

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

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SENATE BILL 403  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S403-CSMHa-6 [v.3]  
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Short Title: Additional Medicaid Funds and Requirements.

(Public)

Sponsors:

Referred to:

March 25, 2025

1 A BILL TO BE ENTITLED  
2 AN ACT TO ADJUST MEDICAID FUNDING TO ACCOUNT FOR PROJECTED HEALTH  
3 CARE CHANGES, TO MAKE REDUCTIONS TO VACANT POSITIONS ACROSS  
4 STATE AGENCIES, AND TO REDUCE FUNDING APPROPRIATED TO FUTURE  
5 BUILDING RESERVES AND THE STATE CAPITAL AND INFRASTRUCTURE FUND.  
6

7 The General Assembly of North Carolina enacts:  
8

9 **PART I. GENERAL**

10  
11 **ADDITIONAL AGENCY VACANT POSITION CUTS**

12 **SECTION 1.1.(a)** Reduction. – By October 1, 2025, the Governor and the Office of  
13 State Budget and Management shall identify and eliminate vacant positions in State agencies  
14 necessary to achieve a total reduction of not less than nineteen million seven hundred forty-two  
15 thousand two hundred forty-three dollars (\$19,742,243) in recurring funds, beginning with the  
16 2025-2026 fiscal year. For purposes of this section, "State agency" means the principal  
17 departments listed in G.S. 143B-6, with the exception of the State Bureau of Investigation and  
18 the State Highway Patrol.

19 **SECTION 1.1.(b)** Report. – The Office of State Budget and Management shall  
20 submit a report to the Fiscal Research Division with a list of each position eliminated, identified  
21 by position number, title, and the amount of salary and fringe benefits associated with the  
22 position, no later than December 1, 2025.  
23

24 **PART II. HEALTH AND HUMAN SERVICES**

25  
26 **DHHS MANDATORY VACANT POSITION ELIMINATIONS**

27 **SECTION 2.1** The Department of Health and Human Services shall eliminate vacant  
28 positions to achieve net General Fund savings in the amount of thirty-two million six hundred  
29 thirteen thousand four hundred ninety-three dollars (\$32,613,493) in recurring funds beginning  
30 with the 2025-2026 fiscal year.  
31

32 **MEDICAID REBASE AND MANAGED CARE ADMINISTRATION**

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

34 **"SECTION ~~2B.10.2B.10.(a)~~** There is appropriated from the General Fund to the Department  
35 of Health and Human Services, Division of Health Benefits, the sum of ~~six hundred million~~  
36 ~~dollars (\$600,000,000)~~ six hundred ninety millions dollars (\$690,000,000) in recurring funds and



1 associated receipts for each year of the 2025-2027 fiscal biennium-receipts, beginning with the  
 2 2025-2026 fiscal year. These funds shall be used to adjust Medicaid funding to account for  
 3 projected changes in enrollment, enrollment mix, service and capitation costs, and federal match  
 4 rates, as well as the implementation of the Children and Families Specialty Plan in December  
 5 2025 or for contracts needed to operate the State's Medicaid managed care program.2025.

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

15  
 16 **DISCONTINUE MEDICAID COVERAGE OF OBESITY MANAGEMENT**  
 17 **MEDICATIONS**

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

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

27  
 28 **LME/MCO INTERGOVERNMENTAL TRANSFERS**

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

	<b>2025-2026</b>	<b>2026-2027</b>
38 Alliance Behavioral Healthcare	\$4,508,857	\$4,508,857
39 Partners Health Management	\$3,544,348	\$3,544,348
40 Trillium Health Resources	\$6,448,693	\$6,448,693
41 Vaya Health	\$3,526,319	\$3,526,319

42  
 43 **SECTION 2.4(b)** In the event that a county disengages from an LME/MCO and  
 44 realigns with another LME/MCO during the 2025-2027 fiscal biennium, DHB shall have the  
 45 authority to reallocate the amount of the intergovernmental transfer that each affected  
 46 LME/MCO is required to make under subsection (a) of this section, taking into consideration the  
 47 change in catchment area and covered population, provided that the aggregate amount of the  
 48 transfers received from all LME/MCOs in each year of the fiscal biennium is achieved.

