

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013**

S

D

**SENATE BILL 402
Appropriations/Base Budget Committee Substitute Adopted 5/21/13
Finance Committee Substitute Adopted 5/21/13
Third Edition Engrossed 5/23/13
PROPOSED HOUSE COMMITTEE SUBSTITUTE S402-PCS35365-LUxf-7**

Short Title: Appropriations Act of 2013.

(Public)

Sponsors:

Referred to:

March 26, 2013

A BILL TO BE ENTITLED

AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE

SECTION 1.1. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2013."

INTRODUCTION

SECTION 1.2. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the State Budget Act or this act, the savings shall revert to the appropriate fund at the end of each fiscal year.

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for the fiscal biennium ending June 30, 2015, according to the following schedule:

Current Operations – General Fund	2013-2014	2014-2015
--	------------------	------------------

EDUCATION

Community Colleges System Office	\$ 1,012,637,467	\$ 1,009,089,167
----------------------------------	------------------	------------------



* S 4 0 2 - P C S 3 5 3 6 5 - L U X F - 7 *

1	Department of Public Instruction	7,905,610,301	8,044,189,900
2			
3	University of North Carolina – Board of Governors		
4	Appalachian State University	127,908,903	127,908,903
5	East Carolina University		
6	Academic Affairs	220,012,450	220,615,626
7	Health Affairs	64,841,247	64,841,247
8	Elizabeth City State University	35,363,212	35,385,057
9	Fayetteville State University	49,336,186	49,336,186
10	North Carolina A & T State University	96,882,428	96,882,428
11	North Carolina Central University	84,084,488	84,084,488
12	North Carolina State University		
13	Academic Affairs	389,976,973	390,045,059
14	Agricultural Extension	39,859,682	39,859,682
15	Agricultural Research	54,911,053	54,911,053
16	University of North Carolina at Asheville	37,465,299	37,465,299
17	University of North Carolina at Chapel Hill		
18	Academic Affairs	274,632,544	274,515,010
19	Health Affairs	187,260,403	190,741,444
20	Area Health Education Centers	42,418,348	42,418,348
21	University of North Carolina at Charlotte	192,697,970	192,683,456
22	University of North Carolina at Greensboro	153,838,192	153,783,960
23	University of North Carolina at Pembroke	54,175,566	54,175,566
24	University of North Carolina School of the Arts	31,547,460	29,146,203
25	University of North Carolina at Wilmington	96,484,692	96,484,692
26	Western Carolina University	82,441,237	82,441,237
27	Winston-Salem State University	68,957,656	68,980,084
28	General Administration	34,752,475	34,752,475
29	University Institutional Programs	(74,467,788)	(48,026,500)
30	Related Educational Programs	109,160,148	107,918,501
31	Aid to Private Colleges	86,351,588	86,351,588
32	North Carolina School of Science and Mathematics	19,126,182	19,126,182
33	Total University of North Carolina –		
34	Board of Governors	\$ 2,560,018,594	\$ 2,586,827,274
35			

HEALTH AND HUMAN SERVICES

38	Department of Health and Human Services		
39	Division of Central Management and Support	\$ 76,814,729	\$ 66,454,794
40	Division of Aging and Adult Services	54,142,341	54,342,341
41	Divisions of Services to the Blind, Deaf, and		
42	Hard of Hearing	8,178,618	8,178,618
43	Division of Child Development and Early Education	255,163,458	255,039,269
44	Division of Health Service Regulation	16,461,992	16,461,992
45	Division of Medical Assistance	3,480,934,464	3,686,420,040
46	Division of Mental Health, Developmental Disabilities,		
47	and Substance Abuse Services	704,703,959	710,154,345
48	NC Health Choice	68,146,401	57,830,737
49	Division of Public Health	142,616,502	140,616,502
50	Division of Social Services	174,650,157	174,951,486
51	Division of Vocation Rehabilitation	38,773,169	38,773,169

1	Total Health and Human Services	\$ 5,020,585,790	\$ 5,209,223,293
2			
3	NATURAL AND ECONOMIC RESOURCES		
4			
5	Department of Agriculture and Consumer Services	\$ 114,348,472	\$ 112,547,672
6			
7	Department of Commerce		
8	Commerce	39,979,793	41,316,766
9	Commerce State-Aid	43,192,758	43,018,126
10			
11	Wildlife Resources Commission	14,476,588	16,476,588
12			
13	Department of Environment and Natural Resources	129,455,064	137,092,904
14			
15	Department of Labor	16,696,339	16,696,339
16			
17	JUSTICE AND PUBLIC SAFETY		
18			
19	Department of Public Safety	\$ 1,704,408,481	\$ 1,686,128,353
20			
21	Judicial Department	457,653,356	457,153,356
22			
23	Judicial Department – Indigent Defense	116,160,223	112,016,064
24			
25	Department of Justice	76,774,782	79,663,358
26			
27	GENERAL GOVERNMENT		
28			
29	Department of Administration	\$ 57,278,879	\$ 60,815,588
30			
31	Office of Administrative Hearings	4,522,469	4,457,894
32			
33	Department of State Auditor	10,964,547	10,964,547
34			
35	Office of State Controller	28,710,691	28,710,691
36			
37	Department of Cultural Resources		
38	Cultural Resources	63,129,602	62,679,605
39	Roanoke Island Commission	450,000	450,000
40			
41	State Board of Elections	3,308,273	6,521,644
42			
43	General Assembly	52,010,818	51,572,599
44			
45	Office of the Governor	5,170,050	5,172,132
46			
47	Office of State Budget and Management		
48	Office of State Budget and Management	8,397,899	8,480,410
49	OSBM – Reserve for Special Appropriations	3,049,000	1,549,000
50			
51	Housing Finance Agency	8,411,632	6,704,921

1			
2	Department of Insurance		
3	Insurance	37,994,004	38,003,624
4	Insurance – Volunteer Safety Workers' Compensation	0	0
5			
6	Office of Lieutenant Governor	681,089	675,089
7			
8	Department of Revenue	80,235,417	80,222,072
9			
10	Department of Secretary of State	11,575,183	11,575,183
11			
12	Department of State Treasurer		
13	State Treasurer	8,137,890	7,026,305
14	State Treasurer –		
15	Retirement for Fire and Rescue Squad Workers	23,179,042	23,179,042
16			
17	RESERVES, ADJUSTMENTS AND DEBT SERVICE		
18			
19	Statewide Compensation Study	\$ 1,000,000	\$ 0
20			
21	Severance Expenditure Reserve	7,500,000	0
22			
23	Salary Adjustment Fund	10,000,000	10,000,000
24			
25	Reserve for Teachers' and		
26	State Employees' Retirement Contribution	36,000,000	36,000,000
27			
28	Reserve for Judicial Retirement Contribution	1,000,000	1,000,000
29			
30	Firemen's and Rescue Squad Workers' Pension Fund	(820,000)	(820,000)
31			
32	Reserve for Future Benefit Needs	0	56,400,000
33			
34	Compensation Adjustment Reserve	0	160,000,000
35			
36	Reserve for State Health Plan	33,000,000	101,000,000
37			
38	Unemployment Insurance Reserve	23,800,000	13,600,000
39			
40	Reserve for Job Development Investment Grants (JDIG)	51,823,772	63,045,357
41			
42	NC Government Efficiency and Reform Project (NC GEAR)	2,000,000	2,000,000
43			
44	One North Carolina Fund	9,000,000	9,000,000
45			
46	Information Technology Fund	6,053,142	6,053,142
47			
48	Information Technology Reserve Fund	27,000,000	32,000,000
49			
50	Contingency and Emergency Fund	5,000,000	5,000,000
51			

1	Disaster Relief Reserve	10,000,000	0
2			
3	Eugenics Sterilization Compensation Fund	10,000,000	0
4			
5	Reserve for NC Back to Work Program	10,000,000	0
6			
7	Reserve for Pending Legislation	9,320,500	11,641,000
8			
9	Debt Service		
10	General Debt Service	672,130,634	688,431,555
11	Federal Reimbursement	1,616,380	1,616,380
12			
13	TOTAL CURRENT OPERATIONS –		
14	 GENERAL FUND	\$ 20,544,628,921	\$ 21,156,166,940

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2013-2015 biennial budget is shown below.

	FY 2013-2014	FY 2014-2015
19		
20	Unappropriated Balance Remaining from Previous Year \$ 213,432,877	\$ 143,097,273
21	Anticipated Over Collections FY 2012-2013	0
22	Overcollections Due to MSA Disputed Payments	0
23	Anticipated Reversions FY 2012-2013	0
24	Net Supplemental Medicaid Appropriation (S.L. 2013-56)	0
25	Less Earmarkings of Year End Fund Balance	
26	Savings Reserve Account	0
27	Repairs and Renovations	0
28	Beginning Unreserved Fund Balance	\$ 143,097,273
29		
30	Revenues Based on Existing Tax Structure	\$ 20,549,000,000
31		
32	Nontax Revenues	
33	Investment Income	\$ 14,100,000
34	Judicial Fees	251,400,000
35	Disproportionate Share	109,000,000
36	Insurance	73,400,000
37	Other Nontax Revenues	175,000,000
38	Highway Trust Fund Transfer	0
39	Highway Fund Transfer	215,900,000
40	Subtotal Nontax Revenues	838,800,000
41		
42	Total General Fund Availability	\$ 21,530,897,273
43		
44	Adjustments to Availability: 2013 Session	
45	Reserve for Tax Credit for	
46	DOL Apprentice Hires (HB 341)	\$ (6,000,000)
47	Reserve for Tax Simplification and	
48	Reduction Act (HB 998):	
49	Net Tax Code Changes	(381,100,000)
50	Repeal Corporate Income Tax Earmark	
51	(Public School Construction)	84,700,000

1	Reserve for Repeal Estate Tax (HB 101)	(52,000,000)	(57,000,000)
2	Reserve for Workers' Comp Fund/ 3 Safety Workers Allocation (HB 27)	(3,000,000)	(3,000,000)
4	Reserve for Repeal of Education 5 Expenses Credit (HB 269)	0	1,500,000
6	Sales Tax Refund Application 7 for Passenger Air Carriers	(3,186,000)	0
8	Tobacco Master Settlement Agreement (MSA) Funds	115,639,357	91,000,000
9	Transfer from E-Commerce Reserve Fund Balance	1,111,585	0
10	Increase Lobbyist Fees	400,000	400,000
11	Adjust Transfer from Insurance Regulatory Fund	(560,589)	(560,589)
12	Adjust Transfer from Treasurer's Office	175,215	175,215
13	Extend Local Government Hold Harmless	(15,700,000)	0
14			
15	Subtotal Adjustments to Availability: 2013 Session	\$ 87,479,568	\$ (269,885,374)
16			
17	Revised General Fund Availability	\$ 20,715,623,194	\$ 21,261,011,899
18			
19	Less: General Fund Appropriations	\$ (20,572,525,921)	\$ (21,166,589,940)
20			
21	Unappropriated Balance Remaining	\$ 143,097,273	\$ 94,421,959
22			

23 **SECTION 2.2.(b)** In addition to funds transferred pursuant to G.S. 105-164.44D,
24 the sum of one hundred ninety-six million five hundred eighty-two thousand nine hundred
25 eighty-one dollars (\$196,582,981) for the 2013-2014 fiscal year and the sum of one hundred
26 ninety-six million five hundred eighty-two thousand nine hundred eighty-one dollars
27 (\$196,582,981) for the 2014-2015 fiscal year shall be transferred from the Highway Fund to the
28 General Fund.

29 **SECTION 2.2.(c)** Notwithstanding the provisions of G.S. 143C-4-3, the State
30 Controller shall transfer a total of two hundred million dollars (\$200,000,000) from the
31 unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2013. This
32 subsection becomes effective June 30, 2013. Funds transferred under this section to the Repairs
33 and Renovations Reserve are appropriated for the 2013-2014 fiscal year and shall be used in
34 accordance with G.S. 143C-4-3.

35 **SECTION 2.2.(d)** Notwithstanding G.S. 143C-4-2, the State Controller shall
36 transfer a total of two hundred million dollars (\$200,000,000) from the unreserved fund balance
37 to the Savings Reserve Account on June 30, 2013. Neither of these transfers is an
38 "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North
39 Carolina Constitution. This subsection becomes effective June 30, 2013.

40 **SECTION 2.2.(e)** Notwithstanding the provisions of Article 6 of Chapter 143C of
41 the General Statutes or any other law to the contrary, the sum of one million one hundred
42 eleven thousand five hundred eighty-five dollars (\$1,111,585) for the 2013-2014 fiscal year
43 from the E-Commerce Reserve, Budget Code 24100, shall be transferred to the State Controller
44 to be deposited in the appropriate budget code.

45 **SECTION 2.2.(f)** Effective June 30, 2013, notwithstanding any other provision of
46 law to the contrary, the State Controller shall transfer the sum of ten million dollars
47 (\$10,000,000) from the unreserved fund balance to the Department of Public Safety (DPS) for
48 the purchase and implementation of an enterprise resource planning (ERP) system. The funds
49 transferred under this section shall be placed in a separate information technology fund within
50 the DPS and are appropriated for the 2013-2014 fiscal year. The ERP system is subject to

1	Motor Fuel Tax		
2	(Shallow Draft Navigation Channel Dredging Fund)	(2,280,350)	(2,193,500)
3	North Carolina Railroad Company Dividend Payments	19,200,000	3,750,000
4	Total Highway Fund Availability	\$ 2,050,567,799	\$ 1,916,190,500
5			
6	Unappropriated Balance	\$ 0	\$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2015, according to the following schedule:

16	Current Operations – Highway Trust Fund	2013-2014	2014-2015
17	Program Administration	\$ 45,590,880	\$ 45,590,880
18	Aid to Municipalities	0	0
19	Intrastate	0	0
20	Secondary Roads	0	0
21	Urban Loops	0	0
22	Mobility Fund	0	0
23	Turnpike Authority	49,000,000	49,000,000
24	Transfer to General Fund	0	0
25	Transfer to Highway Fund	400,000	400,000
26	Debt Service	79,170,090	60,307,448
27	Strategic Prioritization Funding Plan		
28	for Transportation Investments	931,539,030	950,101,672
29	Total Highway Trust Fund Appropriations	\$ 1,105,700,000	\$ 1,105,400,000

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability used in developing the 2013-2015 fiscal biennial budget is shown below:

35	Highway Trust Fund Availability	2013-2014	2014-2015
36	Unreserved Fund Balance	\$ 0	\$ 0
37	Estimated Revenue	1,105,700,000	1,105,400,000
38	Adjustment to Revenue Availability	0	0
39	Total Highway Trust Fund Availability	\$ 1,105,700,000	\$ 1,105,400,000
40			
41	Unappropriated Balance	\$ 0	\$ 0

PART V. OTHER APPROPRIATIONS

APPROPRIATION OF OTHER FUNDS

SECTION 5.1.(a) Expenditures of cash balances, federal funds, departmental receipts, grants, and gifts from the General Fund, Special Revenue Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund are appropriated and authorized for the 2013-2015 fiscal biennium as follows:

- (1) For all budget codes listed in "The State of North Carolina Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the

1 Budget Support Document, cash balances and receipts are appropriated up to
2 the amounts specified, as adjusted by the General Assembly, for the
3 2013-2014 fiscal year and the 2014-2015 fiscal year. Funds may be
4 expended only for the programs, purposes, objects, and line items or as
5 otherwise authorized by the General Assembly. Expansion budget funds
6 listed in those documents are appropriated only as otherwise provided in this
7 act.

8 (2) Notwithstanding the provisions of subdivision (1) of this subsection:

9 a. Any receipts that are required to be used to pay debt service
10 requirements for various outstanding bond issues and certificates of
11 participation are appropriated up to the actual amounts received for
12 the 2013-2014 fiscal year and the 2014-2015 fiscal year and shall be
13 used only to pay debt service requirements.

14 b. Other funds, cash balances, and receipts of funds that meet the
15 definition issued by the Governmental Accounting Standards Board
16 of a trust or agency fund are appropriated for and in the amounts
17 required to meet the legal requirements of the trust agreement for the
18 2013-2014 fiscal year and the 2014-2015 fiscal year.

