

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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**SENATE BILL 177
House Committee Substitute Favorable 6/24/25**

Short Title: Continuing Budget Adjustments.

(Public)

Sponsors:

Referred to:

February 27, 2025

A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS ADJUSTMENTS AFFECTING THE CONTINUING
OPERATIONS OF THE STATE.

The General Assembly of North Carolina enacts:

PART I. HEALTH AND HUMAN SERVICES

MEDICAID REBASE AND MANAGED CARE ADMINISTRATION

SECTION 1.1. There is appropriated from the General Fund to the Department of Health and Human Services, Division of Health Benefits, the sum of five hundred million dollars (\$500,000,000) in recurring funds and associated receipts for each year of the 2025-2027 fiscal biennium. These funds shall be used to adjust Medicaid funding to account for projected changes in enrollment, enrollment mix, service and capitation costs, and federal match rates, as well as the implementation of the Children and Families Specialty Plan in December 2025 or for contracts needed to operate the State's Medicaid managed care program.

PART II. GENERAL GOVERNMENT

AUDITOR POSITIONS

SECTION 2.1. There is appropriated from the General Fund to the Office of the State Auditor the sum of two million two hundred fifty thousand dollars (\$2,250,000) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium for up to 25 additional positions, including salaries, benefits, and operating costs.

SBE EXEMPT POSITIONS/FUNDS

SECTION 2.2.(a) There is appropriated from the General Fund to the State Board of Elections the sum of one million one hundred ninety-three thousand nine hundred seventy-nine dollars (\$1,193,979) in recurring funds for each fiscal year of the 2025-2027 fiscal biennium to provide funds for the following seven new exempt positions, including salaries, benefits, and operating costs:

- (1) Administrative Officer III.
- (2) Agency General Counsel II.
- (3) Agency HR Director II.
- (4) Assistant General Counsel II.
- (5) Internal Auditor.
- (6) Legislative Affairs Manager.



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(7) Public Information Manager.

SECTION 2.2.(b) G.S. 126-5 reads as rewritten:

"§ 126-5. Employees subject to Chapter; exemptions.

...

(c14) Notwithstanding any provision of this Chapter to the contrary, each Council of State ~~agency and agency,~~ the Office of the State ~~Controller-Controller,~~ and the Executive Director of the State Board of Elections has the sole authority to set the salary of its exempt policymaking and exempt managerial positions within the minimum rates, and the maximum rates plus ten percent (10%), established by the State Human Resources Commission under G.S. 126-4(2).

...

(d)(1) Exempt Positions in Cabinet Department. – Subject to this Chapter, which is known as the North Carolina Human Resources Act, the Governor may designate a total of 425 exempt positions throughout the following departments and offices:

...

(2) Exempt Positions in Council of State Departments and ~~Offices and Offices,~~ the Office of the State ~~Controller-Controller,~~ and the State Board of Elections. – The Secretary of State, the Auditor, the Treasurer, the Attorney General, the Superintendent of Public Instruction, the Commissioner of Agriculture, the Commissioner of Insurance, the Labor Commissioner, ~~and the State Controller-Controller,~~ and the Executive Director of the State Board of Elections may designate exempt positions. The number of exempt policymaking positions in each department headed by an elected department head listed in this subdivision is limited to 25 exempt policymaking positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt managerial positions is limited to 25 positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt policymaking positions designated by the Superintendent of Public Instruction is limited to 70 exempt policymaking positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The number of exempt managerial positions designated by the Superintendent of Public Instruction is limited to 70 exempt managerial positions or two percent (2%) of the total number of full-time positions in the department, whichever is greater. The total number of exempt positions, policymaking and managerial, designated by the Office of the State Controller is limited to 10. The total number of exempt positions designated by the Executive Director of the State Board of Elections is limited to the following seven positions: Agency Human Relations Director II, Agency General Counsel II, Assistant General Counsel II, Public Information Manager, Legislative Affairs Manager, Internal Auditor, and Administrative Officer III.

...

