted pursuant to this subdivision shall revert to the General Fund.

(4) Grants to each grantee non-State entity shall be used for nonsectarian, nonreligious purposes only.

(5) By January 1, 2027, and then quarterly thereafter, the Office of State Budget and Management shall report to the Fiscal Research Division on the schedule for and status of grant disbursement. At a minimum, the report shall include the following for each grant:

a. The date when the disbursing agency issued the initial contract.
b. The date when the contract was sent to the grantee non-State entity.
c. The date when the fully executed contract was returned to the disbursing agency.
d. The date when the contract was executed.
e. The date when a grant was disbursed in full.

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 2027-2028	$3,494.7 million
For Fiscal Year 2028-2029	$3,696.9 million
For Fiscal Year 2029-2030	$3,750.3 million
For Fiscal Year 2030-2031	$3,811.0 million
For Fiscal Year 2031-2032	$3,877.7 million

SECTION 43.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2027-2028	$2,647.7 million
For Fiscal Year 2028-2029	$2,750.0 million
For Fiscal Year 2029-2030	$2,814.4 million
For Fiscal Year 2030-2031	$2,892.5 million
For Fiscal Year 2031-2032	$2,972.7 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 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 Budget Fund for the 2026-2027 fiscal year 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.

DISASTER REIMBURSEMENT REPORTS

SECTION 43.3. 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 43.4. For the 2026-2027 fiscal year:

(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 43.5. 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 43.6. The North Carolina Department of Transportation's Office of Civil Rights is hereby renamed the "Office of Economic Opportunity and Compliance."

CAPITAL INFRASTRUCTURE PLAN

SECTION 43.7. The Department of Transportation shall prepare a cash flow financing plan to fund capital replacement needs for all divisions of the Department 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, 2027.

CAPITAL ITEMS

SECTION 43.8.(a) The General Assembly authorizes the following Department of Transportation capital projects in the 2026-2027 fiscal year based upon projected cash flow needs for the authorized projects. The authorizations provided in this subsection represent the maximum amount of funding from the Highway Fund that may be expended on each project. An additional action by the General Assembly is required to increase the maximum authorization for any of the projects listed:

Maximum

Item	Project Authorization
Manns Harbor Water Infrastructure Overhaul	$18,000,000
Wake County Maintenance Yard	$60,100,000
Jones County Maintenance Yard	$32,100,000

SECTION 43.8.(b) 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 Highway 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:

Item	FY26-27	FY27-28	FY28-29
Manns Harbor Water Infrastructure Overhaul	$9,000	$9,000	
Wake County Maintenance Yard	$9,100	$25,500	$25,500
Jones County Maintenance Yard	$3,569	$18,542	$9,989

SECTION 43.8.(c) No later than March 1, 2027, and every year thereafter until project completion, the Department shall report on the use of these funds to the House of Representatives Appropriations Committee on Transportation, the Senate Appropriations Committee on the Department of Transportation, the Joint Legislative Transportation Oversight Committee (JLTOC), and the Fiscal Research Division. Each report shall include all of the following information:

(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) Expenditures to date.

CARRYFORWARD OF FUNDS FOR NEW DMV OFFICE LOCATIONS

SECTION 43.9. Section 2F.2 of S.L. 2025-89 is amended by adding a new subsection to read:

"**SECTION 2F.2(c)** Funds appropriated pursuant to this section shall not revert at the end of the 2025-2026 fiscal year but shall remain available for the purposes described in this section until expended."

ELIMINATE MOTOR VEHICLE REGISTRATION CARDS AND STICKERS

SECTION 43.10.(a) It is the intent of the General Assembly to reduce administrative costs, streamline vehicle registration processes, and enhance efficiency by eliminating motor vehicle registration cards and motor vehicle registration renewal stickers.

SECTION 43.10.(b) The Division of Motor Vehicles of the Department of Transportation shall develop, implement, and maintain a secure and user-friendly electronic vehicle registration system that allows vehicle owners, law enforcement agencies, and other authorized entities to access and verify registration status without the need for physical registration cards or renewal stickers.

SECTION 43.10.(c) G.S. 20-57 reads as rewritten:

"**§ 20-57. Division to issue certificate of title and ~~registration card.~~electronic notice of registration.**

(a) The ~~Division~~ Division, upon registering a ~~vehicle~~ vehicle, shall ~~issue a registration card and a~~ issue: (i) an electronic notice of registration and (ii) a certificate of title as a separate ~~documents.~~document.

(a1) The Division shall maintain an electronic record of all vehicles registered in the State and shall update the information contained in those records as required by this Chapter.

(b) The notice of registration ~~card~~ shall be delivered electronically to the owner and shall ~~contain upon the face thereof~~ state: (i) the name and address of ~~the owner,~~ all owners, (ii) the registration number assigned to the vehicle, and (iii) a description of the vehicle as determined by the ~~Commissioner, provided that if there are more than two owners the Division may show only two owners on the registration card and indicate that additional owners exist by placing after the names listed "et al."~~ Commissioner. An owner may obtain a printed copy of ~~a registration card~~ the electronic notice of registration issued in the owner's name by applying to the ~~Division for a copy~~ Division, either in person or through an online portal maintained by the Division, and paying ~~the fee set in G.S. 20-85.~~a fee not to exceed the actual cost of printing and mailing.

~~(c) Every such registration card shall at all times be carried in the vehicle to which it refers or in the vehicle to which transfer is being effected, as provided by G.S. 20-64 at the time of its operation, and such registration card shall be displayed upon demand of any peace officer or any officer of the Division: Provided, however, any person charged with failing to so carry such registration card shall not be convicted if he produces in court a registration card theretofore issued to him and valid at the time of his arrest: Provided further, that in case of a transfer of a license plate from one vehicle to another under the provisions of G.S. 20-72, evidence of application for transfer shall be carried in the vehicle in lieu of the registration card.~~

(d) The certificate of title shall contain ~~upon the face thereof the~~ on its face identical information as required ~~upon the face of the registration card except the abbreviation "et al." if such appears and in addition thereto the name of all owners,~~ on the electronic notice of registration, the date of ~~issuance~~ issuance, and all liens or encumbrances disclosed in the application for title. All ~~such~~ liens or encumbrances shall be shown in the order of their priority, according to the information contained in ~~such~~ the application.

…."

SECTION 43.10.(d) G.S. 20-66 reads as rewritten:

"**§ 20-66. Renewal of vehicle registration.**

(a) Annual Renewal. – The registration of a vehicle must be renewed annually. In accordance with G.S. 105-330.5(b), upon receiving written consent from the owner of the vehicle, the Division may send any required notice of renewal electronically to an e-mail address provided by the owner of the vehicle. To renew the registration of a vehicle, the owner of the vehicle must file an application with the Division and pay the required registration fee. The owner of a vehicle registered in North Carolina may renew that vehicle registration by mail. The Division may receive and grant an application for renewal of registration at any time before the registration expires.

(b) ~~Method of~~ Division Action upon Renewal. – When the Division renews the registration of a vehicle, it must ~~issue a new registration card for the vehicle and either a new registration plate or a registration renewal sticker. The Division may renew a registration plate for any type of vehicle by means of a renewal sticker.~~update the electronic record of registration and issue an updated electronic notice of registration, which must indicate the period for which the registration is valid.

…

~~(c) Renewal Stickers. – A single registration renewal sticker issued by the Division must be displayed on the registration plate that it renews in the place prescribed by the Commissioner and must indicate the period for which it is valid. Except where physical differences between a registration renewal sticker and a registration plate render a provision of this Chapter~~

~~inapplicable, the provisions of this Chapter relating to registration plates apply to registration renewal stickers.~~

…

(g) When ~~Renewal Sticker~~ Renewed Registration Expires. – The registration of a vehicle that is renewed ~~by means of a registration renewal sticker~~ in accordance with this section expires at midnight on the last day of the last month ~~designated on the sticker.~~ of the validity period indicated on the electronic notice of registration. It is lawful, however, to operate the vehicle on a highway until midnight on the fifteenth day of the month following the month in which the ~~sticker~~ registration expired.

~~The Division may vary the expiration dates of registration renewal stickers issued for a type of vehicle so that an approximately equal number expires at the end of each month, quarter, or other period consisting of one or more months. When the Division implements registration renewal for a type of vehicle by means of a renewal sticker, it may issue a registration renewal sticker that expires at the end of any monthly interval.~~

…."

SECTION 43.10.(e) G.S. 20-4.01 reads as rewritten:

"**§ 20-4.01. Definitions.**

Unless the context requires otherwise, the following definitions apply throughout this Chapter to the defined words and phrases and their cognates:

…

(7c) Electronic Record of Registration. – The electronic record of registration for a vehicle maintained by the Division pursuant to G.S. 20-57.

~~(7c)~~(7d) Employer. – Any person who owns or leases a commercial motor vehicle or assigns a person to drive a commercial motor vehicle and would be subject to the alcohol and controlled substance testing provisions of 49 C.F.R. § 382 and also includes any consortium or third-party administrator administering the alcohol and controlled substance testing program on behalf of owner-operators subject to the provisions of 49 C.F.R. § 382.

…."

SECTION 43.10.(f) G.S. 20-26 reads as rewritten:

"**§ 20-26. Records; copies furnished; charge.**

…

(b1) The registered or declared weight set forth on the vehicle registration ~~card~~ or a certified copy of the Division record sent by the Department of Public Safety or otherwise is admissible in any judicial or administrative proceeding and shall be prima facie evidence of the registered or declared weight.

…."

SECTION 43.10.(g) G.S. 20-28.2 reads as rewritten:

"**§ 20-28.2. Forfeiture of motor vehicle for impaired driving after impaired driving license revocation; forfeiture for felony speeding to elude arrest.**

…

(a1) Definitions. – As used in this section and in G.S. 20-28.3, 20-28.4, 20-28.5, 20-28.7, 20-28.8, 20-28.9, 20-54.1, and 20-141.5, the following terms mean:

…

(3a) Motor Vehicle Owner. – A person in whose name a registration ~~card~~ card, an electronic notice of registration, or certificate of title for a motor vehicle is issued at the time of seizure.

…

(6) Registered Owner. – A person in whose name a registration card or an electronic notice of registration for a motor vehicle is issued at the time of seizure.

…."

SECTION 43.10.(h) G.S. 20-45 reads as rewritten:

"**§ 20-45. Seizure of documents and plates.**

(a) The Division is authorized to take possession of any certificate of title, ~~registration card,~~ permit, license, or registration plate issued by it upon expiration, revocation, cancellation, or suspension thereof, or which is fictitious, or which has been unlawfully or erroneously issued, or which has been unlawfully used.

(b) The Division may give notice to the owner, licensee or lessee of its authority to take possession of any certificate of title, ~~registration card,~~ permit, license, or registration plate issued by it and require that person to surrender it to the Commissioner or the Commissioner's officers or agents. Any person who fails to surrender the certificate of title, ~~registration card,~~ permit, license, or registration plate or any duplicate thereof, upon personal service of notice or within 10 days after receipt of notice by mail as provided in G.S. 20-48, shall be guilty of a Class 2 misdemeanor.

(c) Any sworn law enforcement officer with jurisdiction, including a member of the State Highway Patrol, is authorized to seize the certificate of title, ~~registration card,~~ permit, license, or registration plate, if the officer has electronic or other notification from the Division that the item has been revoked or cancelled, or otherwise has probable cause to believe that the item has been revoked or cancelled under any law or statute, including G.S. 20-311. If a criminal proceeding relating to a certificate of title, ~~registration card,~~ permit, or license is pending, the law enforcement officer in possession of that item shall retain the item pending the entry of a final judgment by a court with jurisdiction. If there is no criminal proceeding pending, the law enforcement officer shall deliver the item to the Division.

…."

SECTION 43.10.(i) G.S. 20-49 reads as rewritten:

"**§ 20-49. Police authority of Division.**

The ~~Commissioner and such~~ Commissioner, any officers and inspectors of the Division ~~as he shall designate~~ designated by the Commissioner, and all members of the Highway Patrol and law enforcement officers of the Department of Public Safety shall have the power:

…

(4) When on duty, upon reasonable belief that any vehicle is being operated in violation of any provision of this Article or of any other law regulating the operation of vehicles to require the driver ~~thereof to~~ of that vehicle to: (i) stop and exhibit his or her driver's ~~license and the registration card issued for the vehicle, and~~ license and (ii) submit to an inspection of ~~such~~ the stopped vehicle, including the vehicle's registration plates ~~and registration card thereon or to an inspection~~ and a test of the ~~equipment of such vehicle.~~vehicle's equipment.

…."

SECTION 43.10.(j) G.S. 20-52 reads as rewritten:

"**§ 20-52. Application for registration and certificate of title.**

(a) An owner of a vehicle subject to registration must apply to the Division for a certificate of ~~title,~~ title and a registration ~~plate, and a registration card~~ plate for the vehicle. To apply, an owner must complete an application provided by the Division. The application shall contain a preprinted option that co-owners may use to title the vehicle as a joint tenancy with right of survivorship. The co-owners' designation of a joint tenancy with right of survivorship on the application shall be valid notwithstanding whether this designation appears on the assignment of title. The application must request all of the following information and may request other information the Division considers necessary:

…

(c) Unless otherwise prohibited by federal law, an application for a certificate of title, salvage certificate of title, a registration plate, ~~a registration card,~~ and any other document required by the Division to be submitted with the application and requiring a signature may be submitted to the Division with an electronic signature in accordance with Article 40 of Chapter 66 of the General Statutes. The required notarization of any electronic signature on any application or document submitted to the Division pursuant to this subsection may be performed electronically in accordance with Article 2 of Chapter 10B of the General Statutes. The Division will not certify or approve a specific electronic process or vendor. Any entity offering an electronic signature process assumes all responsibility and liability for the accuracy of the signature. The Division shall be held harmless from any liability to a claim arising from applications submitted with an inaccurate electronic signature pursuant to this subsection."

SECTION 43.10.(k) G.S. 20-53.1 reads as rewritten:

"**§ 20-53.1. Specially constructed vehicle certificate of title and registration.**

(a) Specially constructed vehicles shall be titled in the following manner:

(1) Replica vehicles shall be titled as the year, make, and model of the vehicle intended to be replicated. A label of "Replica" shall be applied to the title and ~~registration card.~~ the electronic record of registration. All replica vehicle titles shall be labeled "Specially Constructed Vehicle."

(2) The model year of a street rod vehicle shall continue to be recognized as the manufacturer's assigned model year. The manufacturer's name shall continue to be used as the make with a label of "Street Rod" applied to the title and ~~registration card.~~ the electronic record of registration. All street rod vehicle titles shall be labeled "Specially Constructed Vehicle."

(3) Custom-built vehicles shall be titled and registered showing the make as "Custom-built," and the year the vehicle was built shall be the vehicle model year. All custom-built vehicle titles shall be labeled "Specially Constructed Vehicle."

…

(c) Motor vehicle certificates of title and ~~registration cards~~ electronic notices of registration issued pursuant to this section shall be labeled in accordance with this section. As used in this section, "labeled" means that the title and ~~registration card~~ electronic notice of registration shall contain a designation that discloses if the vehicle is classified as any of the following:

(1) Specially constructed vehicle.

(2) Inoperable vehicle."

SECTION 43.10.(*l*) G.S. 20-53.4 reads as rewritten:

"**§ 20-53.4. Registration of mopeds; certificate of title.**

(a) Registration. – Mopeds shall be registered with the Division. The owner of the moped shall pay the same base fee and be issued the same type of ~~registration card~~ electronic notice of registration and plate issued for a motorcycle. In order to be registered with the Division and operated upon a highway or public vehicular area, a moped must meet the following requirements:

(1) The moped has a manufacturer's certificate of origin.

(2) The moped was designed and manufactured for use on highways or public vehicular areas.

…."

SECTION 43.10.(m) G.S. 20-61 reads as rewritten:

"**§ 20-61. Owner dismantling or wrecking vehicle to return evidence of registration.**

Except as permitted under G.S. 20-62.1, any owner dismantling or wrecking any vehicle shall forward to the Division the certificate of ~~title, registration card~~ title and other proof of ownership, and the registration plates last issued for ~~such~~ the vehicle, unless ~~such~~ the plates are to be

transferred to another vehicle of the same owner. In that event, the plates shall be retained and preserved by the owner for transfer to ~~such~~ the other vehicle. No person, firm or corporation shall dismantle or wreck any motor vehicle without first complying with the requirements of this section. The Commissioner upon receipt of certificate of title and notice from the owner thereof that a vehicle has been junked or dismantled may cancel and destroy ~~such~~ the record of certificate of title."

SECTION 43.10.(n) 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.**

…

(g) Alteration, Disguise, or Concealment of Numbers. – Any operator of a motor vehicle who shall willfully mutilate, bend, twist, cover or cause to be covered or partially covered by any bumper, light, spare tire, tire rack, strap, or other device, or who shall paint, enamel, emboss, stamp, print, perforate, or alter or add to or cut off any part or portion of a registration plate or the figures or letters thereon, or who shall place or deposit or cause to be placed or deposited any oil, grease, or other substance upon such registration plates for the purpose of making dust adhere thereto, or who shall deface, disfigure, change, or attempt to change any letter or figure thereon, or who shall display a number plate in other than a horizontal upright position, shall be guilty of a Class 2 misdemeanor. Any operator of a motor vehicle who shall willfully cover or cause to be covered any part or portion of a registration plate or the figures or letters thereon by any device designed or intended to prevent or interfere with the taking of a clear photograph of a registration plate by a traffic control or toll collection system using cameras commits an infraction and shall be penalized under G.S. 14-3.1. Any operator of a motor vehicle who shall otherwise intentionally cover any number ~~or registration renewal sticker~~ on a registration plate with any material that makes the number ~~or registration renewal sticker~~ illegible commits an infraction and shall be penalized under G.S. 14-3.1. Any operator of a motor vehicle who covers any registration plate with any frame or transparent, clear, or color-tinted cover that makes a number or letter included in the vehicle's ~~registration,~~ registration or the State name on the ~~plate, or a number or month on the registration renewal sticker on the~~ plate illegible commits an infraction and shall be penalized under G.S. 14-3.1.

(h) Commission Contracts for Issuance of Plates and ~~Certificates.~~ Certificates and In-Person Registration Renewal. – All registration ~~plates, registration certificates,~~ plates and certificates of title issued by the Division, outside of those issued from the office of the Division located in Wake, Cumberland, or Mecklenburg Counties and those issued and handled through the United States mail, shall be issued insofar as practicable and possible through commission contracts entered into by the Division for the issuance of the plates and certificates in localities throughout North Carolina, including military installations within this State, with persons, firms, corporations or governmental subdivisions of the State of North Carolina. The Division shall also offer in-person registration renewal through commission contract arrangements. The Division shall accept applications for new commission contracts or renewal of existing contracts and enter into contracts with commission contractors in the commission contractor's business entity name, unless the commission contractor chooses to enter into a contract as an individual. The Division shall make a reasonable effort in every locality, except as noted above, to enter into a commission contract ~~for~~ for: (i) the issuance of the plates and certificates and (ii) offering in-person vehicle registration renewal, and a record of these efforts shall be maintained in the Division. In the event the Division is unsuccessful in making commission contracts, it ~~shall~~ shall: (i) issue the plates and ~~certificates~~ certificates, and (ii) offer in-person vehicle registration renewal through the regular employees of the Division. Whenever registration ~~plates, registration certificates,~~ plates and certificates of title are issued by the Division through commission contract arrangements, the

Division shall provide proper supervision of the distribution. Whenever in-person vehicle registration renewal is offered through commission contract arrangements, the Division shall ensure that the electronic record of registration is properly updated. Nothing contained in this subsection allows or permits the operation of fewer outlets in any county in this State than are now being operated.