19 **SECTION 5.1.(b)** Receipts collected in a fiscal year in excess of the amounts
20 authorized by this section shall remain unexpended and unencumbered until appropriated by
21 the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized
22 receipts in the fiscal year in which the receipts were collected is authorized by the State Budget
23 Act. Overrealized receipts are appropriated up to the amounts necessary to implement this
24 subsection.

25 **SECTION 5.1.(c)** Notwithstanding subsections (a) and (b) of this section, there is
26 appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax
27 Revenues for each fiscal year an amount equal to the amount of the distributions required by
28 law to be made from that reserve for that fiscal year.

29 **SECTION 5.1.(d)** The Office of State Budget and Management, the Office of the
30 State Controller, the Department of Revenue, and the Fiscal Research Division shall jointly
31 study the Reserve for Reimbursements to Local Governments and Shared Tax Revenues
32 (Budget Code 24705) within the Department of Revenue and shall determine the best manner
33 in which to budget the funds deposited into and expended from this fund. When conducting this
34 study, the Office of State Budget and Management, the Office of the State Controller, the
35 Department of Revenue, and the Fiscal Research Division shall jointly determine if any
36 statutory or other changes are needed in order to ensure that these funds are properly accounted
37 for and budgeted in a manner consistent with the North Carolina Constitution. No later than
38 May 1, 2014, the Office of State Budget and Management, the Office of the State Controller,
39 the Department of Revenue, and the Fiscal Research Division shall report the results of this
40 study, including their findings, recommendations, and any legislative proposals, to the Chairs
41 of the Senate Appropriations/Base Budget Committee and of the House Appropriations
42 Committee.

43 **SECTION 5.1.(e)** Subdivisions (2) through (4) of subsection (d) of Section 5.1 of
44 S.L. 2011-145, as enacted by Section 5.1 of S.L. 2012-142, are repealed. This subsection
45 becomes effective on June 30, 2013.

46 **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

47 **SECTION 5.2.(a)** Notwithstanding G.S. 143C-6-4, State agencies may, with
48 approval of the Director of the Budget, spend funds received from grants awarded subsequent
49 to the enactment of this act for grant awards that are for less than two million five hundred
50 thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a
51

1 capital project. State agencies shall report to the Joint Legislative Commission on
2 Governmental Operations within 30 days of receipt of such funds.

3 State agencies may spend all other funds from grants awarded after the enactment of
4 this act only with approval of the Director of the Budget and after consultation with the Joint
5 Legislative Commission on Governmental Operations.

6 **SECTION 5.2.(b)** The Office of State Budget and Management shall work with
7 the recipient State agencies to budget grant awards according to the annual program needs and
8 within the parameters of the respective granting entities. Depending on the nature of the award,
9 additional State personnel may be employed on a time-limited basis. Funds received from such
10 grants are hereby appropriated and shall be incorporated into the authorized budget of the
11 recipient State agency.

12 **SECTION 5.2.(c)** Notwithstanding the provisions of this section, no State agency
13 may accept a grant not anticipated in this act if acceptance of the grant would obligate the State
14 to make future expenditures relating to the program receiving the grant or would otherwise
15 result in a financial obligation as a consequence of accepting the grant funds.

16 **SECTION 5.2.(d)** Notwithstanding G.S. 143C-6-4 and subsection (b) of this
17 section, State agencies may spend funds received from the following grants for the 2013-2014
18 fiscal year and 2014-2015 fiscal year awarded subsequent to the enactment of this act for up to
19 the specified amounts:

	2013-2014	2014-2015
21 Department of Public Instruction		
22 The New Venture Fund	\$75,000	\$0
23 Promoting Adolescent Health through		
24 School-Based HIV/STD Prevention	\$290,000	\$400,000

25
26
27 Neither the approval of the Director of the Budget nor consultation with the Joint Legislative
28 Commission on Governmental Operations is required prior to the expenditure of these funds.

29
30 **CIVIL PENALTY AND FORFEITURE FUND**

31 **SECTION 5.3.(a)** Appropriations are made from the Civil Penalty and Forfeiture
32 Fund for the fiscal biennium ending June 30, 2015, as follows:

	FY 2013-2014	FY 2014-2015
33 School Technology Fund	\$ 18,000,000	\$ 18,000,000
34 State Public School Fund	\$146,313,464	\$120,362,790
35 Total Appropriation	\$164,313,464	\$138,362,790

36
37 **SECTION 5.3.(b)** Excess receipts realized in the Civil Penalty and Forfeiture Fund
38 in the 2012-2013 fiscal year are hereby appropriated to the State Public School Fund for the
39 2013-2014 fiscal year.

40 **SECTION 5.3.(c)** Excess receipts realized in the Civil Penalty and Forfeiture Fund
41 in the 2013-2014 fiscal year shall be allocated to the School Technology Fund for the
42 2014-2015 fiscal year.

43
44 **INDIAN GAMING EDUCATION REVENUE FUND**

45 **SECTION 5.4.(a)** There is appropriated from the Indian Gaming Education
46 Revenue Fund to the Department of Public Instruction, School Technology Fund, the sum of
47 three million dollars (\$3,000,000) for the 2013-2014 fiscal year and the sum of three million
48 five hundred thousand dollars (\$3,500,000) for the 2014-2015 fiscal year.

49 **SECTION 5.4.(b)** G.S. 143C-9-7 does not apply to the use of these funds for the
50 2013-2015 fiscal biennium.

EDUCATION LOTTERY

SECTION 5.5.(a) G.S. 18C-162(c)(2) reads as rewritten:

"(c) Unclaimed prize money shall be held separate and apart from the other revenues and allocated as follows:

...

(2) Fifty percent (50%) to the Education Lottery Fund to be allocated in accordance with G.S. 18C-164(e) held in reserve for future appropriation by the General Assembly."

SECTION 5.5.(d) G.S. 115C-546.2 reads as rewritten:

"§ 115C-546.2. Allocations from the Fund; uses; expenditures; reversion to General Fund; matching requirements.

...

(d) When funds are appropriated from the Education Lottery Fund to the Public School Building Capital Fund, such funds shall be allocated for school capital construction projects on a per average daily membership basis according to the average daily membership for the budget year as determined and certified by the State Board of Education. Monies transferred into the Fund in accordance with Chapter 18C of the General Statutes shall be allocated for capital projects for school construction projects as follows:

(1) ~~A sum equal to sixty five percent (65%) of those monies transferred in accordance with G.S. 18C-164 shall be allocated on a per average daily membership basis according to the average daily membership for the budget year as determined and certified by the State Board of Education.~~

(2) ~~A sum equal to thirty five percent (35%) of those monies transferred in accordance with G.S. 18C-164 shall be allocated to those local school administrative units located in whole or part in counties in which the effective county tax rate as a percentage of the State average effective tax rate is greater than one hundred percent (100%), with the following definitions applying to this subdivision:~~

a. ~~"Effective county tax rate" means the actual county rate for the previous fiscal year, including any countywide supplemental taxes levied for the benefit of public schools, multiplied by a three year weighted average of the most recent annual sales assessment ratio studies.~~

b. ~~"State average effective tax rate" means the average effective county tax rates for all counties.~~

e. ~~"Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).~~

(3) No county shall have to provide matching funds required under subsection (c) of this section.

(4) A county may use monies in this Fund to pay for school construction projects in local school administrative units and to retire indebtedness incurred for school construction projects.

(5) A county may not use monies in this Fund to pay for school technology needs.

(e) The State Board of Education may use up to one million five hundred thousand dollars (\$1,500,000) each year of monies in the Fund to support positions in the Department of Public Instruction's Support Services Division."

SECTION 5.5.(e) Notwithstanding G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of four hundred sixty-one million eight hundred two thousand two hundred fifty dollars (\$461,802,250) for the 2013-2014 fiscal year.

1 by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter
2 150B of the General Statutes.

3 4 **TOBACCO MASTER SETTLEMENT AGREEMENT/PAYMENTS**

5 **SECTION 6.4.(a)** S.L. 1999-2 is repealed.

6 **SECTION 6.4.(b)** The creation of the nonprofit corporation pursuant to
7 subparagraph VI.A.1 of the Consent Decree and Final Judgment entered in that action of 98
8 CVS 14377 on December 21, 1998, is hereby approved for the purposes and on the terms and
9 conditions set forth in subparagraph VI.A.1 of the Consent Decree and Final Judgment.

10 **SECTION 6.4.(c)** The General Assembly approves the provisions in the Consent
11 Decree concerning the governance of the nonprofit corporation. Governance of the nonprofit
12 corporation shall consist of 15 directors who shall serve four-year, staggered terms. Five
13 directors shall be appointed by the Governor, five by the President Pro Tempore of the Senate,
14 and five by the Speaker of the House of Representatives, respectively in the appointing
15 authority's sole discretion. The Governor shall appoint the first Chair among his appointees and
16 the directors shall elect a Chair from among their number for subsequent terms. Members of the
17 General Assembly may not be appointed to serve on the board of directors while serving in the
18 General Assembly.

19 The Governor, Speaker of the House of Representatives, and President Pro Tempore
20 of the Senate, in appointing directors to the nonprofit corporation, shall, in their sole discretion,
21 include among their appointments representatives of tobacco production, tobacco
22 manufacturing, tobacco-related employment, health, and economic development interests, with
23 each appointing authority selecting at least two directors from these interests. It is also the
24 intent of the General Assembly that the appointing authorities in appointing directors shall
25 appoint members that represent the geographic, gender, and racial diversity of the State.

26 **SECTION 6.4.(d)** The Attorney General shall draft articles of incorporation for the
27 nonprofit corporation to enable the nonprofit corporation to carry out its mission as set out in
28 the Consent Decree. The articles of incorporation shall provide for the following:

- 29 (1) Consultation; reporting. – The nonprofit corporation shall consult with the
30 Joint Legislative Commission on Governmental Operations (Commission)
31 prior to the corporation's board of directors (i) adopting bylaws and (ii)
32 adopting the annual operating budget. The nonprofit corporation shall also
33 report on its programs and activities to the Commission on or before March
34 1 of each fiscal year and more frequently as requested by the Commission.
35 The report shall include information on the activities and accomplishments
36 during the fiscal year, itemized expenditures during the fiscal year, planned
37 activities and goals for at least the next 12 months, and itemized anticipated
38 expenditures for the next fiscal year. The nonprofit corporation shall also
39 annually provide to the Commission an itemized report of its administrative
40 expenses and copies of its annual report and tax return information.
- 41 (2) Public records; open meetings. – The nonprofit corporation is subject to the
42 Open Meetings Law as provided in Article 33C of Chapter 143 of the
43 General Statutes and the Public Records Act as provided in Chapter 132 of
44 the General Statutes. The nonprofit corporation shall publish at least
45 annually a report, available to the public and filed with the Joint Legislative
46 Commission on Governmental Operations, of every expenditure or
47 distribution in furtherance of the public charitable purposes of the nonprofit
48 corporation.
- 49 (3) Transfer of assets. – The nonprofit corporation may not dispose of assets
50 pursuant to G.S. 55A-12-02 without the approval of the General Assembly.

1 (4) Charter repeal. – The charter of the nonprofit corporation may be repealed at
2 any time by the legislature pursuant to Article VIII, Section 1 of the North
3 Carolina Constitution. The nonprofit corporation may not amend its articles
4 of incorporation without the approval of the General Assembly.

5 (5) Dissolution. – The nonprofit corporation may be dissolved pursuant to
6 Chapter 55A of the General Statutes by the General Assembly or by the
7 Court pursuant to the Consent Decree. Upon dissolution, all unencumbered
8 assets and funds of the nonprofit corporation are transferred to the
9 Settlement Reserve Fund established pursuant to G.S. 143C-9-3.

10 **SECTION 6.4.(e)** The funds under the Master Settlement Agreement, which
11 Agreement is incorporated into the Consent Decree, deposited in the Settlement Reserve Fund
12 shall be used to pay the debt service as authorized by the State Capital Facilities Act of 2004,
13 Part 1 of S.L. 2004-179 and S.L. 2004-124. As soon as practicable after the beginning of each
14 fiscal year, the State Treasurer shall estimate and transfer to Budget Code 69430 the amount of
15 debt service anticipated to be paid during the fiscal year for special indebtedness authorized by
16 the State Capital Facilities Act of 2004.

17 Any monies paid into the North Carolina State Specific Account from the Disputed
18 Payments Account on account of the Non-Participating Manufacturers that would have been
19 transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc.,
20 shall be deposited in the Settlement Reserve Fund and transferred to the State General Fund.

21 **SECTION 6.4.(f)** The Attorney General shall take all necessary actions to notify
22 the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98
23 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North
24 Carolina, and the administrators of the State Specific Account established under the Master
25 Settlement Agreement of this action by the General Assembly regarding redirection of
26 payments set forth in subsections (a) and (e) of this section.

27 **SECTION 6.4.(g)** G.S. 116-29.1(b) reads as rewritten:

28 "(b) Effective July 1 of each calendar year, the funds remitted to the University Cancer
29 Research Fund by the Secretary of Revenue from the tax on tobacco products other than
30 cigarettes pursuant to G.S. 105-113.40A are appropriated for this purpose.~~The General~~
31 ~~Assembly finds that it is imperative that the State provide a minimum of fifty million dollars~~
32 ~~(\$50,000,000) each calendar year to the University Cancer Research Fund; therefore, effective~~
33 ~~July 1 of each calendar year:~~

34 (1) ~~Of the funds credited to Budget Code 69430 in the Department of State~~
35 ~~Treasurer, the sum of eight million dollars (\$8,000,000) is transferred from~~
36 ~~Budget Code 69430 to the University Cancer Research Fund and~~
37 ~~appropriated for this purpose.~~

38 (2) ~~The funds remitted to the University Cancer Research Fund by the Secretary~~
39 ~~of Revenue from the tax on tobacco products other than cigarettes pursuant~~
40 ~~to G.S. 105-113.40A is appropriated for this purpose.~~

41 (3) ~~An amount equal to the difference between (i) fifty million dollars~~
42 ~~(\$50,000,000) and (ii) the amounts appropriated pursuant to subdivisions (1)~~
43 ~~and (2) of this subsection is appropriated from the General Fund for this~~
44 ~~purpose."~~

45 **SECTION 6.4.(h)** G.S. 143C-9-3(a) reads as rewritten:

46 "(a) ~~The "Settlement Reserve Fund" is established as a restricted reserve in the General~~
47 ~~Fund. Except as otherwise provided in this section, funds shall be expended from the~~
48 ~~Settlement Reserve Fund only by specific appropriation by the General Assembly.~~Fund to
49 receive proceeds from tobacco litigation settlement agreements or final orders or judgments of
50 a court in litigation between tobacco companies and the states. Funds credited to the Settlement

1 Reserve Fund each fiscal year shall be included in General Fund availability as nontax revenue
2 for the next fiscal year."
3

4 **GOVERNMENT EFFICIENCY AND REFORM**

5 **SECTION 6.5.(a)** The Office of State Budget and Management shall contract for a
6 Government Efficiency and Reform review and analysis of the executive branch of State
7 government, which shall be known as NC GEAR. The purpose of the review and analysis is to
8 evaluate the efficiency and effectiveness of State government and to identify specific strategies
9 for making State government more efficient and effective. The review and analysis may
10 examine entire departments, agencies, institutions, or similar programs in different
11 departments. The review and analysis shall include an examination of the efficiency and
12 effectiveness of major management policies, practices, and functions pertaining to the
13 following areas:

- 14 (1) The statutory authority, funding sources, and functions of each department,
15 agency, institution, or program.
- 16 (2) The organizational structure and staffing patterns in place to perform these
17 functions and whether they are appropriate based on comparative data and
18 other reasonable staffing criteria.
- 19 (3) The measurement of each reviewed program's outcomes, overall
20 performance, and success in accomplishing its mandated or stated mission
21 and subsequent goals, considering the resources provided to the program.
- 22 (4) State and local responsibilities for providing government services and
23 funding for those services, and whether these responsibilities should be
24 reallocated.
- 25 (5) Personnel systems operations and management.
- 26 (6) State purchasing operations and management.
- 27 (7) Information technology and telecommunications systems policy,
28 organization, and management.
- 29 (8) The identification of opportunities to reduce fragmentation, duplication, and
30 related or overlapping services or activities through restructuring of
31 departmental organizations and streamlining programs.