49  
 50 **MAINTENANCE OF MEDICAID PROVIDER REIMBURSEMENT RATES**

1           **SECTION 2.5.(a)** The Department of Health and Human Services, Division of  
2 Health Benefits, shall, at a minimum, continue the Medicaid reimbursement rates for providers  
3 that were approved by the Centers for Medicare and Medicaid Services as of July 1, 2025 and  
4 applicable to the 2025-2026 fiscal year.

5           **SECTION 2.5.(b)** This section expires June 30, 2026.

6  
7           **MEDICAID REDETERMINATION TIMELINESS AND ACCURACY STANDARDS**  
8           **AND REPORTING REQUIREMENTS**

9           **SECTION 2.6.(a)** Part 10 of Article 2 of Chapter 108A of the General Statutes reads  
10 as rewritten:

11                   "Part 10. Medicaid Eligibility Decision Processing Timeliness.

12           **"§ 108A-70.36. Applicability.**

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

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

20           **"§ 108A-70.37. Timely decision standards.**

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

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

29           **"§ 108A-70.38. Timely processing standards.**

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

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

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

49           In these cases, processing time shall exclude the number of days between the date when the  
50 county determines all eligibility criteria other than the criteria in subdivisions (1) through (7) of

1 this subsection and the date when the county receives the information related to the criteria in  
2 subdivisions (1) through (7) of this subsection.

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

- 5 (1) Newborns who are automatically enrolled based on their mother's eligibility.
- 6 (2) Applications for individuals who are presumptively eligible for Medicaid.
- 7 (3) Active cases in which an individual who is eligible for one program is  
8 transferred to another program, regardless of whether the transfer occurs  
9 between allowable or nonallowable program categories.
- 10 (4) Cases in which an individual transfers from an open case to another case,  
11 including establishing a new administrative case for the individual.
- 12 (5) Actions to post eligibility to a terminated or denied case within one year of  
13 the termination or denial.
- 14 (6) Cases that are reopened because they were terminated in error or because  
15 reopening of the terminated case is allowed by policy.
- 16 (7) Cases in which the eligibility decision was appealed and the decision was  
17 reversed or remanded.

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

27 **"§ 108A-70.39. Average processing time standards.**

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

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

34 **"§ 108A-70.40. Percentage processed timely standards.**

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

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

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

1       (d) The Department may adopt rules to establish a percentage standard for each county  
2 department of social services that will be the percentage of redeterminations processed timely  
3 for that county department of social services. If no rule establishing a percentage standard is in  
4 effect, then the percentage of redeterminations processed timely standard is ninety-five percent  
5 (95%).

6 **"§ 108A-70.41. Corrective action.**

7       (a) ~~If for any three consecutive months or for any five months out of a period of 12~~  
8 ~~consecutive months a county department of social services fails to meet either~~  
9 ~~the average processing time standard or the percentage processed timely standard or both~~  
10 ~~standards, the~~ The Department and the county department of social services shall enter into a  
11 joint corrective action plan to improve the timely processing of applications. applications if, for  
12 any three consecutive months or for any five months out of a period of 12 consecutive months, a  
13 county department of social services fails to meet any one of the following standards:

14           (1) The average processing time standard.

15           (2) The percentage of applications processed timely standard.

16           (3) The percentage of redeterminations processed timely standard.

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

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

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

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

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

32 **"§ 108A-70.42. Temporary assumption of Medicaid eligibility administration.**

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

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

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

43           (3) Notice of the county department of social services' right to appeal the decision  
44 to the Office of Administrative Hearings, pursuant to Article 3 of Chapter  
45 150B of the General Statutes.

