

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

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SENATE BILL DRS35430-MTap-178

Short Title: Investing in North Carolina Act. (Public)

Sponsors: Senators Grafstein and Garson (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO APPROPRIATE FUNDS TO RAISE SALARIES FOR TEACHERS, STATE  
3 EMPLOYEES, COMMUNITY COLLEGE EMPLOYEES, AND EMPLOYEES OF THE  
4 UNIVERSITY OF NORTH CAROLINA AND TO PROVIDE A COST-OF-LIVING  
5 INCREASE FOR RETIREES IN THE EVENT THE CURRENT OPERATIONS  
6 APPROPRIATIONS ACT DOES NOT BECOME LAW AND TO PROVIDE FOR  
7 FUTURE SALARY INCREASES FOR TEACHERS, STATE EMPLOYEES,  
8 COMMUNITY COLLEGE EMPLOYEES, AND EMPLOYEES OF THE UNIVERSITY  
9 OF NORTH CAROLINA IN THE EVENT FUTURE CURRENT OPERATIONS  
10 APPROPRIATIONS ACTS DO NOT BECOME LAW.

11 The General Assembly of North Carolina enacts:

12  
13 **PART I. CONTINGENT EFFECT FOR CERTAIN PROVISIONS OF THIS ACT**

14 **SECTION 1.** Part II and Part III of this act become effective only if the Current  
15 Operations Appropriations Act for the 2026-2027 fiscal year does not become law in the 2025  
16 Regular Session of the General Assembly. In that case, the effective date of Part II and Part III  
17 of this act shall be the earlier of the following:

- 18 (1) The first day after the General Assembly adjourns the 2025 Regular Session  
19 sine die.  
20 (2) January 1, 2027.

21  
22 **PART II. RAISE TEACHER SALARIES**

23 **SECTION 2.(a)** The following monthly teacher salary schedule shall apply for the  
24 2026-2027 fiscal year to licensed personnel of the public schools who are classified as teachers.  
25 The salary schedule is based on years of teaching experience.

26 **2026-2027 Teacher Monthly Salary Schedule**

27 Years of Experience	"A" Teachers
28 0	\$4,600
29 1	\$4,685
30 2	\$4,770
31 3	\$4,855
32 4	\$4,940
33 5	\$5,025
34 6	\$5,110
35 7	\$5,195
36 8	\$5,280



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1	9	\$5,365
2	10	\$5,450
3	11	\$5,535
4	12	\$5,620
5	13	\$5,705
6	14	\$5,790
7	15	\$5,875
8	16	\$5,950
9	17-19	\$6,070
10	20-22	\$6,135
11	23-25	\$6,200
12	26-28	\$6,295
13	29+	\$6,370

**SECTION 2.(b)** Salary Supplements for Teachers Paid on This Salary Schedule. –

- (1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.
- (2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the supplement provided to them as "M" teachers.
- (4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the supplement provided to them as "M" teachers.
- (5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (6) School counselors who are licensed as counselors at the master's degree level or higher shall receive a salary supplement of one hundred dollars (\$100.00) per month.

**SECTION 2.(c)** For school psychologists, school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and school audiologists who are licensed as audiologists at the master's degree level or higher, the following shall apply:

- (1) The first step of the salary schedule shall be equivalent to the sixth step of the "A" salary schedule.
- (2) These employees shall receive the following salary supplements each month:
  - a. Ten percent (10%) of their monthly salary, excluding the supplement provided pursuant to sub-subdivision b. of this subdivision.
  - b. Five hundred dollars (\$500.00).
- (3) These employees are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.
- (4) The twenty-sixth step of the salary schedule shall be seven and one-half percent (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

**SECTION 2.(d)** Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

1           **SECTION 2.(e)** A teacher compensated in accordance with this salary schedule for  
2 the 2026-2027 school year shall receive an amount equal to the greater of the following:

- 3           (1) The applicable amount on the salary schedule for the applicable school year.
- 4           (2) For teachers who were eligible for longevity for the 2013-2014 school year,  
5 the sum of the following:
  - 6           a. The salary the teacher received in the 2013-2014 school year pursuant  
7 to Section 35.11 of S.L. 2013-360.
  - 8           b. The longevity that the teacher would have received under the longevity  
9 system in effect for the 2013-2014 school year provided in Section  
10 35.11 of S.L. 2013-360 based on the teacher's current years of service.
  - 11           c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.
- 12           (3) For teachers who were not eligible for longevity for the 2013-2014 school  
13 year, the sum of the salary and annual bonus the teacher received in the  
14 2014-2015 school year pursuant to Section 9.1 of S.L. 2014-100.

15           **SECTION 2.(f)** As used in this section, the term "teacher" shall also include  
16 instructional support personnel.

17           **SECTION 2.(g)** There is appropriated from the General Fund to the Department of  
18 Public Instruction for the 2026-2027 fiscal year the sum of nine hundred twenty-one million two  
19 hundred thousand dollars (\$921,200,000) in recurring funds to implement the teacher raises  
20 provided in this section.

21  
22 **PART III. PAY RAISES FOR STATE EMPLOYEES/COMMUNITY**  
23 **COLLEGES/UNIVERSITY OF NORTH CAROLINA AND COST-OF-LIVING**  
24 **INCREASES FOR RETIREES**

25  
26 **ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED COST-OF-LIVING**  
27 **ADJUSTMENT/LEGISLATIVE SALARY INCREASES**

28           **SECTION 3.1.(a)** Effective July 1, 2026, except as provided by subsection (c) of  
29 this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human  
30 Resources Act or as otherwise authorized in this act, and (ii) who is employed in a State-funded  
31 position on June 30, 2025, is awarded a compensation adjustment as follows:

- 32           (1) Six percent (6%) effective July 1, 2026.
- 33           (2) As otherwise allowed or provided by law.

34           **SECTION 3.1.(b)** For the 2026-2027 fiscal year, the following persons are not  
35 eligible to receive the legislative salary increases provided by subsection (a) of this section:

- 36           (1) Employees of local boards of education.
- 37           (2) Local community college employees.
- 38           (3) Employees of The University of North Carolina.
- 39           (4) Clerks of superior court compensated under G.S. 7A-101.
- 40           (5) Officers and employees of the Department of Adult Correction or Department  
41 of Public Safety to which Section 3.7 or 3.8 of this Part applies.
- 42           (6) State law enforcement officers to which Section 3.9 of this Part applies.
- 43           (7) Employees of the State Highway Patrol to which Section 3.9A of this Part  
44 applies.
- 45           (8) Employees of schools operated by the Department of Health and Human  
46 Services, the Department of Public Safety, the Department of Adult  
47 Correction, the Governor Morehead School for the Blind, the Eastern North  
48 Carolina School for the Deaf, the North Carolina School for the Deaf, and the  
49 State Board of Education who are paid based on the Teacher Salary Schedule.

50           **SECTION 3.1.(c)** Permanent part-time employees shall receive the increase  
51 authorized by this section on a prorated and equitable basis.

1           **SECTION 3.1.(d)** No eligible State-funded employee shall be prohibited from  
 2 receiving the full salary increase provided in this section solely because the employee's salary  
 3 after applying the legislative increase is above the maximum of the salary range prescribed by  
 4 the State Human Resources Commission.

5  
 6 **RECEIPT-SUPPORTED COST-OF-LIVING ADJUSTMENT RESERVE**

7           **SECTION 3.2.** State Agencies are authorized to use the funding allotted to them  
 8 from the Receipt-Supported Cost-of-Living Adjustment Reserve to fundshift a limited number  
 9 of receipt-supported positions in the General Fund to net appropriation funding.

10  
 11 **RETENTION PAY FOR STATE EMPLOYEES**

12           **SECTION 3.3.(a)** All references to "longevity" pay in Chapter 126 of the General  
 13 Statutes shall be replaced with "retention" pay.