32 **SECTION 6.5.(b)** All executive branch departments, agencies, boards,
33 commissions, authorities, and institutions in the executive branch of State government,
34 including receipt-supported agencies, and all non-State entities receiving State funds shall be
35 subject to review and analysis. The chief administrative officer of each entity shall ensure full
36 cooperation with the Office of State Budget and Management and provide timely responses to
37 the Office of State Budget and Management's request for information under the provisions of
38 G.S. 143C-2-1(b).

39 **SECTION 6.5.(c)** The Office of State Budget and Management will work
40 collaboratively with the Office of State Auditor to develop the review, analysis, and findings
41 needed to produce a final report and recommendations to the Governor and General Assembly.

42 **SECTION 6.5.(d)** The contracting provisions of Chapter 143 of the General
43 Statutes and related State purchasing and budget regulations do not apply to NC GEAR;
44 however, the Office of State Budget and Management shall report all external contracts for
45 consultants or professional services within 30 days of their execution to the Joint Legislative
46 Commission on Governmental Operations, the Fiscal Research Division, the President Pro
47 Tempore of the Senate, and the Speaker of the House of Representatives.

48 **SECTION 6.5.(e)** The Office of State Budget and Management shall submit an
49 interim report of the NC GEAR's analysis, findings, and recommendations to the Governor, the
50 President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal

1 Research Division, and the Program Evaluation Division by February 15, 2014, and a final
2 report by February 15, 2015.

3 **SECTION 6.5.(f)** Funds appropriated for NC GEAR shall be used to contract with
4 consultants and other experts and to pay for travel, postage, printing, planning, and other
5 related costs as needed to accomplish the objectives specified for the project. Funds
6 appropriated for the 2013-2015 fiscal biennium for NC GEAR shall not revert at the end of
7 each fiscal year but shall remain available for expenditure for the project.

8 9 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

10 **SECTION 6.6.** All funds appropriated by this act into reserves may be expended
11 only for the purposes for which the reserves were established.

12 13 **BUDGET CODE CONSOLIDATIONS**

14 **SECTION 6.7.** Notwithstanding G.S. 143C-6-4, the Office of State Budget and
15 Management may, after reporting to the Fiscal Research Division, adjust the authorized budget
16 by making transfers among purposes or programs for the purpose of consolidating budget and
17 fund codes or eliminating inactive budget and fund codes. The Office of State Budget and
18 Management shall change the authorized budget to reflect these adjustments.

19 20 **PROVISION OF ANONYMOUS TAX RETURN DATA TO STATE BUDGET 21 DIRECTOR**

22 **SECTION 6.9.** G.S. 105-259(b) is amended by adding the following new
23 subdivision to read:

24 "(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has
25 access to tax information in the course of service to or employment by the State may not
26 disclose the information to any other person except as provided in this subsection. Standards
27 used or to be used for the selection of returns for examination and data used or to be used for
28 determining the standards may not be disclosed for any purpose. All other tax information may
29 be disclosed only if the disclosure is made for one of the following purposes:

30 ...

31 (44) To furnish the State Budget Director or the Director's designee a sample of
32 tax returns or other tax information from which taxpayers' names and
33 identification numbers have been removed that is suitable in character,
34 composition, and size for statistical analyses by the Office of State Budget
35 and Management."

36 37 **EXEMPTIONS FROM MANAGEMENT FLEXIBILITY REDUCTIONS**

38 **SECTION 6.10.** Notwithstanding G.S. 143C-6-4, expansion funds appropriated for
39 the 2013-2015 fiscal biennium to State agencies as defined by G.S. 143C-1-1(d)(24) shall not
40 be used to offset management flexibility adjustments in this act.

41 42 **STATE BUDGET ACT AMENDMENTS**

43 **SECTION 6.12.(a)** G.S. 143C-1-1(d)(19) reads as rewritten:

44 "(19) Nontax revenue. – Revenue that is not a tax proceed or a departmental
45 receipt and that is required by statute to be credited to ~~the General Fund a~~
46 fund."

47 **SECTION 6.12.(b)** G.S. 143C-1-1(d)(30) reads as rewritten:

48 "(30) Unreserved fund balance. – The available ~~General Fund~~ cash balance
49 effective June 30 after excluding documented encumbrances, unearned
50 revenue, ~~federal grants~~, statutory requirements, and other legal obligations to
51 ~~General Fund~~ a fund's cash balance as determined by the State Controller.

1 Beginning unreserved fund balance equals ending unreserved fund balance
2 from the prior fiscal year."

3 **SECTION 6.12.(c)** G.S. 143C-1-3(c) reads as rewritten:

4 "(c) Notwithstanding subsections (a) and (b) of this section, funds established for The
5 University of North Carolina and its constituent institutions pursuant to the following statutes
6 are exempt from Chapter 143C of the General Statutes and shall be accounted for as provided
7 by those statutes, except that the provisions of Article 8 of Chapter 143C of the General
8 Statutes shall apply to the funds: G.S. 116-35, 116-36, 116-36.1, 116-36.2, 116-36.4, 116-36.5,
9 116-36.6, 116-44.4, 116-68, 116-220, ~~116-235, 116-238.~~116-235."

10 **SECTION 6.12.(d)** Article 1 of Chapter 143C of the General Statutes is amended
11 by adding a new section to read:

12 "**§ 143C-1-5. Chapter is applicable to The University of North Carolina.**

13 Except as expressly provided in G.S. 143C-1-3(c) or otherwise expressly provided by law,
14 The University of North Carolina shall be subject to the provisions of this Chapter in the same
15 manner and to the same degree as other State agencies."

16 **SECTION 6.12.(e)** G.S. 143C-3-5(e) reads as rewritten:

17 "(e) ~~Revenue—Availability~~ Estimates. – The recommended Current Operations
18 Appropriations Act shall contain a statement showing the estimates of General Fund
19 availability, Highway Fund availability, and Highway Trust Fund availability upon which the
20 Recommended State Budget is based."

21 **SECTION 6.12.(f)** G.S. 143C-9-6 reads as rewritten:

22 "**§ 143C-9-6. JDIG Reserve Fund Reserve.**

23 (a) The State Controller shall establish a reserve in the General Fund to be known as the
24 JDIG Reserve. Funds from the JDIG Reserve shall not be ~~expended or~~ transferred except in
25 accordance with G.S. 143B-437.63.

26 (b) It is the intent of the General Assembly to appropriate funds annually to the JDIG
27 Reserve established in this section in amounts sufficient to meet the anticipated cash
28 requirements for each fiscal year of the Job Development Investment Grant Program
29 established pursuant to G.S. 143B-437.52."

30 **SECTION 6.12.(g)** G.S. 143C-9-8(a) reads as rewritten:

31 "(a) The State Controller shall establish a reserve in the General Fund to be known as the
32 One North Carolina Fund Reserve. Funds from the One North Carolina Fund Reserve shall not
33 be ~~expended or~~ transferred except in accordance with G.S. 143B-437.75."

34 35 SUBSTANTIVE CHANGES

36 **SECTION 6.12.(h)** G.S. 143C-1-1(d) is amended by adding the following new
37 subdivisions to read:

38 "(1a) Authorized budget. – The certified budget with changes authorized by the
39 Director of the Budget through authority granted in G.S. 143C-6-4 or other
40 statutes.

41 (1b) Availability. – The total anticipated cash available within a fund for
42 appropriation purposes, including unreserved fund balance and all revenue
43 and receipts anticipated in a fiscal year.

44"

45 **SECTION 6.12.(i)** G.S. 143C-1-1(d)(7) reads as rewritten:

46 "(7) Certified budget. – The budget as enacted by the General Assembly
47 including adjustments made for (i) distributions to State agencies from
48 statewide reserves appropriated by the General Assembly, (ii) distributions
49 of reserves appropriated to a specific agency by the General Assembly, and
50 (iii) organizational or budget changes ~~directed—mandated~~ by the General
51 Assembly but left to the Director to carry out. Assembly."

1 **SECTION 6.12.(j)** G.S. 143C-3-3 reads as rewritten:

2 "**§ 143C-3-3. Budget requests from State agencies in the executive branch.**

3 ...
4 (b) University of North Carolina System Request. – Notwithstanding ~~subsections (e),~~
5 ~~(d), and (e) of this section, pursuant to the requirement in G.S. 116-11 that~~ the Board of
6 Governors shall prepare a unified budget request for all of the constituent institutions of The
7 University of North Carolina, ~~including repairs and renovations, capital fund requests, and~~
8 ~~information technology technology requests shall comply with subsections (c), (d), and (e) of~~
9 this section.

10 ...
11 (e) Information Technology Request. – In addition to any other information requested
12 by the Director, any State agency requesting significant State resources, as defined by the
13 Director, for the purpose of acquiring or maintaining information technology shall accompany
14 that request with all of the following:

- 15 (1) A statement of its needs for information technology and related resources,
16 including expected improvements to programmatic or business operations,
17 together with a review and evaluation of that statement prepared by the State
18 Chief Information Officer.
- 19 (2) A statement setting forth the requirements for State resources, together with
20 an evaluation of those requirements by the State Chief Information Officer
21 that takes into consideration the State's current technology, the opportunities
22 for technology sharing, the requirements of Article 3D of Chapter 147 of the
23 General Statutes, and any other factors relevant to the analysis.
- 24 (3) A statement by the State Chief Information Officer that sets forth viable
25 alternatives, if any, for meeting the agency needs in an economical and
26 efficient manner.
- 27 (4) In the case of an acquisition, an explanation of the method by which the
28 acquisition is to be financed.

29 This subsection shall not apply to requests submitted by the General ~~Assembly,~~Assembly or
30 ~~the Administrative Office of the Courts, or The University of North Carolina Courts."~~

31 **SECTION 6.12.(k)** G.S. 143C-3-5 reads as rewritten:

32 "**§ 143C-3-5. Budget recommendations and budget message.**

33 ...
34 (b) Odd-Numbered ~~Fiscal~~ Years. – In odd-numbered years the budget recommendations
35 shall include the following components:

- 36 (1) A Recommended State Budget setting forth goals for improving the State
37 with recommended expenditure requirements, funding sources, and
38 performance information for each State government program and for each
39 proposed capital improvement. The Recommended State Budget may be
40 presented in a format chosen by the Director, except that the Recommended
41 State Budget shall clearly distinguish program continuation requirements,
42 program reductions, program eliminations, program expansions, and new
43 programs, and shall explain all proposed capital improvements in the context
44 of the Six-Year Capital Improvements Plan and as required by
45 G.S. 143C-8-6. ~~The Director shall include as continuation requirements the~~
46 ~~amounts the Director proposes to fund for the enrollment increases in public~~
47 ~~schools, community colleges, and the university system.~~

- 48 (1a) The Governor's Recommended State Budget shall include a continuation
49 budget, which shall be presented in the budget support document pursuant to
50 subdivision (2) of this subsection.

51 ...

1 (5) A list of budget adjustments made during the prior fiscal year pursuant to
2 G.S. 143C-6-4 that are included in the proposed continuation budget for the
3 upcoming fiscal year.

4 (c) Even-Numbered Fiscal Years. – In even-numbered years, the Governor may
5 recommend changes in the enacted budget for the second year of the biennium. These
6 recommendations shall be presented as amendments to the enacted budget and shall be
7 incorporated in a recommended Current Operations Appropriation Act and a recommended
8 Capital Improvements Appropriations Act as necessary. Any recommended changes shall
9 clearly distinguish program reductions, program eliminations, program expansions, and new
10 programs, and shall explain all proposed capital improvements in the context of the Six-Year
11 Capital Improvements Plan and as required by G.S. 143C-8-6. The Governor shall provide
12 sufficient supporting documentation and accounting detail, consistent with that required by
13 G.S. 143C-3-5(b), corresponding to the recommended amendments to the enacted budget.

14 (d) Funds Included in Budget. – Consistent with requirements of the North Carolina
15 Constitution, Article 5, Section 7(1), the Governor's Recommended State Budget, together with
16 the Budget Support Document, shall include recommended expenditures of State funds from all
17 Governmental and Proprietary Funds, as those funds are described in ~~G.S. 143C-1-3.~~
18 G.S. 143C-1-3, and all funds established for The University of North Carolina and its
19 constituent institutions that are subject to this Chapter. Except where provided otherwise by
20 federal law, funds received from the federal government become State funds when deposited in
21 the State treasury and shall be classified and accounted for in the Governor's budget
22 recommendations no differently than funds from other sources.

23 "

24 **SECTION 6.12.(1)** G.S. 143C-4-3 reads as rewritten:

25 **"§ 143C-4-3. Repairs and Renovations Reserve Account. Reserve.**

26 (a) Creation and Source of Funds. – The Repairs and Renovations Reserve ~~Account~~ is
27 established as a reserve in the General Fund. The State Controller shall reserve to the Repairs
28 and Renovations Reserve ~~Account~~ one-fourth of any unreserved fund balance, as determined
29 on a cash basis, remaining in the General Fund at the end of each fiscal year.

30 (b) Use of Funds. – The funds in the Repairs and Renovations Reserve ~~Account~~ shall be
31 used only for the repair and renovation of State facilities and related infrastructure that are
32 supported from the General Fund. Funds from the Repairs and Renovations Reserve ~~Account~~
33 shall be used only for the following types of projects:

- 34 (1) Roof repairs and replacements;
- 35 (2) Structural repairs;
- 36 (3) Repairs and renovations to meet federal and State standards;
- 37 (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning
38 systems;
- 39 (5) Improvements to meet the requirements of the Americans with Disabilities
40 Act, 42 U.S.C. § 12101, et seq., as amended;
- 41 (6) Improvements to meet fire safety needs;
- 42 (7) Improvements to existing facilities for energy efficiency;
- 43 (8) Improvements to remove asbestos, lead paint, and other contaminants,
44 including the removal and replacement of underground storage tanks;
- 45 (9) Improvements and renovations to improve use of existing space;
- 46 (10) Historical restoration;
- 47 (11) Improvements to roads, walks, drives, utilities infrastructure; and
- 48 (12) Drainage and landscape improvements.

49 Funds from the Repairs and Renovations Reserve ~~Account~~ shall not be used for new
50 construction or the expansion of the building area (sq. ft.) of an existing facility unless required
51 in order to comply with federal or State codes or standards.

1 (c) Use of Funds. – Funds Available Only Upon Appropriation. – Funds reserved to the
2 Repairs and Renovations Reserve ~~Account~~ shall be available for expenditure only upon an act
3 of appropriation by the General Assembly.

4 (d) ~~Board of Governors May Allocate Allocation and Reallocation of Funds to for~~
5 Particular Projects. – Any funds in the ~~Reserve for Repairs and Renovations Reserve~~ that are
6 allocated to the Board of Governors of The University of North Carolina or to the Office of
7 State Budget and Management may be allocated or reallocated by ~~the Board~~ those agencies for
8 repairs and renovations projects so long as (i) ~~any project that receives an allocation or~~
9 ~~reallocation satisfies the requirements of subsection (b) of this section unless the Board~~
10 ~~determines that sufficient funds are not available from other sources and that conditions~~
11 ~~warrant General Fund assistance and (ii) the allocation or reallocation is in accordance with~~
12 ~~guidelines developed in The University of North Carolina Funding Allocation Model for~~
13 ~~Reserve for Repairs and Renovations, as approved by the Board of Governors of The~~
14 ~~University of North Carolina. The Board of Governors shall report to the Joint Legislative~~
15 ~~Commission on Governmental Operations on the allocation or reallocation of funds pursuant to~~
16 ~~this section within 60 days of any allocation or reallocation under this subsection.~~ all of the
17 following conditions are satisfied:

18 (1) Any project that receives an allocation or reallocation satisfies the
19 requirements of subsection (b) of this section.

20 (2) If the allocation or reallocation of funds from one project to another under
21 this section is two million five hundred thousand dollars (\$2,500,000) or
22 more for a particular project, the Office of State Budget and Management or
23 the Board of Governors, as appropriate, consults with the Joint Legislative
24 Commission on Governmental Operations prior to the expenditure or
25 reallocation.