The terms of a commission contract entered under this subsection shall specify the duration of the contract and either include or incorporate by reference standards by which the Division may supervise and evaluate the performance of the commission contractor. The duration of an initial commission contract may not exceed eight years and the duration of a renewal commission contract may not exceed two years. The Division may award monetary performance bonuses, not to exceed an aggregate total of ninety thousand dollars ($90,000) annually, to commission contractors based on their performance.

The terms of a commission contract entered under this subsection shall allow the commission contractor to sell the contractor's business, as applicable, and assign contractual rights to another qualified contractor prior to expiration of the contract. A qualified contractor is a person, firm, corporation, or governmental subdivision of the State of North Carolina, with demonstrated experience as a commission contractor in North Carolina or equivalent experience in another state, as determined by the Division. All Division equipment and software shall be transferred to the new commission contractor upon sale, in accordance with guidelines established by the Division.

The amount of compensation payable to a commission contractor is determined on a per transaction basis. The collection of the highway use tax and the removal of an inspection stop are each considered a separate transaction for which one dollar and sixty-eight cents ($1.68) compensation shall be paid. The issuance of a limited registration ~~"T" sticker~~ plate and the collection of property tax are each considered a separate transaction for which compensation at the rate of one dollar and forty cents ($1.40) and one dollar and sixteen cents ($1.16) respectively, shall be paid by counties and municipalities as a cost of the combined motor vehicle registration renewal and property tax collection system. The performance at the same time of one or more of the transactions below is considered a single transaction for which one dollar and eighty-nine cents ($1.89) compensation shall be paid:

(1) Issuance of a registration ~~plate, a registration card, a registration sticker,~~ plate or a certificate of title.

(1a) In-person vehicle registration renewal.

…

(4) Acceptance of a surrendered registration ~~plate, registration card, or registration renewal sticker,~~ plate or acceptance of an affidavit stating why a person cannot surrender a registration ~~plate, registration card, or registration renewal sticker.~~plate.

…

(j) The Division shall contract with at least two online motor vehicle registration vendors which may enter into contracts with motor vehicle dealers and other participants, including, but not limited to, out-of-state entities, such as dealers, fleet, leasing, and rental car companies, to complete and file Division required documents for ~~the~~ the: (i) issuance of a certificate of ~~title,~~ title or registration plate, ~~or registration card or~~ (ii) issuance of a duplicate certificate of ~~title,~~ title or registration ~~plate, or registration card~~ plate, or (iii) renewing the registration and updating the electronic record of registration for a motor vehicle, upon purchase or sale of a vehicle. Vendors under contract with the Division pursuant to this subsection may also enter into contracts with used motor vehicle dealers whose primary business is the sale of salvage vehicles on behalf of insurers to complete and file documents required by the Division for the issuance of a salvage certificate of title. The Division shall not unreasonably deny a contract or access to any entity.

(k) Commission contract agents are authorized to enter into contracts with online motor vehicle registration vendors which are under contract with the Division to complete and file Division required documents ~~for~~ for: (i) the issuance of a certificate of ~~title,~~ title or registration plate, ~~or registration card or~~ (ii) the issuance of a duplicate certificate of ~~title,~~ title or registration ~~plate, or registration card~~ plate, or (iii) renewing the registration and updating the electronic record of registration for a motor vehicle."

SECTION 43.10.(o) G.S. 20-67 reads as rewritten:

"**§ 20-67. Notice of change of address or name.**

(a) Address. – A person whose address changes from the address stated on a certificate of title or ~~registration card~~ electronic notice of registration must notify the Division of the change within 60 days after the change occurs. The person may obtain a duplicate certificate of title ~~or registration card~~ stating the new address but is not required to do so. The Division shall update the person's electronic record of registration. A person who does not move but whose address changes due to governmental action may not be charged with violating this subsection.

(b) Name. – A person whose name changes from the name stated on a certificate of title or ~~registration card~~ electronic notice of registration must notify the Division of the change within 60 days after the change occurs. The person may obtain a duplicate certificate of title ~~or registration card~~ but is not required to do so.

~~(c) Fee. – G.S. 20-85 sets the fee for a duplicate certificate of title or registration card.~~"

SECTION 43.10.(p) G.S. 20-68 reads as rewritten:

"**§ 20-68. Replacement of lost or damaged ~~certificates, cards~~ certificates and plates.**

(a) ~~In the event any registration card or~~ If a registration plate is lost, mutilated, or becomes illegible, the owner or legal representative of the owner of the vehicle for which the same was issued, as shown by the records of the Division, shall immediately make application for and may obtain a duplicate or a substitute or a new registration under a new registration number, as determined to be most advisable by the Division, upon the applicant's furnishing under oath information satisfactory to the Division and payment of required fee.

…."

SECTION 43.10.(q) G.S. 20-70 reads as rewritten:

"**§ 20-70. Division to be notified when another engine is installed or body changed.**

(a) Whenever a motor vehicle registered hereunder is altered by the installation of another engine in place of an engine, the number of which is shown in the registration records, or the installation of another body in place of a body, the owner of ~~such~~ that motor vehicle shall immediately give notice to the Division in writing on a form prepared by it, which shall state the number of the former engine and the number of the newly installed engine, the registration number of the motor vehicle, the name of the owner and any other information which the Division may require. Whenever another engine has been substituted as provided in this section, and the notice given as required hereunder, the Division ~~shall~~ shall: (i) insert the number of the newly installed engine upon the ~~registration card and~~ certificate of title issued for ~~such~~ that motor ~~vehicle.~~vehicle and (ii) update the electronic record of registration associated with that motor vehicle.

(b) Whenever a new engine or serial number has been assigned to and stamped upon a motor vehicle as provided in G.S. 20-69, or whenever a new engine has been installed or body changed as provided in this section, the Division shall require the owner to surrender to the Division the ~~registration card and~~ certificate of title previously issued for ~~said~~ that vehicle. The Division shall ~~also~~ also: (i) update the electronic record of registration associated with that motor vehicle and (ii) require the owner to ~~make application~~ apply for a ~~duplicate registration card and a~~ duplicate certificate of title showing the new motor or serial number ~~thereon~~ or new style of ~~body, and upon~~ body. Upon receipt of ~~such~~ the application and fee, ~~as for any other duplicate title,~~ the Division shall issue to ~~said~~ the owner a duplicate ~~registration and a duplicate~~ certificate of title showing ~~thereon~~ the new number in place of the original number or the new style of body.

…."

SECTION 43.10.(r) G.S. 20-71 reads as rewritten:

"**§ 20-71. Altering or forging certificate of title, registration ~~card~~ or application, a felony; reproducing or possessing blank certificate of title.**

(a) Any person who, with fraudulent intent, shall alter any certificate of title, registration ~~card~~ issued by the Division, or any application for a certificate of title or ~~registration card,~~ registration, or forge or counterfeit any certificate of title or registration ~~card~~ purported to have been issued by the Division under the provisions of this Article, or who, with fraudulent intent, shall alter, falsify or forge any assignment thereof, or who shall hold or use any such certificate, ~~registration card,~~ registration, or application, or assignment, knowing the same to have been altered, forged or falsified, shall be guilty of a felony and upon conviction thereof shall be punished in the discretion of the court.

…."

SECTION 43.10.(s) G.S. 20-71.3 reads as rewritten:

"**§ 20-71.3. Salvage and other vehicles – ~~titles and registration cards to be branded.~~title and registration branding.**

(a) Motor vehicle certificates of title ~~and registration cards issued~~ issued, electronic notices of registration issued, and electronic records of registration maintained pursuant to G.S. 20-57 shall be branded in accordance with this section.

As used in this section, "branded" means that the title and ~~registration card~~ electronic record of registration shall contain a designation that discloses if the vehicle is classified as any of the following:

(1) Salvage Motor Vehicle.
(2) Salvage Rebuilt Vehicle.
(3) Reconstructed Vehicle.
(4) Flood Vehicle.
(5) Non-U.S.A. Vehicle.
(6) Any other classification authorized by law.

(a1) Any motor vehicle that is declared a total loss by an insurance company licensed and approved to conduct business in North Carolina, in addition to the designations noted in subsection (a) of this section, shall:

(1) Have the title and ~~registration card~~ electronic record of registration marked "TOTAL LOSS CLAIM".
(2) Have a tamperproof permanent marker inserted into the doorjamb of that vehicle by the Division, at the time of the final inspection of the reconstructed vehicle, that states "TOTAL LOSS CLAIM VEHICLE". Should that vehicle be later reconstructed, repaired, or rebuilt, a permanent tamperproof marker shall be inserted in the doorjamb of the reconstructed, repaired, or rebuilt vehicle.

…

(i) Once the Division has issued a branded title for a motor vehicle all subsequent titles for that motor vehicle and the electronic record of registration associated with that vehicle shall continue to reflect the branding.

…."

SECTION 43.10.(t) G.S. 20-72 reads as rewritten:

"**§ 20-72. Transfer by owner.**

(a) Whenever the owner of a registered vehicle transfers or assigns his title or interests thereto, he shall remove the license plates. The ~~registration card and~~ plates shall be forwarded to the Division unless the plates are to be transferred to another vehicle as provided in G.S. 20-64. If they are to be transferred to and used with another vehicle, then ~~the endorsed registration card and~~ the plates shall be retained and preserved by the owner. If such registration plates are to be

transferred to and used with another vehicle, then the owner shall make application to the Division for assignment of the registration plates to such other vehicle under the provisions of G.S. 20-64. Such application shall be made within 20 days after the date on which such plates are last used on the vehicle to which theretofore assigned.

…."

SECTION 43.10.(u) G.S. 20-76 reads as rewritten:

"**§ 20-76. Title lost or unlawfully detained; bond as condition to issuance of new certificate.**

(a) Whenever the applicant for the registration of a vehicle or a new certificate of title thereto is unable to present a certificate of title thereto by reason of the same being lost or unlawfully detained by one in possession, or the same is otherwise not available, the Division is hereby authorized to receive such application and to examine into the circumstances of the case, and may require the filing of affidavits or other information; and when the Division is satisfied that the applicant is entitled thereto and that G.S. 20-72 has been complied with, it is hereby authorized ~~to~~ to: (i) register ~~such vehicle~~ that vehicle, (ii) update the electronic record of registration associated with that vehicle, and (iii) issue a new ~~registration card,~~ electronic notice of registration, registration plate or plates and certificates of title to the person entitled thereto, upon payment of proper fees.

…

(c) Whenever an applicant for the registration of a moped is unable to present a manufacturer's certificate of origin for the moped, the applicant must submit an affidavit stating why the applicant does not have the manufacturer's certificate of origin and attesting that the applicant is entitled to registration. Upon receipt of the application and accompanying affidavit, the Division ~~shall~~ shall: (i) update the electronic record of registration associated with the moped and (ii) issue the applicant ~~a registration card~~ an electronic notice of registration and a registration plate. The Division may not require the applicant to post a bond as required under subsection (b) of this section. A person damaged by ~~issuance of the registration card~~ an update to an electronic record of registration or the issuance of an electronic notice of registration does not have a right of action against the Division."

SECTION 43.10.(v) G.S. 20-78 reads as rewritten:

"**§ 20-78. When Division to transfer registration and issue new certificate; recordation.**

(a) The Division, upon receipt of a properly endorsed certificate of title, application for transfer thereof and payment of all proper fees, shall issue a new certificate of title as upon an original registration. The Division, upon receipt of an application for transfer of registration plates, together with payment of all proper fees, shall update the electronic record of registration and issue a new ~~registration card~~ electronic notice of registration transferring and assigning the registration plates and numbers thereon as upon an original assignment of registration plates. The Division, upon receipt of an application for transfer thereof and payment of all proper fees, but without receipt of a properly endorsed certificate of title, shall issue a salvage certificate of title pursuant to G.S. 20-109.1(b)(2) or G.S. 20-109.1(e1).

(b) The Division shall maintain a record of certificates of title issued by the Division for a period of 20 years. After 20 years, the Division shall maintain a record of the last two owners.

The Commissioner is hereby authorized and empowered to provide for the photographic or photostatic recording of certificate of title records in such manner as ~~he~~ the Commissioner may deem expedient. The photographic or photostatic copies herein authorized shall be sufficient as evidence in tracing of titles of the motor vehicles designated therein, and shall also be admitted in evidence in all actions and proceedings to the same extent that the originals would have been admitted."

SECTION 43.10.(w) G.S. 20-79 reads as rewritten:

"**§ 20-79. Dealer license plates.**

…

(b1) Dealer Plate ~~Registration Card.~~ Electronic Record. – For each dealer license plate issued pursuant to this section, the Division ~~must provide a registration card~~ shall maintain an electronic record that lists all valid dealer license plates issued to that dealer pursuant to this section. The Division shall ~~reissue registration cards~~ update the electronic record as needed to ensure the accuracy of dealer license plate information.

…

(d) Restrictions on Use. – A dealer license plate may be displayed only on a motor vehicle that meets all of the following requirements:

…

(6) Displays a dealer license plate that matches (i) a copy of the registration card for the dealer plate issued to the dealer carried by the person operating the motor vehicle, or (ii) if the person is operating the motor vehicle in this State, ~~a registration card for the dealer plate issued to the dealer that is maintained on file at the dealer's address listed on the registration card and the registration card must be able to be produced within 24 hours upon request of any law enforcement officer.~~the electronic record maintained by the Division pursuant to subsection (b1) of this section.

A dealer may issue a demonstration permit for a motor vehicle to a person licensed to drive that type of motor vehicle. A demonstration permit authorizes each person named in the permit to drive the motor vehicle described in the permit for up to 96 hours after the time the permit is issued. A dealer may, for good cause, renew a demonstration permit for one additional 96-hour period. A franchised motor vehicle dealer is not prohibited from using a demonstration permit pursuant to this subsection by reason of the dealer's receipt of (i) incentive or warranty compensation or other reimbursement or consideration from a manufacturer, factory branch, distributor, distributor branch or (ii) a third-party warranty, maintenance, or service contract company relating to the use of the vehicle as a demonstrator or service loaner.

A dealer may not lend, rent, lease, or otherwise place a dealer license plate at the disposal of a person except as authorized by this subsection.

…."

SECTION 43.10.(x) G.S. 20-79.02 reads as rewritten:

"**§ 20-79.02. Loaner/Dealer "LD" license plate for franchised dealer loaner vehicles.**

…

(b) Number of ~~Plates.~~ Plates; Electronic Record. – There is no limit on the number of LD license plates that a franchised motor vehicle dealer may be issued, provided that the applicable annual fee for each plate is paid. The Division shall maintain an electronic record of all valid LD plates issued pursuant to this section.

…

(d) Restrictions on Use. – The following restrictions apply with regard to the use and display of an LD license plate:

…

(2) The person operating the motor vehicle must carry a copy of the assignment by the franchised motor vehicle dealer and a copy of the registration card for the LD license plate issued to the franchised motor vehicle dealer, or, if the person is operating the motor vehicle in this State, ~~the registration card must be maintained on file at the franchised motor vehicle dealer's address listed on the registration card, and the registration card must be able to be produced within 24 hours upon request of a law enforcement officer.~~ensure that the LD license plate matches the electronic record of validity maintained by the Division pursuant to subsection (b) of this section.

…."

SECTION 43.10.(y) G.S. 20-85 reads as rewritten:

"**§ 20-85. Schedule of fees.**

(a) The following fees are imposed concerning a certificate of ~~title, a registration card,~~ title or a registration plate for a motor vehicle. These fees are payable to the Division and are in addition to the tax imposed by Article 5A of Chapter 105 of the General Statutes:

…

~~(6) Each application for duplicate registration card..... 21.50~~

…."

SECTION 43.10.(z) G.S. 20-88 reads as rewritten:

"**§ 20-88. Property-hauling vehicles.**

…

(c) The fee for a semitrailer or trailer is twenty-seven dollars ($27.00) for each year or part of a year. The fee is payable each year. Upon the application of the owner of a semitrailer or trailer, the Division may issue a multiyear plate and ~~registration card~~ electronic notice of registration for the semitrailer or trailer for a fee of one hundred five dollars and seventy-five cents ($105.75). Upon issuance of a multiyear plate, the Division shall update the electronic record of registration associated with the registered vehicle accordingly. A multiyear plate and registration ~~card~~ for a semitrailer or trailer are valid until the owner transfers the semitrailer or trailer to another person or surrenders the plate and registration card to the Division. A multiyear plate may not be transferred to another vehicle.

The Division shall issue a multiyear semitrailer or trailer plate in a different color than an annual semitrailer or trailer plate and shall include the word "multiyear" on the plate. The Division may not issue a multiyear plate for a house trailer.

…."

SECTION 43.10.(aa) G.S. 20-95 reads as rewritten:

"**§ 20-95. Prorated fee for license plate issued for other than a year.**

…

(a1) ~~Plate With Renewal Sticker.~~ Prorated License Plate Renewal Fees. – The fee for a license plate whose registration is renewed ~~by means of a registration renewal sticker~~ for a period of other than 12 months is a prorated amount of the annual fee. The prorated amount is one-twelfth of the annual fee multiplied by the number of full months in the period beginning the date the renewal ~~sticker~~ becomes effective until the date the renewal ~~sticker~~ expires, rounded to the nearest dollar.

…."

SECTION 43.10.(bb) G.S. 20-110 reads as rewritten:

"**§ 20-110. When registration shall be rescinded.**

…

(b) The Division shall rescind and cancel the registration of any vehicle whenever the person to whom the registration ~~card or registration number plates therefor~~ or plates have been issued shall make or permit to be made any unlawful use of the ~~said card~~ registration or plates or permit the use thereof by a person not entitled thereto.

…."

SECTION 43.10.(cc) G.S. 20-111 reads as rewritten:

"**§ 20-111. Violation of registration provisions.**

It shall be unlawful for any person to commit any of the following acts:

…

(2) To display or cause or permit to be displayed or to have in possession ~~any registration card,~~ an electronic notice of registration, certificate of title or registration number plate knowing the same to be fictitious or to have been canceled, revoked, suspended or altered, or to willfully display an expired license or registration plate on a vehicle knowing the same to be expired. Violation of this subdivision is a Class 3 misdemeanor.

…

(4) To fail or refuse to surrender to the Division, upon demand, any title ~~certificate, registration card~~ certificate or registration number plate which has been suspended, canceled or revoked as in this Article provided. Service of the demand shall be in accordance with G.S. 20-48.

…."

SECTION 43.10.(dd) G.S. 20-176 reads as rewritten:

"**§ 20-176. Penalty for misdemeanor or infraction.**

…

(a1) A person who does any of the following is responsible for an infraction:

~~(1) Fails to carry the registration card in the vehicle, in violation of G.S. 20-57(c).~~

…

(3) Fails to notify the Division of an address ~~change for a vehicle registration card within 60 days after the change occurs,~~ change in violation of G.S. 20-67.

…."

SECTION 43.10.(ee) G.S. 20-183.4C reads as rewritten:

"**§ 20-183.4C. When a vehicle must be inspected; 10-day temporary license plate.**

(a) Inspection. – A vehicle that is subject to a safety inspection, an emissions inspection, or both must be inspected as follows:

…

(7) A vehicle that is required to be inspected in accordance with this Part may be inspected 90 days prior to midnight of the last day of the month ~~as designated by the vehicle registration sticker.~~the vehicle's registration expires.

…."