14           **SECTION 3.3.(b)** The amount of retention pay provided to employees who are  
 15 full-time or over half-time and have a permanent, time-limited, or probationary appointment and  
 16 who are in pay status for one-half of the regularly scheduled workdays and holidays in a pay  
 17 period shall be increased to the following amounts:

<b>Years of Total Service</b>	<b>Retention Pay Percentage</b>
18           2 but less than 5 years	1.0%
19           5 but less than 10 years	1.5%
20           10 but less than 15 years	2.0%
21           15 but less than 20 years	2.5%
22           20 but less than 25 years	3.5%
23           25 or more years	4.5%

24  
 25  
 26 **RETENTION BONUS AWARDED FOR FISCAL YEAR**

27           **SECTION 3.4.(a)** Any person (i) whose salary is set by this Part or set pursuant to  
 28 the North Carolina Human Resources Act and (ii) who is continuously employed by the State or  
 29 a public school unit from July 1, 2026, to October 31, 2026, shall be awarded a retention bonus  
 30 for the 2026-2027 fiscal year in the amount of five hundred dollars (\$500.00), payable during the  
 31 month of November 2026. For otherwise eligible local education employees, eligibility for the  
 32 bonus shall be measured beginning not on July 1, 2026, but on the first day when staff report for  
 33 the 2026-2027 school year.

34           **SECTION 3.4.(b)** Any person (i) whose salary is set by this Part or set pursuant to  
 35 the North Carolina Human Resources Act and (ii) who is continuously employed by the State or  
 36 a public school unit from November 1, 2026, to March 31, 2027, shall be awarded an additional  
 37 retention bonus for the 2026-2027 fiscal year in the amount of five hundred dollars (\$500.00),  
 38 payable during the month of April 2027.

39           **SECTION 3.4.(c)** Employers of State employees and local education employees  
 40 shall provide an additional retention bonus of two hundred fifty dollars (\$250.00), payable  
 41 during the month of November 2026, to all permanent full-time State employees and local  
 42 education employees who are continuously employed by the State or a public school unit from  
 43 July 1, 2026, to October 31, 2026, and who earn an annual salary that does not exceed  
 44 seventy-five thousand dollars (\$75,000).

45           **SECTION 3.4.(d)** Employers of State employees and local education employees  
 46 shall provide an additional retention bonus of two hundred fifty dollars (\$250.00), payable  
 47 during the month of April 2027, to all permanent full-time State employees and local education  
 48 employees who are employed by the State or a public school unit from November 1, 2026, to  
 49 March 31, 2027, and who earn an annual salary that does not exceed seventy-five thousand  
 50 dollars (\$75,000).

1           **SECTION 3.4.(e)** The funds appropriated for retention bonuses in excess of the  
 2 amounts required to implement these bonuses shall revert and not be credited to the Pay Plan  
 3 Reserve.

4           **SECTION 3.4.(f)** Notwithstanding G.S. 135-1(7a), the compensation bonuses  
 5 awarded by this section are not compensation under Article 1 of Chapter 135 of the General  
 6 Statutes, the Teachers' and State Employees' Retirement System.

7           **SECTION 3.4.(g)** The compensation bonuses awarded by this section are not part  
 8 of annual salary and shall be paid out separately. The compensation bonus shall be awarded to  
 9 eligible permanent employees without regard to an employee's placement within the salary range,  
 10 including employees at the top of the salary range. The compensation bonus shall be adjusted pro  
 11 rata for permanent part-time employees.

12  
 13 **COMMUNITY COLLEGES**

14           **SECTION 3.5.(a)** Effective July 1, 2026, the State Board of Community Colleges  
 15 shall provide community college faculty and non-faculty personnel with an across-the-board  
 16 salary increase in the amount of six percent (6%).

