

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

HOUSE BILL 171
RATIFIED BILL

AN ACT ELIMINATING DIVERSITY, EQUITY, AND INCLUSION (DEI) INITIATIVES IN
STATE AND LOCAL GOVERNMENT AND CLARIFYING THE PENALTY
PROVISIONS OF THE STATE BUDGET ACT AND LOCAL GOVERNMENT BUDGET
AND FISCAL CONTROL ACT.

The General Assembly of North Carolina enacts:

PART I. NO DEI IN STATE

SECTION 1.1.(a) Article 5 of Chapter 126 of the General Statutes is amended by adding a new section to read:

"§ 126-14.7. Equality and merit in State government workplaces; no DEI.

(a) No State agency shall promote, support, fund, implement, or maintain workplace diversity, equity, and inclusion (DEI), including using DEI in State government hirings and employment; maintaining dedicated DEI staff positions or offices; or offering or requiring DEI training.

(b) The following definitions apply in this section:

- (1) Differential treatment. – Any distinction, exclusion, or difference in policy, practice, or action that impairs equal access to opportunities or benefits, based on a protected characteristic. This definition does not apply to antidiscrimination measures, reasonable accommodations, legal requirements, or bona fide occupational qualifications.
- (2) Diversity, equity, and inclusion or DEI. – A program, policy, initiative, or activity designed or implemented to:
 - a. Influence hiring or employment practices with respect to race, sex, color, ethnicity, nationality, country of origin, or sexual orientation other than through the use of merit-based hiring processes in accordance with any applicable State and federal antidiscrimination laws.
 - b. Promote differential treatment of or providing special benefits to individuals on the basis of race, sex, color, ethnicity, nationality, country of origin, or sexual orientation.
- (3) Protected characteristic. – Any trait protected by State or federal antidiscrimination laws.

(c) The State Auditor shall conduct periodic compliance audits to determine whether there has been a violation of this section. If the State Auditor determines that a violation of this section has occurred, the determination shall be reported to the General Assembly, the Joint Legislative Commission on Governmental Operations, and the Attorney General.

(d) A State officer or employee who violates this section is subject to removal from office or employment.

(e) A State officer or employee who knowingly and willfully violates this section shall be subject to a civil penalty not to exceed five thousand dollars (\$5,000) for each violation. The



Attorney General may bring a civil action to collect the penalty in superior court which shall be placed in the Civil Penalty and Forfeiture Fund established pursuant to G.S. 115C-457.1.

(f) An employee or a former employee of a State agency may bring a civil action for damages to the employee, or the former employee, resulting from violation of this section. Any person, who has been denied employment because of a violation of this section, may bring a civil action seeking injunctive or declaratory relief and the recovery of reasonable attorneys' fees and costs if the person prevails in the civil action. The action shall be brought in the county in which all or a substantial part of the acts or omissions giving rise to the action occurred. Any civil action brought pursuant to this subsection shall be subject to all of the following:

- (1) Prior to the commencement of the civil action the person shall submit a written grievance to the State agency detailing the alleged violation of this section and the requested corrective action that the State agency is to take. The person shall not commence the civil action until the State agency has had an opportunity to respond to the grievance in accordance with subdivision (2) of this subsection.
- (2) The State agency shall respond to the grievance within 20 calendar days, in either of the following ways:
 - a. Take the corrective action sought by the person. If the State agency takes this corrective action, the State agency shall not be liable in any civil action under this subsection.
 - b. Refuse to take the requested corrective action and provide a written explanation why the State agency has not violated this section.
- (3) If the State agency fails to respond to a written grievance in accordance with subdivision (2) of this subsection, the State agency shall not be entitled to any of the protections provided in that subdivision.

(g) Nothing in this section shall be construed to do any of the following:

- (1) Conflict with, restrict, limit, or infringe upon speech protected by the First Amendment of the U.S. Constitution.
- (2) Conflict with or prohibit compliance with Title IX of the Education Amendments of 1972, as amended; the Americans with Disabilities Act, as amended; the Age Discrimination in Employment Act, as amended; Title VI of the Civil Rights Act of 1964; or other applicable State or federal law.
- (3) Alter the relationship between the State and an American Indian tribe which shall continue to enjoy all rights, privileges, and immunities as an American Indian tribe with a recognized tribal governing body carrying out and exercising substantial governmental duties and powers similar to the State, being recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.
- (4) Apply to the North Carolina State Commission of Indian Affairs and Indian education services and positions.
- (5) Prohibit the celebration of any holiday, observance, or remembrance.

(h) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application."

SECTION 1.1.(b) G.S. 126-5 is amended by adding a new subsection to read:

"(c22) Notwithstanding any provision of law to the contrary, G.S. 126-14.7 shall apply to all nonexempt State employees in the executive branch, except nonexempt employees of The University of North Carolina and nonexempt employees of the Community Colleges System Office."

SECTION 1.1.(c) This section becomes effective July 1, 2026, 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 1.2.(a) Article 10 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"§ 143-162.8. No public funds for DEI.

