GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 403
House Committee Substitute Favorable 9/23/25

Short Title: Additional Medicaid Funds and Requirements. (Public)

Sponsors:

Referred to:

March 25, 2025

A BILL TO BE ENTITLED

AN ACT TO ADJUST MEDICAID FUNDING TO ACCOUNT FOR PROJECTED HEALTH CARE CHANGES, TO MAKE REDUCTIONS TO VACANT POSITIONS ACROSS STATE AGENCIES, AND TO REDUCE FUNDING APPROPRIATED TO FUTURE BUILDING RESERVES AND THE STATE CAPITAL AND INFRASTRUCTURE FUND.

The General Assembly of North Carolina enacts:

PART I. GENERAL

ADDITIONAL AGENCY VACANT POSITION CUTS

SECTION 1.1.(a) Reduction. – By October 1, 2025, the Governor and the Office of State Budget and Management shall identify and eliminate vacant positions in State agencies necessary to achieve a total reduction of not less than nineteen million seven hundred forty-two thousand two hundred forty-three dollars ($19,742,243) in recurring funds, beginning with the 2025-2026 fiscal year. For purposes of this section, "State agency" means the principal departments listed in G.S. 143B-6, with the exception of the State Bureau of Investigation and the State Highway Patrol.

SECTION 1.1.(b) Report. – The Office of State Budget and Management shall submit a report to the Fiscal Research Division with a list of each position eliminated, identified by position number, title, and the amount of salary and fringe benefits associated with the position, no later than December 1, 2025.

PART II. HEALTH AND HUMAN SERVICES

DHHS MANDATORY VACANT POSITION ELIMINATIONS

SECTION 2.1. The Department of Health and Human Services shall eliminate vacant positions to achieve net General Fund savings in the amount of thirty-two million six hundred thirteen thousand four hundred ninety-three dollars ($32,613,493) in recurring funds beginning with the 2025-2026 fiscal year.

MEDICAID REBASE AND MANAGED CARE ADMINISTRATION

SECTION 2.2. Section 2B.10 of S.L. 2025-89 reads as rewritten:

"**SECTION ~~2B.10.~~ 2B.10.(a)** There is appropriated from the General Fund to the Department of Health and Human Services, Division of Health Benefits, the sum of ~~six hundred million dollars ($600,000,000)~~ six hundred ninety million dollars ($690,000,000) in recurring funds and associated ~~receipts for each year of the 2025-2027 fiscal biennium.~~ receipts, beginning

with the 2025-2026 fiscal year. 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.~~2025.

"**SECTION 2B.10.(b)** There is appropriated from the General Fund to the Department of Health and Human Services, Division of Health Benefits, the sum of thirty-eight million five hundred sixty-two thousand six hundred forty-five dollars ($38,562,645) in recurring funds and associated receipts, beginning with the 2025-2026 fiscal year, and the sum of forty-five million four hundred thirty-seven thousand three hundred fifty-five dollars ($45,437,355) in nonrecurring funds and associated receipts for the 2025-2026 fiscal year and eleven million four hundred thirty-seven thousand three hundred fifty-five dollars ($11,437,355) in nonrecurring funds and associated receipts for the 2026-2027 fiscal year. These funds shall be used for contracts needed to operate the State's Medicaid managed care program."

DISCONTINUE MEDICAID COVERAGE OF OBESITY MANAGEMENT MEDICATIONS

SECTION 2.3.(a) Effective October 1, 2025, the Department of Health and Human Services, Division of Health Benefits, shall discontinue the Medicaid coverage of obesity management medications that became effective August 1, 2024. Consistent with the policy in effect prior to August 1, 2024, this section shall have no effect on the coverage of GLP-1 medications for beneficiaries managing diabetes.

S**ECTION 2.3.(b)** Funds that are appropriated pursuant to S.L. 2025-89 to the Department of Health and Human Services, Division of Health Benefits, for the Medicaid program shall be reduced by thirty-four million dollars ($34,000,000) in recurring funds and associated receipts beginning with the 2025-2026 fiscal year.

