

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

S

1

SENATE BILL 659

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

Sponsors: Senators Applewhite, Grafstein, and Bradley (Primary Sponsors).

Referred to: Rules and Operations of the Senate

March 26, 2025

A BILL TO BE ENTITLED
AN ACT TO APPROPRIATE FUNDS TO RAISE SALARIES FOR TEACHERS, STATE
EMPLOYEES, COMMUNITY COLLEGE EMPLOYEES, AND EMPLOYEES OF THE
UNIVERSITY OF NORTH CAROLINA; TO PROVIDE A COST-OF-LIVING INCREASE
FOR RETIREES; TO EXPAND THE WAGES PROGRAM STATEWIDE; AND TO
CREATE A TAX CREDIT FOR QUALIFYING EMPLOYERS EQUAL TO THE LESSER
OF FIVE PERCENT OF WAGES PAID TO EMPLOYEES DURING THE TAXABLE
YEAR OR TEN THOUSAND DOLLARS.

The General Assembly of North Carolina enacts:

PART I. RAISE TEACHER SALARIES

SECTION 1.(a) The following monthly teacher salary schedule shall apply for the
2025-2026 fiscal year to licensed personnel of the public schools who are classified as teachers.
The salary schedule is based on years of teaching experience.

2025-2026 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	\$4,600
1	\$4,685
2	\$4,770
3	\$4,855
4	\$4,940
5	\$5,025
6	\$5,110
7	\$5,195
8	\$5,280
9	\$5,365
10	\$5,450
11	\$5,535
12	\$5,620
13	\$5,705
14	\$5,790
15	\$5,875
16	\$5,950
17-19	\$6,070
20-22	\$6,135
23-25	\$6,200



* S 6 5 9 - V - 1 *

1	26-28	\$6,295
2	29+	\$6,370

SECTION 1.(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 1.(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 1.(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.

SECTION 1.(e) A teacher compensated in accordance with this salary schedule for the 2025-2026 school year shall receive an amount equal to the greater of the following:

- (1) The applicable amount on the salary schedule for the applicable school year.
- (2) For teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:
 - a. The salary the teacher received in the 2013-2014 school year pursuant to Section 35.11 of S.L. 2013-360.
 - b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in Section 35.11 of S.L. 2013-360 based on the teacher's current years of service.
 - c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.

- (3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the salary and annual bonus the teacher received in the 2014-2015 school year pursuant to Section 9.1 of S.L. 2014-100.

SECTION 1.(f) As used in this section, the term "teacher" shall also include instructional support personnel.

SECTION 1.(g) There is appropriated from the General Fund to the Department of Public Instruction for the 2025-2026 fiscal year the sum of eight hundred seventy-two million six hundred forty-two thousand three hundred thirty-six dollars (\$872,642,336) in recurring funds to implement the teacher raises provided in this section.

PART II. PAY RAISES FOR STATE EMPLOYEES/COMMUNITY COLLEGES/UNIVERSITY OF NORTH CAROLINA AND COST-OF-LIVING INCREASES FOR RETIREES

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED COST-OF-LIVING ADJUSTMENT/LEGISLATIVE SALARY INCREASES

SECTION 2.1.(a) Effective July 1, 2025, except as provided by subsection (c) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act, and (ii) who is employed in a State-funded position on June 30, 2025, is awarded a compensation adjustment as follows:

- (1) Three percent (3%) effective July 1, 2025.
- (2) As otherwise allowed or provided by law.

SECTION 2.1.(a1) Except as provided by subsection (c) of this section, a person (i) whose salary is set by this Part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act, and (ii) who is employed in a State-funded position on June 30, 2026, is awarded a cost-of-living adjustment as follows:

- (1) Three percent (3%) effective July 1, 2026.
- (2) As otherwise allowed or provided by law.

SECTION 2.1.(b) For the 2025-2027 fiscal biennium, the following persons are not eligible to receive the legislative salary increases provided by subsections (a) and (a1) of this section:

- (1) Employees of local boards of education.
- (2) Local community college employees.
- (3) Employees of The University of North Carolina.
- (4) Clerks of superior court compensated under G.S. 7A-101.
- (5) Officers and employees of the Department of Adult Correction to which Section 2.7 or 2.8 of this Part applies.
- (6) State law enforcement officers to which Section 2.9 of this Part applies.
- (7) Employees of the State Highway Patrol to which Section 2.9A of this Part applies.
- (8) 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 based on the Teacher Salary Schedule.