SECTION 43.10.(ff) G.S. 20-183.4D reads as rewritten:

"**§ 20-183.4D. Procedure when a vehicle is inspected.**

…

(e) When Electronic Inspection Authorization Expires. – An electronic inspection authorization issued under this Part expires at midnight of the last day of the month ~~designated by the vehicle registration sticker of the following year.~~the vehicle's registration expires."

SECTION 43.10.(gg) G.S. 20-311 reads as rewritten:

"**§ 20-311. Action by the Division when notified of a lapse in financial responsibility.**

…

(d) Revocation Notice. – When the Division revokes the registration of an owner's vehicle, it shall notify the owner of the revocation. The notice shall inform the owner of the following:

(1) That the owner shall return the vehicle's registration plate ~~and registration card~~ to the Division, if the owner has not done so already, and that failure to do so is a Class 2 misdemeanor under G.S. 20-45.

(2) That the vehicle's registration plate ~~and registration card are~~ is subject to seizure by a law enforcement officer.

…

(g) Military Waiver. – Notwithstanding the penalty and restoration fee provisions of this section, any monetary penalty or restoration fee shall be waived for any person who, at the time of notification of a lapse in financial responsibility, was deployed as a member of the Armed Forces of the United States outside of the continental United States for a total of 45 or more days. In addition, no insurance points under the Safe Driver Incentive Plan shall be assessed for any violation for which a monetary penalty or restoration fee is waived pursuant to this subsection. All of the following apply to a person qualifying under this subsection:

(1) The person shall have an affirmative defense to any criminal charge based upon the failure to return ~~any registration card or~~ a registration plate to the Division.

(2) Upon reregistration, the person shall receive without cost from the Division all necessary ~~registration cards~~ notices of electronic registration or registration plates.

…."

SECTION 43.10.(hh) G.S. 20-401 reads as rewritten:

"**§ 20-401. Regulation of fully autonomous vehicles.**

…

~~(b) Vehicle Registration Card in Vehicle. For a fully autonomous vehicle, the provisions of G.S. 20-49(4) and G.S. 20-57(c) are satisfied if the vehicle registration card is in the vehicle, physically or electronically, and readily available to be inspected by an officer or inspector.~~

…

(h) Operation. – A person may operate a fully autonomous vehicle if the vehicle meets all of the following requirements:

…

(5) The vehicle is registered in accordance with Part 3 of Article 3 of this Chapter, and, if registered in this State, the vehicle shall be identified on the ~~registration and registration card~~ electronic record of registration as a fully autonomous vehicle.

…."

SECTION 43.10.(ii) G.S. 105-330.4 reads as rewritten:

"**§ 105-330.4. Due date, interest, and enforcement remedies.**

(a) Due Date. – The registration of a classified motor vehicle may not be issued unless a temporary registration plate is issued for the motor vehicle under G.S. 20-79.1A or the taxes for the motor vehicle's tax year that begins after the issuance of the registration are paid upon registration. A registration of a classified motor vehicle may not be renewed unless the taxes for the motor vehicle's tax year that begins after the registration expires are paid upon registration. If the registration of a classified motor vehicle is renewed earlier than the date the taxes are due, the taxes must be paid as if they were due. Taxes on a classified motor vehicle are due as follows:

(1) For an unregistered classified motor vehicle, the taxes are due on September 1 following the date by which the vehicle was required to be listed.

(2) For a registered classified motor vehicle that is registered under the staggered system, the taxes are due each year on the date the owner applies for a new registration or the fifteenth day of the month following the month in which the registration renewal ~~sticker~~ expires pursuant to G.S. 20-66(g).

(3) For a registered classified motor vehicle that is registered under the annual system, taxes are due on the date the owner applies for a new registration or 45 days after the registration expires.

(4) For a registered classified motor vehicle that has a temporary registration plate issued under G.S. 20-79.1 or a limited registration plate issued under G.S. 20-79.1A, the taxes are due on the last day of the second month following the date the owner applied for the plate.

…."

SECTION 43.10.(jj) This section becomes effective October 1, 2026, and applies to motor vehicle registrations and registration renewals applied for on or after that date.

DMV IN-HOME LICENSE RENEWAL PILOT PROGRAM

SECTION 43.11.(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 43.11.(b) RFP Issuance. – No later than January 1, 2027, the DMV shall issue a Request for Proposal (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 43.11.(c) Contract Awards and Duration. – No later than July 1, 2027, 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, 2030.

SECTION 43.11.(d) Pilot Program Implementation Date and Requirements. – The pilot program shall begin January 1, 2028, 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 43.11.(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 43.11.(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 43.11.(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 43.11.(h) DMV Reporting Requirements. – The DMV shall submit a first report no later than December 31, 2028, and a second report no later than December 31, 2029, to

the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division. The reports shall evaluate the pilot program and, at a 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 43.11.(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 43.11.(j) Sunset. – This section expires January 1, 2030.

EXTEND DURATION OF SAFETY INSPECTIONS FOR LARGE VOLUME RENTAL CAR COMPANIES

SECTION 43.12.(a) G.S. 20-183.2 reads as rewritten:

"**§ 20-183.2. Description of vehicles subject to safety or emissions inspection; definitions.**

…

(c) Definitions. – The following definitions apply in this Part:

…

(4) Large volume rental company vehicle. – A vehicle that is both of the following:

a. Rented or leased to the public.
b. One of a fleet of not less than 10,000 vehicles registered and titled in this State by a rental car company, as defined in G.S. 66-201."

SECTION 43.12.(b) G.S. 20-183.4C reads as rewritten:

"**§ 20-183.4C. When a vehicle must be inspected; 10-day temporary license plate.**

(a) Inspection. – A vehicle that is subject to a safety inspection, an emissions inspection, or both must be inspected as follows:

…

(6) ~~A~~ Except as otherwise provided by this subdivision, a vehicle that has been inspected in accordance with this Part must be inspected by the last day of the month in which the registration on the vehicle expires. A large volume rental company vehicle that has been inspected in accordance with this Part must be inspected by the last day of the month in which the registration on the vehicle expires in the third year after its last electronic safety inspection authorization was issued.

…."

SECTION 43.12.(c) G.S. 20-183.4D reads as rewritten:

"**§ 20-183.4D. Procedure when a vehicle is inspected.**

…

(e) When Electronic Inspection Authorization Expires. – ~~An~~ Except as otherwise provided by this subsection, an electronic inspection authorization issued under this Part expires at midnight of the last day of the month designated by the vehicle registration sticker of the following year. An electronic safety inspection authorization issued to a large volume rental company vehicle expires at midnight on the last day of the month in which the registration on the vehicle expires in the third year after its last electronic safety inspection authorization was issued."

SECTION 43.12.(d) G.S. 20-183.7 reads as rewritten:

"**§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection authorization to a vehicle; use of civil penalties.**

(a) Fee Amount. – When a fee applies to an inspection of a vehicle or the issuance of an electronic inspection authorization, the fee must be collected. ~~The~~ Except as otherwise provided by subsection (a1) of this section, the following fees apply to an inspection of a vehicle and the issuance of an electronic inspection authorization:

Type	Inspection	Authorization
Safety Only	$12.75	$ .85
Emissions and Safety	23.75	6.25.

The fee for performing an inspection of a vehicle applies when an inspection is performed, regardless of whether the vehicle passes the inspection. The fee for an electronic inspection authorization applies when an electronic inspection authorization is issued to a vehicle.

A vehicle that is inspected at an inspection station and fails the inspection is entitled to be reinspected at the same station at any time within 60 days of the failed inspection without paying another inspection fee.

The inspection fee for an emissions and safety inspection set out in this subsection and subsection (a1) of this section is the maximum amount that an inspection station or an inspection mechanic may charge for an emissions and safety inspection of a vehicle. An inspection station or an inspection mechanic may charge the maximum amount or any lesser amount for an emissions and safety inspection of a vehicle. The inspection fee for a safety only inspection set out in this subsection may not be increased or decreased. The authorization fees set out in this subsection and subsection (a1) of this section may not be increased or decreased.

(a1) Large Volume Rental Company Vehicle Fees. – The following fees apply to an inspection of a large volume rental company vehicle and the issuance of an electronic inspection authorization for a large volume rental company vehicle:

Type	Inspection	Authorization
Safety Only	$12.75	$28.05
Emissions and Safety	23.75	66.25.

…

(c) Fee Distribution. – Fees collected for electronic inspection authorizations are payable to the Division of Motor Vehicles. The amount of each fee listed in the table below shall be credited to the Highway Fund, the Volunteer Rescue/EMS Fund established in G.S. 58-87-5, and the Rescue Squad Workers' Relief Fund established in ~~G.S. 58-88-5, and the Division of Air Quality of the Department of Environmental Quality:~~G.S. 58-88-5, as follows:

(1) For large volume rental company vehicles:

Recipient	Safety Only Electronic Authorization	Emissions and Safety Electronic Authorization
Highway Fund	18.15	63.07
Volunteer Rescue/EMS Fund	5.94	1.91
Rescue Squad Workers' Relief Fund	3.96	1.27.

(2) For all other vehicles:

Recipient	Safety Only Electronic Authorization	Emissions and Safety Electronic Authorization
Highway Fund	.55	~~5.30~~5.95
Volunteer Rescue/EMS Fund	.18	.18
Rescue Squad Workers' Relief Fund	.12	~~.12~~.12.
~~Division of Air Quality~~	~~.00~~	~~.65.~~

…."

VETERANS SPECIAL REGISTRATION PLATE MODIFICATIONS

SECTION 43.13.(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" plate, 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 43.13.(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 43.13.(c) This section becomes effective October 1, 2026.

FERRY DRY DOCK USE OF FUNDS REPORT

SECTION 43.14. No later than October 1, 2026, 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.

FERRY TOLLS

SECTION 43.15.(a) G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

(a) Powers of Department. – The Department of Transportation is vested with authority to provide for the establishment and maintenance of ferries connecting the parts of the State highway system, ~~whenever in its discretion the public good may require,~~ and shall prescribe and collect tolls on ferry routes in accordance with subsection (b) of this section. In addition, and to accomplish the purpose of this section, the Department of Transportation is authorized to acquire, own, lease, charter, or otherwise control all necessary vessels, boats, terminals, or other facilities

required for the proper operation of the ferries or to enter into contracts with persons, firms, or corporations for the operation thereof and to pay the reasonable sums that in the opinion of the Department of Transportation represent the fair value of the public service rendered.

(b) Tolling of ~~Certain~~ Ferry Routes. – The Board of ~~Transportation~~ Transportation, in consultation with the Ferry Division, shall establish tolls ~~on the passenger-only Hatteras-Ocracoke ferry route. The Board of Transportation shall continue tolling the following ferry routes:~~for all ferry routes. The toll amounts shall be set and adjusted in a manner that funds the costs of passenger vessel replacement, in accordance with a specified replacement schedule developed by the Ferry Division.

~~(1) Southport-Fort Fisher.~~

~~(2) Cedar Island-Ocracoke.~~

~~(3) Swan Quarter-Ocracoke.~~

(b1) ~~Untolled Ferry Routes. – Except as provided in subsection (b) of this section, ferry routes are exempt from tolls. The Board of Transportation shall not establish tolls on a ferry route exempt from tolls.~~School Bus Exemption. – A school bus or other vehicle operated by a school or operated under a contract for a school for the transportation of students is exempt from tolls. For the purposes of this section, "schools" include public and nonpublic schools providing elementary or secondary instruction in this State.

(b2) Emergency Suspension of Tolling. – The Secretary of Transportation may suspend the collection of tolls for any ferry route serving an emergency area, as declared pursuant to G.S. 166A-19.20 or G.S. 166A-19.22, for the duration of the state of emergency.

(b3) Residential Commuter Pass. – The Department of Transportation shall make available a commuter pass for purchase that entitles the individual issued the pass to travel on any ferry route with no additional fees. Commuter passes are valid for one vehicle for one year and are only available for local residents and active-duty military personnel. For the purposes of this section, a "resident" is an individual that permanently resides in a "coastal area" as defined in G.S. 113A-103. The Board of Transportation, in consultation with the Ferry Division, shall set the cost of the pass at one hundred fifty dollars ($150.00).

(c) Revisions of Tolls. – The Board of Transportation may change toll rates or toll-setting methodology. The Department of Transportation shall report to the Fiscal Research Division, the Joint Legislative Transportation Oversight Committee, and all affected local transportation planning organizations 30 days prior to any change in toll rates or change in the toll setting methodology by the Board of Transportation.

(c1) Reserved for future codification purposes.

(c2) Ferry Capital Special Fund. – The Ferry Capital Special Fund is established as a special fund separate from the Highway Fund within the Department of Transportation.

(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.

…."

SECTION 43.15.(b) Effective July 1, 2028, G.S. 136-82(b3), as enacted by subsection (a) of this section, reads as rewritten:

"(b3) Residential Commuter Pass. – The Department of Transportation shall make available a commuter pass for purchase that entitles the individual issued the pass to travel on any ferry route with no additional fees. Commuter passes are valid for one vehicle for one year and are only available for local residents and active-duty military personnel. For the purposes of this section, a "resident" is an individual that permanently resides in a "coastal area" as defined in G.S. 113A-103. The Board of Transportation, in consultation with the Ferry Division, shall set the cost of the pass.~~pass at one hundred fifty dollars ($150.00).~~"

SECTION 43.15.(c) The Ferry Division, in consultation with the Department of Transportation at large, is authorized to use available funds within the Ferry Operations Budget Fund (801268) to implement necessary tolling technology and infrastructure across the North Carolina Ferry System as required by this section.

SECTION 43.15.(d) The Ferry Division shall begin collecting tolls for all ferry routes no later than January 1, 2027. Except as otherwise provided, the remainder of this section is effective when it becomes law.

SOUTH DOCK FERRY TERMINAL

SECTION 43.16. 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.

REGIONAL AVIATION GRANTS

SECTION 43.17.(a) There is appropriated from the Highway Fund to the Department of Transportation the sum of thirty-two million dollars ($32,000,000) in nonrecurring funds for the 2026-2027 fiscal year to be allocated to the following airports for capital improvements, access improvements, or to expand or enhance commercial services at the airport:

Item	**FY 2026-27**
New Hanover Airport Authority	$5,000,000
Town of Wallace for Henderson Field Airport	$5,000,000
Rocky Mount-Wilson Regional Airport	$5,000,000
Pitt County Greenville Airport Authority	$4,500,000
Albert J. Ellis Airport	$4,000,000
Brunswick County Airport	$3,500,000
Odell Williamson Municipal Airport	$3,000,000
Hyde County Airport	$1,000,000
Craven County for Coastal Carolina Regional Airport	$1,000,000

SECTION 43.17.(b) Notwithstanding any provision of S.L. 2022-74 or the Committee Report referenced in Section 43.2 of that act to the contrary, nonrecurring funds in the amount of one million five hundred thousand dollars ($1,500,000) allocated to the Duplin County Airport shall instead be allocated for capital improvements, equipment, airpark enhancements, or access improvements adjacent to Duplin County Airport property.

NORTH CAROLINA RAILROAD REPORTS

SECTION 43.18.(a) 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 43.18.(b) 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."

EXTEND TABOR CITY PARTICIPATION IN RAILROAD REVITALIZATION PROGRAMS

SECTION 43.19.(a) Section 7.4 of S.L. 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.~~2029."

SECTION 43.19.(b) This section is effective when it becomes law.

OUTDOOR ADVERTISING SIGN RELOCATION, VEGETATION REMOVAL, AND OTHER REVISIONS

SECTION 43.20.(a) G.S. 136-131.5 reads as rewritten:

"**§ 136-131.5. Relocation of lawfully existing outdoor advertising sign.**

(a) Subject to subsection (c) of this section, in order to minimize the amount of just compensation due, whenever property on which a lawfully erected outdoor advertising sign is located is acquired by a public or private condemnor, as defined in G.S. 40A-3, or the Department of Transportation, and the acquiring party requires removal of the sign, or whenever the construction of a sound barrier wall would impair the visibility of a lawfully erected outdoor advertising sign, the eligible sign is permitted to be relocated and ~~reconstructed, subject to all of the following requirements:~~reconstructed. For relocated signs that are subject to the jurisdiction of the Department of Transportation in accordance with this Article, the following relocation and reconstruction conditions shall apply:

(1) The new site for relocation is permitted to be any area within 660 feet of the nearest edge of the right-of-way of a highway on the National System of Interstate and Defense Highways or the federal aid primary highway system within the same zoning jurisdiction as the relocated site or, if the relocated site is within an unzoned city or county, then within the same territorial limits.

(2) The new site for relocation must be conforming to State standards as set forth in this Article and pursuant to rules and regulations promulgated by the Department as authorized by this Article.

(3) The new site for relocation must be along a highway on the interstate system or primary systems or other State road that has the same route number and

letter or one of the same route numbers and letters as the highway or State road adjacent to the relocated site.

(4) The reconstruction of the outdoor advertising sign at the new site shall comply with G.S. 136-131.2.

(5) The new site for relocation shall not be within an historic district lawfully established by a local city or county government pursuant to Part 4 of Article 9 of Chapter 160D of the General Statutes, unless consented to by a resolution adopted by the applicable local governing board.

(6) The new site for relocation shall not be adjacent to any scenic highway as provided in G.S. 136-129.2; provided, however, if a relocated sign is already adjacent to a scenic highway, it may be relocated within the same parcel.

(7) The construction work related to the relocation of the outdoor advertising sign shall commence within one year after the date of removal.

The express allowances of relocation and reconstruction in this section shall apply to any lawfully erected outdoor advertising sign anywhere within this State that is required to be removed as a result of action taken by a public or private condemnor, as defined in G.S. 40A-3, or the Department of Transportation, including ~~such signs that are~~ any billboard that is not subject to the jurisdiction of the Department ~~of Transportation.~~located along a State road, so long as the affected sign is relocated and reconstructed within the same parcel or, if outside of the parcel, to a commercially or industrially zoned property or, if unzoned, a commercially or industrially used property, and within the same territorial limits, and the sign owner complies with subdivisions (3) through (7) of this subsection, except that a Department permit is not required to be in effect.

(b) Subject to subsection (c) of this section, any outdoor advertising sign that does not otherwise qualify for relocation as provided in subsection (a) of this section and for which there is in effect a valid permit issued by the Department of Transportation pursuant to this Article is permitted to be relocated and reconstructed subject to all of the requirements listed in subdivisions (1) through (7) of subsection (a) of this section within the same parcel or an adjoining conforming parcel. No sign shall be relocated pursuant to this subsection within 10 years from the date of the last relocation pursuant to this subsection, however, this temporal limitation does not apply to relocations within the same parcel. For purposes of this section, the phrase "adjoining conforming parcel" shall mean a new site for relocation that conforms to State standards and is located next to the prior site, including a parcel separated from the prior site only by an intervening street, alley, railroad, utility, or other similar right-of-way, or an intervening river, creek, marshland, or other water body.

…

(e) The relocation of a lawfully erected outdoor advertising sign that is removed because of Department of Transportation right-of-way acquisition shall be subject to the local ordinances and regulations that were in effect at the time the outdoor advertising sign was lawfully erected. Nothing in this subsection shall be construed as exempting the relocation of a sign under this section from the requirements of the current edition of the State Building Code or State law governing the use of native seeds and plants and management of vegetation in the State right-of-way."

SECTION 43.20.(b) G.S. 136-133 reads as rewritten:

"**§ 136-133. Permits required.**

…

(d) The Department shall approve or deny a permit for a new outdoor advertising sign within 30 days of receipt of the completed application and all required fees and documentation. An application shall be deemed complete if it contains all information and supporting documents required by the Department's rules. If the Department fails to provide written notice of its decision within the 30-day period, the application shall be deemed approved, and the Department shall issue the permit.