LME/MCO INTERGOVERNMENTAL TRANSFERS

SECTION 2.4.(a) The local management entities/managed care organizations (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human Services, Division of Health Benefits (DHB), in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars ($18,028,217) in the 2025-2026 fiscal year and in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars ($18,028,217) for the 2026-2027 fiscal year. The due date and frequency of the intergovernmental transfer required by this section shall be determined by DHB. The amount of the intergovernmental transfer that each individual LME/MCO is required to make in each fiscal year shall be as follows:

	2025-2026	**2026-2027**
Alliance Behavioral Healthcare	$4,508,857	$4,508,857
Partners Health Management	$3,544,348	$3,544,348
Trillium Health Resources	$6,448,693	$6,448,693
Vaya Health	$3,526,319	$3,526,319

SECTION 2.4.(b) In the event that a county disengages from an LME/MCO and realigns with another LME/MCO during the 2025-2027 fiscal biennium, DHB shall have the authority to reallocate the amount of the intergovernmental transfer that each affected LME/MCO is required to make under subsection (a) of this section, taking into consideration the change in catchment area and covered population, provided that the aggregate amount of the transfers received from all LME/MCOs in each year of the fiscal biennium is achieved.

MEDICAID REDETERMINATION TIMELINESS AND ACCURACY STANDARDS AND REPORTING REQUIREMENTS

SECTION 2.5.(a) Part 10 of Article 2 of Chapter 108A of the General Statutes reads as rewritten:

"Part 10. Medicaid Eligibility Decision Processing Timeliness.

"**§ 108A-70.36. Applicability.**

(a) If a federally recognized Native American tribe within the State has assumed responsibility for the Medicaid program pursuant to G.S. 108A-25(e), then this Part applies to the tribe in the same manner as it applies to county departments of social services.

(b) This Part shall not apply to any eligibility determinations made by the federally facilitated marketplace, also known as the federal health benefit exchange, so long as use of the federally facilitated marketplace for Medicaid eligibility determinations has been authorized by the General Assembly, in accordance with G.S. 143B-24(b).

"**§ 108A-70.37. Timely decision standards.**

(a) The county department of social services shall render a decision on an individual's application for Medicaid within 45 calendar days from the date of application, except for applications in which a disability determination has already been made or is needed. For those applications, the county department of social services shall render a decision on an individual's eligibility within 90 calendar days from the date of application.

(b) When a redetermination of a beneficiary's Medicaid eligibility is required by federal or State law, regulation, or rule, the county department of social services shall complete the redetermination by the deadline required by the law, regulation, or rule.

"**§ 108A-70.38. Timely processing standards.**

(a) The Department shall require counties to comply with timely processing standards. The timely processing standards are the average processing time standards and the percentage processed timely standards set forth in G.S. 108A-70.39 and G.S. 108A-70.40. The Department shall monitor county department of social services' compliance with these standards in accordance with this Part.

(b) For purposes of this Part, processing time is the number of days between the date of application and the date of disposition of the application, except in cases where an eligibility determination is dependent upon receipt of information related to one or more of the following:

(1) Medical expenses sufficient to meet a deductible.
(2) The applicant's need for institutionalization.
(3) The applicant's plan of care for the home- and community-based waivers.
(4) The disability decision made by the Disability Determination Services Section of the Division of Vocational Rehabilitation of the Department.
(5) Medical records needed to determine emergency dates for nonqualified aliens.
(6) The applicant's application or other information from the federally facilitated marketplace.
(7) The applicant's application or other information in connection with an application for a Low Income Subsidy for Medicare prescription drug coverage.

In these cases, processing time shall exclude the number of days between the date when the county determines all eligibility criteria other than the criteria in subdivisions (1) through (7) of this subsection and the date when the county receives the information related to the criteria in subdivisions (1) through (7) of this subsection.

(c) Processing times for the following types of cases shall be excluded from the calculation of the average processing time and percent processed timely:

(1) Newborns who are automatically enrolled based on their mother's eligibility.
(2) Applications for individuals who are presumptively eligible for Medicaid.
(3) Active cases in which an individual who is eligible for one program is transferred to another program, regardless of whether the transfer occurs between allowable or nonallowable program categories.

(4) Cases in which an individual transfers from an open case to another case, including establishing a new administrative case for the individual.
(5) Actions to post eligibility to a terminated or denied case within one year of the termination or denial.
(6) Cases that are reopened because they were terminated in error or because reopening of the terminated case is allowed by policy.
(7) Cases in which the eligibility decision was appealed and the decision was reversed or remanded.