(4) Vacancies. – In the event of a vacancy in the Office of Governor, the office of a member of the Council of State, ~~or the Office of the State Controller,~~ Controller, or the Executive Director of the State Board of Elections, the person who succeeds to or is appointed or elected to fill the unexpired term shall make designations in a letter to the Director of the Office of State Human Resources, the Speaker of the House of Representatives, and the President of the Senate within 180 days after the oath of office is administered to that person.

...."

SBE LITIGATION FUNDS

SECTION 2.3. There is appropriated from the General Fund to the State Board of Elections the sum of one million five hundred thousand dollars (\$1,500,000) in nonrecurring funds for the 2025-2026 fiscal year for future litigation needs. These funds shall not revert on June 30, 2026, but shall remain available until expended.

SBE SOFTWARE MODERNIZATION

SECTION 2.4. There is appropriated from the Information Technology Reserve in the General Fund, as established in Section 2.2(h) of S.L. 2021-180, to the State Board of Elections the sum of fifteen million dollars (\$15,000,000) in nonrecurring funds for the 2025-2026 fiscal year to be used to complete the State Election Information Management System (SEIMS) upgrade and the campaign finance software upgrade.

SBE MOVE TO ALBEMARLE BUILDING/FUNDS

SECTION 2.5.(a) The Department of Administration shall assign the sixth and seventh floors of the Albemarle Building located in Raleigh, North Carolina, to the State Board of Elections. The State Board of Elections shall complete its move to the Albemarle Building not later than October 31, 2025. All State-owned equipment, furnishings, and other fixtures on the sixth and seventh floors of the Albemarle Building on the date this section becomes effective shall remain on those floors for use by the State Board of Elections. Nothing in this section shall be construed as prohibiting the disposal, removal, or replacement of the equipment, furnishings, and other fixtures described in this section after the State Board of Elections has moved into the space described in this section.

SECTION 2.5.(b) There is appropriated from the General Fund to the State Board of Elections the sum of one million dollars (\$1,000,000) in nonrecurring funds for the 2025-2026 fiscal year to be used to relocate to the Albemarle Building as provided in subsection (a) of this section.

PART III. STATEWIDE**CAPITAL IMPROVEMENT & REPAIRS AND RENOVATION PROJECT CASH FLOW**

SECTION 3.1.(a) There is appropriated from the State Capital and Infrastructure Fund to the Office of State Budget and Management the sum of seven hundred thirteen million seven hundred twenty thousand eight hundred eleven dollars (\$713,720,811) in nonrecurring funds for the 2025-2026 fiscal year to be allocated to the following project codes in the following amounts:

(1)	DACS21-2	\$1,500,000
(2)	DACS21-4	1,500,000
(3)	DEQ21-1	17,075,000
(4)	DNCR21-13	86,800,000
(5)	DNCR23-7	7,000,000
(6)	DOA23-2	800,000
(7)	NCGA21-3	65,250,000
(8)	NCGA23-1	26,000,000
(9)	UNC/BOG21-1	3,750,000
(10)	DOI21-1	22,000,000
(11)	DPS21-9	19,793,242
(12)	DPS21-6	2,658,750
(13)	DPS23-9	2,024,414
(14)	DPS23-11	5,927,250

1	(15)	NG23-1	6,000,000
2	(16)	NG23-2	5,750,000
3	(17)	NG23-3	2,250,000
4	(18)	TRAN23-1	60,000,000
5	(19)	UNC/ASU21-1	12,500,000
6	(20)	UNC/ASU22-1	12,300,000
7	(21)	UNC/ECS21-4	9,172,727
8	(22)	UNC/ECS23-1	17,172,727
9	(23)	UNC/ECU21-1	60,000,000
10	(24)	UNC/FSU21-2	6,573,912
11	(25)	UNC/NCS20-1	22,224,823
12	(26)	UNC/NCS23-1	27,000,000
13	(27)	UNC/NCS23-2	24,000,000
14	(28)	UNC/SSM23-2	3,000,000
15	(29)	UNC/CH20-2	17,693,052
16	(30)	UNC/PEM21-1	30,500,000
17	(31)	UNC/SA23-1	22,950,000
18	(32)	UNC/WSS21-1	22,400,000
19	(33)	PERS21	154,914
20	(34)	R&R21	40,000,000
21	(35)	UNC/R&R21	50,000,000