(e) Except as provided in G.S. 136-133.1(i), the Department shall not revoke an outdoor advertising permit for a first-time violation of this Article or rules adopted by the Department in accordance with this Article. For any subsequent violation associated with the same permit, the Department shall not revoke the permit until first providing to the permit holder written notice of the violation and at least 60 days to cure the violation. During the cure period, the Department may pursue any other remedies authorized by this Article or applicable law, including the assessment of civil penalties or required corrective actions. This subsection does not limit the Department's authority to address immediate threats to public safety or fraud in the application process."

SECTION 43.20.(c) G.S. 136-138 reads as rewritten:

"**§ 136-138. Agreements with United States ~~authorized.~~authorized; limitations on delegation.**

The Department of Transportation is authorized to enter into agreements with other governmental authorities relating to the control of outdoor advertising in areas adjacent to the interstate and primary highway systems, including the establishment of information centers and safety rest areas, and to take action in the name of the State to comply with the terms of the agreements. Any amendment to or modification of the agreement dated January 7, 1972, between the State and the United States Department of Transportation implementing the federal Highway Beautification Act of 1965 shall require prior approval of the General Assembly by joint resolution to be effective. Notwithstanding any provision of law to the contrary, the Department shall not delegate or transfer permitting, enforcement, or other core regulatory authority under this Article to any county, municipality, or other political subdivision of the State. This section shall not prohibit the Department from cooperating with local governments or enforcing local ordinances that are consistent with this Article."

SECTION 43.20.(d) G.S. 136-133.1 reads as rewritten:

"**§ 136-133.1. Outdoor advertising vegetation cutting or removal.**

(a) The owner of an outdoor advertising sign permitted under G.S. 136-129(4) or G.S. 136-129(5) who obtains ~~a selective vegetation removal~~ an annual vegetation maintenance permit, and the owner's designees, may cut, thin, prune, or remove vegetation in accordance with this section, G.S. 136-93(b), 136-133.2, and 136-133.4. The maximum cut or removal zone for vegetation for each sign face shall be determined as follows:

(1) The point located on the edge of the right-of-way that is the closest point to the centerline of the sign face shall be point A. The point on the edge of the pavement of the travel way, including acceleration and deceleration ramps, that is the closest to the centerline of the sign face shall be point B. The point located on the edge of the pavement of the main traveled way, corresponding to the applicable distance under sub-subdivision a. or b. of this subdivision moving in the direction of the sign viewing zone from point B, shall be point C. The point perpendicular to point C on the edge of the right-of-way shall be point D. Lines drawn from point A, to point B, to point C, and to point D shall define the maximum cut or removal zone [Point C is distanced as follows:].
   a. For a distance of 500 feet for a view zone that has a posted speed limit of over 35 miles per hour.
   b. For a distance of 350 feet for a view zone that has a posted speed limit of 35 miles per hour or less.

(2) Notwithstanding subdivision (1) of this subsection, the sign owner or designee may also cut vegetation within any area on the State right-of-way located between viewing zones of two sign faces on the same structure, or otherwise within any area measured perpendicular from any point on the sign structure to the edge of the pavement of the main traveled way, by paying a fee of one

hundred fifty dollars ($150.00) per caliper inch to the Department of Transportation.

(3) Repealed by Session Laws 2024-15, s. 17(a), effective July 1, 2024.

(4) Repealed by Session Laws 2024-15, s. 17(a), effective July 1, 2024.

(5) Repealed by Session Laws 2024-15, s. 17(a), effective July 1, 2024.

(6) Repealed by Session Laws 2024-15, s. 17(a), effective July 1, 2024.

(a1) Notwithstanding any law to the contrary, in order to promote the outdoor advertiser's right to be clearly viewed as set forth in G.S. 136-127, the Department of Transportation, at the request of ~~a selective vegetation removal~~ an annual vegetation maintenance permittee, may approve plans for the cutting, thinning, pruning, or removal of vegetation outside of the cut or removal zone defined in subsection (a) of this section along acceleration or deceleration ramps so long as the view to the outdoor advertising sign will be improved and the total aggregate area of cutting or removal does not exceed the maximum allowed in subsection (a) of this section.

(a2) The owner of an outdoor advertising sign permitted under G.S. 136-129(4) or G.S. 136-129(5) may obtain an annual vegetation maintenance permit from the Department of Transportation. The application for an initial permit and the renewal of a permit under this subsection shall include payment of a fee in the amount of four hundred dollars ($400.00). The annual vegetation maintenance permit and any renewal shall be valid for one year from the date of issuance and may be renewed annually upon payment of the required fee.

~~(b) Vegetation permitted to be cut, thinned, pruned, or removed shall be defined as any tree, shrub, or underbrush within the zone created by subsection (a) of this section. Any existing tree that was in existence at the time that an outdoor advertising structure was erected shall only be eligible for removal in accordance with subsections (c), (d), and (e) of this section. Native dogwoods shall be preserved. For the purposes of this section, an existing tree is defined as a tree that had a diameter of four inches or greater as measured six inches from the ground at the time that the outdoor advertising structure was erected. An outdoor advertising sign is considered erected when the sign is completely constructed with a sign face.~~

(b) Upon issuance of the annual vegetation maintenance permit, the owner and the owner's designees may, at any time during the permit year, cut, thin, prune, remove, or maintain any tree, shrub, or underbrush within the maximum cut or removal zone for each sign face as defined in subsection (a) of this section.

~~(c) The applicant for a selective vegetation removal permit shall submit to the Department a site plan locating thereon any trees existing at the time that the outdoor advertising sign was erected, as defined in subsection (b) of this section, that are requested to be cut, thinned, pruned, or removed, and noting their species and total caliper inches. The applicant shall also tag, with highly visible material or flagging, any tree that is, at the time of the application for a selective vegetation removal permit, greater than four inches in diameter as measured six inches from the ground and requested to be cut, thinned, pruned, or removed. The selective vegetation removal request may be investigated on-site by Department personnel and a representative of the applicant. In the event that the Department disputes the accuracy of the existing tree information on the site plan noted above, the Department shall notify the applicant in writing and may request the following:~~

~~(1) A tree survey.~~

~~(2) That the applicant amends the site plan.~~

~~(3) That the applicant deletes the trees in dispute from the desired cutting.~~

~~If a notice of disputed tree information is received from the Department, the applicant can either employ the services of a North Carolina licensed landscape architect or certified arborist to perform a tree survey, amend the site plan, or notify the Department in writing that any or all of the disputed trees are deleted from the application. If the applicant selects a tree survey, the landscape architect or certified arborist will submit a report under seal that contains a tree inventory of existing trees in the removal zone for the outdoor advertising structure and include~~

~~the age of any tree that existed at the time that the sign was erected. The report will categorize tree species and include a site map of sufficient detail and dimensions. A tree survey will not be required for subsequent applications to cut, thin, prune, or remove trees at the same site for trees that have been previously permitted. Any dispute relating to whether or not the tree existed at the time the outdoor advertising sign was erected shall be conclusively resolved by information in the report from the licensed landscape architect or certified arborist.~~

(c) Native dogwoods shall be preserved. No person shall cut or remove any native dogwood under this section. All other vegetation within the authorized zone may be cut, thinned, pruned, removed, or maintained without further application, site plan, tree survey, or additional fees.

~~(d) Except as provided in subsection (e) of this section, trees existing at the time the outdoor advertising sign was erected may only be removed within the zone created in subsection (a) of this section if the applicant satisfies one of the following two options selected by the applicant: (i) reimbursement to the Department pursuant to G.S. 136-93.2 or (ii) trees that existed at the time of the erection of the sign may be removed if the applicant agrees to remove two nonconforming outdoor advertising signs for each sign at which removal of existing trees is requested. The surrendered nonconforming signs must be fully disassembled before any removal of existing trees is permitted and shall not be eligible for future outdoor advertising permits in perpetuity.~~

(e) Removal of trees and vegetation of any age, including complete removal, except for native dogwoods, shall be permitted within the cut or removal zone established in subsection (a) of this section if the applicant for the ~~selective vegetation removal~~ annual vegetation maintenance permit, in lieu of compliance with subsection (d) of this section, agrees to submit to the Department a plan for beautification and replanting related to the site for which the vegetation permit request is made. The Department shall develop rules for compensatory replanting, including the criteria for determining which sites qualify for replanting, and shall, in consultation with the applicant and local government representatives, determine which sites must be replanted, and the types of plants and trees to be replanted, in accordance with G.S. 136-18(9). The replanting and maintenance shall be conducted by the applicant or his or her agents in accordance with the rules adopted by the Department. If the conditions detailed in this subsection are agreed to by the applicant and approved by the Department, there shall be no reimbursement to the Department under G.S. 136-93.2 for removal of trees that existed at the time the outdoor sign was erected, nor shall the applicant be required to remove two nonconforming outdoor advertising signs for removal of existing trees at the site.

(e1) This section shall constitute the sole and exclusive authority for vegetation cutting or removal associated with outdoor advertising signs. All prior requirements for selective vegetation removal permits, caliper-inch fees, replanting plans, and related processes are repealed and replaced by the annual permit process established herein.

~~(f) Tree branches within a highway right-of-way that encroach into the zone created by subsection (a) of this section may be cut or pruned. Except as provided in subsection (g) of this section, no person, firm, or entity shall cut, trim, prune, or remove or otherwise cause to be cut, trimmed, pruned, or removed vegetation that is in front of, or adjacent to, outdoor advertising and within the limits of the highway right-of-way for the purpose of enhancing the visibility of outdoor advertising unless permitted to do so by the Department in accordance with this section, G.S. 136-93(b), 136-133.2, and 136-133.4.~~

(f) Notwithstanding any other provision of this section, the owner of an outdoor advertising sign permitted under G.S. 136-129(4) or G.S. 136-129(5), or the owner's designees, working from outside of the fence line may apply herbicides along the fence line for the purpose of controlling vegetation encroachment. For purposes of this subsection, "fence line" means the boundary line for the State highway right-of-way. The owner or designee shall utilize only applicators licensed by the North Carolina Department of Agriculture and Consumer Services

and shall comply with all federal and State pesticide laws and rules. Application shall not exceed 5 feet into the right-of-way and shall not be applied to native dogwoods.

(g) Notwithstanding any law to the contrary, the owner of an outdoor advertising sign defined by subsection (a) of this section or the owner's designees may, working only from the private property side of the fence, without charge and without obtaining ~~a selective vegetation removal~~ an annual vegetation maintenance permit, cut, trim, prune, or remove any tree or other vegetation except for native dogwoods that is (i) less than four inches in diameter at the height of the controlled access fence, (ii) located within 300 feet on either side of the existing sign location, and (iii) a distance of three feet from a controlled access fence within the limits of the highway right-of-way. The activities permitted by this subsection must be performed from the private property owner side of the controlled access fence and with the consent of the owner of the land that is used to access said fence.

(h) No additional funds from the Highway Trust Fund shall be used for the purpose of vegetation replacement under the provisions of this section.

(i) The Department may revoke an outdoor advertising permit for the unlawful destruction or illegal cutting of vegetation within the right-of-way of any State-owned or State-maintained highway only if both of the following conditions are met:

(1) The unlawful destruction or illegal cutting occurred within 500 feet of either side of the corresponding sign location measured along the edge of pavement of the main travel way of the nearest controlled route and was willfully caused by one or more of the following:
   a. The sign owner.
   b. The permit holder.
   c. The lessee or advertiser employing the sign.
   d. Any employees, agents, or assigns of persons listed in sub-subdivisions a. through c. of this subdivision, including, but not limited to, independent contractors hired by any of the above persons, or the owner of the property upon which the sign is located, if expressly authorized by the above persons to use or maintain the sign.

(2) There is substantial, material evidence that the unlawful destruction or illegal cutting of vegetation would create, increase, or improve a view to the outdoor advertising sign for passing motorists from the main travel way of the nearest controlled route."

SECTION 43.20.(e) G.S. 136-133.2 reads as rewritten:

"**§ 136-133.2. Issuance or denial of ~~a selective vegetation removal~~ an annual vegetation maintenance permit.**

~~(a) Except as provided in subsection (b) of this section and G.S. 136-133.1(g), permits to remove vegetation may be granted for outdoor advertising locations that have been permitted for at least two years prior to the date of application. The Department shall approve or deny an application submitted pursuant to this section, including the fee required by G.S. 136-18.7 and all required documentation, within 30 days of the receipt of an application for a selective vegetation removal permit. If written notice of approval or denial is not given to the applicant within the 30-day period, then the application shall be deemed approved. If the application is denied, the Department shall advise the applicant, in writing, by registered or certified mail, return receipt requested, addressed to the party to be noticed, and delivering to the addressee, the reasons for the denial.~~

(a) The Department shall approve or deny an application for an annual vegetation maintenance permit within 30 days of receipt of the application and payment of the permit fee as required by G.S. 136-133.1(a2). If the Department fails to provide written notice of its decision within the 30-day period, the application shall be deemed approved and the permit shall be issued.

~~(b) Notwithstanding the two-year period required in subsection (a) of this section, permits to remove vegetation may be granted for outdoor advertising locations where outdoor advertising has been relocated pursuant to G.S. 136-131.5 and that otherwise comply with the requirements of this section and rules adopted by the Department in accordance with this section.~~

(b) The Department may deny an application only for failure to pay the required fee or for failure to hold a valid outdoor advertising permit under G.S. 136-129(4) or G.S. 136-129(5).

(c) A new site for relocation shall not be denied by the Department of Transportation due to the presence of vegetation obstructing the visibility of the outdoor advertising from the viewing zone. Notwithstanding any law to the contrary, the owner or operator of the outdoor advertising sign shall be permitted to improve the visibility of the sign by removing any vegetation on private property upon receiving written consent of the landowner."

SECTION 43.20.(f) G.S. 136-93(b) reads as rewritten:

"(b) Except as provided in G.S. 136-133.1(g), no vegetation, including any tree, shrub, or underbrush, in or on any right-of-way of a State road or State highway shall be planted, cut, trimmed, pruned, or removed without a written ~~selective vegetation removal~~ annual vegetation maintenance permit issued pursuant to G.S. 136-133.2 and in accordance with the rules of the Department. Requests for a permit for ~~selective~~ vegetation cutting, thinning, pruning, or removal shall be made by the owner of an outdoor advertising sign or the owner of a business facility to the appropriate person in the Division of Highways office on a form prescribed by the Department. For purposes of this section, G.S. 136-133.1, 136-133.2, and 136-133.4, the phrase "outdoor advertising" shall mean the outdoor advertising expressly permitted under G.S. 136-129(4) or G.S. 136-129(5). These provisions shall not be used to provide visibility to on-premises signs."

SECTION 43.20.(g) G.S. 136-133.3 reads as rewritten:

"**§ 136-133.3. Appeals of ~~selective vegetation removal~~ annual vegetation maintenance permit decisions.**

(a) An applicant for ~~a selective vegetation removal~~ an annual vegetation maintenance permit issued pursuant to G.S. 136-133.2 may appeal a decision of the Department pertaining to the denial or conditioning of ~~a~~ the permit ~~for selective vegetation removal~~ pursuant to the provisions of this section.

(b) Within 30 days of service of the Department's decision to deny or condition ~~a selective vegetation removal~~ an annual vegetation maintenance permit issued pursuant to G.S. 136-133.4, the applicant shall submit a written appeal to the Secretary of Transportation setting forth with particularity the facts and arguments upon which the appeal is based. The appeal shall be sent to the Secretary by registered or certified mail, return receipt requested, addressed to the Secretary, and delivering to the addressee, with a copy to the Department official who issued the decision.

…."

SECTION 43.20.(h) G.S. 136-133.4 reads as rewritten:

"**§ 136-133.4. ~~Selective vegetation removal permits.~~Annual vegetation maintenance permit conditions and penalties.**

(a) Selected vegetation within the approved limits shall be cut, thinned, pruned, or removed by the permittee or the permittee's agent in accordance with accepted International Society of Arboriculture (ISA) standards.

…

(e) Willful failure to substantially comply with all the requirements specified in the ~~selective vegetation removal~~ annual vegetation maintenance permit, unless otherwise mutually resolved by the Department and the permittee, shall result in a five-year moratorium for vegetation removal at the site, a summary revocation of the outdoor advertising permit if such willful failure meets the standards in G.S. 136-133.1(i), payment of Department investigative costs, and forfeiture of any applicable performance bond as determined by the Secretary. The

moratorium shall begin upon execution of a settlement agreement or entry of a final disposition in the case."

SECTION 43.20.(i) G.S. 136-18.7 is repealed.

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. A fee set under this section shall not exceed the actual cost for the Department to provide the service.

(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:

"(36) 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.

PAVEMENT PRESERVATION STUDY

SECTION 43.22.(a) The Department of Transportation shall conduct a study to evaluate each of the pavement preservation treatments authorized under G.S. 136-44.17(b). The study shall address all of the following:

(1) The average application cost per lane-mile for each treatment, disaggregated by pavement functional classification, as described in G.S. 136-44.17(b), including all direct and indirect costs by year over the preceding 15 fiscal years.

(2) The measured or projected longevity of each treatment with separate analysis for different classifications of functional roadway categories and type for each of the preceding 15 fiscal years.

(3) A calculation of the cost-effectiveness of each treatment expressed as cost per lane-mile per year of service life extension, using project performance data from Department records from the preceding 15 fiscal years. These analyses shall also be performed reflecting the aggregate treatment data for pre- and post-2014 statutory changes measuring any changes in cost-effectiveness and service life extension.

(4) A comparative ranking of all authorized treatments by cost-effectiveness and by longevity, presented separately for each functional roadway categories and type.

(5) An analysis of whether the selection and deployment of pavement preservation treatments over the preceding 15 fiscal years have been consistent with cost-effectiveness rankings, and, if not, an identification of the reasons for any deviation from optimal treatment selection.

(6) An identification of any treatment authorized in statute the Department finds to be insufficiently cost-effective or to have a longevity insufficient to justify

continued authorization, together with the Department's recommendation as to whether the General Assembly should repeal or modify such authorization.

(7) An identification of any pavement preservation treatments not currently authorized under State law that the Department finds to be demonstrated by peer-reviewed research or documented experience in other states to offer superior cost-effectiveness or longevity, together with any recommendation to the General Assembly to authorize new treatment types.

(8) The methodology decision matrix employed by the Department to evaluate treatment performance, including the performance metrics, data collection protocols, and analytical tools used to assess pavement condition before and after application of each treatment.

(9) The Department shall provide tabular data for each of the preceding 15 fiscal years of planned and actual pavement preservation activities by treatment type and highway division. The planned and actual activities shall be expressed in lane-miles and budgeted in actual expenditures.

SECTION 43.22.(b) The Department of Transportation shall initiate the study required by this section within 90 days after the date this act becomes law and report to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division its findings and recommendations resulting from the study, including any proposals for legislative action, on or before the convening of the 2027 Regular Session of the 2027 General Assembly.

SECTION 43.22.(c) For the purposes of this section, the following definitions apply:

(1) Cost-effectiveness. – The relationship between the total expenditure required to apply a pavement preservation treatment, including materials, labor, equipment, and traffic control, and the service life extension attributable to that treatment, expressed as cost per lane-mile per year of extended pavement service life.

(2) Department. – The North Carolina Department of Transportation.

(3) Longevity. – The measured or reasonably projected duration, in years, for which a pavement preservation treatment maintains the treated pavement surface at or above the minimum acceptable condition threshold as established by the Department's asset management standards.