(a) No State agency or unit of local government may use any State funds or public monies to promote, support, fund, implement, or maintain diversity, equity, and inclusion (DEI) initiatives or programs.

(b) No State agency or unit of local government shall apply for, accept, or utilize federal funds, grants, or other financial assistance that require compliance with DEI policies, initiatives, or mandates. Any existing programs funded through such means shall be discontinued unless continued participation is expressly required by federal law.

(c) The following definitions apply in this section:

(1) Diversity, equity, and inclusion or DEI. – A program, policy, initiative, or activity designed or implemented to:

a. Influence State government practices with respect to race, sex, color, ethnicity, nationality, country of origin, or sexual orientation other than for compliance with applicable State and federal antidiscrimination laws.

b. Promote (i) differential treatment of or providing special benefits to individuals on the basis of race, sex, color, ethnicity, nationality, country of origin, or sexual orientation; or (ii) a difference in policy, practice, or action that impairs equal access to opportunities or benefits, based on a protected characteristic. This definition does not apply to antidiscrimination measures, reasonable accommodations, legal requirements, bona fide occupational qualifications, or any trait protected by State or federal antidiscrimination laws.

(2) Public monies. – Funds from any source budgeted or expended by a local political subdivision of the State, including revenue authorized by G.S. 153A-149 or G.S. 160A-209.

(3) State agency. – A unit of the executive, legislative, or judicial branch of State government, such as a department, institution, division, commission, board, or council.

(4) State funds. – As defined in G.S. 143C-1-1.

(5) Unit of local government. – As defined in G.S. 143C-1-1.

(d) The prohibitions contained in subsections (a) and (b) of this section include using State funds or public monies to do any of the following:

(1) Utilize DEI in hirings, employment, or the awarding of contracts.

(2) Offer or require DEI training.

(3) Maintain DEI offices or dedicated staff positions, whether permanent, time-limited, full-time, part-time, or temporary.

(e) Nothing in this section shall be construed to do any of the following:

(1) Conflict with, restrict, limit, or infringe upon speech protected by the First Amendment of the U.S. Constitution.

(2) Conflict with or prohibit compliance with Title IX of the Education Amendments of 1972, as amended; the Americans with Disabilities Act, as amended; the Age Discrimination in Employment Act, as amended; Title VI of the Civil Rights Act of 1964; or other applicable State or federal law.

(3) Alter the relationship between the State and an American Indian tribe which shall continue to enjoy all rights, privileges, and immunities as an American

Indian tribe with a recognized tribal governing body carrying out and exercising substantial governmental duties and powers similar to the State, being recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.

(f) This section shall not be construed to apply to any of the following:

- (1) Guest speakers or performers on short-term engagements.
- (2) Data collection.
- (3) The North Carolina State Commission of Indian Affairs.
- (4) Indian education services and positions.
- (5) The celebration of any holiday, observance, or remembrance.

(g) A person who knowingly and willfully violates this section is subject to a civil penalty not to exceed ten thousand dollars (\$10,000) per violation. Each expenditure or action taken in contravention of this section constitutes a separate violation. The Attorney General may bring a civil action to collect the penalty in superior court which shall be placed in the Civil Penalty and Forfeiture Fund established pursuant to G.S. 115C-457.1. In any such action, the court may also award injunctions to prevent ongoing violations.

(h) A violation of this section is subject to the applicable civil penalty provisions of G.S. 143C-10-3, 159-182(b), or 159-183.

(i) Beginning February 1, 2026, 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, and then annually thereafter.

(j) The State Auditor shall conduct periodic compliance audits to determine whether there has been a violation of this section. If the State Auditor determines that a violation of this section has occurred, the determination shall be referred to the Attorney General for appropriate civil enforcement action. The State Auditor shall report all violations to the Joint Legislative Commission on Governmental Operations and, if appropriate, shall report an individual violation to the Local Government Commission.

(k) An employee or a former employee of a State agency or unit of local government may bring a civil action for damages to the employee, or the former employee, resulting from violation of this section. Any person, who has been denied employment because of a violation of this section, may bring a civil action seeking injunctive or declaratory relief and the recovery of reasonable attorneys' fees and costs if the person prevails in the civil action. The action shall be brought in the county in which all or a substantial part of the acts or omissions giving rise to the action occurred. Any civil action brought pursuant to this subsection shall be subject to all of the following:

- (1) Prior to the commencement of the civil action the person shall submit a written grievance to the State agency or unit of local government detailing the alleged violation of this section and the requested corrective action that the State agency or unit of local government is to take. The person shall not commence the civil action until the State agency or unit of local government has had an opportunity to respond to the grievance in accordance with subdivision (2) of this subsection.
- (2) The State agency or unit of local government shall respond to the grievance within 20 calendar days, in either of the following ways:
 - a. Take the corrective action sought by the person. If the State agency or unit of local government takes this corrective action, the State agency

or unit of local government shall not be liable in any civil action under this subsection.

b. Refuse to take the requested corrective action and provide a written explanation why the State agency or unit of local government has not violated this section.