17           **SECTION 3.5.(b)** The minimum salaries for nine-month, full-time curriculum  
 18 community college faculty for the 2026-2027 fiscal year are as follows:

<u>Education Level</u>	<u>FY 2026-27</u>
Vocational Diploma/Certificate or Less	\$45,746
Associate Degree or Equivalent	46,383
Bachelor's Degree	49,142
Master's Degree or Education Specialist	51,591
Doctoral Degree	55,120

25           **SECTION 3.5.(c)** No full-time faculty member shall earn less than the minimum  
 26 salary for his or her education level. The pro rata hourly rate of the minimum salary for each  
 27 education level shall be used to determine the minimum salary for part-time faculty members.

28  
 29 **UNIVERSITY OF NORTH CAROLINA SYSTEM**

30           **SECTION 3.6.(a)** Effective for the 2025-2027 fiscal biennium, the annual salaries  
 31 of The University of North Carolina SHRA employees shall be increased as provided by Section  
 32 3.1 of this Part.

33           **SECTION 3.6.(b)** For the 2026-2027 fiscal year, the Board of Governors of The  
 34 University of North Carolina may provide EHRA employees a salary increase pursuant to the  
 35 policies adopted by the Board. Funds for EHRA compensation increases may be used for any  
 36 one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii)  
 37 recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant  
 38 to those policies.

39           **SECTION 3.6.(c)** The Board of Governors of The University of North Carolina shall  
 40 make a report on the use of compensation increases and bonus funds to the General Assembly by  
 41 no later than March 1 of each year of the biennium.

42  
 43 **CORRECTIONAL OFFICER SALARY SCHEDULE**

44           **SECTION 3.7.(a)** State employees serving as correctional officers in the Department  
 45 of Adult Correction shall be compensated at a specific pay rate on the basis of a salary schedule  
 46 determined according to the duration of the employee's correctional officer work experience.

47           **SECTION 3.7.(a1)** State employees serving in the Department of Public Safety,  
 48 Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific pay  
 49 rate set on the basis of a salary schedule determined according to the duration of the employee's  
 50 work experience, as follows:

- (1) Youth Counselor Technicians shall be paid under the Correctional Officer I salary schedule.
- (2) Youth Services Behavioral Specialists shall be paid under the Correctional Officer II salary schedule.
- (3) Youth Counselors shall be paid under the Correctional Officer III salary schedule.

**SECTION 3.7.(b)** The following annual salary schedule applies under this section for the 2026-2027 fiscal year, effective July 1, 2026:

**FY 2026-27**

Experience	COI	COII	COIII
0	\$39,913	\$41,226	\$44,089
1	\$42,705	\$44,110	\$47,176
2	\$45,269	\$46,804	\$50,008
3	\$47,531	\$49,095	\$52,508
4	\$49,432	\$51,059	\$54,608
5	\$50,916	\$52,590	\$56,246
6+	\$51,935	\$53,642	\$57,371

**PROBATION AND PAROLE OFFICER/JUVENILE COURT COUNSELORS – SALARY SCHEDULE**

**SECTION 3.8.(a)** Probation and parole officers shall be compensated pursuant to the experience-based salary schedule based on the officer's respective work experience, as established in subsection (b) of this section.

**SECTION 3.8.(a1)** State employees serving in the Department of Public Safety, Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be compensated under the probation and parole officer salary schedule.

**SECTION 3.8.(b)** The following annual salary schedule applies under subsections (a) and (a1) of this section for the 2026-2027 fiscal year, effective July 1, 2026:

Years of Experience	FY 2026-27
0	\$48,189
1	51,320
2	54,658
3	58,209
4	61,994
5	66,023
6+	70,314

**STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE**

**SECTION 3.9.(a)** Law enforcement officers of the Alcohol Law Enforcement and the State Bureau of Investigation compensated pursuant to an experience-based salary schedule shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

**SECTION 3.9.(b)** The following annual salary schedule applies under subsection (a) of this section for the 2026-2027 fiscal year, effective July 1, 2026:

Years of Experience	FY 2026-27
0	\$56,733
1	60,423
2	64,350

1	3	68,533
2	4	72,988
3	5	77,732
4	6+	82,785

**STATE HIGHWAY PATROL/SALARY SCHEDULE**

**SECTION 3.9A.(a)** Law enforcement officers of the State Highway Patrol compensated pursuant to an experience-based salary schedule shall be compensated based on the officer's respective work experience pursuant to the salary schedule in subsection (b) of this section.