(4) Pavement preservation treatment. – Any treatment authorized under G.S. 136-44.17(b) for the purpose of extending pavement service life, slowing pavement deterioration, or maintaining pavement condition, including, but not limited to, crack sealing, chip sealing, microsurfacing, slurry sealing, thin hot-mix asphalt overlays, ultra-thin bonded wearing courses, cape seals, fog seals, and other preservation treatments.

(5) Service life extension. – The number of additional years of serviceable pavement life attributable to the application of a pavement preservation treatment, as compared to the projected pavement deterioration absent that treatment prior to needing full resurfacing.

SECTION 43.22.(d) This section is effective when it becomes law.

UNIT PRICING COST

SECTION 43.23. 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 that is adjusted for inflation using the National Highway Construction Cost (NHCC) Index. 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 43.24. Of the funds appropriated in this act to the Department of Transportation, Spot Safety Program, Budget Fund (8011262), for the 2026-2027 fiscal year, one million dollars ($1,000,000) in nonrecurring funds 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).

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 a 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, 2027, 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.

LICENSE PLATE READERS

SECTION 43.26.(a) Article 3D of Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-183.34. Automatic license plate readers systems in the Department of Transportation right-of-way.**

(a) The Department of Transportation may enter into agreements with the North Carolina State Bureau of Investigation for the placement and use of automatic license plate reader systems within land or rights-of-way owned by the Department provided that all of the following conditions are met:

(1) The automatic license plate reader system is above ground, removeable, and contains no combustible fuel.

(2) The placement and use does not unreasonably interfere with the operation and maintenance of public utility facilities or cause the facilities to fail to comply with all applicable laws, codes, and regulatory requirements.

(3) The authorization to locate the automatic license plate reader system within the right-of-way is revocable by the Department for cause with at least 30 days' notice.

(4) The use of the automatic license plate reader system complies with the provisions of Article 8A of Chapter 87 of the General Statutes.

(5) The automatic license plate reader system is operated in accordance with this Article.

(b) Placement and use of an automatic license plate reader system and related equipment under this subsection must be terminated and removed by the Department upon reasonable request by any affected public utility. The Department or a public utility may relocate an automatic license plate reader system and related equipment in the event that the Department or public utility needs immediate access to its utilities or facilities and shall only be liable for damages to the automatic license plate reader system and related equipment caused solely by its gross negligence or willful misconduct. If an automatic license plate reader system or related equipment is moved for immediate access, the Department or applicable public utility must provide notice to the State Bureau of Investigation, and the system may be reinstalled once work is complete. For purposes of this subsection, the term "public utility" means any of the following: a public utility, as defined in G.S. 62-3(23); an electric membership corporation; a telephone membership corporation; a joint municipal power agency; or a municipality, as defined in G.S. 159B-3(5).

(c) The State Bureau of Investigation may enter into an agreement under this section on its own behalf or as an administrative agent of a federal, State, or local law enforcement agency. Any law enforcement agency that enters into an agreement under this section shall provide to the State Bureau of Investigation information pertaining to their agency's use of each automatic license plate reader system located within the Department of Transportation right-of-way necessary to complete the report required under subsection (d) of this section.

(d) No later than March 1 of each year, the State Bureau of Investigation shall submit a report to the Joint Legislative Oversight Committee on Justice and Public Safety containing the following information with respect to each law enforcement agency that places an automatic license plate reader system on a right-of-way owned or maintained by the Department of Transportation pursuant to this section:

(1) The written policy governing use of the automatic license plate reader system.

(2) The number of requests for captured data by requesting agency.

(3) The number of cameras in the agency's automatic license plate reader system."

SECTION 43.26.(b) This section is effective when it becomes law.

CANCELLATION OF STIP PROJECTS

SECTION 43.27.(a) The General Assembly recognizes the importance of establishing comprehensive and effective processes to manage and safeguard the State's financial resources. It is therefore the intent of the General Assembly that any city, town, county, municipality, or any State or local agency or instrumentality of government demonstrate fiscal responsibility in the use of State resources.

SECTION 43.27.(b) G.S. 136-189.11 is amended by adding a new subsection to read:

"(d3) If, after the commencement of predevelopment activities, (i) a Metropolitan Planning Organization (MPO) takes unilateral action to remove a statewide project from its Metropolitan Transportation Improvement Program (MTIP), or to prevent the project from being delivered or funded in the manner originally programmed in the MTIP, or (ii) a Rural Planning Organization (RPO) takes unilateral action to remove a statewide project from its Comprehensive Transportation Plan (CTP), or to prevent the project from being delivered or funded in the manner originally programmed in the CTP, and the Board of Transportation approves the removal or cancellation of the statewide project in accordance with G.S. 143B-350(f)(4), any local government that voted in favor of the action shall reimburse the Department for preliminary costs incurred by the Department in connection with the statewide project prior to removal.

(1) For purposes of this subsection, "unilateral action" means an action not required by federal law, court order, or formal written direction of the Department, "statewide project" means a Statewide Strategic Mobility Project that was selected, programmed, or authorized pursuant to this Article, and "local government" means a municipality or county.

(2) Preliminary costs incurred by the Department shall include preliminary engineering, environmental studies, consultant fees, labor, and any other project-related expenditures incurred prior to removal of the statewide project. A local government that voted in favor of removal shall be responsible for costs in proportion to the weighted voting percentage of the local government within the MPO or RPO that voted to remove a project or prevent a statewide project from being delivered.

(3) The Department shall determine whether a removal constitutes unilateral action and shall provide written notice to the local government that voted in favor of removal, specifying the amount subject to reimbursement.

(4) Until the Department is fully reimbursed in accordance with this subsection, the Department shall withhold State aid to a municipality under G.S. 136-41.1 and shall not begin any new STIP projects, including predevelopment activities, located within the boundary of a local government that voted in favor of removal in the MPO or RPO, until the local government has fully reimbursed the Department in accordance with this subsection.

(5) Reimbursement payments made in accordance with this subsection shall be deposited into the Highway Trust Fund."

SECTION 43.27.(c) G.S. 143B-350(f) reads as rewritten:

"(f) Duties and Powers of the Board. – The primary duty of the Board of Transportation shall be to serve as fiduciaries of the State Highway Fund and Highway Trust Fund and ensure the solvency of those funds when carrying out the Board's duties and powers. The Board of Transportation has the following duties and powers:

…

(4) To approve a schedule of all major transportation improvement projects and their anticipated cost. This schedule is designated the Transportation Improvement Program. The Board shall publish the schedule in a format that is easily reproducible for distribution and make copies available for distribution in accordance with the process established for public records in Chapter 132 of the General Statutes. Ninety days before taking any action on the removal or cancellation of a statewide project, the Board shall submit a written report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee (JLTOC), and the Fiscal Research Division that contains the following information: (i) an enumeration by project, funding source, and year of the preliminary costs incurred by the Department; (ii) the reason for the removal or cancellation of the project; and (iii) the determination by the Department whether the removal or cancellation was a unilateral action under G.S. 136-189.11(d3). If after the 90-day period the Board approves the removal or cancellation of the project and the Department has determined removal or cancellation was due to unilateral action, preliminary costs incurred by the Department shall be reimbursed to the Department in accordance with G.S. 136-189.11(d3). For purposes of this subdivision, the terms "preliminary costs" and "statewide project" have the same meaning as in G.S. 136-189.11(d3).

…."

SECTION 43.27.(d) Notwithstanding G.S. 136-189.11(d3), as enacted by subsection (b) of this section, G.S. 143B-350(f)(4), as amended by subsection (c) of this section, and any other provision of law to the contrary, a local government that voted at the May 20, 2026, Charlotte Regional Transportation Planning Organization (CRTPO) board meeting to rescind the October 16, 2024, resolution authorizing a P3 delivery process for the I-77 South project shall not be required to reimburse the Department if, within 90 days of the effective date of this subsection, that local government votes in favor of reinstating the October 16, 2024, resolution at a CRTPO board meeting held after the effective date of this subsection.

SECTION 43.27.(e) Subsection (d) of this section is effective when it becomes law. The remainder of this section is effective retroactively to January 1, 2026.

ROAD AND BRIDGE NAMING

SECTION 43.28. Notwithstanding any provision of law to the contrary, the Department of Transportation shall designate as follows:

(1) The bridge on U.S. Highway 52 that crosses U.S. Highway 64 in Davidson County shall be renamed the "Judy Kay Childress Bridge."

(2) The section of North Carolina Highway 16 in Gaston County from the Mecklenburg County Line at Mountain Island Lake to the Lincoln County Line shall be renamed the "Congressman Patrick McHenry Highway."

(3) The bridge on S Main Street that crosses over U.S. Highway 52 in Stokes County shall be named the "Mayor Jack Warren Bridge."

(4) The section of U.S. Highway 311 from Walnut Cove in Stokes County to Walkertown, Forsyth County, shall be renamed the "Tony Brown Highway."

(5) The section of North Carolina Highway 89 in Westfield, Surry County, including the portion of Westfield that extends into Stokes County, shall be renamed the "Kenneth W. Lowe Highway."

PART XLIV. FINANCE

PERSONAL INCOME TAX MODIFICATIONS

SECTION 44.1.(a) G.S. 105-153.7 reads as rewritten:

"**§ 105-153.7. Individual income tax imposed.**

(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. Except as otherwise provided in subsection (a1) of this section, the tax is a percentage of the taxpayer's North Carolina taxable income computed as follows:

Taxable Years Beginning	Tax
In 2022	4.99%
In 2023	4.75%
In 2024	4.5%
In 2025	4.25%
~~After 2025~~	~~3.99%.~~
In 2026	3.99%
In 2027, 2028, and 2029	3.49%
In 2030, 2031, and 2032	3.24%
After 2032	2.99%

(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~~ one-fourth percentage point ~~(0.50%)~~ (0.25%) 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~~	~~In 2027~~
~~FY 2026-2027~~	~~$34,100,000,000~~	~~In 2028~~
~~FY 2027-2028~~	~~$34,760,000,000~~	~~In 2029~~
~~FY 2028-2029~~	~~$35,750,000,000~~	~~In 2030~~
~~FY 2029-2030~~	~~$36,510,000,000~~	~~In 2031~~
~~FY 2030-2031~~	~~$38,000,000,000~~	~~In 2032~~
~~FY 2031-2032~~	~~$38,500,000,000~~	~~In 2033~~
~~FY 2032-2033~~	~~$39,000,000,000~~	~~In 2034~~
FY 2033-2034	$40,258,000,000	In 2035
FY 2034-2035	$41,087,000,000	In 2036
FY 2035-2036	$41,965,000,000	In 2037
FY 2036-2037	$42,896,000,000	In 2038
FY 2037-2038	$43,892,000,000	In 2039
FY 2038-2039	$44,957,000,000	In 2040.

(b) Withholding Tables. – The Secretary may provide tables that compute the amount of tax due for a taxable year under this Part. The tables do not apply to an individual who files a return under section 443(a)(1) of the Code for a period of less than 12 months due to a change in the individual's annual accounting period or to an estate or trust."

SECTION 44.1.(b) This section is effective when this act becomes law.

INCOME TAX DEDUCTION FOR GAMBLING LOSSES

SECTION 44.2.(a) G.S. 105-153.5(a) reads as rewritten:

"(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision

(1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection. The deduction amounts are as follows:

…

(2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

…

e. The amount allowed as a deduction for wagering losses under section 165(d) of the Code, to the extent the losses are not deducted in arriving at adjusted gross income."

SECTION 44.2.(b) This section is effective for taxable years beginning on or after January 1, 2025.

HOSPITAL SALES TAX REFUND MODIFICATIONS

SECTION 44.3.(a) G.S. 105-164.14 reads as rewritten:

"**§ 105-164.14. Certain refunds authorized.**

…

(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of items for use in carrying on the work of the nonprofit entity. Sales and use tax liability indirectly incurred by a nonprofit entity through reimbursement to an authorized person of the entity for the purchase of tangible personal property and services for use in carrying on the work of the nonprofit entity is considered a direct purchase by the entity. Sales and use tax liability indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity. The refund allowed under this subsection does not apply to purchases of electricity, telecommunications service, ancillary service, piped natural gas, video programming, or a prepaid meal plan. A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund for the first six months of a calendar year is due the following October 15; a request for a refund for the second six months of a calendar year is due the following April 15. The aggregate annual refund amount allowed an entity under this subsection for the State's fiscal year may not exceed thirty-one million seven hundred thousand dollars ($31,700,000).

The refunds allowed under this subsection do not apply to an entity that is owned and controlled by the United States or to an entity that is owned or controlled by the State and is not listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying out its work. The following nonprofit entities are allowed a refund under this subsection:

(1) Hospitals not operated for profit, including hospitals and medical accommodations operated by an authority or other public hospital described in Article 2 of Chapter 131E of the General Statutes. For purposes of applying the aggregate annual refund amount allowed under this subsection and under G.S. 105-467 to an entity eligible for a refund under this subdivision, the conditions listed in this subdivision apply. The conditions are:

a. Except as otherwise provided in this subdivision, a nonprofit hospital system and all of its affiliates are treated as one entity.

b. A hospital authority, and all of its related facilities, or a public hospital, and all of its related facilities, are treated as one entity. For purposes

of this sub-subdivision, the term "related facilities" means all facilities owned, maintained, or operated by a hospital authority or by a public hospital, as applicable.

c. The University of North Carolina Health Care System, each of its component units, each of its system affiliates, and each of its managed entities are treated as separate entities that are each allowed up to the aggregate annual refund amount under this subdivision and under G.S. 105-467. The terms "The University of North Carolina Health Care System," "component unit," and "system affiliate" are as defined in G.S. 116-350. The term "managed entity" means a nonprofit corporation, and all of its affiliates, that is governed by a single board, that has entered into a management agreement with The University of North Carolina Health Care System, and in which The University of North Carolina Health Care System does not have an ownership interest.

…."

SECTION 44.3.(b) This section is effective when it becomes law and applies to refunds issued for purchases made on or after that date.

REPEAL SALES TAX EXEMPTION ON ELECTRICITY FOR DATACENTERS

SECTION 44.4.(a) G.S. 105-164.13 reads as rewritten:

"**§ 105-164.13. Retail sales and use tax.**

The sale at retail and the use, storage, or consumption in this State of the following items are specifically exempted from the tax imposed by this Article:

…

(55) Sales of ~~electricity for use at an eligible internet datacenter and~~ eligible business property to be located and used at an eligible internet datacenter. As used in this subdivision, "eligible business property" is property that is capitalized for tax purposes under the Code and is used either:

a. For the provision of a service included in the business of the primary user of the datacenter, including equipment cooling systems for managing the performance of the property.

b. For the generation, transformation, transmission, distribution, or management of electricity, including exterior substations and other business personal property used for these purposes.

c. To provide related computer engineering or computer science research.

If the level of investment required by G.S. 105-164.3(79)d. is not timely made, then the exemption provided under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(79)d. is timely made but any specific eligible business property is not located and used at an eligible internet datacenter, then the exemption provided for such eligible business property under this subdivision is forfeited. ~~If the level of investment required by G.S. 105-164.3(79)d. is timely made but any portion of the electricity is not used at an eligible internet datacenter, then the exemption provided for such electricity under this subdivision is forfeited.~~ A taxpayer that forfeits an exemption under this subdivision is liable for all past taxes avoided as a result of the forfeited exemption, computed from the date the taxes would have been due if the exemption had not been allowed, plus interest at the rate established under G.S. 105-241.21. If the forfeiture is triggered due to the lack of a timely investment required by G.S. 105-164.3(79)d., then interest is computed from

the date the taxes would have been due if the exemption had not been allowed. For all other forfeitures, interest is computed from the time as of which the eligible business property ~~or electricity~~ was put to a disqualifying use. The past taxes and interest are due 30 days after the date the exemption is forfeited. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236.

(55a) Sales of ~~electricity for use at a qualifying datacenter and~~ datacenter support equipment to be located and used at the qualifying datacenter. As used in this subdivision, "datacenter support equipment" is property that is capitalized for tax purposes under the Code and is used for one of the following purposes:

a. The provision of a service or function included in the business of an owner, user, or tenant of the datacenter.
b. The generation, transformation, transmission, distribution, or management of electricity, including exterior substations, generators, transformers, unit substations, uninterruptible power supply systems, batteries, power distribution units, remote power panels, and other capital equipment used for these purposes.
c. HVAC and mechanical systems, including chillers, cooling towers, air handlers, pumps, and other capital equipment used for these purposes.
d. Hardware and software for distributed and mainframe computers and servers, data storage devices, network connectivity equipment, and peripheral components and equipment.
e. To provide related computer engineering or computer science research.

If the level of investment required by G.S. 105-164.3(201) is not timely made, the exemption provided under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(201) is timely made but any specific datacenter support equipment is not located and used at the qualifying datacenter, the exemption provided for such datacenter support equipment under this subdivision is forfeited. ~~If the level of investment required by G.S. 105-164.3(201) is timely made but any portion of electricity is not used at the qualifying datacenter, the exemption provided for such electricity under this subdivision is forfeited.~~ A taxpayer that forfeits an exemption under this subdivision is liable for all past taxes avoided as a result of the forfeited exemption, computed from the date the taxes would have been due if the exemption had not been allowed, plus interest at the rate established under G.S. 105-241.21. If the forfeiture is triggered due to the lack of a timely investment required by G.S. 105-164.3(201), interest is computed from the date the taxes would have been due if the exemption had not been allowed. For all other forfeitures, interest is computed from the time as of which the datacenter support equipment ~~or electricity~~ was put to a disqualifying use. The past taxes and interest are due 30 days after the date the exemption is forfeited. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236.

…."

SECTION 44.4.(b) This section is effective when it becomes law and applies to electricity billed on or after that date for electricity sold on or after that date.

ADD THE INSURANCE REGULATORY CHARGE TO THE GROSS PREMIUMS TAX RATE

SECTION 44.5.(a) Effective July 1, 2026, G.S. 58-6-25(d) reads as rewritten:

"(d) Use of Proceeds. – The Insurance Regulatory Fund is created as ~~an interest-bearing~~ a special fund to which the proceeds of the charge levied in this section and all fees collected under Articles 69 through 71 of this Chapter and under Articles 9 and 9C of Chapter 143 of the General Statutes shall be credited. Moneys in the Fund may be spent only pursuant to appropriation by the General Assembly, and the Fund is subject to the provisions of the State Budget Act. All money credited to the Fund shall be used ~~to reimburse the General Fund~~ for the following:

(1) Money appropriated to the Department of Insurance to pay its expenses incurred in regulating the insurance industry, including the captive insurance industry, and other industries in this State.

(2) Money appropriated to State agencies to pay the expenses incurred in regulating the insurance industry, in certifying statewide data processors under Article 11A of Chapter 131E of the General Statutes, and in purchasing reports of patient data from statewide data processors certified under that Article.

(3) Money appropriated to the Department of Revenue to pay the expenses incurred in collecting and administering the taxes on insurance companies levied in Article 8B of Chapter 105 of the General Statutes.

(4) Money appropriated for the office of Health Insurance Smart NC under G.S. 143-730 to pay the actual costs of administering the program.

(5) Money appropriated to the Department of Insurance for the implementation and administration of independent external review procedures required by Part 4 of Article 50 of this Chapter.

(6) Money appropriated to the Department of Justice to pay its expenses incurred in representing the Department of Insurance in its regulation of the insurance industry and other related programs and industries in this State that fall under the jurisdiction of the Department of Insurance.