SECTION 2.1.(c) Permanent part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 2.1.(d) No eligible State-funded employee shall be prohibited from receiving the full salary increase provided in this section solely because the employee's salary after applying the legislative increase is above the maximum of the salary range prescribed by the State Human Resources Commission.

RECEIPT-SUPPORTED COST-OF-LIVING ADJUSTMENT RESERVE

SECTION 2.2. State Agencies are authorized to use the funding allotted to them from the Receipt-Supported Cost-of-Living Adjustment Reserve to fundshift a limited number of receipt-supported positions in the General Fund to net appropriation funding.

RETENTION PAY FOR STATE EMPLOYEES

SECTION 2.3.(a) All references to "longevity" pay in Chapter 126 of the General Statutes shall be replaced with "retention" pay.

SECTION 2.3.(b) The amount of retention pay provided to employees who are full-time or over half-time and have a permanent, time-limited, or probationary appointment and who are in pay status for one-half of the regularly scheduled workdays and holidays in a pay period shall be increased to the following amounts:

Years of Total Service	Retention Pay Percentage
2 but less than 5 years	1.0%
5 but less than 10 years	1.5%
10 but less than 15 years	2.0%
15 but less than 20 years	2.5%
20 but less than 25 years	3.5%
25 or more years	4.5%

RETENTION BONUS AWARDED FOR FISCAL YEAR

SECTION 2.4.(a) Any person (i) whose salary is set by Section 1 of this act or this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is continuously employed by the State or a public school unit from July 1, 2025, to October 31, 2025, shall be awarded a retention bonus for the 2025-2026 fiscal year in the amount of five hundred dollars (\$500.00), payable during the month of November 2025. For otherwise eligible local education employees, eligibility for the bonus shall be measured beginning not on July 1, 2025, but on the first day when staff report for the 2025-2026 school year.

SECTION 2.4.(b) Any person (i) whose salary is set by Section 1 of this act or this Part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is continuously employed by the State or a public school unit from November 1, 2025, to March 31, 2026, shall be awarded an additional retention bonus for the 2025-2026 fiscal year in the amount of five hundred dollars (\$500.00), payable during the month of April 2026.

SECTION 2.4.(c) Employers of State employees and local education employees shall provide an additional retention bonus of two hundred fifty dollars (\$250.00), payable during the month of November 2025, to all permanent full-time State employees and local education employees who are continuously employed by the State or a public school unit from July 1, 2025, to October 31, 2025, and who earn an annual salary that does not exceed seventy-five thousand dollars (\$75,000).

SECTION 2.4.(d) Employers of State employees and local education employees shall provide an additional retention bonus of two hundred fifty dollars (\$250.00), payable during the month of April 2026, to all permanent full-time State employees and local education employees who are employed by the State or a public school unit from November 1, 2025, to March 31, 2026, and who earn an annual salary that does not exceed seventy-five thousand dollars (\$75,000).

SECTION 2.4.(e) The funds appropriated for retention bonuses in excess of the amounts required to implement these bonuses shall revert and not be credited to the Pay Plan Reserve.

SECTION 2.4.(f) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 2.4.(g) The compensation bonuses awarded by this section are not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

COMMUNITY COLLEGES

SECTION 2.5.(a) Community college personnel shall receive the following cost-of-living adjustments:

- (1) Effective July 1, 2025, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of three percent (3%).
- (2) Effective July 1, 2026, the State Board of Community Colleges shall provide community college faculty and non-faculty personnel with an across-the-board salary increase in the amount of three percent (3%).

SECTION 2.5.(b) The minimum salaries for nine-month, full-time curriculum community college faculty for the 2025-2027 fiscal biennium are as follows:

<u>Education Level</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Vocational Diploma/Certificate or Less	\$44,414	\$45,746
Associate Degree or Equivalent	45,032	46,383
Bachelor's Degree	47,411	49,142
Master's Degree or Education Specialist	50,088	51,591
Doctoral Degree	53,515	55,120

SECTION 2.5.(c) No full-time faculty member shall earn less than the minimum salary for his or her education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 2.6.(a) Effective for the 2025-2027 fiscal biennium, the annual salaries of The University of North Carolina SHRA employees shall be increased as provided by Section 2.1 of this act.