(d) The Department may, in its discretion, exclude days, other than those required by subsection (b) of this section, from the calculation of processing time under this section if the Department determines that the delay was caused by circumstances outside the control of county departments of social services. The Department also may, in its discretion, exclude types of cases, other than those described in subsection (c) of this section, from the calculation of processing time. When the Department exercises its discretion pursuant to this subsection, the Department's determination regarding circumstances outside the control of county departments of social services and the Department's decision to exclude types of cases shall be applied uniformly to all county departments of social services.

"**§ 108A-70.39. Average processing time standards.**

(a) Average processing time is calculated by finding the processing time for each case that received a disposition during a given month and finding the average of those processing times.

(b) The standard for average processing time is 90 days for cases in which the individual has applied for the Medicaid Aid to the Disabled category (M-AD) and 45 days for all other cases.

"**§ 108A-70.40. Percentage processed timely standards.**

(a) Percentage <u>of applications</u> processed timely is the percentage of cases that received a timely disposition in a given month. The percentage <u>of applications</u> processed timely is calculated by expressing the number of cases during a given month with a processing time equal to or less than the standard set in G.S. 108A-70.37 as a percentage of the total cases receiving a disposition during that month. When the deadline for meeting the timely decision standard in G.S. 108A-70.37 falls on a weekend or holiday, an application that receives a disposition on the first workday following the deadline shall be considered timely for purposes of calculating the percentage <u>of applications</u> processed timely.

(b) The Department is authorized to adopt rules to establish a percentage standard for each county department of social services that will be the percentage <u>of applications</u> processed timely standard for that county department of social services. Until the Department adopts rules establishing percentage standards for each county, the percentage <u>of applications</u> processed timely standards are those established in 10A NCAC 23C .0203 as of April 2016.

<u>(c) Percentage of redeterminations processed timely is the percentage of cases, out of the total number of cases in a given month for which a redetermination of Medicaid eligibility was required to be completed for a given month as required by federal or State law, regulation, or rule, that were completed by the required deadline.</u>

<u>(d) The Department may adopt rules to establish a percentage standard for each county department of social services that will be the percentage of redeterminations processed timely for that county department of social services. If no rule establishing a percentage standard is in effect, then the percentage of redeterminations processed timely standard is ninety-five percent (95%).</u>

"**§ 108A-70.41. Corrective action.**

(a) ~~If for any three consecutive months or for any five months out of a period of 12 consecutive months a county department of social services fails to meet either the average processing time standard or the percentage processed timely standard or both standards, the~~ <u>The</u>

Department and the county department of social services shall enter into a joint corrective action plan to improve the timely processing of ~~applications.~~applications if, for any three consecutive months or for any five months out of a period of 12 consecutive months, a county department of social services fails to meet any one of the following standards:

(1) The average processing time standard.

(2) The percentage of applications processed timely standard.

(3) The percentage of redeterminations processed timely standard.

(b) A joint corrective action plan entered into pursuant to this section shall specifically identify the following components:

(1) The duration of the joint corrective action plan, not to exceed 12 months. If a county department of social services shows measurable progress in meeting the performance requirements in the joint corrective action plan, then the duration of the joint corrective action plan may be extended by six months, but in no case shall a joint corrective action plan exceed 18 months.

(2) A plan for improving timely processing of applications or redeterminations that specifically describes the actions to be taken by the county department of social services and the Department.

(3) The performance requirements for the county department of social services that constitute successful completion of the joint corrective action plan.

(4) Acknowledgement that failure to successfully complete the joint corrective action plan will result in temporary assumption of Medicaid eligibility administration by the Department, in accordance with G.S. 108A-70.42.

"**§ 108A-70.42. Temporary assumption of Medicaid eligibility administration.**

(a) If a county department of social services fails to successfully complete its joint corrective action ~~plan,~~ plan under G.S. 108A-70.41, the Department shall give the county department of social services, the county manager, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) at least 90 days' notice that the Department intends to temporarily assume Medicaid eligibility administration, in accordance with subsection (b) of this section. The notice shall include the following information:

(1) The date on which the Department intends to temporarily assume administration of Medicaid eligibility decisions.

(2) The performance requirements in the joint corrective action plan that the county department of social services failed to meet.

(3) Notice of the county department of social services' right to appeal the decision to the Office of Administrative Hearings, pursuant to Article 3 of Chapter 150B of the General Statutes.