(7) Money appropriated to the Department of Insurance to pay its expenses incurred in connection with providing staff support for State boards and commissions, including the North Carolina Manufactured Housing Board, State Fire and Rescue Commission, North Carolina Building Code Council, North Carolina Residential Code Council, North Carolina Code Officials Qualification Board, Public Officers and Employees Liability Insurance Commission, North Carolina Home Inspector Licensure Board, and the Volunteer Safety Workers' Compensation Board.

(8) Money appropriated to the Department of Insurance to pay its expenses incurred in connection with continuing education programs under Article 33 of this Chapter and in connection with the purchase and sale of copies of the North Carolina State Building Code.

(9) Money appropriated to the Department of Insurance for the regulation of the professional employer organization industry pursuant to Article 89A of this Chapter.

(10) Money appropriated to the Department of Insurance to pay its expenses incurred in promoting North Carolina's captive insurance industry.

(11) Money appropriated to the North Carolina Industrial Commission for support of the Commission's duties excepted from its statutory fee authority as set forth in G.S. 97-73(e)."

SECTION 44.5.(b) G.S. 105-228.5 reads as rewritten:

"**§ 105-228.5. Taxes measured by gross premiums.**

(a) Tax Levied. – A tax is levied in this section on insurers, Article 65 corporations, health maintenance organizations, prepaid health plans, and self-insurers. An insurer, health maintenance organization, prepaid health plan, or Article 65 corporation that is subject to the tax

levied by this section is not subject to franchise or income taxes imposed by Articles 3 and 4, respectively, of this Chapter.

…

(d) Tax Rates; Disposition. –

(1) Workers' Compensation. – The tax rate to be applied to gross premiums, or the equivalent thereof in the case of self-insurers, on contracts applicable to liabilities under the Workers' Compensation Act is ~~two and five-tenths percent (2.5%).~~ two and six thousand six hundred twenty-five ten-thousandths percent (2.6625%). The net proceeds shall be credited to the General Fund.

(2) Other Insurance Contracts. – The tax rate to be applied to gross premiums on all other taxable contracts issued by insurers or health maintenance organizations and to be applied to gross premiums and gross collections from membership dues, exclusive of receipts from cost plus plans, received by Article 65 corporations is ~~one and nine-tenths percent (1.9%).~~ two and two hundred thirty-five ten-thousandths percent (2.0235%). The net proceeds shall be credited to the General Fund.

(2a) Prepaid Health Plans. – The tax rate to be applied to gross premiums from capitation payments received by prepaid health plans is ~~one and nine-tenths percent (1.9%).~~ two and two hundred thirty-five ten-thousandths percent (2.0235%). The net proceeds shall be credited to the General Fund.

…."

SECTION 44.5.(c) G.S. 58-6-25, as amended by subsection (a) of this section, reads as rewritten:

"**§ 58-6-25. Insurance ~~regulatory charge.~~Regulatory Fund.**

~~(a) Charge Levied. – There is levied on each insurance company, other than a captive insurance company, an annual charge for the purposes stated in subsection (d) of this section. The charge levied in this section is in addition to all other fees and taxes. The percentage rate of the charge is established pursuant to subsection (b) of this section and is applied to the company's premium tax liability for the taxable year. In determining an insurance company's premium tax liability for a taxable year, the following shall be disregarded:~~

~~(1) Additional taxes imposed by G.S. 105-228.8.~~

~~(2) Repealed by Session Laws 2008-134, s. 67(a), as amended by Session Laws 2009-445, s. 44, effective for taxable years beginning on or after January 1, 2008.~~

~~(3) Any tax credits for guaranty or solvency fund assessments under G.S. 105-228.5A or G.S. 97-133(a).~~

~~(4) Any tax credits allowed under Chapter 105 of the General Statutes other than tax payments made by or on behalf of the taxpayer.~~

(a1) Creation. – The Insurance Regulatory Fund is created as a special fund. The following amounts shall be credited to the Fund:

(1) Amounts paid to reimburse the Department for an examination of records or assets.

(2) Fees collected under Articles 69 through 71 and Article 89A of this Chapter.

(3) Fees collected under Articles 9A, 9C, and 9F of Chapter 143 of the General Statutes.

(4) Fees collected under G.S. 143-138.1(a), 143-139.4(h), and 143-143.4(b)(5).

~~(b) Rates. – The rate of the charge for each taxable year is six and one-half percent (6.5%). When the Department prepares its budget request for each upcoming fiscal year, the Department shall propose a percentage rate of the charge levied in this section. The Governor shall submit that proposed rate to the General Assembly each fiscal year. It is the intent of the General Assembly that the percentage rate not exceed the rate necessary to generate funds~~

~~sufficient to defray the estimated cost of the operations of the Department for each upcoming fiscal year, including a reasonable margin for a reserve that shall be used to provide for unanticipated expenditures requiring a budget adjustment as authorized by G.S. 143C-6-4. In calculating the amount of the reserve, the General Assembly shall consider all relevant factors that may affect the cost of operating the Department or a possible unanticipated increase or decrease in North Carolina premiums or other charge revenue.~~

~~(c) Returns; When Payable. The charge levied on each insurance company is payable at the time the insurance company remits its premium tax. If the insurance company is required to remit installment payments of premiums tax under G.S. 105-228.5 for a taxable year, it shall also remit installment payments of the charge levied in this section for that taxable year at the same time and on the same basis as the premium tax installment payments. Each installment payment shall be equal to at least thirty-three and one-third percent (33.3%) of the insurance company's regulatory charge liability incurred in the immediately preceding taxable year.~~

~~Every insurance company shall, on or before the date the charge levied in this section is due, file a return on a form prescribed by the Secretary of Revenue. The return shall state the company's total North Carolina premiums or presumed premiums for the taxable year and shall be accompanied by any supporting documentation that the Secretary of Revenue may by rule require.~~

(d) Use of Proceeds. – ~~The Insurance Regulatory Fund is created as a special fund to which the proceeds of the charge levied in this section and all fees collected under Articles 69 through 71 of this Chapter and under Articles 9 and 9C of Chapter 143 of the General Statutes shall be credited. Moneys in the Fund may be spent only pursuant to appropriation by the General Assembly, and the Fund is subject to the provisions of the State Budget Act. All money credited to the Fund shall be used for the following:~~The Department shall establish a separate budget fund for each of the following types of proceeds, for the following uses, remitted to the Fund:

~~(1) Money appropriated to the Department of Insurance to pay its expenses incurred in regulating the insurance industry, including the captive insurance industry, and other industries in this State.~~

~~(2) Money appropriated to State agencies to pay the expenses incurred in regulating the insurance industry, in certifying statewide data processors under Article 11A of Chapter 131E of the General Statutes, and in purchasing reports of patient data from statewide data processors certified under that Article.~~

~~(3) Money appropriated to the Department of Revenue to pay the expenses incurred in collecting and administering the taxes on insurance companies levied in Article 8B of Chapter 105 of the General Statutes.~~

~~(4) Money appropriated for the office of Health Insurance Smart NC under G.S. 143-730 to pay the actual costs of administering the program.~~

~~(5) Money appropriated to the Department of Insurance for the implementation and administration of independent external review procedures required by Part 4 of Article 50 of this Chapter.~~

~~(6) Money appropriated to the Department of Justice to pay its expenses incurred in representing the Department of Insurance in its regulation of the insurance industry and other related programs and industries in this State that fall under the jurisdiction of the Department of Insurance.~~

(7) ~~Money appropriated to the Department of Insurance~~ Fees collected by or on behalf of the boards and commissions listed in this subdivision shall be used for the regulation of the industries associated with and to ~~pay its expenses incurred in connection with providing~~ provide staff support for ~~State~~ those boards and ~~commissions, including the~~ commissions. A separate budget fund

shall be established for each of the boards or commissions. The boards and commissions are:

a. The North Carolina Manufactured Housing ~~Board,~~ Board.

b. The State Fire and Rescue ~~Commission, North Carolina Building Code Council, North Carolina Residential Code Council,~~ Commission.

c. The North Carolina Code Officials Qualification ~~Board, Public Officers and Employees Liability Insurance Commission,~~ Board.

d. The North Carolina Home Inspector Licensure ~~Board, and the Volunteer Safety Workers' Compensation~~ Board.

(7a) Fees collected under G.S. 143-138.1(a), 143-139.4(h), and 143-143.4(b)(5) shall be used to pay the expenses of the Department or the Office of the State Fire Marshal incurred in administering the functions for which those fees are collected.

(8) ~~Money appropriated to the Department of Insurance~~ Fees collected under G.S. 58-33-133 shall be used to pay ~~its~~ expenses incurred in connection with continuing education programs under Article 33 of this ~~Chapter and in connection with the purchase and sale of copies of the North Carolina State Building Code.~~Chapter.

(9) ~~Money appropriated to the Department of Insurance~~ Fees collected and amounts paid for examinations under Article 89A of this Chapter shall be used for the regulation of the professional employer organization industry pursuant to ~~Article 89A of this Chapter.~~that Article.

~~(10) Money appropriated to the Department of Insurance to pay its expenses incurred in promoting North Carolina's captive insurance industry.~~

~~(11) Money appropriated to the North Carolina Industrial Commission for support of the Commission's duties excepted from its statutory fee authority as set forth in G.S. 97-73(e).~~

(12) The amount paid by an insurer for an examination of records or assets shall be used to offset the actual expenses incurred by the Department for examinations under G.S. 58-2-134.

(13) Fees collected under Article 69 of this Chapter shall be used for the regulation of the motor club industry pursuant to that Article.

(14) Fees collected under Article 70 of this Chapter shall be used for the regulation of the collection agency industry pursuant to that Article.

(15) Fees collected under Article 71 of this Chapter shall be used for the regulation of the bail bondsmen industry pursuant to that Article.

(e) Definitions. – The following definitions apply in this section:

(1) Repealed by Session Laws 2003-284, s. 43.2, effective for taxable years beginning on or after January 1, 2004.

~~(1a) Captive insurance company. – Defined in G.S. 105-228.3.~~

~~(2) Insurance company. – A company or prepaid health plan, as defined in G.S. 58-93-5, that pays the gross premiums tax levied in G.S. 105-228.5 and G.S. 105-228.8.~~

(3) Insurer. – Defined in G.S. 105-228.3."

SECTION 44.5.(d) G.S. 58-47-140 reads as rewritten:

"**§ 58-47-140. Other provisions of this Chapter.**

The following provisions of this Chapter apply to workers' compensation self-insurance groups that are subject to this Article:

G.S. 58-1-10, 58-2-45, 58-2-50, 58-2-70, 58-2-100, 58-2-105, 58-2-155, 58-2-161, 58-2-180, 58-2-185, 58-2-190, 58-2-200, 58-3-71, 58-3-81, 58-3-100, 58-3-120, ~~58-6-25,~~ 58-7-21, 58-7-26, 58-7-30, 58-7-33, 58-7-73, and Articles 13, 19, 30, 33, 34, and 63 of this Chapter."

SECTION 44.5.(e) G.S. 105-228.4A reads as rewritten:

"**§ 105-228.4A. Tax on captive insurance companies.**

(a) Tax Levied. – A tax is levied in this section on a captive insurance company doing business in this State. In the case of a branch captive insurance company, the tax levied in this section applies only to the branch business of the company. Two or more captive insurance companies under common ownership and control, other than a protected cell captive insurance company or a special purpose captive insurance company with a cell or series structure, are taxed under this section as a single captive insurance company. The tax levied in this section does not apply to a foreign captive insurance company.

(b) Other Taxes. – A captive insurance company that is subject to the tax levied by this section and a foreign captive insurance company are not subject to any of the following:

(1) Franchise taxes imposed by Article 3 of this Chapter.

(2) Income taxes imposed by Article 4 of this Chapter, subject to the provisions of G.S. 105-130.5A.

(3) Local privilege taxes or local taxes computed on the basis of gross premiums.

~~(4) The insurance regulatory charge imposed by G.S. 58-6-25.~~

…."

SECTION 44.5.(f) G.S. 105-228.8 reads as rewritten:

"**§ 105-228.8. Retaliatory premium taxes.**

…

(e) This section shall not apply to special purpose obligations or assessments based on premiums imposed in connection with particular kinds of ~~insurance, to the special purpose regulatory charge imposed under G.S. 58-6-25,~~ insurance or to dedicated special purpose taxes based on premiums.

…."

SECTION 44.5.(g) G.S. 108A-145.3 reads as rewritten:

"**§ 108A-145.3. Definitions.**

The following definitions apply in this Article:

…

(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.

…."

SECTION 44.5.(h) Notwithstanding G.S. 105-228.5(f), for the taxable year beginning on January 1, 2027, taxpayers required to remit installments under G.S. 105-228.5(f) shall remit three equal quarterly installments equal to at least thirty-three and one-third percent (33 1/3%) of their estimated premium tax liability based on the rates set out in G.S. 105-228.5(d), as amended by subsection (b) of this section.

SECTION 44.5.(i) Except as otherwise provided, this section is effective for taxable years beginning on or after January 1, 2027, and applies to funds collected on or after that date. Except for funds transferred to the State Building Code Regulatory Fund pursuant to Section 13.5 of this act, any funds collected and placed in the Insurance Regulatory Fund prior to January 1, 2027, shall be used for the purposes listed in subdivisions (1) through (11) of G.S. 58-6-25(d) as that subsection existed immediately before its amendment by subsection (c) of this section.

VAPOR PRODUCT AND CONSUMABLE PRODUCT LICENSING AND REGISTRY CHANGES

SECTION 44.6.(a1) G.S. 105-113.4 reads as rewritten:

"**§ 105-113.4. Definitions.**

The following definitions apply in this Article:

…

(6a) Nicotine. – The chemical nicotine derived from any source and any nicotinic alkaloids and nicotine analogues, such as metatine.

(6b) Nicotine analogue. – A substance that meets any of the following conditions:

a. It has or is represented to have a chemical structure substantially similar to nicotine.

b. It has or is represented to have an effect on the central nervous system that is substantially similar to, or greater than, the effect on the central nervous system of nicotine.

c. It is manufactured, formulated, sold, distributed, or marketed with the intent to avoid any restriction imposed on the chemical nicotine under the General Statutes or any regulation.

…

(8a) Public retail floor space. – Space within a retail business establishment containing products accessible to a consumer and space behind a counter on display for customer consideration.

~~(8a)~~(8b) Remote sale. – A sale of tobacco products other than cigarettes, smokeless tobacco, or vapor products to a consumer in this State in which either of the following applies:

a. The consumer submits the order for the sale by telephone, mail, the internet, or other online service or application, or when the seller is otherwise not in the physical presence of the consumer when the consumer submits the order.

b. The tobacco products other than cigarettes, smokeless tobacco, or vapor products are delivered via mail or a delivery service.

~~(8b)~~(8c) Remote seller. – A person located within or outside this State who makes a remote sale.

…

(10b) Shelf space. – Public retail floor space and inventory storage space within a business establishment that is accessible only to employees.

(10c) Smokeless tobacco. – Any finely cut, ground, powdered, or leaf tobacco, or other product containing tobacco, that is intended to be placed in the oral or nasal cavity or otherwise consumed without being combusted.

…

(10e) Specialty retailer of vapor products. – A business establishment at which any of the following are true:

a. The trade name includes the words vape, vapor, or any variation of the terms that may indicate the business sells vapor products or liquids used in a vapor product.

b. At the time after a license has been issued, the inventory maintained by the business includes twenty percent (20%) or more of vapor products by quantity, by retail value, or both.

c. Ten percent (10%) or more of the public retail floor space is allocated for the offering or displaying of vapor products.

d. The retail space features a self-service display for vapor products.

e. Samples of vapor products are offered to consumers.

f. Liquids intended to be vaporized through the use of a vapor product are produced at the business establishment or are produced by the owner of the business establishment or any of its agents or employees.

…."

SECTION 44.6.(a2) G.S. 105-113.4I reads as rewritten:

"**§ 105-113.4I. Licenses required.**

A person may not engage in business as a distributor, wholesale dealer, ~~or~~ retail ~~dealer~~ dealer, or specialty retailer of vapor products in this State, without having first obtained from the Secretary the appropriate license for that purpose as prescribed in this Article. A license required by this Article is in addition to any other licenses that may be required by law."

SECTION 44.6.(a3) G.S. 105-113.39A reads as rewritten:

"**§ 105-113.39A. License required.**

(a) Requirement. – A wholesale dealer or a retail dealer must obtain from the Secretary a license in accordance with subsections (a1) and (a2) of this section and must pay the required license tax for each license. A specialty retailer of vapor products must obtain from the Secretary a license in accordance with subsection (a3) of this section. A license is in effect until June 30 of the year following the second calendar year after the date of issuance or renewal, unless cancelled or revoked prior to expiration. A license is renewable upon signed application with no renewal license tax, unless applied for after the June 30 expiration date.

(a1) Other Tobacco Products License. – A wholesale dealer or a retail dealer must obtain an other tobacco products license for all of the following locations:

(1) Each location where a wholesale dealer makes tobacco products other than vapor products.

(2) Each location where a wholesale dealer or a retail dealer receives or stores non-tax-paid tobacco products other than vapor products.

(3) Each location from where a retail dealer that is a delivery seller or remote seller receives or stores non-tax-paid tobacco products for delivery sales or remote sales of tobacco products other than vapor products if the location is a location other than the location described in subdivision (2) of this subsection.

(a2) Vapor Products License. – A wholesale dealer or a retail dealer must obtain a vapor products license for all of the following locations:

(1) Each location where a wholesale dealer makes vapor products.

(2) Each location where a wholesale dealer or a retail dealer receives or stores non-tax-paid vapor products.

(3) Each location from where a retail dealer that is a delivery seller or a remote seller receives or stores non-tax-paid vapor products for delivery sales if the location is a location other than the location described in subdivision (2) of this subsection.

(a3) Specialty Retailer of Vapor Products License. – A specialty retailer of vapor products must obtain a specialty retailer of vapor products license for each location where the retailer sells, offers to sell, distributes, or stores vapor products. A specialty retailer of vapor products that holds a valid license under this subsection is not required to obtain a retail dealer license under subsection (a1) or (a2) of this section for the same location. A vapor products retailer that does not meet the definition of a specialty retailer of vapor products as defined in G.S. 105-113.4 is not required to obtain a specialty retailer of vapor products license.

(b) License Tax Amount. – The license tax amounts are as follows:

(1)	Wholesale dealer	$25.00
(2)	Retail dealer	$10.00
(3)	Specialty retailer of vapor products	$1,000

(c) Out-of-State Wholesale Dealers. – An out-of-state wholesale dealer of tobacco products that is not a delivery seller or a remote seller may obtain a wholesale dealer's license upon compliance with the provisions of G.S. 105-113.4A and payment of a tax of twenty-five dollars ($25.00)."

SECTION 44.6.(b) If Senate Bill 595, 2025 Regular Session becomes law, then G.S. 14-313(h) reads as rewritten:

"(h) ~~Fines and~~ Civil Penalties. – The Secretary shall impose the following penalties for violations of the certification requirements for consumable products and vapor products required by Part 3 of Article 4 of Chapter 143B of the General Statutes:

(1) Retailer, distributor, or wholesaler ~~fines.~~ penalties. – A retailer, distributor, or wholesaler who offers for sale a consumable product or vapor product intended for ultimate retail sale in this State that is not included in the directory ~~is subject to a warning and a reinspection of the retailer conducted by the ALE Division. In addition, the following provisions apply:~~as required under Part 3 of Article 4 of Chapter 143B of the General Statutes, is subject to the following penalties:

a. For a ~~second~~ first violation of this ~~type within a 12-month period, the fine is~~ type, a penalty of at least five hundred dollars ($500.00) but not more than seven hundred fifty dollars ~~($750.00)~~ ($750.00), a mandatory reinspection of the retailer within 30 days of the violation, and, if licensed, the licensee's license is suspended for 30 days.

b. For a ~~third~~ second or subsequent violation of this type within a 12-month period, ~~the fine is~~ a penalty of at least one thousand dollars ($1,000) but not more than one thousand five hundred dollars ($1,500) and, if licensed, the licensee's license is revoked.