SECTION 2.6.(b) For the 2025-2027 fiscal biennium, the Board of Governors of The University of North Carolina may provide EHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies.

SECTION 2.6.(c) The Board of Governors of The University of North Carolina shall make a report on the use of compensation increase and bonus funds to the General Assembly by no later than March 1 of each year of the biennium.

CORRECTIONAL OFFICER SALARY SCHEDULE

SECTION 2.7.(a) State employees serving as correctional officers in the Department of Adult Correction shall be compensated at a specific pay rate on the basis of a salary schedule determined according to the duration of the employee's correctional officer work experience.

SECTION 2.7.(a1) State employees serving in the Department of Adult Correction, Division of Juvenile Justice and Delinquency Prevention, shall be compensated at a specific pay rate set on the basis of a salary schedule determined according to the duration of the employee's 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 2.7.(b) The following annual salary schedule applies under this section for the 2025-2027 fiscal biennium, effective for each year on July 1, 2025, and July 1, 2026, respectively:

Experience	FY 2025-26			FY 2026-27		
	COI	COII	COIII	COI	COII	COIII
0	\$38,750	\$40,025	\$42,805	\$39,913	\$41,226	\$44,089
1	\$41,461	\$42,825	\$45,802	\$42,705	\$44,110	\$47,176
2	\$43,950	\$45,441	\$48,551	\$45,269	\$46,804	\$50,008
3	\$46,147	\$47,665	\$50,979	\$47,531	\$49,095	\$52,508
4	\$47,992	\$49,572	\$53,017	\$49,432	\$51,059	\$54,608
5	\$49,433	\$51,058	\$54,608	\$50,916	\$52,590	\$56,246
6+	\$50,422	\$52,080	\$55,700	\$51,935	\$53,642	\$57,371

PROBATION AND PAROLE OFFICER/JUVENILE COURT COUNSELORS – SALARY SCHEDULE

SECTION 2.8.(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 2.8.(a1) State employees serving in the Department of Adult Correction, Division of Juvenile Justice and Delinquency Prevention, as Juvenile Court Counselors shall be compensated under the probation and parole officer salary schedule.

SECTION 2.8.(b) The following annual salary schedule applies under subsections (a) and (a1) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July 1, 2026, for each respective fiscal year:

Years of Experience	FY 2025-26	FY 2026-27
0	\$46,785	\$48,189
1	49,825	51,320
2	53,066	54,658
3	56,514	58,209
4	60,188	61,994
5	64,100	66,023
6+	68,266	70,314

STATE LAW ENFORCEMENT OFFICER SALARY SCHEDULE

SECTION 2.9.(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 2.9.(b) The following annual salary schedule applies under subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July 1, 2026, for each respective fiscal year:

Years of Experience	FY 2025-26	FY 2026-27
0	\$55,081	\$56,733
1	58,663	60,423

1	2	62,476	64,350
2	3	66,537	68,533
3	4	70,862	72,988
4	5	75,468	77,732
5	6+	80,374	82,785

STATE HIGHWAY PATROL/SALARY SCHEDULE

SECTION 2.9A.(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 2.9A.(b) The following annual salary schedule applies under subsection (a) of this section for the 2025-2027 fiscal biennium, effective July 1, 2025, and July 1, 2026, for each respective fiscal year:

Years of Experience	FY 2025-26	FY 2026-27
0	\$56,650	\$58,350
1	60,332	62,142
2	64,253	66,181
3	68,430	70,483
4	72,878	75,064
5	77,615	79,943
6+	82,660	85,140

STATE AGENCY TEACHERS

SECTION 2.10.(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 2.10.(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.

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

SECTION 2.11.(a) The cost-of-living adjustments authorized by this act:

- (1) For the 2025-2026 fiscal year, shall be paid effective on July 1, 2025, 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, 2025.
- (2) 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 2.11.(b) The Director of the Budget is granted flexibility to administer the compensation increases enacted by this act.

SECTION 2.11.(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.

SECTION 2.11.(d) This section applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

MOST STATE EMPLOYEES

SECTION 2.12. Unless otherwise expressly provided by this Part, the annual salaries in effect for the following persons on June 30, 2025, and June 30, 2026, shall be legislatively increased as provided by Section 2.1 of this act:

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

USE OF FUNDS APPROPRIATED FOR COST-OF-LIVING ADJUSTMENT/BENEFIT INCREASES

SECTION 2.13.(a) The Office of State Budget and Management shall ensure that the appropriations made in this act for cost-of-living adjustments and employee benefits are used only for these purposes.