**SECTION 3.9A.(b)** The following annual salary schedule applies under subsection (a) of this section for the 2026-2027 fiscal year, effective July 1, 2026:

Years of Experience	FY 2026-27
0	\$58,350
1	62,142
2	66,181
3	70,483
4	75,064
5	79,943
6+	85,140

**STATE AGENCY TEACHERS**

**SECTION 3.10.(a)** Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the Department of Adult Correction, and the State Board of Education who are paid on the Teacher Salary Schedule shall be paid as authorized in this act.

**SECTION 3.10.(b)** Employees of the School of Science and Mathematics of The University of North Carolina who are paid pursuant to a salary schedule adopted by the North Carolina School of Science and Mathematics Board of Trustees shall be paid in accordance with the schedule adopted by the Board.

**SECTION 3.10.(c)** Employees of the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf shall be paid as authorized in this act.

**ALL STATE-SUPPORTED PERSONNEL/FLEXIBLE ADMINISTRATION OF COST-OF-LIVING ADJUSTMENTS**

**SECTION 3.11.(a)** The cost-of-living adjustments authorized for the 2026-2027 fiscal year shall be paid effective on July 1, 2026, and do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2026.

**SECTION 3.11.(b)** The Director of the Budget is granted flexibility to administer the compensation increases enacted by this act.

**SECTION 3.11.(c)** The State employer contribution rates enacted by this act for retirement and related benefits may be deemed by the Director of the Budget for administrative purposes to become effective after July 1 of the applicable fiscal year to provide flexibility in the collection and reconciliation of salary-related contributions as required by law, provided the estimated amount contributed to any affected employee benefit trust equals the amount that would have been contributed to the employee benefit trust if the enacted employer contribution rates had been effective on July 1 of the applicable fiscal year.

1           **SECTION 3.11.(d)** This section applies to all employees paid from State funds,  
2 whether or not subject to or exempt from the North Carolina Human Resources Act, including  
3 employees of public schools, community colleges, and The University of North Carolina.  
4

#### 5 **MOST STATE EMPLOYEES**

6           **SECTION 3.12.** Unless otherwise expressly provided by this Part, the annual salaries  
7 in effect for the following persons on June 30, 2026, shall be legislatively increased as provided  
8 by Section 3.1 of this act:

- 9           (1) Permanent, full-time State officials and persons whose salaries are set in  
10 accordance with the State Human Resources Act.
- 11           (2) Permanent, full-time State officials and persons in positions exempt from the  
12 State Human Resources Act.
- 13           (3) Permanent, part-time State employees.
- 14           (4) Temporary and permanent hourly State employees.

#### 15 16 **USE OF FUNDS APPROPRIATED FOR COST-OF-LIVING ADJUSTMENT/BENEFIT** 17 **INCREASES**

18           **SECTION 3.13.(a)** The Office of State Budget and Management shall ensure that  
19 the appropriations made in this act for cost-of-living adjustments and employee benefits are used  
20 only for these purposes.

21           **SECTION 3.13.(b)** If the Director of the Budget determines that funds appropriated  
22 to a State agency for mandated salary increases and employee benefits exceed the amount  
23 required by that agency for those purposes, the Director may reallocate those funds to other State  
24 agencies that received insufficient funds for required cost-of-living and benefit increases.