SECTION 3.1.(b) The Board of Governors of The University of North Carolina shall prioritize funds allocated for project code UNC/R&R21 for repairs and renovations pursuant to G.S. 143C-8-13 and, notwithstanding G.S. 143C-8-13(a), for projects listed in Section 40.1(d) of S.L. 2021-180. The cost for any single repair and renovation project other than those specifically listed in Section 40.1(d) of S.L. 2021-180 shall not exceed fifteen million dollars (\$15,000,000). The Board of Governors may reallocate funds in accordance with G.S. 143C-8-13(b) or to projects listed in Section 40.1(d) of S.L. 2021-180; provided, however, reallocation of funds intended for a project located at a particular constituent institution may only be reallocated for repairs and renovations projects at that particular constituent institution. The provisions of G.S. 143C-8-13(b)(4) shall not apply to the projects listed in Section 40.1(d) of S.L. 2021-180. The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-8-13(b).

SECTION 3.1.(c) For project code R&R21, the provisions of Section 40.1(c) of S.L. 2021-180 shall apply to funds allocated for the project code during the 2025-2027 fiscal biennium.

SECTION 3.1.(d) There is appropriated from the State Capital and Infrastructure Fund to the Office of State Budget and Management the sum of one million six hundred forty thousand dollars (\$1,640,000) in nonrecurring funds for the 2025-2026 fiscal year to be allocated to the North Carolina School of Science and Math for temporary housing. This project shall be known as project code UNC/SSM25-1 and shall have a maximum project authorization of two million one hundred eighty thousand dollars (\$2,180,000).

SALARY-RELATED CONTRIBUTIONS

SECTION 3.2.(a) Effective for the 2025-2027 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the

employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 3.2.(b) Effective July 1, 2025, the State's employer contribution rates budgeted for retirement, health, and related benefits as a percentage of covered salaries for the 2025-2027 fiscal biennium for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	17.14%	17.14%	6.84%	37.73%	18.26%
Health	7.33%	7.33%	7.33%	7.33%	7.33%
Disability	0.07%	0.07%	0.07%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	24.67%	29.67%	14.24%	45.06%	25.59%

The rate for health includes two and four-tenths percent (2.40%) for the Public Employee Health Benefit Fund and four and ninety-three hundredths percent (4.93%) for the Retiree Health Benefit Fund.

SECTION 3.2.(b1) If House Bill 192, 2025 Regular Session, becomes law, then subsection (b) of this section is repealed and, effective July 1, 2025, the State's employer contribution rates budgeted for retirement, health, and related benefits as a percentage of covered salaries for the 2025-2027 fiscal biennium for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	17.44%	17.44%	6.84%	38.36%	18.90%
Health	7.33%	7.33%	7.33%	7.33%	7.33%
Disability	0.07%	0.07%	0.07%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	24.97%	29.97%	14.24%	45.69%	26.23%

The rate for health includes two and four-tenths percent (2.40%) for the Public Employee Health Benefit Fund and four and ninety-three hundredths percent (4.93%) for the Retiree Health Benefit Fund.

SECTION 3.2.(c) Effective July 1, 2025, the annual employer contributions for the 2025-2027 fiscal biennium, payable monthly, by the State to the North Carolina State Health Plan for Teachers and State Employees for each covered employee is a maximum of eight thousand five hundred dollars (\$8,500).

SECTION 3.2.(d) G.S. 135-151(d) reads as rewritten:

"(d) Funding of the QEBA. – The QEBA shall be unfunded within the meaning of federal tax laws. No payee contributions or deferrals, direct or indirect, by election or otherwise shall be made or allowed. The benefit liability for the QEBA shall be determined each fiscal year, and assets shall not be accumulated to pay benefits in future fiscal years. All of the following apply to employer contributions required to pay benefits under the QEBA:

(1) The Board of Trustees, upon the recommendation of the actuary engaged by the Board of Trustees, shall determine the employer contributions required to pay the benefits due under the QEBA for each fiscal year.

