



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



JOSH STEIN
GOVERNOR

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STATE BUDGET DIRECTOR

June 30, 2025

TO: Department Heads and Chief Financial Officers
All State Departments, Institutions, and Agencies

FROM: Kristin Walker *Kristin Walker*
State Budget Director

SUBJECT: Continuing Budget Authority for FY 2025-26

As the General Assembly has failed to pass an Appropriations Act in accordance with [GS 143C-5-4](#), the state will operate under the budget continuation provisions. The statute authorizes and appropriates funds to continue operations at a level not to exceed the level of recurring certified budget from the prior fiscal year.

Specifically, GS 143C-5-4 authorizes and directs the following:

1. State departments, institutions, and agencies ("state agencies") may expend funds at the recurring certified level for FY 2024-25. The statute does not allow for increases included in the recommended base budget (e.g., lease increases, position and program annualizations, receipt adjustments);
2. Vacant positions specified for elimination in either the House, Senate, or Proposed Conference Committee Substitute versions of the Appropriations Act shall not be filled after June 30, 2025;
 - a. State agencies should be aware that the conference report for the Appropriations Act may include reductions to non-specified vacant positions, potentially at the same level as either the House or the Senate budgets, and agencies should have a strategy to meet this potential reduction if necessary.
3. State agencies may accept and expend grants of up to \$2.5 million that do not require a state match and are not for a capital project, subject to Office of State Budget and Management (OSBM) approval. State agencies are required to report such grants to the Joint Legislative Commission on Governmental Operations within 30 days of receipt. Grants over \$2.5 million may be expended with OSBM approval and after a consultation with the Joint Legislative Commission on Governmental Operations. No grant may be accepted that would obligate the state to future programs or expenditures beyond the grant term.

- a. If the state is under a state of emergency, as defined in [GS 166A-19.3](#), the state agency may accept and expend grants greater than \$2.5 million that do not exceed 1% of the agency's certified recurring budget or \$10 million, whichever is greater, subject to OSBM approval. State agencies are required to report such grants to the Joint Legislative Commission on Governmental Operations within 30 days of receipt.
4. State employees, including those exempt from the classification and compensation rules established by the State Human Resources Commission, shall not receive salary increases, including automatic step increases, annual, performance, merit, bonuses, or other increments until authorized by the General Assembly. This includes state employees subject to [GS 7A-102\(c\)](#) (Assistant and Deputy Clerks); [7A-171.1](#) (Magistrates); [20-187.3](#) (State Highway Patrol); law enforcement officers; correctional officers; probation and parole officers; and public school employees paid on the teacher salary schedule or school-based administrator salary schedule;
 - a. Fully approved salaries established and in effect prior to June 30, 2025, by the employing state agency are not subject to salary increase restrictions;
 - b. Recruitment and Retention bonus agreements established and in effect prior to June 30, 2025, are eligible to be paid by the employing agency, provided that funds are available to the agency for payment under the certified recurring budget authority in subsection 1 of this memo.
5. The salary-related contributions for retirement and other payroll-related benefits shall continue at the recurring levels effective on June 30, 2025:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	16.79%	16.79%	6.84%	37.00%	22.00%
Disability	0.13%	0.13%	0.13%	0.00%	0.00%
Death	0.13%	0.13%	0.00%	0.00%	0.00%
Retiree Health	6.99%	6.09%	6.99%	6.99%	6.99%
NC 401K	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	24.04%	29.04%	13.96%	43.99%	28.99%

6. The State Health Plan Contribution for active state employees shall remain the same as effective on June 30, 2025: \$8,095.

First Quarter Allotments

The basis of a state agency's first quarter allotment will be the authorized budget for FY 2024-25 from the Worksheet I base budget minus nonrecurring items certified for FY 2024-25. OSBM Budget Execution analysts will share the analysis with each agency for reconciliation and verification.

Reverting Funds for Grants and Special Projects

Agencies that received non-recurring funds for projects and grants to non-state entities with a reversion date of June 30, 2025, may request the conditional carry forward of these funds if an extension of these funds was in the House and/or Senate versions of the Appropriations Act.

State Capital and Infrastructure Fund

OSBM will allow for allotments and transfers from intended allocation schedules from the State Capital and Infrastructure Fund (SCIF) for FY 2025-26 up to the statutory transfer under [GS 143C-4-3.1\(b\)\(1\)e](#). (\$1.12 billion). This transfer will support debt service and recurring positions funded from the SCIF and any project allocated in the intended allocation schedule in the previous Appropriations Act for FY 2025-26 ([SL 2023-134, Sec. 40.2](#)) that are not subject to adjustment in either the House, Senate, or Proposed Conference Substitute Budget.

FY 2025-27 Budget

OSBM is currently working with the Office of State Controller to load the budget, as appropriated under the Continuing Resolution in GS 143C-5-4, into IBIS and NCFS. Agencies will be allowed to submit budget adjustments allowable under the Continuing Resolution for approval once this budget is loaded after financial close of FY 2024-25. OSBM will certify any additional appropriations that are enacted by the General Assembly.

Please contact your OSBM Budget Execution Analyst if you have any questions. We appreciate your continued partnership and collaboration as effective stewards of the state's resources.