26 (3) If the allocation or reallocation of funds from one project to another under
27 this section is less than two million five hundred thousand dollars
28 (\$2,500,000) for a particular project, the allocation or reallocation of funds is
29 reported to the Joint Legislative Commission on Governmental Operations
30 within 60 days of the expenditure or reallocation.

31 (e) ~~Office of State Budget and Management May Allocate Funds to Particular Projects.~~
32 ~~Any funds in the Reserve for Repairs and Renovations that are allocated to the Office of State~~
33 ~~Budget and Management may be allocated or reallocated by the State Budget Office for repairs~~
34 ~~and renovations projects so long as any project that receives an allocation or reallocation~~
35 ~~satisfies the requirements of subsection (b) of this section. The Office of State Budget and~~
36 ~~Management shall consult with the Joint Legislative Commission on Governmental Operations~~
37 ~~prior to the allocation of these funds. The State Budget Office shall report to the Joint~~
38 ~~Legislative Commission on Governmental Operations on the reallocation of funds pursuant to~~
39 ~~this section within 60 days of any reallocation under this subsection."~~

40 **SECTION 6.12.(m)** G.S. 143C-6-1 reads as rewritten:

41 "**§ 143C-6-1. Budget enacted by the General Assembly; certified budgets of State**
42 **agencies.**

43 ...

44 (b) Departmental Receipts. – Departmental receipts collected to support a program or
45 purpose shall be credited to the fund from which appropriations have been made to support that
46 program or purpose. A State agency shall expend departmental receipts first, including receipts
47 in excess of the amount of receipts budgeted in the certified budget for the program or purpose,
48 and shall expend other funds appropriated for the purpose or program only to the extent that
49 receipts are insufficient to meet the costs anticipated in the certified budget.

50 Except as authorized in G.S. 143C-6-4, excess departmental receipts shall not be used to
51 increase expenditures for a purpose or program.

1 (c) Certification of the Budget. – The Director of the Budget shall certify to each State
2 agency the amount appropriated to it for each program and each object from all ~~governmental~~
3 ~~and proprietary funds.~~ funds included in the budget as defined in G.S. 143C-3-5(d). The
4 certified budget for each State agency shall reflect the total of all appropriations enacted for
5 each State agency by the General Assembly in the Current Operations Appropriations Act, the
6 Capital Improvements Appropriations Act, and any other act affecting the State budget. The
7 certified budget for each State agency shall follow the format of the Budget Support Document
8 as modified to reflect changes enacted by the General Assembly."

9 **SECTION 6.12.(n)** G.S. 143C-6-4 reads as rewritten:

10 **"§ 143C-6-4. Budget Adjustments Authorized.**

11 (a) Findings. – The General Assembly recognizes that even the most thorough budget
12 deliberations may be affected by unforeseeable ~~events.~~ Under events; therefore, under the
13 limited circumstances set forth in this section, the Director ~~may~~ is authorized to adjust the
14 enacted budget by making transfers among lines of expenditure, purposes, or programs or by
15 increasing expenditures funded by departmental receipts. Under no circumstances, however,
16 shall total General Fund expenditures for a State department exceed the amount appropriated to
17 that department from the General Fund for the fiscal year.

18 (b) ~~Adjustments to the Certified Budget.~~ Budget Adjustments. – Notwithstanding the
19 provisions of G.S. 143C-6-1, a State agency may, with approval of the Director of the Budget,
20 spend more than was authorized appropriated in the certified budget by adjusting the authorized
21 budget for all of the following:

- 22 (1) Line items within programs. – An object or line item within a purpose or
23 program so long as the total amount expended for the purpose or program is
24 no more than was authorized in the certified budget for the purpose or
25 program.
- 26 (2) Responses to extraordinary events. – A purpose or program if the
27 overexpenditure of the purpose or program is:
28 a. Required by a court or Industrial Commission order;
29 b. Authorized under G.S. 166A-19.40(a) of the North Carolina
30 Emergency Management Act; or
31 c. Required to call out the North Carolina National Guard.
- 32 (3) Responses to unforeseen circumstances. – A purpose or program not subject
33 to the provisions of subdivision (b)(2) of this ~~subsection, but only in accord~~
34 ~~with the following restrictions: (i) the subsection, if each of the following~~
35 conditions is satisfied:
36 a. The overexpenditure is required to continue the purpose or programs
37 due to complications or changes in circumstances that could not have
38 been foreseen when the budget for the fiscal period was enacted, (ii)
39 the enacted.
40 b. The scope of the purpose or program is not increased, (iii)
41 the increased.
42 c. The overexpenditure is authorized on a nonrecurring basis, and (iv)
43 under no circumstances shall the total requirements for a State
44 department exceed the department's certified budget for the fiscal
45 year by more than three percent (3%) without prior consultation with
46 the Joint Legislative Commission on Governmental Operations
47 one-time nonrecurring basis for one year only, unless the
48 overexpenditure is the result of (i) salary adjustments authorized by
49 law or (ii) the establishment of time-limited positions funded with
50 agency receipts.

1 **(b1)** If the overexpenditure would cause a department's total requirements for a fund to
2 exceed the department's certified budget for a fiscal year for that fund by more than three
3 percent (3%), the Director shall consult with the Joint Legislative Commission on
4 Governmental Operations prior to authorizing the overexpenditure.

5 **(b2)** Subsection (b) of this section shall not be construed to authorize budget adjustments
6 that cause General Fund expenditures, excluding expenditures from General Fund receipts, to
7 exceed General Fund appropriations for a department.

8 "

9 **SECTION 6.12.(o)** G.S. 143C-6-21 reads as rewritten:

10 **"§ 143C-6-21. Payments to nonprofits.**

11 Except as otherwise provided by law, an annual appropriation of one hundred thousand
12 dollars (\$100,000) or less to or for the use of a nonprofit corporation ~~shall~~may be made in a
13 single annual ~~payment~~payment, in the discretion of the Director of the Budget. An annual
14 appropriation of more than one hundred thousand dollars (\$100,000) to or for the use of a
15 nonprofit corporation shall be made in quarterly or monthly payments, in the discretion of the
16 Director of the Budget."

17 **SECTION 6.12.(p)** G.S. 143C-7-2(a) reads as rewritten:

18 **"(a) Plans Submitted and Reviewed.** – The Secretary of each State agency that receives
19 and administers federal Block Grant funds shall prepare and submit the agency's Block Grant
20 plans to the Director of the Budget. The Director of the Budget shall submit the Block Grant
21 plans to ~~the Fiscal Research Division of the General Assembly not later than February 28 of~~
22 ~~each odd-numbered calendar year and not later than April 30 of each even-numbered calendar~~
23 ~~year~~the General Assembly as part of the Recommended State Budget submitted pursuant to
24 G.S. 143C-3-5."

25 **SECTION 6.12.(q)** G.S. 143C-8-2 reads as rewritten:

26 **"§ 143C-8-2. Capital facilities inventory.**

27 **(a)** The Department of Administration shall develop and maintain an automated
28 inventory of all facilities owned by State agencies pursuant to G.S. 143-341(4). The inventory
29 shall include the location, occupying agency, ownership, size, description, condition
30 assessment, maintenance record, parking and employee facilities, and other information to
31 determine maintenance needs and prepare life-cycle cost evaluations of each facility listed in
32 the inventory. The Department of Administration shall update and publish the inventory at least
33 once every three years. The Department shall also record in the inventory acquisitions of new
34 facilities and significant changes in existing facilities as they occur.

35 **(b)** No later than October 1 of each even-numbered year, the Department of
36 Administration shall provide a summary of the information maintained in the inventory
37 described in subsection (a) of this section to the Fiscal Research Division of the Legislative
38 Services Commission. This summary shall include all of the following:

39 **(1)** A summary of the number, type, square footage or acreage, and condition of
40 facilities allocated to or owned by each State agency.

41 **(2)** A summary of the geographical distribution of State facilities.

42 **(3)** An estimate of the percentage increase or decrease of square footage or
43 acreage allocated to or owned by each State agency since the last report was
44 submitted pursuant to this subsection.

45 **(4)** Any other information requested by the Fiscal Research Division."

46 **SECTION 6.12.(r)** G.S. 143C-9-7(b) reads as rewritten:

47 **"(b) Funds** Upon appropriation by the General Assembly, funds received in the Indian
48 Gaming Education Revenue Fund are hereby appropriated as received to the State Public
49 School Fund for quarterly allotments~~shall be allocated quarterly~~ by the State Board of Education
50 to local school administrative units, charter schools, and regional schools on the basis of
51 allotted average daily membership. The funds allotted by the State Board of Education pursuant

1 to this section shall be nonreverting. Funds received pursuant to this section by local school
2 administrative units shall be expended for classroom teachers, teacher assistants, classroom
3 materials or supplies, or textbooks."
4

5 **STATE AGENCY LEGAL POSITIONS RESERVE**

6 **SECTION 6.13.(a)** Notwithstanding any other provision of law, all legal positions
7 within the Department of Justice that serve or otherwise provide State agencies with
8 representation by an attorney, paralegal, or other employee are transferred to the Office of State
9 Budget and Management (OSBM) and shall be placed in a position reserve for future allocation
10 as determined by the OSBM and the heads of the respective State agencies.

11 **SECTION 6.13.(b)** The OSBM may transfer legal positions to State agencies from
12 the position reserve established in subsection (a) of this section, as deemed necessary by the
13 OSBM in consultation with the heads of the respective State agencies. Any person employed in
14 a legal position transferred pursuant to the authority of this section shall report to the
15 appropriate head of the State agency to which the position is transferred.
16

17 **CAP STATE FUNDED PORTION OF NONPROFIT SALARIES**

18 **SECTION 6.14.** No more than one hundred twenty thousand dollars (\$120,000) in
19 State funds may be used for the annual salary of any individual employee of a nonprofit
20 organization receiving State funds. For the purposes of this section, the term "State funds"
21 means funds as defined in G.S. 143C-1-1(d)(25) and any interest earnings that accrue from
22 those funds.
23

24 **NO STATE FUNDS FOR LOBBYING**

25 **SECTION 6.15.(a)** No State funds shall be used by a non-State entity to pay for
26 lobbying or lobbyists.

27 **SECTION 6.15.(b)** For the purposes of this section, the following definitions
28 apply:

- 29 (1) Lobbying. – As defined by G.S. 120C-100(a)(9).
- 30 (2) Lobbyist. – As defined by G.S. 120C-100(a)(10).
- 31 (3) Non-State entity. – As defined by G.S. 143C-1-1(d)(18).
- 32 (4) State funds. – As defined by G.S. 143C-1-1(d)(25) and interest earnings that
33 accrue from those funds.
34

35 **AVIATION FUEL TAX**

36 **SECTION 6.16.** Section 3(b) of S.L. 2012-74 reads as rewritten:

37 **"SECTION 3.(b)** An interstate passenger air carrier is allowed a refund of the sales and
38 use tax paid by it on fuel in excess of one million two hundred fifty thousand dollars
39 (\$1,250,000) for the period January 1, 2011, through June 30, 2011. The State portion of the
40 refund is payable in two installments. The first installment, payable in fiscal year 2012-2013,
41 may not exceed three million one hundred fifty thousand dollars (\$3,150,000). The remainder
42 of the refund is payable in fiscal year 2013-2014. The amount of sales and use tax paid does not
43 include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a). A
44 request for a refund must be in writing and must include any information and documentation
45 required by the Secretary. The request for a refund is due before October 1, 2012. A refund
46 applied for after the due date is barred."
47

48 **RESTORE LOCAL GOVERNMENT HOLD HARMLESS FOR REPEALED** 49 **REIMBURSEMENTS**

50 **SECTION 6.17.** G.S. 105-521 reads as rewritten:

51 **"§ 105-521. Transitional local government hold harmless for repealed reimbursements.**

- 1 (a) Definitions. – The following definitions apply in this section:
- 2 (1) Local government. – A county or municipality that received a distribution of
- 3 local sales taxes in the most recent fiscal year for which a local sales tax
- 4 share has been calculated.
- 5 (2) Local sales tax share. – A local government's percentage share of the
- 6 two-cent (2¢) sales taxes distributed during the most recent fiscal year for
- 7 which data are available.
- 8 (3) Repealed reimbursement amount. – The total amount a local government
- 9 would have been entitled to receive during the 2002-2003 fiscal year under
- 10 G.S. 105-164.44C, 105-275.1, 105-275.2, 105-277.001, and 105-277.1A, if
- 11 the Governor had not withheld any distributions under those sections.
- 12 (3a) Replacement revenue. – The sum of the following:
- 13 a. Fifty percent (50%) of the amount of sales and use tax revenue
- 14 distributed under Article 40 of this Chapter, other than revenue from
- 15 the sale of food that is subject to local tax but is exempt from State
- 16 tax under G.S. 105-164.13B.
- 17 b. Twenty-five percent (25%) of the amount of sales and use tax
- 18 revenue distributed under Article 39 of this Chapter or under Chapter
- 19 1096 of the 1967 Session Laws, other than revenue from the sale of
- 20 food that is subject to local tax but is exempt from State tax under
- 21 G.S. 105-164.13B.
- 22 (4) Two-cent (2¢) sales taxes. – The first one-cent (1¢) sales and use tax
- 23 authorized in Article 39 of this Chapter and in Chapter 1096 of the 1967
- 24 Session Laws, the first one-half cent (1/2¢) local sales and use tax authorized
- 25 in Article 40 of this Chapter, and the second one-half cent (1/2¢) local sales
- 26 and use tax authorized in Article 42 of this Chapter.
- 27 (b) Distributions. – On or before August 15, 2008, and every August 15 through ~~August~~
- 28 ~~15, 2012, August 15, 2013,~~ the Secretary must multiply each local government's local sales tax
- 29 share by the estimated amount of replacement revenue that all local governments are expected
- 30 to receive during the current fiscal year. If the resulting amount is less than one hundred
- 31 percent (100%) of the local government's repealed reimbursement amount, the Secretary must
- 32 pay the local government the difference, but not less than one hundred dollars (\$100.00).
- 33 On or before May 1 of each fiscal year through ~~May 1, 2012, May 1, 2013,~~ the Department
- 34 of Revenue and the Fiscal Research Division of the General Assembly must each submit to the
- 35 Secretary and to the General Assembly a final projection of the estimated amount of
- 36 replacement revenue that all local governments would be expected to receive during the
- 37 upcoming fiscal year. If, after May 1 and before a distribution is made, a law is enacted that
- 38 would affect the projection, an updated projection must be submitted as soon as practicable. If
- 39 the Secretary does not use the lower of the two final projections to make the calculation
- 40 required by this subsection, the Secretary must report the reasons for this decision to the Joint
- 41 Legislative Commission on Governmental Operations within 60 days after receiving the
- 42 projections.
- 43 (c) Source of Funds. – The Secretary must draw the funds distributed under this section
- 44 from sales and use tax collections under Article 5 of this Chapter.
- 45 (d) Reports. – The Secretary must report to the Revenue Laws Study Committee by
- 46 January 31, 2004, and each January 31 through ~~January 31, 2013, January 31, 2014,~~ the amount
- 47 distributed under this section for the current fiscal year."
- 48

49 EUGENICS COMPENSATION PROGRAM

50 **SECTION 6.18.(a)** Article 9 of Chapter 143B of the General Statutes is amended

51 by adding a new Part to read:

1 "Part 30. Eugenics Asexualization and Sterilization Compensation Program.

2 **"§ 143B-426.50. Definitions.**

3 As used in this Part, the following definitions apply:

- 4 (1) Claimant. – An individual on whose behalf a claim is made for
5 compensation as a qualified recipient under this Part.
- 6 (2) Commission. – The North Carolina Industrial Commission.
- 7 (3) Involuntarily. – In the case of:
- 8 a. A minor child, either with or without the consent of the minor child's
9 parent, guardian, or other person standing in loco parentis.
- 10 b. An incompetent adult, with or without the consent of the incompetent
11 adult's guardian or pursuant to a valid court order.
- 12 c. A competent adult, without the adult's informed consent, with the
13 presumption being that the adult gave informed consent.
- 14 (4) Office. – The Office of Justice for Sterilization Victims.
- 15 (5) Qualified recipient. – An individual who was asexualized involuntarily or
16 sterilized involuntarily under the authority of the Eugenics Board of North
17 Carolina in accordance with Chapter 224 of the Public Laws of 1933 or
18 Chapter 221 of the Public Laws of 1937.