(3) If the State agency or unit of local government fails to respond to a written grievance in accordance with subdivision (2) of this subsection, the State agency or unit of local government shall not be entitled to any of the protections provided in that subdivision.

(L) The liability and penalty provisions contained in this section for violating its provisions are in addition to, and not in lieu of, liability under any other applicable provision of law or cause of action in consequence of the violation.

(m) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application."

SECTION 1.2.(b) This section becomes effective July 1, 2026, 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 1.3.(a) Article 10 of Chapter 143C of the General Statutes reads as rewritten:

"Article 10.

"Penalties.

"§ 143C-10-1. Offenses for violation of Chapter.

...

(c) **Forfeiture of Office or Employment.** – An appointed officer or employee of the State or an officer or employee of a political subdivision of the State, whether elected or appointed, forfeits his or her office or employment upon conviction of an offense under this section. An elected officer of the State is subject to impeachment for committing any of the offenses specified in this section.

"§ 143C-10-2. Civil liability for violation of Chapter.

(a) A person ~~convicted of an offense under who violates~~ G.S. 143C-10-1 is liable in a civil action for any damages suffered by the State in consequence of the offense. A State agency shall have a duty to pursue the recoupment of misspent funds by all lawful means available, including the filing of a civil action in the General Court of Justice.

(b) Any person may bring a civil action for a violation of this section seeking injunctive or declaratory relief and the recovery of reasonable attorneys' fees and costs. The civil action shall be brought in the county in which all or a substantial part of the acts or omissions giving rise to the action occurred.

"§ 143C-10-3. Suspension from office or impeachment for refusal to comply with Chapter.

(a) **State Officers or Employees of the Executive Branch.** – The Governor may suspend from the performance of his or her duties any State officer or employee of the executive branch except an officer elected by the people, who persists, after notice and warning, in failing or refusing to comply with the provisions of this Chapter or any lawful administrative directive issued pursuant to this Chapter. Before acting to suspend, the Governor shall give the accused notice and an opportunity to be heard in his or her own defense. The Governor shall report the facts leading to suspension to the district attorney for the county in which all or a substantial part of the violation occurred and to the Attorney General who may initiate appropriate criminal or civil proceedings. The Governor may apply to the General Court of Justice for a restraining order and injunction if a suspended officer or employee persists in performing official acts.

(b) Elected Officers. – A State officer elected by the people who knowingly and willfully fails or refuses to comply with any provision of this Chapter or any lawful administrative directive issued under this Chapter is subject to impeachment."

SECTION 1.3.(b) G.S. 159-182 reads as rewritten:

"§ 159-182. Offending officers and employees removed from office.

(a) If an officer or employee of a local government or public authority persists, after notice and warning from the Commission, in failing or refusing to comply with any provision of this Chapter, ~~he the officer or employee~~ forfeits ~~his the~~ office or employment. The Commission may enter an order suspending the offender from further performance of his or her office or employment after first giving him or her notice and an opportunity to be heard in his or her own defense, pending the outcome of quo warranto proceedings. Upon suspending a local officer or employee under this section, the Commission shall report the circumstances to the Attorney General who shall initiate quo warranto proceedings against the officer or employee in the General Court of ~~Justice.~~ Justice and to the district attorney for the county in which all or a substantial part of the noncompliance occurred. If an officer or employee persists in performing any official act in violation of an order of the Commission suspending him or her from performance of his or her duties, the Commission may apply to the General Court of Justice for a restraining order and injunction.

(b) Any person may bring a civil action for a violation of this section seeking injunctive or declaratory relief and the recovery of reasonable attorneys' fees and costs. The civil action shall be brought in the county in which all or a substantial part of the acts or omissions giving rise to the action occurred."

SECTION 1.3.(c) Article 11 of Chapter 159 of the General Statutes is amended by adding a new section to read:

"§ 159-183. Violation of G.S. 143-162.8.

(a) A person who knowingly and willfully violates G.S. 143-162.8 regarding the use of public monies by a unit of local government shall be subject to a civil penalty not to exceed ten thousand dollars (\$10,000) per violation. An offending officer or employee is subject to removal from office or employment as provided by G.S. 159-182. The Attorney General may initiate a civil action to enforce the penalty under this section.

(b) A person who violates G.S. 143-162.8 is liable for any damages suffered by a unit of local government in consequence of the offense. A unit of local government or entity receiving public funds shall have a duty to pursue the recoupment of misspent funds by all lawful means available, including the filing of a civil action in the General Court of Justice."

PART II. EFFECTIVE DATE

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

In the General Assembly read three times and ratified this the 30th day of June, 2025.

s/ Phil Berger
President Pro Tempore of the Senate

s/ Donna McDowell White
Presiding Officer of the House of Representatives

Josh Stein
Governor

Approved _____m. this _____ day of _____, 2025