SECTION 2.13.(b) If the Director of the Budget determines that funds appropriated to a State agency for mandated salary increases and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for required cost-of-living and benefit increases.

SECTION 2.13.(c) Funds appropriated for cost-of-living adjustments and employee benefit increases may not be used to adjust the budgeted salaries of vacant positions or to provide salary increases in excess of those required by the General Assembly except to increase the budgeted salary of any position to the minimum of the position's salary range and to meet retention pay needs.

SECTION 2.13.(d) Any funds appropriated for cost-of-living adjustment and employee benefit increases in excess of the amounts required to implement the increases pursuant to subsection (c) of this section shall be credited to the Pay Plan Reserve.

SECTION 2.13.(e) No later than March 1 of each year of the biennium, the Office of State Budget and Management shall report to the Fiscal Research Division on the expenditure of funds for legislatively mandated salary increases and employee benefits. This report shall include at least the following information for each State agency:

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

MITIGATE BONUS LEAVE

SECTION 2.14. During the 2025-2027 fiscal biennium, State agencies, departments, institutions, the North Carolina Community College System, and The University of North

Carolina may offer State employees the opportunity to use or to cash in special bonus leave benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a) of S.L. 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but only if all of the following requirements are met:

- (1) Employee participation in the program must be voluntary.
- (2) Special leave that is liquidated for cash payment to an employee must be valued at the amount based on the employee's current annual salary rate.
- (3) By September 1, 2025, and September 1, 2026, a report on the demographic information shall be submitted to the respective agency head or employing agency and to the Fiscal Research Division.

PROVIDE COST-OF-LIVING ADJUSTMENT FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 2.15.(a) G.S. 135-5 is amended by adding the following new subsections to read:

"(aaaa) Effective July 1, 2025, the retirement allowance payable to, or on account of, beneficiaries whose retirement commenced on or before July 1, 2024, is increased by two percent (2%) of the allowance payable on June 1, 2024, in accordance with subsection (o) of this section. Effective July 1, 2025, the retirement allowance payable to, or on account of, beneficiaries whose retirement commenced after July 1, 2024, but before June 30, 2025, is increased by a prorated amount of two percent (2%), as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2024, and June 30, 2025.

(bbbb) After September 1, 2025, but on or before October 31, 2025, a one time cost of living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article.

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

SECTION 2.15.(b) G.S. 135-65 is amended by adding the following new subsections to read:

"(ll) Effective July 1, 2025, the retirement allowance payable to, or on account of, beneficiaries whose retirement commenced on or before July 1, 2024, is increased by two percent (2%) of the allowance payable on June 1, 2024. Effective July 1, 2025, the retirement allowance payable to, or on account of, beneficiaries whose retirement commenced after July 1, 2024, but before June 30, 2025, is increased by a prorated amount of two percent (2%), as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2024, and June 30, 2025.

(mm) After September 1, 2025, but on or before October 31, 2025, a one-time cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of

September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article.

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

SECTION 2.15.(c) G.S. 120-4.22A is amended by adding the following new subsections to read:

"(ff) In accordance with subsection (a) of this section, effective July 1, 2025, the retirement allowance payable to, or on account of, beneficiaries whose retirement commenced on or before January 1, 2025, is increased by two percent (2%) of the allowance payable on June 1, 2025. Effective July 1, 2025, the retirement allowance payable to, or on account of, beneficiaries whose retirement commenced after January 1, 2025, but before June 30, 2025, is increased by a prorated amount of two percent (2%), as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2025, and June 30, 2025.

(gg) In accordance with subsection (a) of this section, after September 1, 2025, but on or before October 31, 2025, a one-time cost-of-living supplement payment shall be made to, or on account of, beneficiaries who are living as of September 1, 2025, and whose retirement commenced on or before September 1, 2025. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2025, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall have a vested right to any future supplemental payments under this Article.