19 **"§ 143B-426.51. Compensation payments.**

20 (a) A claimant determined to be a qualified recipient under this Part shall receive
21 lump-sum compensation in the amount of fifty thousand dollars (\$50,000) from funds
22 appropriated to the Department of State Treasurer for these purposes.

23 (b) A qualified recipient may assign compensation received pursuant to subsection (a)
24 of this section to a trust established for the benefit of the qualified recipient.

25 **"§ 143B-426.52. Claims for compensation for asexualization or sterilization.**

26 (a) An individual shall be entitled to compensation as provided for in this Part if a claim
27 is submitted on behalf of that individual in accordance with this Part on or before June 30,
28 2014, and that individual is subsequently determined by a preponderance of the evidence to be
29 a qualified recipient, except that any competent adult who gave consent is not a qualified
30 recipient unless that individual can show by a preponderance of the evidence that the consent
31 was not informed.

32 (b) A claim under this section shall be submitted to the Office. The claim shall be in a
33 form, and supported by appropriate documentation and information, as required by the
34 Commission. A claim may be submitted on behalf of a claimant by a person lawfully
35 authorized to act on the individual's behalf.

36 (c) The Commission shall determine the eligibility of a claimant to receive the
37 compensation authorized by this Part in accordance with G.S. 143B-426.53. The Commission
38 shall notify the claimant in writing of the Commission's determination regarding the claimant's
39 eligibility.

40 (d) The Commission shall adopt rules for the determination of eligibility and the
41 processing of claims.

42 **"§ 143B-426.53. Industrial Commission determination.**

43 (a) The Commission shall determine whether a claimant is eligible for compensation as
44 a qualified recipient under this Part. The Commission shall have all powers and authority
45 granted under Article 31 of Chapter 143 of the General Statutes with regard to claims filed
46 pursuant to this Part.

47 (b) A deputy commissioner shall be assigned by the Commission to make initial
48 determinations of eligibility for compensation under this Part. The deputy commissioner shall
49 review the claim and supporting documentation submitted on behalf of a claimant and shall
50 make a determination of eligibility. In any case where the claimant was a competent adult when
51 asexualized or sterilized, the burden is on the claimant to rebut the presumption that the

1 claimant gave informed consent. If the claim is not approved, the deputy commissioner shall set
2 forth in writing the reasons for the disapproval and notify the claimant.

3 (c) A claimant whose claim is not approved under subsection (b) of this section may
4 submit to the Commission additional documentation in support of the individual's claim and
5 request a redetermination by the deputy commissioner.

6 (d) A claimant whose claim is not approved under subsection (b) or (c) of this section
7 shall have the right to request a hearing before the deputy commissioner. The hearing shall be
8 conducted in accordance with rules of the Commission. For claimants who are residents of this
9 State, at the request of the claimant, the hearing shall be held in the county of residence of the
10 claimant. For claimants who are not residents of this State, the hearing shall be held in Wake
11 County or at a location of mutual convenience as determined by the deputy commissioner. The
12 claimant shall have the right to be represented, including the right to be represented by counsel,
13 present evidence, and call witnesses. The deputy commissioner who hears the claim shall issue
14 a written decision of eligibility which shall be sent to the claimant.

15 (e) Upon the issuance of a decision by the deputy commissioner under subsection (d) of
16 this section, the claimant may file notice of appeal with the Commission within 30 days of the
17 date notice of the deputy commissioner's decision is given. Such appeal shall be heard by the
18 Commission, sitting as the full Commission, on the basis of the record in the matter and upon
19 oral argument. The full Commission may amend, set aside, or strike out the decision of the
20 deputy commissioner and may issue its own findings of fact, conclusions of law, and decision.
21 The Commission shall notify all parties concerned in writing of its decision.

22 (f) A claimant may appeal the decision of the full Commission to the Court of Appeals
23 within 30 days of the date notice of the decision of the full Commission is given. Appeals under
24 this section shall be in accordance with the procedures set forth in G.S. 143-293 and
25 G.S. 143-294.

26 (g) If at any stage of the proceedings the claimant is determined to be a qualified
27 recipient, the Commission shall give notice to the claimant and to the Office of the State
28 Treasurer and the State Treasurer shall make payment of compensation to the qualified
29 recipient or a trust specified under G.S. 143B-426.51(b).

30 (h) Decisions and determinations by the Commission favorable to the claimant shall be
31 final and not subject to appeal by the State.

32 (i) Costs under this section shall be taxed to the State.

33 **"§ 143B-426.54. Office of Justice for Sterilization Victims.**

34 (a) There is created in the Department of Administration the Office of Justice for
35 Sterilization Victims.

36 (b) At the request of a claimant or a claimant's legal representative, the Office shall
37 assist an individual who may be a qualified recipient to determine whether the individual
38 qualifies for compensation under this Part. The Office may assist an individual filing a claim
39 under this Part and collect documentation in support of the claim. With the claimant's consent,
40 the Office may represent and advocate for the claimant before the Commission and may assist
41 the claimant with any good-faith further appeal of an adverse decision on a claim.

42 (c) The Office shall plan and implement an outreach program to attempt to notify
43 individuals who may be possible qualified recipients.

44 **"§ 143B-426.55. Confidentiality.**

45 Records of all inquiries of eligibility, claims, and payments under this Part shall be
46 confidential and not public records under Chapter 132 of the General Statutes.

47 **"§ 143B-426.56. Compensation excluded as income, resources, or assets.**

48 (a) Any payment made under this section is not subject to income tax as provided in
49 G.S. 105-134.6(b)(22) nor to be considered income or assets for purposes of determining the
50 eligibility for, or the amount of, any benefits or assistance under any State or local program
51 financed in whole or in part with State funds.

1 (b) Pursuant to G.S. 108A-26.1, the Department of Health and Human Services shall do
2 the following:

3 (1) Provide income, resource, and asset disregard to an applicant for, or
4 recipient of, public assistance who receives compensation under this Part.
5 The amount of the income, resource, and asset disregard shall be equal to the
6 total compensation paid to the individual from the Eugenics Sterilization
7 Compensation Fund.

8 (2) Provide resource protection by reducing any subsequent recovery by the
9 State under G.S. 108A-70.5 from a deceased recipient's estate for payment of
10 Medicaid-paid services by the amount of resource disregard given under
11 subdivision (1) of this subsection.

12 (3) Adopt rules to implement the provisions of subdivisions (1) and (2) of this
13 subsection.

14 **"§ 143B-426.57. Limitation of liability.**

15 Nothing in this Part shall revive or extend any statute of limitations that may otherwise
16 have expired prior to July 1, 2013. The State's liability arising from any cause of action related
17 to any asexualization or sterilization performed pursuant to an order of the Eugenics Board of
18 North Carolina shall be limited to the compensation authorized by this Part."

19 **SECTION 6.18.(b)** G.S. 105-134.6(b) is amended by adding a new subdivision to
20 read:

21 "(22) The amount paid to the taxpayer during the taxable year from the Eugenics
22 Sterilization Compensation Fund in the Office of the State Treasurer as
23 compensation to a qualified recipient under the Eugenics Asexualization and
24 Sterilization Compensation Program under Part 30 of Article 9 of Chapter
25 143B of the General Statutes."

26 **SECTION 6.18.(c)** Part 1 of Article 2 of Chapter 108A of the General Statutes is
27 amended by adding a new section to read:

28 **"§ 108A-26.1. Exclude compensation from the Eugenics Sterilization Compensation Fund**
29 **from income, resources, and assets for public assistance programs.**

30 With regard to compensation received pursuant to Part 30 of Article 9 of Chapter 143B of
31 the General Statutes, the provisions of G.S. 143B-426.56(b) shall apply to the Department."

32 **SECTION 6.18.(d)** G.S. 132-1.23 reads as rewritten:

33 **"§ 132-1.23. Eugenics program records.**

34 (a) Records in the custody of the State, including those in the custody of the North
35 Carolina Office of Justice for Sterilization Foundation Victims, concerning the North
36 Carolina Eugenics Board of North Carolina's program are confidential and are not public
37 records to the extent they concern records, including the records identifying (i) persons
38 individuals impacted by the program, (ii) persons individuals, or their guardians or authorized
39 agents agents, inquiring about the impact of the program on them, the individuals, or (iii)
40 persons individuals, or their guardians or authorized agents agents, inquiring about the potential
41 impact of the program on others.

42 (b) Notwithstanding subsection (a) of this section, a person an individual impacted by
43 the program may obtain that person's individual records under the program, and a guardian or
44 authorized agent of that person may also obtain them program, or a guardian or authorized
45 agent of that individual, may obtain that individual's records under the program upon execution
46 of a proper release authorization.

47 (c) Notwithstanding subsections (a) and (b) of this section, minutes or reports of the
48 Eugenics Board of North Carolina, for which identifying information of the individuals
49 impacted by the program have been redacted, may be released to any person. As used in this
50 subsection, "identifying information" shall include the name, street address, birth day and

1 month, and any other information the State believes may lead to the identity of any individual
2 impacted by the program, or of any relative of an individual impacted by the program."

3 **SECTION 6.18.(e)** There is established the Eugenics Sterilization Compensation
4 Fund. The Fund shall be designated a special fund and shall be used to pay the compensation
5 authorized under Part 30 of Article 9 of Chapter 143B of the General Statutes. The Fund shall
6 be administered by the Office of Justice for Sterilization Victims established in
7 G.S. 143B-426.54. Monies in the Fund shall not be expended or transferred except in
8 accordance with Part 30 of Article 9 of Chapter 143B of the General Statutes. Monies in the
9 Fund shall remain until all claims timely filed with the Industrial Commission as prescribed in
10 this act have been finally adjudicated and all qualified recipients who timely submit claims are
11 paid. The Office of Justice for Sterilization Victims and the Fund are subject to the oversight of
12 the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. Funds
13 remaining after all qualified recipients are paid shall revert to the General Fund.

14 **SECTION 6.18.(f)** The Department of Health and Human Services shall submit to
15 the Centers for Medicare and Medicaid Services by July 1, 2013, a State Plan Amendment for
16 the Medical Assistance Program and a State Plan Amendment for the Children's Health
17 Insurance Program to allow for income, resource, and asset disregard for compensation
18 payments under Part 30 of Article 9 of Chapter 143B of the General Statutes, the Eugenics
19 Asexualization and Sterilization Compensation Program, as enacted by this act.

20 **SECTION 6.18.(g)** Of the funds appropriated to the Eugenics Sterilization
21 Compensation Fund, the sum of one hundred twenty-three thousand seven hundred forty-eight
22 dollars (\$123,748) shall be transferred to the Office of Justice for Sterilization Victims to pay
23 the continued operations of the Justice for Sterilization Victims Foundation for the 2013-2014
24 fiscal year.

25 **SECTION 6.18.(h)** Subsection (c) of this section is effective for taxes imposed for
26 taxable years beginning on or after January 1, 2013. Subsections (f) and (h) of this section are
27 effective when this act becomes law. The remainder of this section becomes effective July 1,
28 2013. Except for the provisions of subsections (b), (c), and (d) of this section, this section
29 expires June 30, 2015.

30 **NC BACK-TO-WORK FUNDS**

31 **SECTION 6.19.** Of the funds appropriated in this act to the Community Colleges
32 System Office for the 2013-2014 fiscal year, the sum of ten million dollars (\$10,000,000) shall
33 be used for the North Carolina Back-to-Work Program, a retraining program focused on
34 unemployed and underemployed North Carolinians, military veterans, and North Carolina
35 National Guard members. The program shall provide students with occupational skills,
36 employability skills, including a Career Readiness Certificate, and opportunities to earn
37 third-party, industry recognized credentials. Funds may only be allocated to community
38 colleges whose training plans include support for one or more of the following: (i) employers
39 who have committed to assist colleges with the design and implementation of their training
40 plans and to interview program completers for available jobs; (ii) companies with registered
41 apprenticeship programs with the North Carolina Department of Labor; (iii) coordinated
42 projects among two or more colleges that focus on serving the needs of an industry cluster; or
43 (iv) programs developed in collaboration with the North Carolina National Guard or veterans'
44 organizations. Funds may only be used for the following activities: student instruction, student
45 support and coaching, and targeted financial assistance for students, including assistance with
46 tuition, registration fees, books, and certification costs.

47 **PART VII. INFORMATION TECHNOLOGY**

48 **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND**

1 **SECTION 7.2.(a)** G.S. 147-33.88 reads as rewritten:

2 "**§ 147-33.88. Information technology budget development and reports.**

3 (a) ~~The Office shall develop an annual budget for review and approval by the Office of~~
4 ~~State Budget and Management prior to April 1 of each year.~~ The Office of Information
5 Technology Services (ITS) shall develop an annual budget for review and approval by the
6 Office of State Budget and Management (OSBM) in accordance with a schedule prescribed by
7 the Director of the Office of State Budget and Management. The approved Information
8 Technology Internal Service Fund budget shall be included in the Governor's budget
9 recommendations to the General Assembly.

10 The Office of State Budget and Management shall ensure that State agencies have an
11 opportunity to adjust their budgets based on any rate changes proposed by the Office of
12 Information Technology Services and approved by the Office of State Budget and
13 Management.

14 (b) The Office shall report to the Joint Legislative Oversight Committee on Information
15 Technology and the Fiscal Research Division on the Office's Internal Service Fund on a
16 quarterly basis, no later than the first day of the second month following the end of the quarter.
17 The report shall include current cash balances, line-item detail on expenditures from the
18 previous quarter, and anticipated expenditures and revenues. The Office shall report to the Joint
19 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
20 on expenditures for the upcoming quarter, projected year-end balance, and the status report on
21 personnel position changes including new positions created and existing positions eliminated.
22 The Office spending reports shall comply with the State Accounting System object codes."

23 **SECTION 7.2.(b)** IT Internal Service Fund. – For each year of the 2013-2015
24 fiscal biennium, receipts for the IT Internal Service Fund shall not exceed one hundred ninety
25 million dollars (\$190,000,000), excluding a 60-day balance for contingencies. Rates approved
26 by the Office of State Budget and Management (OSBM) to support the IT Internal Service
27 Fund shall be based on this fund limit. In the event the Fund exceeds the required limit, rates
28 shall be adjusted within 30 days. In the event that an increase in receipts for the IT Internal
29 Service Fund is required, the Office of Information Technology services may only implement
30 the increase after consultation with the Joint Legislative Commission on Governmental
31 Operations.

32 **SECTION 7.2.(c)** Rate Setting. – By October 31, 2013, the State Chief Information
33 Officer shall establish consistent, fully transparent, easily understandable rates that reflect
34 industry standards for each service for which any agency is charged. A report explaining the
35 rate structure shall be submitted to the Joint Legislative Commission on Governmental
36 Operations, the Chairs of the Joint Legislative Oversight Committee on Information
37 Technology, the House Appropriations Subcommittee on Information Technology, and the
38 Fiscal Research Division. An interim report shall be submitted by July 30, 2013. Overhead
39 charges to agencies shall be consistently applied and shall reflect industry standards for the
40 particular service. Rate increases shall require the approval of OSBM and consultation with the
41 Joint Legislative Commission on Governmental Operations. Rate reductions may be
42 implemented following notification of OSBM.

43 **SECTION 7.2.(d)** Agency Billing and Payments. – The State Chief Information
44 Officer shall ensure that bills from the Office of Information Technology Services are easily
45 understandable and fully transparent. If a State agency fails to pay its IT Internal Service Fund
46 bill within 30 days of receipt, the Office of State Budget and Management may transfer funds
47 from the agency to fully or partially cover the cost of the bill from that agency to the IT Internal
48 Service Fund, following notification of the affected agency.

49 **SECTION 7.2.(e)** Unspecified Uses. – Any uses of the IT Internal Service Fund
50 not specifically related to the operation of the Office of Information Technology Services, to
51 include any transfers to other State agencies, shall immediately be reported to the Office of

1 State Budget and Management and the Fiscal Research Division with a detailed explanation as
2 to why it was necessary to use the Fund. The State Chief Information Officer may use the IT
3 Internal Service Fund, and any other available resources, to accelerate desktop remediation and
4 associated software upgrades, if it is in the State's best interest.