25           **SECTION 3.13.(c)** Funds appropriated for cost-of-living adjustments and employee  
26 benefit increases may not be used to adjust the budgeted salaries of vacant positions or to provide  
27 salary increases in excess of those required by the General Assembly except to increase the  
28 budgeted salary of any position to the minimum of the position's salary range and to meet  
29 retention pay needs.

30           **SECTION 3.13.(d)** Any funds appropriated for cost-of-living adjustment and  
31 employee benefit increases in excess of the amounts required to implement the increases pursuant  
32 to subsection (c) of this section shall be credited to the Pay Plan Reserve.

33           **SECTION 3.13.(e)** No later than March 1, the Office of State Budget and  
34 Management shall report to the Fiscal Research Division on the expenditure of funds for  
35 legislatively mandated salary increases and employee benefits. This report shall include at least  
36 the following information for each State agency:

- 37           (1) The total amount of funds that the agency received for legislatively mandated  
38 salary increases and employee benefits.
- 39           (2) The total amount of funds transferred from the agency to other State agencies  
40 pursuant to subsection (b) of this section. This section of the report shall  
41 identify the amounts transferred to each recipient State agency.
- 42           (3) The total amount of funds used by the agency for legislatively mandated salary  
43 increases and employee benefits.
- 44           (4) The amount of funds used pursuant to subsection (c) of this section.

#### 45 46 **MITIGATE BONUS LEAVE**

47           **SECTION 3.14.** During the 2025-2027 fiscal biennium, State agencies, departments,  
48 institutions, the North Carolina Community College System, and The University of North  
49 Carolina may offer State employees the opportunity to use or to cash in special bonus leave  
50 benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a) of S.L.

1 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but only if  
2 all of the following requirements are met:

- 3 (1) Employee participation in the program must be voluntary.
- 4 (2) Special leave that is liquidated for cash payment to an employee must be  
5 valued at the amount based on the employee's current annual salary rate.
- 6 (3) By September 1, 2026, a report on the demographic information shall be  
7 submitted to the respective agency head or employing agency and to the Fiscal  
8 Research Division.

9  
10 **PROVIDE COST-OF-LIVING ADJUSTMENT FOR RETIREES OF THE TEACHERS'  
11 AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED  
12 JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT  
13 SYSTEM**

14 **SECTION 3.15.(a)** G.S. 135-5 is amended by adding the following new subsections  
15 to read:

16 "(aaaa) Effective July 1, 2026, the retirement allowance payable to, or on account of,  
17 beneficiaries whose retirement commenced on or before July 1, 2025, is increased by two percent  
18 (2%) of the allowance payable on June 1, 2026, in accordance with subsection (o) of this section.  
19 Effective July 1, 2026, the retirement allowance payable to, or on account of, beneficiaries whose  
20 retirement commenced after July 1, 2025, but before June 30, 2026, is increased by a prorated  
21 amount of two percent (2%), as determined by the Board of Trustees based upon the number of  
22 months that a retirement allowance was paid between July 1, 2025, and June 30, 2026.

23 (bbbb) After September 1, 2026, but on or before October 31, 2026, a one-time cost of living  
24 supplement payment shall be made to, or on account of, beneficiaries who are living as of  
25 September 1, 2026, and whose retirement commenced on or before September 1, 2026. The  
26 payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as  
27 of September 1, 2026, and shall not be prorated for date of retirement commencement. If the  
28 beneficiary dies before the payment is made, then the payment shall be payable to the member's  
29 legal representative. No beneficiary shall have a vested right to any future supplemental payments  
30 under this Article."

31 **SECTION 3.15.(b)** G.S. 135-65 is amended by adding the following new  
32 subsections to read:

33 "(ll) Effective July 1, 2026, the retirement allowance payable to, or on account of,  
34 beneficiaries whose retirement commenced on or before July 1, 2025, is increased by two percent  
35 (2%) of the allowance payable on June 1, 2026. Effective July 1, 2026, the retirement allowance  
36 payable to, or on account of, beneficiaries whose retirement commenced after July 1, 2025, but  
37 before June 30, 2026, is increased by a prorated amount of two percent (2%), as determined by  
38 the Board of Trustees based upon the number of months that a retirement allowance was paid  
39 between July 1, 2025, and June 30, 2026.