(b) Notwithstanding any provision of law to the contrary, if a county department of social services fails to successfully complete its joint corrective action plan, the Department shall temporarily assume Medicaid eligibility administration for the county upon giving notice as required by subsection (a) of this section. During a period of temporary assumption of Medicaid eligibility administration, the following shall occur:

(1) The Department shall administer the Medicaid eligibility function in the county. Administration by the Department may include direct operation by the Department, including supervision of county Medicaid eligibility workers, or contracts for operation to the extent permitted by federal law and regulations.

(2) The county department of social services is divested of Medicaid administration authority.

(3) The Department shall direct and oversee the expenditure of all funding for the administration of Medicaid eligibility in the county.

(4) The county shall continue to pay the nonfederal share of the cost of Medicaid eligibility administration and shall not withdraw funds previously obligated or appropriated for Medicaid eligibility administration.

(5) The county shall pay the nonfederal share of additional costs incurred to ensure compliance with the timely processing standards required by this Part.

(6) The Department shall work with the county department of social services to develop a plan for the county department of social services to resume Medicaid eligibility administration and perform Medicaid eligibility determinations in a timely manner.

(7) The Department shall inform the county board of commissioners, the county manager, the county director of social services, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) of key activities and any ongoing concerns during the temporary assumption of Medicaid eligibility administration.

(c) Upon the Department's determination that Medicaid eligibility determinations can be performed in a timely manner based on the standards set forth in G.S. 108A-70.39 and G.S. 108A-70.40 by the county department of social services, the Department shall notify the county department of social services, the county manager, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) that temporary assumption of Medicaid eligibility administration will be terminated and the effective date of termination. Upon termination, the county department of social services resumes its full authority to administer Medicaid eligibility determinations.

"**§ 108A-70.43. Reporting.**

No later than November 1 of each year, the Department shall submit a report for the prior fiscal year to the Joint Legislative Oversight Committee on Medicaid, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division containing the following information:

(1) The annual statewide percentage of Medicaid applications and Medicaid eligibility redeterminations processed in a timely manner for the fiscal year.

(2) The statewide average number of days to process Medicaid applications for each month in the fiscal year.

(3) The annual percentage of Medicaid applications and redeterminations processed in a timely manner by each county department of social services for the fiscal year.

(4) The average number of days to process Medicaid applications for each month for each county department of social services.

(5) The number of months during the fiscal year that each county department of social services met the timely processing standards for Medicaid applications and the number of months during the fiscal year that each county department of social services met the timely processing standards for Medicaid eligibility redeterminations under G.S. 108A-70.38.

(6) The number of months during the fiscal year that each county department of social services failed to meet the timely processing standards for Medicaid applications and the number of months during the fiscal year that each county department of social services met the timely processing standards for Medicaid eligibility redeterminations under G.S. 108A-70.38.

(7) A description of all corrective action activities conducted by the Department and county departments of social services in accordance with G.S. 108A-70.36.

(8) A description of how the Department plans to assist county departments of social services in meeting timely processing standards for Medicaid

applications, for every county in which the performance metrics for processing Medicaid applications in a timely manner do not show significant improvement compared to the previous fiscal year."

SECTION 2.5.(b) The Department of Health and Human Services shall adopt temporary rules necessary to implement G.S. 108A-70.40(d) as amended by this section not later than January 1, 2027, or as soon as practicable, and shall concurrently begin adopting permanent rules to replace temporary rules.

SECTION 2.5.(c) Rules adopted pursuant to this section are not subject to: (i) G.S. 150B-21.3(b1) and (b2); and (ii) G.S. 150B-21.3(b3) and G.S. 150B-19.4, as enacted by S.L. 2025-82.

SECTION 2.5.(d) Part 11 of Article 2 of Chapter 108A of the General Statutes reads as rewritten:

"Part 11. Medicaid Eligibility Determinations Accuracy and Quality Assurance.

"**§ 108A-70.45. Applicability.**

If a federally recognized Native American tribe within the State has assumed responsibility for the Medicaid program pursuant to G.S. 108A-25(e), then this Part applies to the tribe in the same manner as it applies to county departments of social services.

"**§ 108A-70.46. Audit of county Medicaid determinations.**

(a) Beginning January 1, 2019, the Department of Health and Human Services, Division of Central Management and Support, shall audit county departments of social services for compliance with the accuracy standards adopted under G.S. 108A-70.47 for Medicaid eligibility determinations made within a 12-month period. This audit shall also include an evaluation of compliance with the quality assurance standards under G.S. 108A-70.48 by the county department of social services. ~~Audits~~ Medicaid eligibility determination audits shall be conducted for ~~initial~~ Medicaid applicant eligibility ~~determination applications~~ determinations as well as Medicaid ~~reenrollment determinations.~~ beneficiary eligibility redeterminations. The Department shall ensure that every county is audited no less than once every three years.