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

- 1 (1) The Department shall administer the Medicaid eligibility function in the  
2 county. Administration by the Department may include direct operation by the  
3 Department, including supervision of county Medicaid eligibility workers, or  
4 contracts for operation to the extent permitted by federal law and regulations.
- 5 (2) The county department of social services is divested of Medicaid  
6 administration authority.
- 7 (3) The Department shall direct and oversee the expenditure of all funding for the  
8 administration of Medicaid eligibility in the county.
- 9 (4) The county shall continue to pay the nonfederal share of the cost of Medicaid  
10 eligibility administration and shall not withdraw funds previously obligated  
11 or appropriated for Medicaid eligibility administration.
- 12 (5) The county shall pay the nonfederal share of additional costs incurred to  
13 ensure compliance with the timely processing standards required by this Part.
- 14 (6) The Department shall work with the county department of social services to  
15 develop a plan for the county department of social services to resume  
16 Medicaid eligibility administration and perform Medicaid eligibility  
17 determinations in a timely manner.
- 18 (7) The Department shall inform the county board of commissioners, the county  
19 manager, the county director of social services, and the board of social  
20 services or the consolidated human services board created pursuant to  
21 G.S. 153A-77(b) of key activities and any ongoing concerns during the  
22 temporary assumption of Medicaid eligibility administration.

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

31 **"§ 108A-70.43. Reporting.**

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

- 36 (1) The annual statewide percentage of Medicaid applications and Medicaid  
37 eligibility redeterminations processed in a timely manner for the fiscal year.
- 38 (2) The statewide average number of days to process Medicaid applications for  
39 each month in the fiscal year.
- 40 (3) The annual percentage of Medicaid applications and redeterminations  
41 processed in a timely manner by each county department of social services for  
42 the fiscal year.
- 43 (4) The average number of days to process Medicaid applications for each month  
44 for each county department of social services.
- 45 (5) The number of months during the fiscal year that each county department of  
46 social services met the timely processing standards for Medicaid applications  
47 and the number of months during the fiscal year that each county department  
48 of social services met the timely processing standards for Medicaid eligibility  
49 redeterminations under G.S. 108A-70.38.
- 50 (6) The number of months during the fiscal year that each county department of  
51 social services failed to meet the timely processing standards for Medicaid

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

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

7 (8) A description of how the Department plans to assist county departments of  
8 social services in meeting timely processing standards for Medicaid  
9 applications, for every county in which the performance metrics for  
10 processing Medicaid applications in a timely manner do not show significant  
11 improvement compared to the previous fiscal year."

12 **SECTION 2.6.(b)** The Department of Health and Human Services shall adopt  
13 temporary rules necessary to implement G.S. 108A-70.40(d) as amended by this section not later  
14 than January 1, 2027, or as soon as practicable, and shall concurrently begin adopting permanent  
15 rules to replace temporary rules.

16 **SECTION 2.6.(c)** Rules adopted pursuant to this section are not subject to: (i) G.S.  
17 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.  
18 2025-82.

19 **SECTION 2.6.(d)** Part 11 of Article 2 of Chapter 108A of the General Statutes reads  
20 as rewritten:

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

22 **"§ 108A-70.45. Applicability.**

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

26 **"§ 108A-70.46. Audit of county Medicaid determinations.**

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

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

41 **"§ 108A-70.47. Medicaid eligibility determination processing accuracy standards.**

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

- 45 (1) Accuracy standards with regards to errors that caused an ineligible Medicaid  
46 recipient to be approved for Medicaid benefits.
- 47 (2) Accuracy standards with regards to errors that caused the denial of benefits to  
48 an applicant that should have been approved for Medicaid benefits.
- 49 (3) Accuracy standards with regards to errors made during the eligibility  
50 determination process that did not change the outcome of the eligibility  
51 determination.

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

3 **"§ 108A-70.48. Quality assurance.**

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

8 **"§ 108A-70.49. Corrective action.**

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

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

- 16 (1) The duration of the joint corrective action plan, not to exceed 24 months. If a  
17 county department of social services shows measurable progress in meeting  
18 the performance requirements in the joint corrective action plan, then the  
19 duration of the joint corrective action plan may be extended by six months,  
20 but in no case shall a joint corrective action plan exceed 36 months.
- 21 (2) A plan for improving the accurate processing of applications that specifically  
22 describes the actions to be taken by the county department of social services  
23 and the Department.
- 24 (3) The performance requirements for the county department of social services  
25 that constitute successful completion of the joint corrective action plan.
- 26 (4) Acknowledgment that failure to successfully complete the joint corrective  
27 action plan will result in temporary assumption of Medicaid eligibility  
28 administration by the Department, in accordance with G.S. 108A-70.50.