~~c. Upon a second or subsequent violation of this type, consumable products or vapor products that are not on the directory as required by G.S. 143B-245.12, and are possessed by a retailer, distributor, or wholesaler, are subject to seizure, forfeiture, and destruction by the ALE Division. The cost of the seizure, forfeiture, and destruction is borne by the person from whom the products are confiscated, except that no products may be seized from a consumer who has made a bona fide purchase of such product. The ALE Division may store and dispose of the seized products as appropriate, in accordance with federal, State, and local laws pertaining to storage and disposal of such products.~~

…."

SECTION 44.6.(c) G.S. 14-313 reads as rewritten:

"**§ 14-313. Youth access to tobacco products, alternative nicotine products, vapor products, and cigarette wrapping papers.**

(a) Definitions. – The following definitions apply in this section:

…

~~(3c) Timely Filed Premarket Tobacco Product Application. – An application pursuant to 21 U.S.C. § 387j for a vapor product or consumable product containing nicotine derived from tobacco marketed in the United States as of August 8, 2016, that was submitted to the United States Food and Drug Administration on or before September 9, 2020, and accepted for filing.~~

(3d) Specialty retailer of vapor products. – As defined in G.S. 105-113.4.

…

(e1) Prohibited Entry by Persons Under 21 in a Specialty Retailer of Vapor Products Establishment. – No specialty retailer of vapor products shall allow a person under the age of 21 to be within the retail establishment. Each specialty retailer of vapor products, as a condition of entry into the retail establishment, shall require each patron to verify his or her age using a third-party age verification service. The age verification service shall require the presentation and electronic scanning of the patron's drivers license or nondriver identification card as a condition of entry into the retail establishment. A person who violates this subsection is guilty of a Class 1 misdemeanor.

…."

SECTION 44.6.(d1) G.S. 143B-245.10 reads as rewritten:

"**§ 143B-245.10. Definitions.**

The following definitions apply throughout this Part:

(1) ALE Division. – Alcohol Law Enforcement Division of the Department of Public Safety.

(1a) Alternative nicotine product. – As defined in G.S. 14-313(a)(1).

…

(5a) SBI. – North Carolina State Bureau of Investigation.

~~(6) Timely Filed Premarket Tobacco Product Application. – As defined in G.S. 14-313(a)(3c).~~

(7) Tobacco product. – As defined in G.S. 14-313(a)(4).

(8) Vapor product. – As defined in G.S. 14-313(a)(5)."

SECTION 44.6.(d2) G.S. 143B-245.11 reads as rewritten:

"**§ 143B-245.11. Certification process.**

(a) Certification. – Beginning March 1, 2025, and annually thereafter, every manufacturer of vapor products and consumable products sold for retail sale in this State, whether directly or through a distributor, retailer, or similar intermediary or intermediaries, shall execute and deliver on a form prescribed by the Secretary, a certification to the Secretary under penalty of perjury, of the following:

(1) The manufacturer received an order granted pursuant to 21 U.S.C. § 387j(c) (marketing granted order) for the vapor product or consumable product from the FDA.

(2) ~~The manufacturer submitted a Timely Filed Premarket Tobacco Product Application as defined in G.S. 14-313(a)(3c) for the vapor product or consumable product; and the application either remains under review by the FDA or has received a denial order that has been and remains stayed by the FDA or court order, rescinded by the FDA, or vacated by a court.~~As of July 1, 2026, the vapor product or consumable product is otherwise marketed pursuant to a published FDA enforcement policy, and the premarket tobacco product application filed with respect to the vapor product or consumable product pursuant to 21 U.S.C. § 387j either remains under review or a final decision on the application is not otherwise in effect.

(3) The manufacturer is exempt from the requirements of subdivision (1) or (2) of this subsection because the vapor product or consumable product only reflects changes to the name, brand style, or packaging of a vapor product or consumable product.

(b) Requirements for Manufacturers; Fees. – In addition to the requirements contained in subsection (a) of this section, each manufacturer shall provide to the Secretary the following:

(1) For each vapor product and consumable product offered by the manufacturer, a copy of (i) the marketing granted order issued by the FDA pursuant to 21 U.S.C. § 387j; (ii) ~~a copy of the acceptance letter issued by the FDA pursuant to 21 U.S.C. § 387j for a Timely Filed Premarket Tobacco Product Application;~~ evidence demonstrating that the vapor product or consumable product meets the requirements described in subdivision (2) of subsection (a) of this section; or (iii) a document issued by the FDA or by a court confirming that the premarket tobacco product application has received a denial order that is not yet in effect; and

(2) An initial fee of two thousand dollars ($2,000) to offset the costs incurred by the Department of Revenue for processing the certifications and operating the directory and an annual renewal fee of five hundred dollars ($500.00) each

year on March 1 to offset the costs associated with maintaining the directory and satisfying the requirements of this section for each consumable product or vapor product to be listed in the directory.

…

(f) Notification of Compliance with Changes to Federal Law. – If federal requirements for vapor products or consumable products are changed, each manufacturer of a vapor product or consumable product sold for retail sale in North Carolina shall submit documentation to the Secretary substantiating compliance with those federal requirements within 30 days of the date mandated for compliance under the federal requirements. Failure to substantiate compliance with changed federal requirements shall be grounds for removal of the manufacturer and its vapor product or consumable product from the directory established pursuant to G.S. 143B-245.12. For the purposes of this subsection, federal requirements for vapor products or consumable products are any modifications to 21 U.S.C. § 387j or other federal statutes regulating vapor products or consumable products or any modification of regulations or other official federal guidance that change requirements or standards for federal compliance of a vapor product or consumable product."

SECTION 44.6.(d3) G.S. 143B-245.12 reads as rewritten:

"**§ 143B-245.12. Public directory.**

(a) Development and Maintenance of Directory. – Beginning on May 1, 2025, the Secretary shall develop, maintain, and make publicly available on the Secretary's public website a directory listing all manufacturers of consumable products or vapor products that have provided certifications that comply with G.S. 143B-245.11(a) and ~~(b) and~~ (b), all product names, brand names, categories (e.g., e-liquid, e-liquid cartridge, e-liquid pod, disposable), ~~and flavors~~ flavors, and SKUs for each consumable product and vapor product for which certifications have been submitted and approved by the Secretary. The Secretary shall update the directory ~~at least monthly~~ on the first day of each month, and specifically identify any consumable product or vapor product that was removed in the prior month, to ensure accuracy. The Secretary shall establish a process to provide licensed retailers, distributors, and wholesalers notice of the initial publication of the directory and changes made to the directory in the prior month.

(b) Exclusion from the Directory. – No manufacturer or the manufacturer's consumable products or vapor products shall be included or retained in the directory if the Secretary determines that any of the following apply:

…

(6) The manufacturer failed to submit documentation to the Secretary substantiating compliance with changed federal requirements as required by G.S. 143B-245.11(f).

(c) Removal from the Directory. – The Secretary shall provide the manufacturer notice and an opportunity to cure deficiencies before removing the manufacturer or products from the directory.

…

(3) Retailers shall have 30 days following the monthly update of the directory by the Secretary identifying the removal of a manufacturer or its products from the directory to sell such products that were in the retailer's inventory as of the date of removal or remove those products from inventory and return them to the distributor or wholesaler from whom the products were purchased for a refund.

(4) After 30 days following the monthly update of the directory by the Secretary identifying removal from the directory, the consumable product or vapor product of a manufacturer identified in the notice of removal and intended for retail sale in North Carolina is subject to seizure, forfeiture, and destruction in

accordance with G.S. 143B-245.15(c) and may not be purchased or sold for retail sale in North Carolina.

…."

SECTION 44.6.(d4) G.S. 143B-245.13 reads as rewritten:

"**§ 143B-245.13. Retail sale of consumable products and vapor products.**

(a) Products Prohibited from Retail Sale. – ~~Except as provided in subdivisions (1) and (2) of this subsection, beginning~~ Beginning May 1, 2025, or on the date that the Department of Revenue first makes the directory available for public inspection on its public website as provided in G.S. 143B-245.12(a), whichever is later, consumable products or vapor products not included in the directory may not be sold for retail sale in North Carolina, either directly or through an importer, distributor, wholesaler, retailer, or similar intermediary or intermediaries. ~~[The following applies:]~~

~~(1) Each retailer shall have 60 days from the date that the Secretary first makes the directory available for inspection on its public website to sell products that were in its inventory and not included in the directory or remove those products from inventory and return them to the distributor or wholesaler from whom the products were purchased for a refund.~~

~~(2) Each distributor or wholesaler shall have 60 days from the date that the Secretary first makes the directory available for inspection on its public website to remove those products intended for ultimate retail sale in the State from its inventory.~~

~~(3)~~ ~~After 60 calendar days following publication of the directory, consumable~~ Consumable products or vapor products not listed in the directory and intended for retail sale in North Carolina are subject to seizure, forfeiture, and destruction in accordance with G.S. 143B-245.15(c) and may not be purchased or sold for retail sale in North Carolina except as provided in G.S. 143B-245.12(c).

(b) Reserved for future codification purposes."

SECTION 44.6.(d5) G.S. 105-113.4B(a2) reads as rewritten:

"(a2) Non-Summary Revocation. – The Secretary may revoke the license of a licensee that commits one or more of the following acts after affording the licensee an opportunity to have a hearing as provided in subsections (a3) through (b2) of this section:

(1) Fails to obtain a license in a timely manner or for all places of business as required by this Article.
(2) Willfully fails to file a return required by this Article.
(3) Willfully fails to pay a tax when due under this Article.
(4) Makes a false statement in an application or return required under this Article.
(5) Fails to keep records as required by this Article.
(6) Refuses to allow the Secretary or a representative of the Secretary to examine the person's books, accounts, and records concerning tobacco product.
(7) Fails to disclose the correct amount of tobacco product taxable in this State.
(8) Fails to file a replacement bond or an additional bond if required by the Secretary under this Article.
(9) Violates G.S. 14-401.18.
(10) Fails to meet or maintain the requirements set out in G.S. 105-113.4A(b).
(11) Violates G.S. 143B-245.13."

SECTION 44.6.(d6) If Senate Bill 595, 2025 Regular Session, becomes law, then G.S. 143B-245.15 reads as rewritten:

"**§ 143B-245.15. Compliance.**

(a) Unannounced ~~Inspection.~~ Compliance Check. – Each retailer, distributor, and wholesaler that sells or distributes consumable products or vapor products in this State is subject

to ~~investigation and~~ at least one unannounced ~~inspections~~ compliance check per year by any State or local law enforcement officials, including the ALE ~~Division~~ Division, the SBI, the Department of Justice, or local sheriff and police departments, for purposes of enforcing this Part. Unannounced follow-up compliance checks of all noncompliant retailers, distributors, and wholesalers shall be conducted within 30 days after any violation of this Part. Any person who observes a violation described in G.S. 143B-245.13 may alert the ~~ALE Division~~ SBI of the violation, and the ~~ALE Division~~ SBI may direct the appropriate law enforcement official to investigate the alleged violation.

(b) Reporting of Violations. – ~~The ALE Division~~ Any State or local law enforcement official who performs a compliance check shall report to the Secretary any violation of this Chapter for which civil penalties are authorized and regardless of whether criminal charges have been filed. The Secretary shall maintain a database of documented violations and make the results available to the public on request.

(c) Seizure and Destruction of Noncompliant Products. – Any products identified for sale identified by any State or local law enforcement official that are not on the registry or are not otherwise sold in compliance with the provisions of this Chapter may be subject to ~~seizure, forfeiture,~~ immediate seizure by the law enforcement official and forfeiture and destruction by the ALE ~~Division in accordance with G.S. 14-313(h)(1)c.~~Division. The cost of such seizure, forfeiture, and destruction shall be borne by the person from whom the consumable product or vapor product is confiscated, except that no consumable product or vapor product may be seized from a consumer who has made a bona fide purchase of such products. The ALE Division may store and dispose of the seized products as appropriate, in accordance with federal, State, and local laws pertaining to storage and disposal of such products.

(d) Compliance Task Force. – There is hereby established an interagency task force between the Department of Revenue, the Department of Agriculture, the Secretary of State, the ALE Division, the SBI, the Department of Justice, and representatives of local law enforcement agencies for the purpose of coordinating compliance checks and enforcement of this Part. The SBI shall lead and coordinate the task force. The SBI shall adopt rules necessary to implement this subsection."

SECTION 44.6.(d7) If Senate Bill 595, 2025 Regular Session, becomes law, then G.S. 18B-500(b) reads as rewritten:

"(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense:

…

(2) Encountered or otherwise discovered while investigating or enforcing matters for the North Carolina Alcoholic Beverage Control Commission or the North Carolina Education Lottery Commission or encountered or otherwise discovered while investigating or enforcing the provisions of this Chapter, Chapter 18C of the General Statutes, ~~Article 5 of Chapter 90 of the General Statutes, Part 3 of Article 4 of Chapter 143B of the General Statutes,~~ G.S. 14-313, or Parts 1 and 2 of Article 37 of Chapter 14 of the General Statutes.

…."

SECTION 44.6.(e) Subsections (a1) through (a3) of this section become effective July 1, 2027. Subsection (b) of this section becomes effective October 1, 2026, and applies to violations occurring on or after that date. Subsection (c) of this section becomes effective December 1, 2027, and applies to offenses committed on or after that date. Subsection (d3) of this section becomes effective October 1, 2026, and applies to directory updates required on or after that date. The remainder of this section is effective when it becomes law.

INCREASE EXCISE TAX ON SPORTS WAGERING OPERATORS AND MODIFY DISTRIBUTION OF PROCEEDS

SECTION 44.7.(a) G.S. 105-113.126(a) reads as rewritten:

"(a) Tax. – A tax at the rate of ~~eighteen~~ twenty-three percent ~~(18%)~~ (23%) is imposed on each interactive sports wagering operator for the privilege of being licensed under Article 9 of Chapter 18C of the General Statutes. The tax applies to the gross wagering revenue of the interactive sports wagering operator."

SECTION 44.7.(b) 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:

…

~~(3) Three hundred thousand dollars ($300,000) annually shall be appropriated to each of the institutions listed in this subdivision to support collegiate athletic departments. If there are not sufficient funds for each of these institutions 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 institutions are listed as follows:~~

~~a. Appalachian State University.~~
~~b. East Carolina University.~~
~~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 million dollars ($1,000,000) 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.

c. Funds credited under this subdivision which remain unspent at the end of the fiscal year may be used to provide other travel and field trip-related grants that promote outdoor recreational activities.

(5) Of the remaining proceeds, as follows:

a. ~~Twenty percent (20%)~~ Amounts listed in this sub-subdivision annually to be distributed ~~equally~~ among the ~~institutions listed~~ classes of State public universities in this sub-subdivision to support collegiate athletic departments, not to supplant general funding to ~~that institution.~~ the public universities. A public university may receive a distribution under more than one class, as applicable. The ~~institutions are listed as follows:~~amounts and classes are as follows:

1. ~~Appalachian State University.~~Class I. – Two and two-tenths percent (2.2%) annually to be distributed equally among the public universities for which the majority of its athletic teams compete in Division I of the National Collegiate Athletic Association. Distributions under this class are limited to four hundred thousand dollars ($400,000) per public university.
2. ~~East Carolina University.~~Class II. – Nineteen and one-half percent (19.5%) annually to be distributed equally among the public universities for which the majority of its athletic teams compete in Division I or Division II of the National Collegiate Athletic Association. Distributions under this class are limited to two million nine hundred thousand dollars ($2,900,000) per public university.
3. ~~Elizabeth City State University.~~Reserved for future codification purposes.
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~~ annually, not to exceed thirty million dollars ($30,000,000), to the North Carolina Major Events, Games, and Attractions Fund established under G.S. 143B-437.112.

c. ~~Fifty percent (50%)~~ The remainder annually to the General Fund."

SECTION 44.7.(c) G.S. 105-113.128, as amended by subsection (b) of this section, 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 in the following priority:

…

(5) Of the remaining proceeds, as follows:

a. Amounts listed in this sub-subdivision annually to be distributed among the classes of State public universities in this sub-subdivision to support collegiate athletic departments, not to supplant general funding to the public universities. A public university may receive a distribution under more than one class, as applicable. The amounts and classes are as follows:

1. Class I. – Two and two-tenths percent (2.2%) annually to be distributed equally among the public universities for which the majority of its athletic teams compete in Division I of the National Collegiate Athletic Association. Distributions under this class are limited to four hundred thousand dollars ($400,000) per public university.

2. Class II. – Nineteen and one-half percent (19.5%) annually to be distributed equally among the public universities for which the majority of its athletic teams compete in Division I or Division II of the National Collegiate Athletic Association. Distributions under this class are limited to two million nine hundred thousand dollars ($2,900,000) per public university.

3. Class III. – Five and seven-tenths percent (5.7%) 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. Distributions under this class are limited to two million five hundred thousand dollars ($2,500,000) per public university.

b. Thirty percent (30%) annually, not to exceed thirty million dollars ($30,000,000), to the North Carolina Major Events, Games, and Attractions Fund established under G.S. 143B-437.112.

c. The remainder annually to the General Fund."

SECTION 44.7.(d) Subsection (a) of this section becomes effective when it becomes law and applies to gross wagering revenue received on or after that date. Subsection (b) of this section becomes effective July 1, 2026, and applies to distributions of tax proceeds on or after that date. Subsection (c) of this section becomes effective July 1, 2027, and applies to distributions of tax proceeds on or after that date. The remainder of this section is effective when it becomes law.

NC AMATEUR SPORTS FUNDING

SECTION 44.8. The net proceeds of the tax collected under Article 2E of Chapter 105 of the General Statutes credited to North Carolina Amateur Sports shall not revert but shall remain available to North Carolina Amateur Sports to be used for purposes provided in G.S. 105-113.128(2). The purpose of this section is to address confusion and clarify that such tax proceeds do not revert.

PREDICTION MARKET TRADING FEES TAX

SECTION 44.9.(a) Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 2F.

"Tax on Prediction Markets.

"**§ 105-113.130. Definitions.**

(1) Board of trade. – Defined in 7 U.S.C. § 1a.

(2) Derivatives clearing organization. – Defined in 7 U.S.C. § 1a.

(3) Designated contract market. – A board of trade subject to the provisions of 17 C.F.R. Part 38.

(4) Event contract. – A swap available for trading on a designated contract market or swap execution facility that is based upon the occurrence, extent of an occurrence, or contingency for which the event or contingency involves sports. The term does not include an occurrence, extent of an occurrence, or contingency involving a change in the price, rate, value, or levels of a commodity described under 7 U.S.C. § 1a(19)(i).

(5) Futures commission merchant. – Defined in 7 U.S.C. § 1a.

(6) Introducing broker. – Defined in 7 U.S.C. § 1a.

(7) Net trading fee revenue. – Prediction market revenue less the following:

a. Broker or market maker compensation.

b. Promotional incentives, funds, or rebates.

c. Platform fees or clearing fees charged by a derivatives clearing organization.

d. Withdrawal fees.