(b) Beginning 18 months after the Department has implemented the training and certification program under G.S. 108A-26.5, the Department shall include in its audits required under this section a verification that all county departments of social services are in compliance with the certification program requirements for individuals involved in the Medicaid eligibility determination process.

"**§ 108A-70.47. Medicaid eligibility determination processing accuracy standards.**

(a) The Department shall require county departments of social services to comply with accuracy standards set forth in rule for the processing of Medicaid eligibility determinations. The Department shall set the following standards:

(1) Accuracy standards with regards to errors that caused an ineligible Medicaid recipient to be approved for Medicaid benefits.

(2) Accuracy standards with regards to errors that caused the denial of benefits to an applicant that should have been approved for Medicaid benefits.

(3) Accuracy standards with regards to errors made during the eligibility determination process that did not change the outcome of the eligibility determination.

(b) Standards under this section shall be developed by the Department in consultation with the State Auditor.

"**§ 108A-70.48. Quality assurance.**

The Department shall require county departments of social services to comply with quality assurance minimum standards set forth in rule. The quality assurance standards shall be based upon best practices and shall be developed by the Department in consultation with the State Auditor.

"**§ 108A-70.49. Corrective action.**

(a) If the Department's audit under G.S. 108A-70.46 results in a determination that a county department of social services fails to meet any of the standards adopted under G.S. 108A-70.47 or G.S. 108A-70.48, the Department and the county department of social services shall enter into a joint corrective action plan to improve the accurate processing of applications.

(b) A joint corrective action plan entered into pursuant to this section shall specifically identify the following components:

(1) The duration of the joint corrective action plan, not to exceed 24 months. If a county department of social services shows measurable progress in meeting the performance requirements in the joint corrective action plan, then the duration of the joint corrective action plan may be extended by six months, but in no case shall a joint corrective action plan exceed 36 months.

(2) A plan for improving the accurate processing of applications that specifically describes the actions to be taken by the county department of social services and the Department.

(3) The performance requirements for the county department of social services that constitute successful completion of the joint corrective action plan.

(4) Acknowledgment that failure to successfully complete the joint corrective action plan will result in temporary assumption of Medicaid eligibility administration by the Department, in accordance with G.S. 108A-70.50.

(c) Any county department of social services under a joint corrective action plan shall be audited under G.S. 108A-70.46 on an annual basis until the joint corrective action plan is successfully completed or until the failure to successfully complete the joint corrective action plan results in the temporary assumption of Medicaid eligibility administration by the Department, in accordance with G.S. 108A-70.50.

"**§ 108A-70.50. Temporary assumption of Medicaid eligibility administration.**

(a) If a county department of social services fails to successfully complete its joint corrective action plan, the Department shall give the county department of social services, the county manager, and the board of social services or the consolidated human services board, created pursuant to G.S. 153A-77(b), at least 90 days' notice that the Department intends to temporarily assume Medicaid eligibility administration, in accordance with subsection (b) of this section. The notice shall include the following information:

(1) The date on which the Department intends to temporarily assume administration of Medicaid eligibility determinations.

(2) The performance requirements in the joint corrective action plan that the county department of social services failed to meet.

(3) Notice of the county department of social services' right to appeal the decision to the Office of Administrative Hearings, pursuant to Article 3 of Chapter 150B of the General Statutes.

(b) Notwithstanding any provision of law to the contrary, if a county department of social services fails to successfully complete its joint corrective action plan, the Department shall temporarily assume Medicaid eligibility administration for the county upon giving notice as required by subsection (a) of this section. During a period of temporary assumption of Medicaid eligibility administration, the following shall occur:

(1) The Department shall administer the Medicaid eligibility function in the county. Administration by the Department may include direct operation by the Department, including supervision of county Medicaid eligibility workers or contracts for operation to the extent permitted by federal law and regulations.

(2) The county department of social services is divested of the authority to administer Medicaid eligibility determinations.

(3) The Department shall direct and oversee the expenditure of all funding for the administration of Medicaid eligibility in the county.

(4) The county shall continue to pay the nonfederal share of the cost of Medicaid eligibility administration and shall not withdraw funds previously obligated or appropriated for Medicaid eligibility administration.