6 **INFORMATION TECHNOLOGY OPERATIONS/FUNDING**

7 **SECTION 7.4.(a)** The Office of the State Chief Information Officer (CIO) shall
8 develop an inventory of servers and server locations in State agencies. Based on this inventory,
9 the State CIO shall develop a plan to consolidate agency servers in State-owned data centers.
10 By November 1, 2013, the State CIO shall provide a written plan for accomplishing this to the
11 Joint Legislative Oversight Committee on Information Technology and the Fiscal Research
12 Division.

13 **SECTION 7.4.(b)** The Office of the State CIO shall identify information
14 technology applications that are hosted by vendors that are not backed up on State-owned
15 infrastructure. The State CIO shall work with impacted State agencies to develop a plan to
16 ensure that any State agency application hosted by a vendor is backed up on State-owned
17 infrastructure. By January 1, 2014, the State CIO shall provide a plan for accomplishing this to
18 the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research
19 Division.

20 **SECTION 7.4.(c)** Unless a change is approved by the State Chief Information
21 Officer after consultation with the Office of State Budget and Management, funds appropriated
22 to the Information Technology Fund shall be spent only as specified by the General Assembly.
23 Changes shall not result in any degradation to the information technology operations or projects
24 for which the funds were originally appropriated.

25 Any changes to the specified uses shall be reported in writing to the Chairs of the
26 Joint Legislative Oversight Committee on Information Technology, the Chair and Cochair of
27 the House Appropriations Subcommittee on Information Technology, and the Fiscal Research
28 Division.

29 **SECTION 7.4.(d)** The Information Technology Reserve Fund shall be established
30 in the Office of the State Chief Information Officer (CIO). It shall be interest-bearing and
31 nonreverting. The State CIO shall follow established procedures for project approval. By
32 August 1, 2013, the State Chief Information Officer shall provide a time line for completing
33 initiatives included in the IT Reserve Fund to the Joint Legislative Oversight Committee on
34 Information Technology, the House Appropriations Subcommittee on Information Technology,
35 and the Fiscal Research Division. The time line shall include the dates for completion of a
36 strategic plan, an enterprise architecture, a new business case methodology, and
37 implementation of a new project management process. Not later than the dates specified in the
38 time line, each of these documents shall be submitted to the Joint Legislative Oversight
39 Committee on Information Technology, the House Appropriations Subcommittee on
40 Information Technology, and the Fiscal Research Division.

42 **STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT**

43 **SECTION 7.5.** Statewide information technology procurement shall be funded
44 through fees charged to agencies using the services of the Statewide Information Technology
45 Procurement Office. The Office of the State Chief Information Officer (CIO) shall provide to
46 the Office of State Budget and Management (OSBM) a fee schedule to allow cost recovery. If
47 an agency fails to pay for services within 30 days of billing, OSBM shall transfer the unpaid
48 amount to the State Information Technology Procurement Office, following notification of the
49 affected agency.

51 **PUBLIC SCHOOL PROCUREMENT OF INFORMATION TECHNOLOGY**

1 **SECTION 7.6.(a)** The State Chief Information Officer (CIO) shall work with the
2 North Carolina Department of Public Instruction (DPI) and the Governor's Education Council
3 to implement public school cooperative purchasing agreements for the procurement of
4 information technology (IT) goods and services to support public schools. For purposes of this
5 section, the phrase "public school cooperative purchasing agreement" means an agreement
6 implemented pursuant to this section and available for local school administrative units,
7 regional schools, charter schools, or some combination thereof, providing for collaborative or
8 collective purchases of information technology goods and services in order to leverage
9 economies of scale and to reduce costs.

10 **SECTION 7.6.(b)** Each public school cooperative purchasing agreement shall be
11 based on a defined statewide information technology need to support education in the public
12 schools. Each public school cooperative purchasing agreement shall allow for equal access to
13 technology tools and services and shall provide a standard competitive cost throughout North
14 Carolina for each tool or service. Public school cooperative purchasing agreements shall follow
15 State information technology procurement laws, rules, and procedures.

16 **SECTION 7.6.(c)** By October 1, 2013, and quarterly thereafter, the Office of the
17 State CIO and DPI shall report on the establishment of public school cooperative purchasing
18 agreements, savings resulting from the establishment of the agreements, and any issues
19 impacting the establishment of the agreements. The reports shall be made to the Joint
20 Legislative Oversight Committee on Information Technology, the Joint Legislative Education
21 Oversight Committee, and the Fiscal Research Division.

22 23 **INFORMATION TECHNOLOGY CONTRACTS**

24 **SECTION 7.7.(a)** SCIO Review. – The State Chief Information Officer (CIO)
25 shall review all State information technology (IT) contracts and shall develop a plan to
26 consolidate duplicate IT contracts and multiple IT contracts with the same vendor.

27 **SECTION 7.7.(b)** The State CIO shall develop a plan to modify bulk purchasing
28 contracts, while maintaining economies of scale, to provide agencies with the option of
29 purchasing equipment on an "as-needed" basis. By September 15, 2013, the State CIO shall
30 provide the plan to the Joint Legislative Oversight Committee on Information Technology and
31 the Fiscal Research Division. The State CIO may modify the plan based upon input from the
32 Joint Legislative Oversight Committee on Information Technology and, following the review,
33 shall begin implementation of the plan.

34 **SECTION 7.7.(c)** Enterprise Contracts. – The State Chief Information Officer shall
35 consult participating agency chief information officers and obtain approval from the Office of
36 State Budget and Management prior to the initiation of any enterprise project or contract and
37 shall ensure that enterprise project and contract costs are allocated to participating agencies in
38 an equitable manner. Enterprise agreements shall not exceed the participating State agencies'
39 ability to financially support the contracts.

40 The State CIO shall not enter into any enterprise information technology contracts
41 without obtaining written agreements from participating State agencies regarding the
42 apportionment of the contract cost. State agencies agreeing to participate in a contract shall:

- 43 (1) Ensure that sufficient funds are budgeted to support their agreed shares of
44 enterprise contracts throughout the life of the contract.
- 45 (2) Transfer the required funding to the Information Technology Internal
46 Service Fund in sufficient time for the Office of Information Technology
47 Services to meet vendor contract requirements.

48 **SECTION 7.7.(d)** Three-Year Contracts. – Notwithstanding the cash management
49 provisions of G.S. 147-86.11, the Office of Information Technology Services (ITS) may
50 procure information technology goods and services for periods up to a total of three years
51 where the terms of the procurement contracts require payment of all or a portion of the contract

1 price at the beginning of the contract agreement. All of the following conditions shall be met
2 before payment for these agreements may be disbursed:

- 3 (1) Any advance payment can be accomplished within the IT Internal Service
4 Fund budget.
- 5 (2) The State Controller receives conclusive evidence that the proposed
6 agreement would be more cost-effective than a multiyear agreement that
7 complies with G.S. 147-86.11.
- 8 (3) The procurement complies in all other aspects with applicable statutes and
9 rules.
- 10 (4) The proposed agreement contains contract terms that protect the financial
11 interest of the State against contractor nonperformance or insolvency
12 through the creation of escrow accounts for funds, source codes, or both, or
13 by any other reasonable means that have legally binding effect.

14 The Office of State Budget and Management shall ensure the savings from any authorized
15 agreement shall be included in the IT Internal Service Fund rate calculations before approving
16 annual proposed rates. Any savings resulting from the agreements shall be returned to agencies
17 included in the contract in the form of reduced rates. Beginning October 1, 2013, ITS shall
18 submit a quarterly written report of any authorizations granted under this section to the Joint
19 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.
20

21 **INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT** 22 **REQUIREMENTS**

23 **SECTION 7.8.** Notwithstanding any provision of law to the contrary, no contract
24 for information technology personal services, or that provides personnel to perform information
25 technology functions, may be established or renewed without written approval from the
26 Statewide Information Technology Procurement Office and the Office of State Budget and
27 Management. To facilitate compliance with this requirement, the Statewide Information
28 Technology Procurement Office shall develop and document the following:

- 29 (1) Standards for determining whether it is more appropriate for an agency to
30 hire an employee or use the services of a vendor.
- 31 (2) A process to monitor all State agency personal services contracts, as well as
32 any other State contracts providing personnel to perform information
33 technology functions.
- 34 (3) A process for obtaining approval of contractor positions.

35 The Statewide Information Technology Procurement Office shall review current
36 personal services contracts and determine if each contractor is performing a function that could
37 more appropriately be performed by a State employee. Where the determination is made that a
38 State employee should be performing the function, the Statewide Information Technology
39 Procurement Office shall work with the impacted agency and the Office of State Personnel to
40 identify or create the position.

41 Beginning October 1, 2013, the Statewide Information Technology Procurement
42 Office shall report to the Joint Legislative Oversight Committee on Information Technology
43 and the Fiscal Research Division on its progress toward standardizing information technology
44 personal services contracts. In addition, the report shall include detailed information on the
45 number of personal service contractors in each State agency, the cost for each, and the
46 comparable cost (including benefits) of a State employee serving in that capacity rather than a
47 contractor.
48

49 **PREVENT DUPLICATION OF INFORMATION TECHNOLOGY CAPABILITIES**

50 **SECTION 7.9.(a)** The Office of the State Chief Information Officer (CIO) shall
51 develop a plan and adopt measures to prevent the duplication of information technology

1 capabilities and resources across State agencies. When multiple agencies require the same, or
2 substantially similar, information technology capabilities, the State CIO shall designate one
3 State agency as the lead to coordinate and manage the capability for all State agencies, with the
4 State CIO maintaining oversight of the effort. By October 1, 2013, the State CIO shall provide
5 this plan to the Joint Legislative Oversight Committee on Information Technology and the
6 Fiscal Research Division.

7 **SECTION 7.9.(b)** The Office of the State Chief Information Officer shall do all of
8 the following to carry out the purposes of this section:

- 9 (1) Review all current and future information technology projects to determine
10 whether the capabilities required for each project already exist in a planned,
11 ongoing, or completed information technology project developed by another
12 State agency. For projects where the capability already exists, the Office of
13 the State CIO shall assist the agency with implementing the existing
14 capability.
- 15 (2) Identify existing projects that can best support a specific information
16 technology capability for multiple agencies and work to transition all
17 agencies requiring the specific capability to the identified projects.
- 18 (3) When State agencies request approval for new projects, determine if the
19 information technology project can be implemented using an existing
20 application, or if the new project has the potential to support multiple
21 agencies' requirements.
- 22 (4) Provide quarterly reports on progress toward eliminating duplication to the
23 Joint Legislative Oversight Committee on Information Technology and the
24 Fiscal Research Division.
- 25 (5) Ensure that contracts for information technology allow the addition of other
26 agencies' requirements within the terms of the existing contracts.

27 **SECTION 7.9.(c)** The Office of the State Chief Information Officer shall include
28 The University of North Carolina in the plan to prevent the duplication of information
29 technology capabilities and resources, and the University shall provide all information
30 requested to identify information technology capabilities and resources for the plan.
31 Notwithstanding G.S. 147-33.80, the University shall participate in enterprise projects and
32 initiatives conducted pursuant to G.S. 143-135.9 involving the same, or substantially similar,
33 information technology capabilities or provide common information technology infrastructure
34 among Executive Branch agencies, including Enterprise Resource Planning.

35 **SECTION 7.9.(d)** G.S. 147-33.72C(e) reads as rewritten:

36 "(e) Performance Contracting. – All contracts between a State agency and a private party
37 for information technology projects shall include provisions for vendor performance review
38 and accountability. The State CIO may require that these contract provisions require a
39 performance bond, include monetary penalties, or require other performance
40 assurance measures for projects that are not completed or performed within the specified time
41 period or that involve costs in excess of those specified in the contract. The State CIO may
42 utilize cost savings realized on government vendor partnerships, as defined in G.S. 143-135.9,
43 as performance incentives for an information technology project vendor.~~require contract~~
44 ~~provisions requiring a vendor to provide a performance bond."~~

45 **SECTION 7.9.(e)** All State agencies shall coordinate any Geographic Information
46 System (GIS) initiatives through the Center for Geographic Information and Analysis (CGIA)
47 in the Office of Information Technology Services, as well as the Office of the State CIO, to
48 ensure that existing capabilities are not being duplicated. The CGIA shall monitor and approve
49 all new GIS-related information technology projects and expansion budget requests. By
50 January 1 of each year, the CGIA shall submit a written report on GIS duplication to the Joint
51 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

1 The CGIA shall conduct a review of all GIS applications in State agencies, identify
2 instances of duplication for existing applications, and develop a plan for consolidating
3 duplicative projects. By November 1, 2013, the CGIA shall provide a report on the review to
4 the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research
5 Division.

6 7 **STATE INFORMATION TECHNOLOGY DATA ARCHIVING**

8 **SECTION 7.11.(a)** The State Chief Information Officer (CIO) shall investigate the
9 feasibility of creating an enterprise data archiving system for State agencies that will (i) allow
10 for the effective management of data from multiple sources; (ii) provide for efficient, timely
11 responses to discovery requests and investigations; and (iii) ensure real time State agency
12 access to and use of archived files. The system shall be financed only by savings accrued as a
13 result of the project.

14 **SECTION 7.11.(b)** By December 1, 2013, the State CIO shall report to the Joint
15 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
16 on the results of the feasibility assessment.

17 **SECTION 7.11.(c)** Subsequent to making the report required by this section, and
18 only if the State CIO has developed a business case that is validated by the Office of State
19 Budget and Management, then the State CIO may initiate the development of an enterprise data
20 archiving system.

21 22 **INFORMATION TECHNOLOGY/PRIVACY PROTECTION OF CITIZEN DATA**

23 **SECTION 7.12.** The Joint Legislative Oversight Committee on Information
24 Technology (the Committee), in collaboration with the State Chief Information Officer (CIO),
25 shall study establishing State requirements to safeguard the personal data of individuals
26 collected and managed by all branches of State government. The study shall be conducted with
27 the participation and assistance of agency CIOs selected jointly by the Committee and State
28 CIO. The Committee may report any legislative proposals to the 2014 Regular Session of the
29 2013 General Assembly.

30 31 **STATE INFORMATION TECHNOLOGY INNOVATION CENTER**

32 **SECTION 7.13.** The State Chief Information Officer (CIO) may operate a State
33 Information Technology Innovation Center (Center) to develop and demonstrate technology
34 solutions with potential benefit to the State and its citizens. The Center may facilitate the
35 piloting of potential solutions to State technology requirements. In operating the Center, the
36 State CIO shall ensure that all State laws, rules, and policies are followed. Vendor participation
37 in the Center shall not be construed to (i) create any type of preferred status for vendors or (ii)
38 abrogate the requirement that the State CIO ensure that agency and statewide requirements for
39 information technology support (including those for the Office of the State CIO and the Office
40 of Information Technology Services) are awarded based on a competitive process that follows
41 information technology procurement guidelines. Beginning July 1, 2013, the State CIO shall
42 report to the Joint Legislative Oversight Committee on Information Technology on a quarterly
43 basis on initiatives being developed and implemented within the Center, as well as on the
44 sources and amounts of resources used to support the Center.

45 46 **ENTERPRISE GRANTS MANAGEMENT**

47 **SECTION 7.14.(a)** Effective August 1, 2013, the State Chief Information Officer
48 (CIO) shall oversee the development and implementation of the enterprise grants management
49 system. The State CIO shall review progress on the implementation of the enterprise grants
50 management system and update the plan for its development and implementation. This plan
51 shall include an updated inventory of current agency grants management systems and a detailed

1 process for consolidating grants management within the State, to include a timeline for
2 implementation. By October 1, 2013, the State CIO shall provide the updated plan to the Joint
3 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

4 **SECTION 7.14.(b)** There is established a Grants Management Oversight
5 Committee to coordinate the development of an enterprise grants management system. The
6 Committee shall be chaired by the State Chief Information Officer. Committee membership
7 shall include the Director of the Office of State Budget and Management, the State Auditor, the
8 Department of Transportation Chief Information Officer, and the State Controller. The State
9 Auditor shall serve as a nonvoting member. The Committee shall:

- 10 (1) Establish priorities for moving agencies to the enterprise system.
- 11 (2) Establish priorities for development and implementation of system
12 capabilities.
- 13 (3) Define system requirements.
- 14 (4) Approve plans associated with system development and implementation.
- 15 (5) Review costs and approve funding sources for system development and
16 implementation.
- 17 (6) Ensure any system benefits are realistic and realized.