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

34 **"§ 108A-70.50. Temporary assumption of Medicaid eligibility administration.**

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

- 41 (1) The date on which the Department intends to temporarily assume  
42 administration of Medicaid eligibility determinations.
- 43 (2) The performance requirements in the joint corrective action plan that the  
44 county department of social services failed to meet.
- 45 (3) Notice of the county department of social services' right to appeal the decision  
46 to the Office of Administrative Hearings, pursuant to Article 3 of Chapter  
47 150B of the General Statutes.

48 (b) Notwithstanding any provision of law to the contrary, if a county department of social  
49 services fails to successfully complete its joint corrective action plan, the Department shall  
50 temporarily assume Medicaid eligibility administration for the county upon giving notice as

1 required by subsection (a) of this section. During a period of temporary assumption of Medicaid  
2 eligibility administration, the following shall occur:

- 3 (1) The Department shall administer the Medicaid eligibility function in the  
4 county. Administration by the Department may include direct operation by the  
5 Department, including supervision of county Medicaid eligibility workers or  
6 contracts for operation to the extent permitted by federal law and regulations.
- 7 (2) The county department of social services is divested of the authority to  
8 administer Medicaid eligibility determinations.
- 9 (3) The Department shall direct and oversee the expenditure of all funding for the  
10 administration of Medicaid eligibility in the county.
- 11 (4) The county shall continue to pay the nonfederal share of the cost of Medicaid  
12 eligibility administration and shall not withdraw funds previously obligated  
13 or appropriated for Medicaid eligibility administration.
- 14 (5) The county shall pay the nonfederal share of additional costs incurred to  
15 ensure compliance with the accuracy and quality assurance standards required  
16 by this Part.
- 17 (6) The Department shall work with the county department of social services to  
18 develop a plan for the county department of social services to resume  
19 Medicaid eligibility administration and perform Medicaid eligibility  
20 determinations more accurately.
- 21 (7) The Department shall inform the county board of commissioners, the county  
22 manager, the county director of social services, and the board of social  
23 services or the consolidated human services board, created pursuant to  
24 G.S. 153A-77(b), of key activities and any ongoing concerns during the  
25 temporary assumption of Medicaid eligibility administration.

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

34 **"§ 108A-70.51. Reporting.**

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

- 41 (1) The percentage of audited county departments of social services that met the  
42 accuracy standards adopted under G.S. 108A-70.47 in the prior fiscal year.
- 43 (2) The percentage of audited county departments of social services that met the  
44 quality assurance standards adopted under G.S. 108A-70.48 in the prior fiscal  
45 year.
- 46 (3) The audit result for each standard adopted under G.S. 108A-70.47 for each  
47 county of department services in the prior fiscal year.
- 48 (4) The number of years in the preceding 10-year period that any county  
49 department of social services failed to meet the standards in G.S. 108A-70.47  
50 or G.S. 108A-70.48.

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

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

9 **SECTION 2.6.(e)** Subsection (d) of this section applies to reporting for calendar  
10 years beginning with 2025.

11 **SECTION 2.6.(f)** Subsection (a) of this section is effective January 1, 2027. The  
12 remainder of this section is effective when this act becomes law.

### 13 14 **AUDIT OF SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM AND** 15 **MEDICAID PROGRAM ELIGIBILITY DETERMINATIONS**

16 **SECTION 2.7.(a)** The Office of the State Auditor shall conduct a performance audit  
17 of a sample of county departments of social services' administration of the federal Supplemental  
18 Nutrition Assistance Program (SNAP), also known statewide as the food and nutrition services  
19 (FNS) program, including accuracy in determining eligibility and benefit amounts for SNAP.  
20 The scope of the audit shall be as the State Auditor deems necessary to evaluate accuracy,  
21 timeliness, and related processes and controls.