40 (mm) After September 1, 2026, but on or before October 31, 2026, a one-time cost-of-living  
41 supplement payment shall be made to, or on account of, beneficiaries who are living as of  
42 September 1, 2026, and whose retirement commenced on or before September 1, 2026. The  
43 payment shall be one percent (1%) of the beneficiary's annual retirement allowance payable as  
44 of September 1, 2026, and shall not be prorated for date of retirement commencement. If the  
45 beneficiary dies before the payment is made, then the payment shall be payable to the member's  
46 legal representative. No beneficiary shall have a vested right to any future supplemental payments  
47 under this Article."

48 **SECTION 3.15.(c)** G.S. 120-4.22A is amended by adding the following new  
49 subsections to read:

50 "(ff) In accordance with subsection (a) of this section, effective July 1, 2026, the retirement  
51 allowance payable to, or on account of, beneficiaries whose retirement commenced on or before

1 January 1, 2026, is increased by two percent (2%) of the allowance payable on June 1, 2026.  
 2 Effective July 1, 2026, the retirement allowance payable to, or on account of, beneficiaries whose  
 3 retirement commenced after January 1, 2026, but before June 30, 2026, is increased by a prorated  
 4 amount of two percent (2%), as determined by the Board of Trustees based upon the number of  
 5 months that a retirement allowance was paid between January 1, 2026, and June 30, 2026.

6 (gg) In accordance with subsection (a) of this section, after September 1, 2026, but on or  
 7 before October 31, 2026, a one-time cost-of-living supplement payment shall be made to, or on  
 8 account of, beneficiaries who are living as of September 1, 2026, and whose retirement  
 9 commenced on or before September 1, 2026. The payment shall be one percent (1%) of the  
 10 beneficiary's annual retirement allowance payable as of September 1, 2026, and shall not be  
 11 prorated for date of retirement commencement. If the beneficiary dies before the payment is  
 12 made, then the payment shall be payable to the member's legal representative. No beneficiary  
 13 shall have a vested right to any future supplemental payments under this Article."

14  
 15 **APPROPRIATION FOR PAY RAISES FOR STATE EMPLOYEES/COMMUNITY**  
 16 **COLLEGES/UNIVERSITY OF NORTH CAROLINA AND COST-OF-LIVING**  
 17 **INCREASES FOR RETIREES**

18 **SECTION 3.16.** To fund the pay increases and cost-of-living adjustments awarded  
 19 in this Part, the following funds are appropriated, effective July 1, 2026:

- 20 (1) There is appropriated from the General Fund to the Reserve for Compensation  
 21 Increases the sum of seven hundred one million one hundred thousand dollars  
 22 (\$701,100,000) in recurring funds for the 2026-2027 fiscal year.  
 23 (2) There is appropriated from the General Fund to the Reserve for Compensation  
 24 Increases the sum of five hundred three million five hundred thousand dollars  
 25 (\$503,500,000) in nonrecurring funds for the 2026-2027 fiscal year.  
 26

27 **PART IV. CONTINUED RAISES FOR TEACHERS AND STATE EMPLOYEES IN THE**  
 28 **EVENT THE CURRENT OPERATIONS APPROPRIATIONS ACT DOES NOT**  
 29 **BECOME LAW**

30 **SECTION 4.(a)** G.S. 143C-5-4 reads as rewritten:

31 **"§ 143C-5-4. Enactment deadline; procedures to be followed when the Current Operations**  
 32 **Appropriations Act does not become law prior to the end of certain fiscal years.**

33 (a) **Enactment Deadline.** – The General Assembly shall enact the Current Operations  
 34 Appropriations Act by June 15 of odd-numbered years and by June 30 of even-numbered years  
 35 in which a Current Operations Appropriations Act is enacted.