(5) The county shall pay the nonfederal share of additional costs incurred to ensure compliance with the accuracy and quality assurance standards required by this Part.

(6) The Department shall work with the county department of social services to develop a plan for the county department of social services to resume Medicaid eligibility administration and perform Medicaid eligibility determinations more accurately.

(7) The Department shall inform the county board of commissioners, the county manager, the county director of social services, and the board of social services or the consolidated human services board, created pursuant to G.S. 153A-77(b), of key activities and any ongoing concerns during the temporary assumption of Medicaid eligibility administration.

(c) Upon the Department's determination that Medicaid eligibility determinations can be performed accurately and with proper quality assurance by the county department of social services based on the standards adopted under G.S. 108A-70.47 and G.S. 108A-70.48, the Department shall notify the county department of social services, the county manager, and the board of social services or the consolidated human services board, created pursuant to G.S. 153A-77(b), that temporary assumption of Medicaid eligibility administration will be terminated and the effective date of termination. Upon termination, the county department of social services resumes its full authority to administer Medicaid eligibility determinations.

"**§ 108A-70.51. Reporting.**

~~Beginning with the calendar year 2020, no~~ No later than March 1 of each year, the Department shall submit a report to the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the State Auditor that ~~contains the following information about the prior calendar year:~~contains, with respect to the prior calendar year, the following information reported separately for Medicaid applicant eligibility determinations and for Medicaid beneficiary eligibility redeterminations:

(1) The percentage of audited county departments of social services that met the accuracy standards adopted under G.S. 108A-70.47 in the prior fiscal year.

(2) The percentage of audited county departments of social services that met the quality assurance standards adopted under G.S. 108A-70.48 in the prior fiscal year.

(3) The audit result for each standard adopted under G.S. 108A-70.47 for each county of department services in the prior fiscal year.

(4) The number of years in the preceding 10-year period that any county department of social services failed to meet the standards in G.S. 108A-70.47 or G.S. 108A-70.48.

(5) A description of all corrective action activities conducted by the Department and county departments of social services in accordance with G.S. 108A-70.49.

(6) For every county in which the performance metrics for processing Medicaid applications in an accurate manner do not show significant improvement compared to the previous audit of that county, a description of how the Department plans to assist county departments of social services in accuracy and quality assurance standards for Medicaid applications."

SECTION 2.5.(e) Subsection (d) of this section applies to reporting for calendar years beginning with 2025.

SECTION 2.5.(f) Subsection (a) of this section is effective January 1, 2027. The remainder of this section is effective when this act becomes law.

AUDIT OF SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM AND MEDICAID PROGRAM ELIGIBILITY DETERMINATIONS

SECTION 2.6.(a) The Office of the State Auditor shall conduct a performance audit of a sample of county departments of social services' administration of the federal Supplemental Nutrition Assistance Program (SNAP), also known statewide as the food and nutrition services (FNS) program, including accuracy in determining eligibility and benefit amounts for SNAP. The scope of the audit shall be as the State Auditor deems necessary to evaluate accuracy, timeliness, and related processes and controls.

SECTION 2.6.(b) The Office of the State Auditor shall conduct a performance audit of a sample of county departments of social services' administration of the North Carolina Medicaid program, including accuracy and timeliness in determining and redetermining eligibility for Medicaid. The audit shall consider any information deemed necessary by the State Auditor to evaluate accuracy, timeliness, and related processes and controls.

SECTION 2.6.(c) The Department of Health and Human Services (DHHS) and county departments of social services shall provide the State Auditor with all data, records, and information the State Auditor deems necessary to conduct the audits required by subsections (a) and (b) of this section in accordance with G.S. 147-64.7(a). DHHS and county departments of social services shall provide requested information to the Office of the State Auditor within 30 days of the request.

SECTION 2.6.(d) No later than May 1, 2026, the State Auditor shall submit a report on the results of the audits required by subsections (a) and (b) of this section 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.

SECTION 2.6.(e) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Child and Family Well-Being (DCFW), the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds and associated receipts to be transferred to the Office of the State Auditor to be used for the audit required by subsection (a) of this section.

SECTION 2.6.(f) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Health Benefits (DHB), the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds and associated receipts to be transferred to the Office of the State Auditor to be used for the audit required by subsection (b) of this section.

SECTION 2.6.(g) Subsections (e) and (f) of this section are retroactively effective July 1, 2025. The remainder of this section is effective when it becomes law.