22 **SECTION 2.7.(b)** The Office of the State Auditor shall conduct a performance audit  
23 of a sample of county departments of social services' administration of the North Carolina  
24 Medicaid program, including accuracy and timeliness in determining and redetermining  
25 eligibility for Medicaid. The audit shall consider any information deemed necessary by the State  
26 Auditor to evaluate accuracy, timeliness, and related processes and controls.

27 **SECTION 2.7.(c)** The Department of Health and Human Services (DHHS) and  
28 county departments of social services shall provide the State Auditor with all data, records, and  
29 information the State Auditor deems necessary to conduct the audits required by subsections (a)  
30 and (b) of this section in accordance with G.S. 147-64.7(a). DHHS and county departments of  
31 social services shall provide requested information to the Office of the State Auditor within 30  
32 days of the request.

33 **SECTION 2.7.(d)** No later than May 1, 2026, the State Auditor shall submit a report  
34 on the results of the audits required by subsections (a) and (b) of this section to the Joint  
35 Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight  
36 Committee on Medicaid, the Joint Legislative Commission on Governmental Operations, and the  
37 Fiscal Research Division.

38 **SECTION 2.7.(e)** There is appropriated from the General Fund to the Department  
39 of Health and Human Services, Division of Child and Family Well-being (DCFW), the sum of  
40 one million five hundred thousand dollars (\$1,500,000) in nonrecurring funds and associated  
41 receipts to be transferred to the Office of the State Auditor to be used for the audit required by  
42 subsection (a) of this section.

43 **SECTION 2.7.(f)** There is appropriated from the General Fund to the Department of  
44 Health and Human Services, Division of Health Benefits (DHB), the sum of one million five  
45 hundred thousand dollars (\$1,500,000) in nonrecurring funds and associated receipts to be  
46 transferred to the Office of the State Auditor to be used for the audit required by subsection (b)  
47 of this section.

48 **SECTION 2.7.(g)** Subsections (e) and (f) of this section are retroactively effective  
49 July 1, 2025. The remainder of this section is effective when it becomes law.

### 50 51 **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-4-3.4(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 27.0 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

1 a subsequent act. To the extent the funds are in the State Capital and Infrastructure Fund, such  
2 funds shall be invested by the Department of the State Treasurer, with earnings and interest  
3 therefrom being deposited in the State Capital and Infrastructure Fund.

4 **SECTION 3.3.(d)** For proceeds of public improvement bonds and notes, including  
5 premium thereon, (i) authorized in S.L. 2015-280, (ii) allocated to the Department of  
6 Environmental Quality for Statewide Water/Sewer Loans and Grants, (iii) placed in the Water  
7 Infrastructure Fund established in G.S. 159G-22, and (iv) used for low-interest loans pursuant to  
8 sub-subdivision (f)(2)d. of Section 1 of S.L. 2015-280, the Department may repurpose repaid  
9 loan funds as grants that comport with the requirements of, notwithstanding the dollar limitation  
10 for grants contained in, that sub-subdivision.

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

## 12 **PART IV. MISCELLANEOUS**

### 13 **STATE BUDGET ACT APPLICABILITY**

14  
15 **SECTION 4.1.** If any provision of this act and G.S. 143C-5-4 are in conflict, the  
16 provisions of this act shall prevail. The appropriations and the authorizations to allocate and  
17 spend funds which are set out in this act shall remain in effect until the Current Operations  
18 Appropriations Act for the applicable fiscal year becomes law, at which time that act shall  
19 become effective and shall govern appropriations and expenditures. When the Current  
20 Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall  
21 adjust allotments to give effect to that act from July 1 of the fiscal year.  
22

### 23 **SEVERABILITY CLAUSE**

24  
25 **SECTION 4.2.** If any provision of this act or its application is held invalid, the  
26 invalidity does not affect other provisions or applications of this act that can be given effect  
27 without the invalid provisions or application and, to this end, the provisions of this act are  
28 severable.  
29

## 30 **PART V. EFFECTIVE DATE**

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