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

- 40 (1) **Authority.** – Unless otherwise provided by law, the Director of the Budget  
 41 may continue to allocate funds from all funds for expenditure by State  
 42 departments, institutions, and agencies at a level not to exceed the level of  
 43 those funds in the recurring certified budget for the prior fiscal year. If the  
 44 Director of the Budget finds that projected revenues for the fiscal year will not  
 45 support expenditures at the level of recurring expenditures for the prior fiscal  
 46 year, the Director of the Budget shall allot funds at a lower level. In making  
 47 these allocations, the Director of the Budget shall ensure the prompt payment  
 48 of the principal and interest on bonds and notes of the State according to their  
 49 terms. Except as otherwise provided by this section, the limitations and  
 50 directions on the expenditure of funds for the prior fiscal biennium shall  
 51 remain in effect. Except for funds appropriated for (i) capital improvement

1 projects or (ii) the implementation of information technology projects, the  
2 Director of the Budget shall not allocate funds for items funded with  
3 nonrecurring funds during the prior fiscal year.

4 (2) Appropriation of funds necessary to implement. – There is appropriated from  
5 the appropriate State funds, cash balances, federal receipts, and departmental  
6 receipts sums sufficient to implement the authority described in this  
7 subsection for the applicable fiscal year.

8 (3) Relation to Current Operations Appropriations Act. – The appropriations and  
9 the authorizations to allocate and spend funds which are set out in this  
10 subsection shall remain in effect until the Current Operations Appropriations  
11 Act for the applicable fiscal year becomes law, at which time that act shall  
12 become effective and shall govern appropriations and expenditures. When the  
13 Current Operations Appropriations Act for that fiscal year becomes law, the  
14 Director of the Budget shall adjust allotments to give effect to that act from  
15 July 1 of the fiscal year.

16 ...  
17 (5) State employee salaries. – ~~The salary schedules and specific salaries  
18 established for the prior fiscal year and in effect on June 30 of the prior fiscal  
19 year for offices and positions shall remain in effect until the Current  
20 Operations Appropriations Act for the current fiscal year becomes law. State  
21 employees subject to G.S. 7A-102(c), 7A-171.1, 143B-1714, or any other  
22 statutory salary schedule, shall not move up on salary schedules or receive  
23 automatic increases, including automatic step increases, until authorized by  
24 the General Assembly. State employees, including those exempt from the  
25 classification and compensation rules established by the State Human  
26 Resources Commission, shall not receive any automatic step increases,  
27 annual, performance, merit, bonuses, or other increments until authorized by  
28 the General Assembly.~~The State employee salary schedules, and any other  
29 salary grade or salary range for State employees established pursuant to State  
30 law that is in effect on June 30 of the prior fiscal year shall remain in effect  
31 with an automatic statutory increase of five percent (5%) to each salary  
32 schedule, salary grade, and salary range until the Current Operations  
33 Appropriations Act for the current fiscal year becomes law.

34 (6) School Employee Salaries. – ~~Public school employees paid on the teacher  
35 salary schedule, the school-based administrator salary schedule, or any other  
36 salary schedule established by State law shall not move up on salary schedules  
37 or receive automatic step increases until authorized by the General  
38 Assembly.~~The teacher salary schedule, the principal salary schedule, and any  
39 other salary grade or salary range for public school employees established  
40 pursuant to State law that is in effect on June 30 of the prior fiscal year shall  
41 remain in effect with an automatic statutory increase of five percent (5%) to  
42 each salary schedule, salary grade, and salary range until the Current  
43 Operations Appropriations Act for the current fiscal year becomes law.

44 ...."

45 SECTION 4.(b) This section applies beginning with the 2027-2028 fiscal year.

46  
47 PART V. EFFECTIVE DATE

48 SECTION 5. Except as otherwise provided, this act is effective when it becomes  
49 law.