18 **SECTION 7.14.(c)** Beginning September 1, 2013, the Office of the State CIO shall
19 report quarterly to the Joint Legislative Oversight Committee on Information Technology and
20 the Fiscal Research Division on the status of the system, including the following information:

- 21 (1) Agencies currently participating in the system.
- 22 (2) Specific requirements for each agency project included in the system
23 development.
- 24 (3) Cost and funding sources for each agency participating in the system.
- 25 (4) Status of each agency project included in the system.
- 26 (5) Comparison of the status of each project to the project's time line, with an
27 explanation of any differences.
- 28 (6) Detailed descriptions of milestones completed that quarter and to be
29 completed the next quarter.
- 30 (7) Any changes in project cost for any participating agency, the reason for the
31 change, and the source of funding, if there is a cost increase.
- 32 (8) Actual project expenditures by agency, to date, and during that quarter.
- 33 (9) Any potential funding shortfalls, and their impact.
- 34 (10) Any issues identified during the quarter, with a corrective action plan and a
35 time line for resolving each issue.
- 36 (11) Impact of any issues on schedule or cost.
- 37 (12) Any changes to agency projects, or the system as a whole.
- 38 (13) Any change requests and their costs.

40 ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES

41 **SECTION 7.15.(a)** The State's enterprise electronic forms and digital signatures
42 project shall be transferred from the Office of the State Controller to the Office of the State
43 Chief Information Officer (CIO) as a Type I transfer, as defined in G.S. 143A-6. The State CIO
44 shall continue the planning, development, and implementation of a coordinated enterprise
45 electronic forms and digital signatures capability, as well as the use of digital certificates. As
46 part of the process, the Office of the State CIO shall include the capability to allow one-time
47 data entry for multiple applications.

48 **SECTION 7.15.(b)** The State CIO shall continue to integrate executive branch
49 agencies developing, or identifying the need to develop, electronic forms or digital signatures
50 projects, or both. The State CIO shall also review existing electronic forms and digital
51 signatures capabilities and develop a plan to consolidate them. The State CIO may consolidate

1 current agency electronic forms and digital signature capabilities, and cancel ongoing projects,
2 and may redirect the resources associated with the capabilities and projects to the enterprise
3 electronic forms and digital signatures project. Beginning November 1, 2013, the State CIO
4 shall submit quarterly reports on the status of the project to the Joint Legislative Oversight
5 Committee on Information Technology and the Fiscal Research Division.

7 **VEHICLE MANAGEMENT**

8 **SECTION 7.16.(a)** The Office of the State Chief Information Officer (CIO) shall
9 develop an implementation plan for establishing a statewide motor fleet management system.
10 The plan shall consider consolidating individual agency and institution motor fleet management
11 systems and include an implementation time line, a cost estimate, and a continuing funding
12 strategy to create and operate a statewide fleet management information system to which all
13 State agencies and institutions would be required to provide vehicle identification, utilization,
14 and direct cost data. In formulating an implementation plan, the Office of the State Chief
15 Information Officer shall do the following:

- 16 (1) Consult with State agencies that own vehicles.
- 17 (2) Review the existing fleet management information systems used by State
18 agencies.
- 19 (3) Examine fleet management information systems used by other state
20 governments.
- 21 (4) Determine whether the State should (i) expand a fleet management
22 information system currently used by a State agency for statewide use, (ii)
23 develop a new in-house system, or (iii) purchase a new system from an
24 outside vendor.
- 25 (5) Determine fees or other methods to pay the initial and ongoing costs for the
26 system.

27 **SECTION 7.16.(b)** The Office of State Budget and Management shall assist and
28 advise the Office of the State Chief Information Officer in developing the implementation plan
29 and work with State agencies and institutions to identify funding from current and proposed
30 projects and applications that could be used to support the development and implementation of
31 the statewide motor fleet management system. The Office of State Controller shall assist and
32 advise the Office of the State Chief Information Officer in developing the implementation plan
33 for the statewide motor fleet management information system, including how the system
34 interfaces with the statewide accounting system.

35 **SECTION 7.16.(c)** Beginning October 1, 2013, the State CIO shall report to the
36 Joint Legislative Oversight Committee on Information Technology and the Fiscal Research
37 Division on the implementation plan for the statewide motor fleet management information
38 system including progress toward the development of the enterprise system, the associated
39 costs, identified sources of funding, and any issues associated with the project.

40 **SECTION 7.16.(d)** The State CIO shall also study the feasibility of implementing
41 a tracking system for State vehicles, based on recommendations from the Program Evaluation
42 Division, and report the results of the study to the Joint Legislative Oversight Committee on
43 Information Technology, the Joint Legislative Program Evaluation Oversight Committee, and
44 the Fiscal Research Division by November 15, 2013.

45 **SECTION 7.16.(e)** Until July 1, 2015, no State or local governmental entity or
46 officer may procure or operate an unmanned aircraft system or disclose personal information
47 about any person acquired through the operation of an unmanned aircraft system unless the
48 State CIO approves an exception specifically granting disclosure, use, or purchase. Any
49 exceptions to the prohibition in this subsection shall be reported immediately to the Joint
50 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.
51 The following definitions apply in this section:

- 1 (1) "Unmanned aircraft" means an aircraft that is operated without the
2 possibility of human intervention from within or on the aircraft.
3 (2) "Unmanned aircraft system" means an unmanned aircraft and associated
4 elements, including communication links and components that control the
5 unmanned aircraft that are required for the pilot in command to operate
6 safely and efficiently in the national airspace system.

7 **SECTION 7.16.(f)** If the State Chief Information Officer determines that there is a
8 requirement for unmanned aircraft systems for use by State or local agencies, planning may
9 begin for the possible development, implementation, and operation of an unmanned aircraft
10 system program within the State of North Carolina. This planning effort shall be accomplished
11 in coordination with the Chief Information Officer for the Department of Transportation and
12 the DOT Aviation Division Director. If the State CIO decides to plan for an unmanned aircraft
13 system program, a proposal for the implementation of the program shall be provided by March
14 1, 2014, to the Joint Legislative Oversight Committee on Information Technology, the Joint
15 Transportation Legislative Oversight Committee, and the Fiscal Research Division. At a
16 minimum, the proposal shall include the following:

- 17 (1) Governance structure to include the appropriate use at each level of
18 government.
19 (2) Guidelines for program implementation to include limitations on unmanned
20 aircraft system use.
21 (3) Potential participants.
22 (4) Costs associated with establishing a program.
23 (5) Potential sources of funding.
24 (6) Issues associated with establishing a program to include limitations on
25 entities that may already have purchased unmanned aircraft systems.
26 (7) Recommendations for legislative proposals.

27
28 **TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE**
29 **PARTNERSHIP AUTHORIZED**

30 **SECTION 7.17.(a)** Additional Public-Private Partnership. – The Secretary of
31 Revenue may enter into an additional public-private arrangement in order to expand the
32 implementation of the Tax Information Management System (TIMS). All such arrangements
33 will terminate June 30, 2018. The public-private arrangement may include terms necessary to
34 implement additional revenue-increasing or cost-savings components if all of the following
35 conditions are met:

- 36 (1) The funding of the project under the arrangement comes from revenue
37 generated by or cost savings resulting from the project.
38 (2) The funding of the project is dependent on increased-revenue or cost-savings
39 streams that are different from the existing benefits stream for the
40 implementation of TIMS.
41 (3) The project involves additional identified initiatives that will be integrated
42 into the TIMS solution.

43 **SECTION 7.17.(b)** Contracts. – Work under an additional public-private
44 arrangement that is authorized by this section may be contracted by requests for proposals,
45 modifications to the existing contracts, purchases using existing contracts, or other related
46 contract vehicles.

47 **SECTION 7.17.(c)** Management/Performance Measurement. – The Secretary of
48 Revenue shall follow the existing model for public-private arrangement oversight and shall
49 establish a measurement process to determine the increased revenue or cost savings attributed
50 to the additional public-private arrangement authorized by this section. To accomplish this, the
51 Secretary shall consult subject matter experts in the Department of Revenue, in other

1 governmental units, and in the private sector, as necessary. At a minimum, the measurement
2 process shall include all of the following:

- 3 (1) Calculation of a revenue baseline against which the increased revenue
4 attributable to the project is measured and a cost-basis baseline against
5 which the cost savings resulting from the project are measured.
- 6 (2) Periodic evaluation to determine whether the baselines need to be modified
7 based on significant measurable changes in the economic environment.
- 8 (3) Monthly calculation of increased revenue and cost savings attributable to
9 contracts executed under this section.

10 **SECTION 7.17.(d) Funding.** – Of funds generated from increased revenues or cost
11 savings, as compared to the baselines established by subdivision (1) of subsection (c) of this
12 section, in the General Fund, the Highway Fund, and that State portion of the Unauthorized
13 Substance Tax collections of the Special Revenue Fund, the sum of up to a total of sixteen
14 million dollars (\$16,000,000) may be authorized by the Office of State Budget and
15 Management to make purchases related to the implementation of the additional public-private
16 arrangement authorized by this section, including payments for services from non-State
17 entities.

18 **SECTION 7.17.(e) Internal Costs.** – For the 2013-2015 fiscal biennium the
19 Department of Revenue may retain an additional sum of eight million eight hundred
20 seventy-four thousand three hundred nineteen dollars (\$8,874,319) from benefits generated for
21 the General Fund since the beginning of the public-private partnership described under Section
22 6A.5(a) of S.L. 2011-145. These funds shall be used as payment of internal costs for the fiscal
23 biennium, and such funds are hereby appropriated for this purpose.

24 **SECTION 7.17.(f) Expert Counsel Required.** – Notwithstanding G.S. 114-2.3, the
25 Department of Revenue shall engage the services of private counsel with the pertinent
26 information technology and computer law expertise to negotiate and review contracts
27 associated with an additional public-private arrangement authorized under this section.

28 **SECTION 7.17.(g) Oversight Committee.** – The Oversight Committee established
29 under Section 6A.5(c) of S.L. 2011-145 shall have the same responsibilities and duties with
30 respect to an additional public-private arrangement authorized by this section as it does with
31 respect to public-private arrangements to implement TIMS and the additional Planning and
32 Design Project (PDP) components.

33 **SECTION 7.17.(h) Reporting.** – Beginning August 1, 2013, and quarterly
34 thereafter, the Department of Revenue shall submit detailed written reports to the Chairs of the
35 House of Representatives Appropriations Committee, to the Chairs of the Senate Committee on
36 Appropriations/Base Budget, to the Joint Legislative Oversight Committee on Information
37 Technology, and to the Fiscal Research Division of the General Assembly. The report shall
38 include an explanation of all of the following:

- 39 (1) Details of each public-private contract.
- 40 (2) The benefits from each contract.
- 41 (3) A comprehensive forecast of the benefits of using public-private agreements
42 to implement TIMS, the additional PDP components, and additional
43 components authorized by this section, including cost savings and the
44 acceleration of the project time line.
- 45 (4) Any issues associated with the operation of the public-private partnership.

46 **SECTION 7.17.(i) Information Technology Project Oversight.** – In addition to the
47 oversight provided by the Oversight Committee established in Section 6A.5(c) of S.L.
48 2011-145, the additional public-private arrangement authorized by this section shall be subject
49 to existing State information technology project oversight laws and statutes, and the project
50 management shall comply with all statutory requirements and other criteria established by the
51 State Chief Information Officer and the Office of State Budget and Management for

1 information technology projects. The State Chief Information Officer and the Office of State
2 Budget and Management shall immediately report any failure to do so to the Joint Legislative
3 Oversight Committee on Information Technology, the Chairs of the House of Representatives
4 and Senate Committees on Appropriations, and the Fiscal Research Division.

5 **SECTION 7.17.(j)** Section 6A.5(c) of S.L. 2011-145, as amended by Section
6 6A.3(j) of S.L. 2012-142 reads as rewritten:

7 "**SECTION 6A.5.(c)** There is established within the Department of Revenue the Oversight
8 Committee for reviewing and approving the benefits measurement methodology and
9 calculation process. The Oversight Committee shall review and approve in writing all contracts,
10 including change orders, amendments to contracts, and addendums to contracts, before they are
11 executed under this section. This shall include (i) details of each public-private contract, (ii) the
12 benefits from each contract, and (iii) a comprehensive forecast of the benefits of using
13 public-private agreements to implement TIMS and the additional PDP components, including
14 the measurement process established for the Secretary of Revenue. The Oversight Committee
15 shall approve all of the fund transfers for this project. Within five days of entering into a
16 contract, the Department shall provide copies of each contract and all associated information to
17 the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House
18 of Representatives and Senate Committees on Appropriations, and the Fiscal Research
19 Division.

20 The members of the Committee shall include the following:

- 21 (1) The ~~State Budget Director~~; Director of the Office of State Budget and
22 Management;
- 23 (2) The Secretary of the Department of Revenue;
- 24 (3) The State Chief Information Officer;
- 25 (4) Two persons appointed by the Governor;
- 26 (5) One member of the general public having expertise in information
27 technology appointed by the General Assembly upon the recommendation of
28 the Speaker of the House of Representatives; and
- 29 (6) One member of the general public having expertise in economic and revenue
30 forecasting appointed by the General Assembly upon recommendation of the
31 President Pro Tempore of the Senate.

32 The State Budget Director shall serve as chair of the Committee. The Committee shall set
33 its meeting schedule and adopt its rules of operation by majority vote. A majority of the
34 members constitutes a quorum. Vacancies shall be filled by the appointing authority.
35 Administrative support staff shall be provided by the Department of Revenue. Members of the
36 Committee shall receive reimbursements for subsistence and travel expenses as provided by
37 Chapter 138 of the General Statutes. The Committee shall terminate on June 30, 2018.

38 The Department shall provide copies of the minutes of each meeting and all associated
39 information to the Joint Legislative Oversight Committee on Information Technology, the
40 Chairs of the House of Representatives Appropriations Committee, the Chairs of the Senate
41 Committee on Appropriations/Base Budget, and the Fiscal Research Division."
42

43 **USE OF MOBILE COMMUNICATIONS DEVICES**

44 **SECTION 7.18.(a)** By October 1, 2013, every State agency shall submit to the
45 Joint Legislative Oversight Committee on Information Technology and the Fiscal Research
46 Division a copy of the agency policy on the use of mobile communications devices. This
47 reporting requirement is continuous such that any time a change is made to an existing policy,
48 the agency shall submit an update immediately.

49 **SECTION 7.18.(b)** Beginning October 1, 2013, each State agency shall submit a
50 quarterly report to the Joint Legislative Oversight Committee on Information Technology, the
51 Fiscal Research Division, and the Office of the State Chief Information Officer (CIO) on the

1 use of mobile electronic communications devices within the agency. The report shall include
2 the following information:

- 3 (1) The total number of devices issued by the agency.
- 4 (2) The total cost of mobile devices issued by the agency.
- 5 (3) The number and cost of new devices issued since the last report.
- 6 (4) The contracts used to obtain the devices.

7 **SECTION 7.18.(c)** The Office of the State Chief Information Officer shall review
8 current enterprise, and any individual agency mobile electronic communications contracts, to
9 develop a plan to consolidate the contracts. By October 1, 2013, the Office of the State CIO
10 shall submit a report on progress toward consolidating State agency mobile communications
11 device contracts to the Joint Legislative Oversight Committee on Information Technology and
12 the Fiscal Research Division.

13 **SECTION 7.18.(d)** The Office of the State CIO shall develop a policy for
14 implementing a "bring your own device" plan for State employees. By September 1, 2013, the
15 State CIO shall report to the Joint Legislative Oversight Committee on Information Technology
16 and the Fiscal Research Division on how the plan is to be implemented, as well as on potential
17 issues and costs. Following consultation with the Joint Legislative Oversight Committee on
18 Information Technology, the State CIO may implement the "bring your own device" plan.