(2) The required contributions shall be paid by all participating employers.

(3) The required contributions shall be deposited in a separate fund from the fund into which regular employer contributions are deposited for the Retirement System. ~~The benefit liability for the QEBA shall be determined each fiscal year, and assets shall not be accumulated to pay benefits in future fiscal years.~~

(4) A portion of the employer contribution rate established for retirement benefits as a percentage of covered salaries for teachers, State employees, and State law enforcement officers may be deposited into the separate fund established in accordance with subdivision (3) of this subsection. The amount of the portion allowable under this subdivision shall not exceed one-hundredths percent (0.01%) in any given fiscal year."

SECTION 3.2.(e) The State contribution to the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is increased by three hundred fifty thousand dollars (\$350,000) in recurring funds for each year of the 2025-2027 fiscal biennium resulting in a total State contribution of twenty million seven hundred fifty-two thousand two hundred eight dollars (\$20,752,208) for each fiscal year.

CONTRIBUTION-RELATED APPROPRIATIONS

SECTION 3.3. There is transferred from the General Fund to a Benefits Contributions Reserve in the Office of State Budget and Management the sum of one hundred ninety-seven million five hundred sixty-three thousand one hundred thirty-three dollars (\$197,563,133) in recurring funds to be distributed accordingly to account for the State contributions required by this Part and the funds distributed are appropriated for this purpose.

PART IV. MISCELLANEOUS

DISASTER FUNDING

SECTION 4.1.(a) Lumber River Basin Funding. – The State Controller shall transfer the sum of twenty million dollars (\$20,000,000) in nonrecurring funds for the 2025-2026 fiscal year of the funds allocated to the Department of Environmental Quality from the State Capital and Infrastructure Fund as referenced in Section 40.7 of S.L. 2021-180, as amended, to Robeson County for State matching requirements for federal funding for the community-led Lumber River Basin Coalition waterway restoration project due to damage from Potential Tropical Cyclone #8 and Tropical Storm Debby.

SECTION 4.1.(b) Reversion. – Remaining unspent funds appropriated under this section shall revert to the State Capital and Infrastructure Fund to be used for the original purpose set forth in Section 40.7 of S.L. 2021-180, as amended, if not used to draw down federal funds before the expiration of the federal deadline to receive those funds.

SECTION 4.2.(a) Statewide Agricultural Disaster Crop Loss Funding. – There is appropriated from the State Emergency Response and Disaster Relief Fund to the Department of Agriculture and Consumer Services the sum of one hundred forty-two million dollars (\$142,000,000) in nonrecurring funds for the 2025-2026 fiscal year for the Agricultural Disaster

Crop Loss Program (Program), established in Section 2D.2(a) of S.L. 2025-2, for verifiable losses from an agricultural disaster in 2024.

SECTION 4.2.(b) Funding Requirements. – Funds allocated to the Program under this section shall be subject to all requirements of Section 2D.2 of S.L. 2025-2. The Department of Agriculture and Consumer Services shall include these funds in the reporting requirements set forth in Section 2D.2(i) of S.L. 2025-2. Section 2D.2(h) of S.L. 2025-2 does not apply to these funds.

SECTION 4.3.(a) 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 4.3.(b) Remittance of Funds. – If a recipient obtains alternative funds pursuant to subsection (a) 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 4.3.(c) 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 (a) and (b) of this section.

SECTION 4.3.(d) 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 4.3.(e) Directive. – The Governor 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 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 4.3.(f) 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 4.3.(g) 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 for funds described in this Part. 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.

SECTION 4.4. If Senate Bill 401, 2025 Regular Session, becomes law, then Part II of that act is repealed.

PART V. EFFECTIVE DATE

SECTION 5.1. Except as otherwise provided, this act becomes effective July 1, 2025.