PART III. STATEWIDE

BUILDING RESERVES REDUCTION

SECTION 3.1. Notwithstanding any provision of law to the contrary, the amount of recurring funding for the Future Building Reserves is reduced by forty-two million two hundred six thousand nine hundred nine dollars ($42,206,909) in recurring funds beginning with the 2025-2026 fiscal year.

SCIF TRANSFER REDUCTION

SECTION 3.2. Notwithstanding G.S. 143C-4-3.1(b)(1)e., the amount transferred from the General Fund to the State Capital and Infrastructure Fund is reduced by thirty-four million dollars ($34,000,000) for the 2025-2026 fiscal year. The amount transferred from the General Fund to the State Capital and Infrastructure Fund in the 2026-2027 fiscal year pursuant to G.S. 143C-4-3.1(b)(1)f. shall be based upon the amount provided in G.S. 143C-4-3.1(b)(1)e.

ADDRESS UNEXPENDED BOND PROCEEDS

SECTION 3.3.(a) As used in this section, "unexpended bond proceeds" means the following:

(1) Any funds obtained from issuing General Obligation bonds authorized pursuant to S.L. 1998-132.

(2) Any funds obtained from issuing indebtedness authorized pursuant to S.L. 2006-146, Section 19.13 of S.L. 2007-323, or Section 27.8 of S.L. 2008-107.

(3) Any funds obtained from issuing General Obligation bonds authorized pursuant to S.L. 2014-100.

(4) Any funds obtained from issuing General Obligation bonds authorized pursuant to S.L. 2015-280.

(5) Interest earned on any indebtedness authorized by a subdivision of this subsection.

SECTION 3.3.(b) The Office of State Budget and Management may use unexpended bond proceeds not reasonably anticipated to be needed for completion of the projects and purposes for which they were issued to do any of the following to the extent the listed action can be taken without (i) resulting in adverse tax consequences to the State or (ii) violating, where applicable, the categories of uses contained in the bond question on which the indebtedness was approved by a vote of the qualified voters of the State:

(1) Redeem or otherwise retire bonds of the same issuance to eliminate debt service on such bonds.

(2) Reimburse the State Capital and Infrastructure Fund (SCIF), established in G.S. 143C-4-3.1, for expenditures incurred for a State agency capital improvement project authorized in legislation to be funded from the SCIF; provided, however, the amount of unexpended bond proceeds used does not exceed expenditures incurred.

(3) Pay expenditures authorized but not incurred for a State agency capital improvement project authorized in legislation to be funded from the State Capital and Infrastructure Fund, established in G.S. 143C-4-3.1; provided, however, the amount of unexpended bond proceeds used does not exceed the difference between the maximum amount authorized for the project minus the expenditures incurred.

SECTION 3.3.(c) To the extent unexpended bond proceeds are used pursuant to subsection (b) of this section to reimburse funds previously paid or to pay costs that would have been paid from other funds, such other funds are not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. The funds shall be deemed and shall remain unappropriated unless the General Assembly appropriates the funds in a subsequent act. To the extent the funds are in the State Capital and Infrastructure Fund, such funds shall be invested by the Department of the State Treasurer, with earnings and interest therefrom being deposited in the State Capital and Infrastructure Fund.

SECTION 3.3.(d) For proceeds of public improvement bonds and notes, including premium thereon, (i) authorized in S.L. 2015-280, (ii) allocated to the Department of Environmental Quality for Statewide Water/Sewer Loans and Grants, (iii) placed in the Water Infrastructure Fund established in G.S. 159G-22, and (iv) used for low-interest loans pursuant to sub-subdivision (f)(2)d. of Section 1 of S.L. 2015-280, the Department may repurpose repaid

loan funds as grants that comport with the requirements of, notwithstanding the dollar limitation for grants contained in, that sub-subdivision.

SECTION 3.3.(e) This section is effective when it becomes law.

PART IV. MISCELLANEOUS

STATE BUDGET ACT APPLICABILITY

SECTION 4.1. If any provision of this act and G.S. 143C-5-4 are in conflict, the provisions of this act shall prevail. The appropriations and the authorizations to allocate and spend funds which are set out in this act shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1 of the fiscal year.

SEVERABILITY CLAUSE

SECTION 4.2. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application and, to this end, the provisions of this act are severable.

PART V. EFFECTIVE DATE

SECTION 5.1. Except as otherwise provided, this act is effective retroactively to July 1, 2025.