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

APPROPRIATION FOR PAY RAISES FOR STATE EMPLOYEES/COMMUNITY COLLEGES/UNIVERSITY OF NORTH CAROLINA AND COST-OF-LIVING INCREASES FOR RETIREES

SECTION 2.16. To fund the pay increases and cost-of-living adjustments awarded in this Part, all of the following apply:

- (1) Effective July 1, 2025, there is appropriated from the General Fund to the Reserve for Compensation Increases the sum of four hundred eight million forty thousand dollars (\$408,040,000) in recurring funds for the 2025-2026 fiscal year.
- (2) Effective July 1, 2025, there is appropriated from the General Fund to the Reserve for Compensation Increases the sum of five hundred forty-three

- 1 million five hundred eleven thousand dollars (\$543,511,000) in nonrecurring
2 funds for the 2025-2026 fiscal year.
- 3 (3) Effective July 1, 2026, there is appropriated from the General Fund to the
4 Reserve for Compensation Increases the sum of seven hundred one million
5 one hundred thousand dollars (\$701,100,000) in recurring funds for the
6 2026-2027 fiscal year.
- 7 (4) Effective July 1, 2026, there is appropriated from the General Fund to the
8 Reserve for Compensation Increases the sum of forty million dollars
9 (\$40,000,000) in nonrecurring funds for the 2026-2027 fiscal year.

11 **PART III. EXPAND THE WAGES PROGRAM STATEWIDE**

12 **SECTION 3.** There is appropriated from the General Fund to the Department of
13 Health and Human Services, Division of Child Development and Early Education (Division), the
14 sum of twenty-two million seven hundred thousand dollars (\$22,700,000) in recurring funds for
15 the 2025-2026 fiscal year and the sum of thirty-six million three hundred thousand dollars
16 (\$36,300,000) in recurring funds for the 2026-2027 fiscal year to expand the Child Care WAGES
17 program, which provides salary supplements for early childhood educators. The funds shall be
18 used to provide education-based supplements to low-wage educators and expand the program to
19 all 100 counties in this State. The Division shall administer the WAGES program in the same
20 manner as the Infant-Toddler Educator AWARDS program.

22 **PART IV. SMALL BUSINESS TAX CREDIT**

23 **SECTION 4.(a)** Article 4A of Subchapter I of Chapter 105 of the General Statutes
24 is amended by adding a new section to read:

25 **"§ 105-163.6B. Credit to employers for wages paid.**

26 (a) Credit. – A qualifying taxpayer is allowed a credit against the tax imposed by Part 1
27 or Part 1A of Article 4 of this Chapter, as appropriate, equal to the lesser of (i) ten thousand
28 dollars (\$10,000) or (ii) five percent (5%) of the wages paid by the qualifying taxpayer during
29 the taxable year.

30 (b) Credit Refundable. – If the credit allowed by this section exceeds the tax imposed on
31 the qualifying taxpayer for the taxable year reduced by the sum of all credits allowable, the
32 Secretary must refund the excess to the qualifying taxpayer. The refundable excess is governed
33 by the provisions governing a refund of an overpayment by the taxpayer of the tax imposed by
34 Article 4 of this Chapter. In computing the amount of tax against which multiple credits are
35 allowed, nonrefundable credits are subtracted before refundable credits.

36 (c) Substantiation. – To claim a credit allowed by this section, the qualifying taxpayer
37 must provide any information required by the Secretary. Each qualifying taxpayer claiming a
38 credit under this section must maintain and make available for inspection by the Secretary any
39 records the Secretary considers necessary to determine and verify the amount of the credit to
40 which the qualifying taxpayer is entitled. The burden of proving eligibility for a credit and the
41 amount of the credit rests upon the qualifying taxpayer, and no credit may be allowed to a
42 qualifying taxpayer that fails to maintain adequate records or to make them available for
43 inspection.

44 (d) Sunset. – This section is repealed effective for taxable years beginning on or after
45 January 1, 2028."

46 **SECTION 4.(b)** G.S. 105-163.1 is amended by adding a new subdivision to read:

47 "(11c) Qualifying taxpayer. – An employer or payer subject to income tax under
48 Article 4 of this Chapter that has annual receipts for the most recent previous
49 tax year of eight million dollars (\$8,000,000) or less."

50 **SECTION 4.(c)** This section is effective for taxable years beginning on or after
51 January 1, 2025.

1

2

PART V. EFFECTIVE DATE

3

SECTION 5. Except as otherwise provided, this act becomes effective July 1, 2025.