(8) Prediction market. – Any physical or electronic platform through which a consumer may buy, sell, or exchange event contracts. This term applies whether the platform is located within or outside of the State and includes any designated contract market that has obtained a license from the Commodity Futures Trading Commission or any other exchange, platform, or business that offers event contracts for trading which are in fact traded by a consumer located in the State.

(9) Prediction market revenue. – Revenue actually received by a prediction market from the following sources:

a. Trading, or taker, fees.

b. Fees charged to liquidity providers placing resting orders.

c. Commissions charged to any futures commission merchants, introducing brokers, or other affiliated, authorized, or licensed market participants, clearinghouses or clearing organizations, intermediaries, service providers, and market infrastructure participants.

(10) Swap. – Defined in 7 U.S.C. § 1a.

(11) Swap execution facility. – Defined in 7 U.S.C. § 1a.

"**§ 105-113.131. Trading fees tax.**

(a) Authority. – A prediction market registered and licensed by the Commodity Futures Trading Commission that offers event contracts, including sporting event contracts, to North Carolina residents may operate within the State lawfully as a result of its registration with the Commission and its compliance with the Commodity Exchange Act and its implementing regulations, which establish exclusive federal regulatory authority of the Commission over prediction markets.

(b) Tax. – A tax is imposed on each operator of a prediction market at the rate of six percent (6%) of the operator's net trading fee revenue apportionable to the State. This tax does

not impose any license, registration, or other regulatory requirements or obligations of any kind on prediction markets.

(c) Apportionment. – Revenue of a prediction market operator is apportionable to the State if it involves the trading of an event contract by a resident of the State, who is domiciled and present in the State at the time of the trade, on a prediction market that results in payment of trading fees by that resident.

(d) Return. – Taxes levied by this Article are due when a return is required to be filed. The return is due on an annual basis. An annual return is due by the last day of the month following the calendar year covered by the return. A return is filed on a form prescribed by the Secretary.

(e) Records. – A person who is required to file a return under this Article must keep a record of all documents used to determine information the taxpayer provides in a return. These records shall be open at all times for inspection by the Secretary or an authorized representative of the Secretary and shall be kept for the applicable period of statute of limitations as set forth under Article 9 of this Chapter."

SECTION 44.9.(b) This section becomes effective January 1, 2027, and applies to net trading fee revenue received on or after that date.

CLARIFY TRUST QUALIFICATIONS FOR PRESENT-USE VALUE

SECTION 44.10.(a) G.S. 105-277.2(4)c. reads as rewritten:

"c. A ~~trust that meets all of the following conditions:~~trust, if all

~~1.~~ ~~It was created by an individual who owned the land and transferred the land to the trust.~~

~~2.~~ ~~All~~ of its beneficiaries are, directly or indirectly, individuals who are the creator of the trust or a relative of the creator. An individual is indirectly a beneficiary of a trust that owns the land if the individual is a beneficiary of another trust or a member of a business entity that has a beneficial interest in the trust that owns the land."

SECTION 44.10.(b) An owner of property that lost its present-use value classification on or after January 1, 2026, and prior to the date this act becomes law, that qualifies for the continued use exception under G.S. 105-277.3(b2)(1) due to this section, may submit an application for continued use within 60 days of this act becoming law. If approved, the assessor shall reinstate the property's present-use value classification retroactive to the date the classification was revoked and, notwithstanding G.S. 105-380 and G.S. 105-381, any deferred taxes that were paid as a result of the revocation must be refunded to the property owner. The owner may appeal the final decision of the assessor to the county board of equalization and review as provided in G.S. 105-277.4(b1).

SECTION 44.10.(c) This section is effective retroactive to January 1, 2026, and applies to property that lost its present-use value classification on or after that date.

SAMPSON COUNTY LOCAL SALES TAX FOR EDUCATION

SECTION 44.11.(a) This section applies to Sampson County only.

SECTION 44.11.(b) Subchapter VIII of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 43A.

"County Sales and Use Tax for Public Education.

"**§ 105-513.1. Short title; purpose.**

This Article is the County Sales and Use Tax for Public Education. This Article gives the counties of this State an opportunity to obtain an additional source of revenue with which to meet their public education needs.

"**§ 105-513.2. Levy.**

(a) Referendum. – A tax levied under this Article must be approved in a referendum. The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum on the question of whether to levy a local sales and use tax in the county at a rate of up to one-half percent (1/2%). The applicable rate must be in an increment of one-quarter percent (1/4%) and may not be in effect in a county at the same time as a tax levied by that county or in that county under Article 43 of this Chapter. The election shall be held in accordance with the procedures of G.S. 163-287.

(b) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of the tax authorized by this Article shall be:

"[ ] FOR [ ] AGAINST

Local sales and use tax at the [applicable rate stated in both words and as a percentage] in addition to the current local sales and use taxes, to be used only for public education."

(c) Authority. – If the majority of those voting in a referendum held pursuant to this Article vote for the levy of the tax, the board of commissioners of the county may, by resolution and after 10 days' public notice, levy a local sales and use tax at the rate specified in the ballot.

"**§ 105-513.3. Administration.**

Except as provided in this Article, the adoption, levy, collection, administration, and repeal of these additional taxes must be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references to "this Article" mean "Article 43A of Chapter 105 of the General Statutes." G.S. 105-468.1 is an administrative provision that applies to this Article. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). The Secretary shall not divide the amount allocated to a county between the county and the municipalities within the county.

"**§ 105-513.4. Use.**

A county may use the proceeds of a tax levied under this Article only for the following purposes:

(1) Public school capital outlay purposes, as defined in G.S. 115C-426(f), or to retire any indebtedness incurred by the county for these purposes.

(2) Public school operating expenses."

SECTION 44.11.(c) Part 1 of Article 43 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-506.3. Limitation on levy.**

A tax levied under this Article may not be in effect in a county at the same time as a tax levied by that county under Article 43A of this Chapter."

SECTION 44.11.(d) This section is effective when it becomes law.

BRUNSWICK FIRE FEES

SECTION 44.12.(a) Effective when this act becomes law, Section 1 of S.L. 1999-323, as amended by S.L. 2001-74, Section 2 of S.L. 2007-355, S.L. 2017-60, and Section 1 of S.L. 2020-37, reads as rewritten:

"**Section 1.** Fee-supported fire districts.

…

"**Section 1.(c)** Fees. – The fees imposed by the county may not exceed the cost of providing fire protection services within the district and may be imposed on owners of all real property that benefits from the availability of fire protection and on owners of all manufactured or mobile homes that benefit from the availability of fire protection. For the purpose of this section, the term 'fire protection' includes furnishing emergency medical, rescue, and ambulance services to protect persons in the district from injury or death. The county shall establish a schedule of fees for different classes of property and the fee for each class of property shall be proportional to the

estimated cost of providing fire protection services to that class of property. The schedule of fees shall include the following classes of property and the fee on each class of property shall not exceed the following maximums:

(1) A single-family dwelling or manufactured or mobile home, and appurtenant structures, plus up to five acres of surrounding land. The fee on this class of property may not exceed:

a. One hundred twenty-five dollars ~~($100.00)~~ ($125.00) per site per year for homes 1,000 square feet of heated floor area or less.

b. Two hundred fifty dollars ~~($200.00)~~ ($250.00) per site per year for homes greater than 1,000 square feet of heated floor area but less than 2,000 square feet of heated floor area.

c. ~~Four~~ Five hundred dollars ~~($400.00)~~ ($500.00) per site per year for homes 2,000 square feet or greater of floor area but not greater than 3,000 square feet of heated floor area.

d. ~~Six~~ Seven hundred fifty dollars ~~($600.00)~~ ($750.00) per site per year for homes greater than 3,000 square feet of floor area but not greater than 4,000 square feet of heated floor area.

e. ~~Eight hundred~~ One thousand dollars ~~($800.00)~~ ($1,000) per site per year for homes greater than 4,000 square feet of floor area but not greater than 5,000 square feet of heated floor area.

f. One thousand two hundred fifty dollars ~~($1,000)~~ ($1,250) per site per year for homes greater than 5,000 square feet of floor area but not greater than 6,000 square feet of heated floor area.

g. One thousand ~~two~~ five hundred dollars ~~($1,200)~~ ($1,500) per site per year for homes greater than 6,000 square feet of floor area but not greater than 7,000 square feet of heated floor area.

h. One thousand ~~four~~ seven hundred fifty dollars ~~($1,400)~~ ($1,750) per site per year for homes greater than 7,000 square feet of floor area but not greater than 8,000 square feet of heated floor area.

i. ~~One~~ Two thousand ~~six hundred~~ dollars ~~($1,600)~~ ($2,000) per site per year for homes greater than 8,000 square feet of heated floor area.

(2) Unimproved land other than the five acres of land classified as part of a single-family dwelling or manufactured or mobile home. The county may establish a maximum fee for unimproved land as follows:

a. Up to five acres, ~~twenty~~ twenty-five dollars ~~($20.00).~~($25.00).

b. Five acres or more but less than 25 acres, ~~forty~~ fifty dollars ~~($40.00).~~($50.00).

c. 25 acres or more but less than 50 acres, one hundred twenty-five dollars ~~($100.00).~~($125.00).

d. 50 acres or more but less than 100 acres, two hundred fifty dollars ~~($200.00).~~($250.00).

e. 100 acres or more but less than 200 acres, three hundred seventy-five dollars ~~($300.00).~~($375.00).

f. 200 acres or more but less than 300 acres, ~~four~~ five hundred dollars ~~($400.00).~~($500.00).

g. 300 acres or more but less than 400 acres, ~~six~~ seven hundred fifty dollars ~~($600.00).~~($750.00).

h. 400 acres or more but less than 500 acres, ~~eight hundred~~ one thousand dollars ~~($800.00).~~($1,000).

i. 500 acres or more, one thousand two hundred fifty dollars ~~($1,000).~~($1,250).

(3) An animal production or horticultural operation. The fee on this class of property may not exceed ~~twenty~~ twenty-five dollars ~~($20.00)~~ ($25.00) per site per year.

(4) A commercial facility other than an animal production or horticultural operation. The fee on this class of property may not exceed for a commercial facility:

a. Less than 5,000 square feet, ~~four~~ five hundred dollars ~~($400.00).~~($500.00).

b. 5,000 square feet but less than 10,000 square feet, ~~eight hundred~~ one thousand dollars ~~($800.00).~~($1,000).

c. 10,000 square feet but less than 20,000 square feet, ~~one~~ two thousand ~~six hundred~~ dollars ~~($1,600).~~($2,000).

d. 20,000 square feet but less than 30,000 square feet, two thousand five hundred dollars ~~($2,000).~~($2,500).

d1. 30,000 square feet but less than 40,000 square feet, three thousand seven hundred fifty dollars ~~($3,000).~~($3,750).

d2. 40,000 square feet but less than 50,000 square feet, ~~four~~ five thousand dollars ~~($4,000).~~($5,000).

e. 50,000 square feet but less than 60,000 square feet, ~~six~~ seven thousand five hundred dollars ~~($6,000).~~($7,500).

e1. 60,000 square feet but less than 70,000 square feet, ~~eight~~ ten thousand dollars ~~($8,000).~~($10,000).

e2. 70,000 square feet but less than 80,000 square feet, ~~ten~~ twelve thousand five hundred dollars ~~($10,000).~~($12,500).

e3. 80,000 square feet but less than 90,000 square feet, ~~twelve~~ fifteen thousand dollars ~~($12,000).~~($15,000).

e4. 90,000 square feet but less than 100,000 square feet, ~~fourteen~~ seventeen thousand five hundred dollars ~~($14,000).~~($17,500).

f. 100,000 square feet or over, ~~sixteen~~ twenty thousand dollars ~~($16,000).~~($20,000).

(5) A multiple-family dwelling. Each unit in a multiple-family dwelling shall be treated as a single-family dwelling under subdivision (1) of this subsection.

(6) Any other class of property selected by the county. The fee on these classes of property may not exceed two hundred fifty dollars ~~($200.00)~~ ($250.00) per year.

(7) Outbuildings and special structures that fail to fall into any category above will be classified based on the most appropriate category determined by the specific use of the type of structure.

For properties located beyond six road miles from the closest fire station of their district that have a fire insurance rating of 10, the fee shall be seventy-five percent (75%) of the amount otherwise applicable under the above fee schedules.

…."

SECTION 44.12.(b) Effective July 1, 2027, Section 1 of S.L. 1999-323, as amended by S.L. 2001-74, Section 2 of S.L. 2007-355, S.L. 2017-60, Section 1 of S.L. 2020-37, and subsection (a) of this section, reads as rewritten:

"**Section 1.** Fee-supported fire districts.

…

"**Section 1.(c)** Fees. – The fees imposed by the county may not exceed the cost of providing fire protection services within the district and may be imposed on owners of all real property that benefits from the availability of fire protection and on owners of all manufactured or mobile homes that benefit from the availability of fire protection. For the purpose of this section, the

term 'fire protection' includes furnishing emergency medical, rescue, and ambulance services to protect persons in the district from injury or death. The county shall establish a schedule of fees for different classes of property and the fee for each class of property shall be proportional to the estimated cost of providing fire protection services to that class of property. The schedule of fees shall include the following classes of property and the fee on each class of property shall not exceed the following maximums:

(1) A single-family dwelling or manufactured or mobile home, and appurtenant structures, plus up to five acres of surrounding land. The fee on this class of property may not exceed:

a. One hundred ~~twenty-five~~ fifty dollars ~~($125.00)~~ ($150.00) per site per year for homes 1,000 square feet of heated floor area or less.

b. ~~Two~~ Three hundred ~~fifty~~ dollars ~~($250.00)~~ ($300.00) per site per year for homes greater than 1,000 square feet of heated floor area but less than 2,000 square feet of heated floor area.

c. ~~Five~~ Six hundred dollars ~~($500.00)~~ ($600.00) per site per year for homes 2,000 square feet or greater of floor area but not greater than 3,000 square feet of heated floor area.

d. ~~Seven~~ Nine hundred ~~fifty~~ dollars ~~($750.00)~~ ($900.00) per site per year for homes greater than 3,000 square feet of floor area but not greater than 4,000 square feet of heated floor area.

e. One thousand two hundred dollars ~~($1,000)~~ ($1,200) per site per year for homes greater than 4,000 square feet of floor area but not greater than 5,000 square feet of heated floor area.

f. One thousand ~~two~~ five hundred ~~fifty~~ dollars ~~($1,250)~~ ($1,500) per site per year for homes greater than 5,000 square feet of floor area but not greater than 6,000 square feet of heated floor area.

g. One thousand ~~five~~ eight hundred dollars ~~($1,500)~~ ($1,800) per site per year for homes greater than 6,000 square feet of floor area but not greater than 7,000 square feet of heated floor area.

h. ~~One~~ Two thousand ~~seven~~ one hundred ~~fifty~~ dollars ~~($1,750)~~ ($2,100) per site per year for homes greater than 7,000 square feet of floor area but not greater than 8,000 square feet of heated floor area.

i. Two thousand four hundred dollars ~~($2,000)~~ ($2,400) per site per year for homes greater than 8,000 square feet of heated floor area.

(2) Unimproved land other than the five acres of land classified as part of a single-family dwelling or manufactured or mobile home. The county may establish a maximum fee for unimproved land as follows:

a. Up to five acres, ~~twenty-five~~ thirty dollars ~~($25.00).~~($30.00).

b. Five acres or more but less than 25 acres, ~~fifty~~ sixty dollars ~~($50.00).~~($60.00).

c. 25 acres or more but less than 50 acres, one hundred ~~twenty-five~~ fifty dollars ~~($125.00).~~($150.00).

d. 50 acres or more but less than 100 acres, ~~two~~ three hundred ~~fifty~~ dollars ~~($250.00).~~($300.00).

e. 100 acres or more but less than 200 acres, ~~three~~ four hundred ~~seventy-five~~ fifty dollars ~~($375.00).~~($450.00).

f. 200 acres or more but less than 300 acres, ~~five~~ six hundred dollars ~~($500.00).~~($600.00).

g. 300 acres or more but less than 400 acres, ~~seven~~ nine hundred ~~fifty~~ dollars ~~($750.00).~~($900.00).

h. 400 acres or more but less than 500 acres, one thousand two hundred dollars ~~($1,000).~~($1,200).

i. 500 acres or more, one thousand ~~two~~ five hundred ~~fifty~~ dollars ~~($1,250).~~($1,500).

(3) An animal production or horticultural operation. The fee on this class of property may not exceed ~~twenty-five~~ thirty dollars ~~($25.00)~~ ($30.00) per site per year.

(4) A commercial facility other than an animal production or horticultural operation. The fee on this class of property may not exceed for a commercial facility:

a. Less than 5,000 square feet, ~~five~~ six hundred dollars ~~($500.00).~~($600.00).

b. 5,000 square feet but less than 10,000 square feet, one thousand two hundred dollars ~~($1,000).~~($1,200).

c. 10,000 square feet but less than 20,000 square feet, two thousand four hundred dollars ~~($2,000).~~($2,400).

d. 20,000 square feet but less than 30,000 square feet, ~~two~~ three thousand ~~five hundred~~ dollars ~~($2,500).~~($3,000).

d1. 30,000 square feet but less than 40,000 square feet, ~~three~~ four thousand ~~seven~~ five hundred ~~fifty~~ dollars ~~($3,750).~~($4,500).

d2. 40,000 square feet but less than 50,000 square feet, ~~five~~ six thousand dollars ~~($5,000).~~($6,000).

e. 50,000 square feet but less than 60,000 square feet, ~~seven~~ nine thousand ~~five hundred~~ dollars ~~($7,500).~~($9,000).

e1. 60,000 square feet but less than 70,000 square feet, ~~ten~~ twelve thousand dollars ~~($10,000).~~($12,000).

e2. 70,000 square feet but less than 80,000 square feet, ~~twelve~~ fifteen thousand ~~five hundred~~ dollars ~~($12,500).~~($15,000).

e3. 80,000 square feet but less than 90,000 square feet, ~~fifteen~~ eighteen thousand dollars ~~($15,000).~~($18,000).

e4. 90,000 square feet but less than 100,000 square feet, ~~seventeen~~ twenty-one thousand ~~five hundred~~ dollars ~~($17,500).~~($21,000).

f. 100,000 square feet or over, ~~twenty~~ twenty-four thousand dollars ~~($20,000).~~($24,000).

(5) A multiple-family dwelling. Each unit in a multiple-family dwelling shall be treated as a single-family dwelling under subdivision (1) of this subsection.

(6) Any other class of property selected by the county. The fee on these classes of property may not exceed ~~two~~ three hundred ~~fifty~~ dollars ~~($250.00)~~($300.00) per year.

(7) Outbuildings and special structures that fail to fall into any category above will be classified based on the most appropriate category determined by the specific use of the type of structure.

For properties located beyond six road miles from the closest fire station of their district that have a fire insurance rating of 10, the fee shall be seventy-five percent (75%) of the amount otherwise applicable under the above fee schedules.

…."

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 Joint Conference Committee Report on the Current Operations Appropriations Act of 2026, for Senate Bill 257, dated June 30, 2026, which was distributed in the Senate and the House of Representatives 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 2026-2027 fiscal year 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 2026-2027 fiscal year, dated April 2026, 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 in 2026. 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 2026-2027 FISCAL YEAR

SECTION 45.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2026-2027 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2026-2027 fiscal year.

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, 2026.

In the General Assembly read three times and ratified this the 2nd day of July, 2026.

s/ Phil Berger
President Pro Tempore of the Senate

s/ John R. Bell, IV
Presiding Officer of the House of Representatives

s/ Josh Stein
Governor

Approved 10:30 a.m. this 7th day of July, 2026