19 **NEXT GENERATION SECURE DRIVER LICENSE SYSTEM**

20 **SECTION 7.19.(a)** By August 1, 2013, the Chief Information Officer of the
21 Department of Transportation shall provide a detailed report on the status of the Next
22 Generation Secure Driver License System (NGSDLS) to the Joint Legislative Oversight
23 Committee on Information Technology, the Joint Legislative Transportation Oversight
24 Committee, and the Fiscal Research Division. At a minimum, the report on the NGSDLS shall
25 include the following information:

- 26 (1) Original project scope, deliverables, and milestones, including descriptions
27 of any subsequent modifications and basis for each.
- 28 (2) Contractual status and amendments.
- 29 (3) Initial and current estimated costs for system development, implementation,
30 and maintenance.
- 31 (4) Remaining deliverables and cost to complete by phase.
- 32 (5) Any issues, including vendor performance, identified during project
33 development and implementation and planned corrective actions for each
34 issue.
- 35 (6) Programmatic impacts for Division of Motor Vehicles driver license
36 services.
- 37 (7) Requirements and costs to implement a process to allow persons who are
38 homebound to apply for or renew a special photo identification card, with a
39 color photo, and similar in size, shape, design, and background to a drivers
40 license, by means other than personal appearance.

41 **SECTION 7.19.(b)** In the event of any changes in the NGSDLS project status
42 occurring after submission of the report required by subsection (a) of this section, the Chief
43 Information Officer of the Department of Transportation shall ensure that the Joint Legislative
44 Oversight Committee on Information Technology, the Joint Legislative Transportation
45 Oversight Committee, and the Fiscal Research Division are notified immediately of the
46 changes.
47

48 **STATE TITLING AND REGISTRATION SYSTEM/STATE AUTOMATED DRIVER** 49 **LICENSE SYSTEM/LIABILITY INSURANCE TRACKING AND ENFORCEMENT** 50 **SYSTEM** 51

1 **SECTION 7.20.(a)** The Chief Information Officer of the Department of
2 Transportation shall continue the replacement of the State Titling and Registration System
3 (STARS), the State Automated Driver License System (SADLS), and the Liability Insurance
4 Tracking and Enforcement System (LITES).

5 **SECTION 7.20.(b)** By August 1, 2013, and quarterly thereafter, the Chief
6 Information Officer of the Department of Transportation shall report to the Joint Legislative
7 Oversight Committee on Information Technology, the Joint Legislative Transportation
8 Oversight Committee, and the Fiscal Research Division on the status of each of the projects
9 listed in subsection (a) of this section. At a minimum, the report shall include the following
10 information for each project:

- 11 (1) Project scope, milestones, and anticipated business process improvements.
- 12 (2) Estimated development, implementation, and maintenance costs.
- 13 (3) Project status, including any modifications to the project scope or revisions
14 to baseline cost estimates.
- 15 (4) Project accomplishments and changes in status for the previous quarter.
- 16 (5) Actual costs incurred, by purpose and funding source, for the previous
17 quarter.
- 18 (6) Remaining cost to complete by project phase for the next two fiscal years.
- 19 (7) Any issues, including vendor performance, identified during project
20 development and implementation and planned corrective actions.

21 **STATE PORTAL**

22 **SECTION 7.22.** The State Chief Information Officer (SCIO) shall develop a plan
23 to implement an electronic portal that makes obtaining information, conducting online
24 transactions, and communicating with State agencies more convenient for members of the
25 public. The plan shall contain all of the following:

- 26 (1) A detailed description for development and implementation of the portal, to
27 include a list of anticipated applications to be implemented during the State
28 fiscal years of 2013-2017.
- 29 (2) A description of how the portal will be implemented, including the use of
30 outside vendors, detailed information on vendor participation, and potential
31 costs.
- 32 (3) Detailed information on the anticipated total cost of ownership of the portal
33 and any applications proposed for implementation during the State fiscal
34 years of 2013-2017, including the amount of any payments to be made to
35 any vendors supporting the project for each application and the portal as a
36 whole.
- 37 (4) A self-funding model for the implementation that does not increase the costs
38 to the State.
- 39 (5) If outsourced, a detailed, fully executable plan to return portal operations to
40 the State, with associated costs and a detailed analysis that demonstrates that
41 it is more cost-effective to use a vendor than to develop an application
42 internally.

43 The SCIO shall report the plan to the House Appropriations Subcommittee on
44 Information Technology, to the Senate Appropriations Committee on General Government and
45 Information Technology, and to the Joint Legislative Oversight Committee on Information
46 Technology prior to implementation. Participation by State agencies is voluntary, and the
47 project shall meet all requirements for project management established by the Office of the
48 State Chief Information Officer as well as other applicable State law and policies. No fees to
49 support the operation of the portal may be charged by a vendor to a State agency without the
50 express approval of the head of the agency.
51

PART VIII. PUBLIC SCHOOLS**FUNDS FOR CHILDREN WITH DISABILITIES**

SECTION 8.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand seven hundred forty-three dollars and forty-eight cents (\$3,743.48) per child. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2013-2014 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 8.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred thirty-three dollars and one cent (\$1,233.01) per child for fiscal year 2013-2014 and 2014-2015. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2013-2014 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 8.3.(a) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

SECTION 8.3.(b) Definitions. – As used in this section, the following definitions apply:

- (1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.
- (2) "Anticipated total county revenue availability" means the sum of the following:
 - a. Anticipated county property tax revenue availability.
 - b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
 - c. Sales tax hold harmless reimbursement received by the county under G.S. 105-521.
 - d. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.

- 1 (3) "Anticipated total county revenue availability per student" means the
2 anticipated total county revenue availability for the county divided by the
3 average daily membership of the county.
- 4 (4) "Anticipated State average revenue availability per student" means the sum
5 of all anticipated total county revenue availability divided by the average
6 daily membership for the State.
- 7 (5) "Average daily membership" means average daily membership as defined in
8 the North Carolina Public Schools Allotment Policy Manual, adopted by the
9 State Board of Education. If a county contains only part of a local school
10 administrative unit, the average daily membership of that county includes all
11 students who reside within the county and attend that local school
12 administrative unit.
- 13 (6) "County-adjusted property tax base" shall be computed as follows:
14 a. Subtract the present-use value of agricultural land, horticultural land,
15 and forestland in the county, as defined in G.S. 105-277.2, from the
16 total assessed real property valuation of the county.
17 b. Adjust the resulting amount by multiplying by a weighted average of
18 the three most recent annual sales assessment ratio studies.
19 c. Add to the resulting amount the following:
20 1. Present-use value of agricultural land, horticultural land, and
21 forestland, as defined in G.S. 105-277.2.
22 2. Value of property of public service companies, determined in
23 accordance with Article 23 of Chapter 105 of the General
24 Statutes.
25 3. Personal property value for the county.
- 26 (7) "County-adjusted property tax base per square mile" means the
27 county-adjusted property tax base divided by the number of square miles of
28 land area in the county.
- 29 (8) "County wealth as a percentage of State average wealth" shall be computed
30 as follows:
31 a. Compute the percentage that the county per capita income is of the
32 State per capita income and weight the resulting percentage by a
33 factor of five-tenths.
34 b. Compute the percentage that the anticipated total county revenue
35 availability per student is of the anticipated State average revenue
36 availability per student and weight the resulting percentage by a
37 factor of four-tenths.
38 c. Compute the percentage that the county-adjusted property tax base
39 per square mile is of the State-adjusted property tax base per square
40 mile and weight the resulting percentage by a factor of one-tenth.
41 d. Add the three weighted percentages to derive the county wealth as a
42 percentage of the State average wealth.
- 43 (9) "Effective county tax rate" means the actual county tax rate multiplied by a
44 weighted average of the three most recent annual sales assessment ratio
45 studies.
- 46 (10) "Effective State average tax rate" means the average of effective county tax
47 rates for all counties.
- 48 (11) "Local current expense funds" means the most recent county current expense
49 appropriations to public schools, as reported by local boards of education in
50 the audit report filed with the Secretary of the Local Government
51 Commission pursuant to G.S. 115C-447.

- 1 (12) "Per capita income" means the average for the most recent three years for
2 which data are available of the per capita income according to the most
3 recent report of the United States Department of Commerce, Bureau of
4 Economic Analysis, including any reported modifications for prior years as
5 outlined in the most recent report.
- 6 (13) "Sales assessment ratio studies" means sales assessment ratio studies
7 performed by the Department of Revenue under G.S. 105-289(h).
- 8 (14) "State average current expense appropriations per student" means the most
9 recent State total of county current expense appropriations to public schools,
10 as reported by local boards of education in the audit report filed with the
11 Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- 12 (15) "State average adjusted property tax base per square mile" means the sum of
13 the county-adjusted property tax bases for all counties divided by the
14 number of square miles of land area in the State.
- 15 (16) "Supplant" means to decrease local per student current expense
16 appropriations from one fiscal year to the next fiscal year.
- 17 (17) "Weighted average of the three most recent annual sales assessment ratio
18 studies" means the weighted average of the three most recent annual sales
19 assessment ratio studies in the most recent years for which county current
20 expense appropriations and adjusted property tax valuations are available. If
21 real property in a county has been revalued one year prior to the most recent
22 sales assessment ratio study, a weighted average of the two most recent sales
23 assessment ratios shall be used. If property has been revalued the year of the
24 most recent sales assessment ratio study, the sales assessment ratio for the
25 year of revaluation shall be used.

26 **SECTION 8.3.(c)** Eligibility for Funds. – Except as provided in subsection (g) of
27 this section, the State Board of Education shall allocate these funds to local school
28 administrative units located in whole or in part in counties in which the county wealth as a
29 percentage of the State average wealth is less than one hundred percent (100%).

30 **SECTION 8.3.(d)** Allocation of Funds. – Except as provided in subsection (f) of
31 this section, the amount received per average daily membership for a county shall be the
32 difference between the State average current expense appropriations per student and the current
33 expense appropriations per student that the county could provide given the county's wealth and
34 an average effort to fund public schools. (To derive the current expense appropriations per
35 student that the county could be able to provide given the county's wealth and an average effort
36 to fund public schools, multiply the county's wealth as a percentage of State average wealth by
37 the State average current expense appropriations per student.) The funds for the local school
38 administrative units located in whole or in part in the county shall be allocated to each local
39 school administrative unit located in whole or in part in the county based on the average daily
40 membership of the county's students in the school units. If the funds appropriated for
41 supplemental funding are not adequate to fund the formula fully, each local school
42 administrative unit shall receive a pro rata share of the funds appropriated for supplemental
43 funding.

44 **SECTION 8.3.(e)** Formula for Distribution of Supplemental Funding Pursuant to
45 This Section Only. – The formula in this section is solely a basis for distribution of
46 supplemental funding for low-wealth counties and is not intended to reflect any measure of the
47 adequacy of the educational program or funding for public schools. The formula is also not
48 intended to reflect any commitment by the General Assembly to appropriate any additional
49 supplemental funds for low-wealth counties.

50 **SECTION 8.3.(f)** Minimum Effort Required. – A county that (i) maintains an
51 effective county tax rate that is at least one hundred percent (100%) of the effective State

1 average tax rate in the most recent year for which data are available or (ii) maintains a county
2 appropriation per student to the school local current expense fund of at least one hundred
3 percent (100%) of the current expense appropriations per student to the school local current
4 expense fund that the county could provide given the county's wealth and an average effort to
5 fund public schools shall receive full funding under this section. A county that maintains a
6 county appropriation per student to the school local current expense fund of less than one
7 hundred percent (100%) of the current expense appropriations per student to the school local
8 current expense fund that the county could provide given the county's wealth and an average
9 effort to fund public schools shall receive funding under this section at the same percentage that
10 the county's appropriation per student to the school local current expense fund is of the current
11 expense appropriations per student to the school local current expense fund that the county
12 could provide given the county's wealth and an average effort to fund public schools.

13 **SECTION 8.3.(g) Nonsupplant Requirement.** – A county in which a local school
14 administrative unit receives funds under this section shall use the funds to supplement local
15 current expense funds and shall not supplant local current expense funds. For the 2013-2015
16 fiscal biennium, the State Board of Education shall not allocate funds under this section to a
17 county found to have used these funds to supplant local per student current expense funds. The
18 State Board of Education shall make a finding that a county has used these funds to supplant
19 local current expense funds in the prior year, or the year for which the most recent data are
20 available, if all of the following criteria apply:

- 21 (1) The current expense appropriation per student of the county for the current
22 year is less than ninety-five percent (95%) of the average of local
23 expenditures per student for the three prior fiscal years.
- 24 (2) The county cannot show (i) that it has remedied the deficiency in funding or
25 (ii) that extraordinary circumstances caused the county to supplant local
26 current expense funds with funds allocated under this section.

27 The State Board of Education shall adopt rules to implement the requirements of
28 this subsection.

29 **SECTION 8.3.(h) Funds for EVAAS Data.** – Notwithstanding the requirements of
30 subsection (a) of this section, local school administrative units may utilize funds allocated
31 under this section to purchase services that allow for extraction of data from the Education
32 Value-Added Assessment System (EVAAS).

33 **SECTION 8.3.(i) Reports.** – For the 2013-2015 fiscal biennium, the State Board of
34 Education shall report to the Fiscal Research Division prior to May 1 of each year if it
35 determines that counties have supplanted funds.

36 **SECTION 8.3.(j) Department of Revenue Reports.** – The Department of Revenue
37 shall provide to the Department of Public Instruction a preliminary report for the current fiscal
38 year of the assessed value of the property tax base for each county prior to March 1 of each
39 year and a final report prior to May 1 of each year. The reports shall include for each county the
40 annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of
41 total real property represented by the present-use value of agricultural land, horticultural land,
42 and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies
43 determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv)
44 personal property.

45 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

46 **SECTION 8.4.(a) Eligibility.** – If the total average daily membership of all local
47 school administrative units located in the county is less than 3,200, the county school
48 administrative unit within that county shall be eligible for small school system supplemental
49 funding for the 2013-2014 and 2014-2015 fiscal years.
50

1 **SECTION 8.4.(b)** Allotment. – Each eligible county school administrative unit
2 shall receive a dollar allotment equal to the product of the following:

- 3 (1) A per student funding factor, equal to the product of the following:
4 a. One, minus the local school administrative unit's average daily
5 membership divided by the maximum small school system average
6 daily membership.
7 b. The maximum small school system dollars per student.
8 (2) The average daily membership of the eligible county school administrative
9 unit.

10 For the 2013-2014 and 2014-2015 fiscal years, the maximum small school system
11 dollars per student shall be two thousand three hundred dollars (\$2,300).

12 **SECTION 8.4.(c)** Phase-Out Provisions. – If a local school administrative unit
13 becomes ineligible for funding under this formula, funding for that unit shall be phased out
14 over a five-year period. Funding for such local administrative units shall be reduced in equal
15 increments in each of the five years after the local administrative unit becomes ineligible.
16 Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes
17 ineligible.

18 Allotments for eligible local school administrative units shall not be reduced by
19 more than twenty percent (20%) of the amount received in fiscal year 2012-2013 in any fiscal
20 year.

21 **SECTION 8.4.(d)** Nonsupplant Requirement. – A county in which a local school
22 administrative unit receives funds under this section shall use the funds to supplement local
23 current expense funds and shall not supplant local current expense funds. For the 2013-2015
24 fiscal biennium, the State Board of Education shall not allocate funds under this section to a
25 county found to have used these funds to supplant local per student current expense funds. The
26 State Board of Education shall make a finding that a county has used these funds to supplant
27 local current expense funds in the prior year, or the year for which the most recent data are
28 available, if all of the following criteria apply:

- 29 (1) The current expense appropriation per student of the county for the current
30 year is less than ninety-five percent (95%) of the average of local
31 expenditures per student for the three prior fiscal years.
32 (2) The county cannot show (i) that it has remedied the deficiency in funding or
33 (ii) that extraordinary circumstances caused the county to supplant local
34 current expense funds with funds allocated under this section.

35 The State Board of Education shall adopt rules to implement the requirements of
36 this subsection.

37 **SECTION 8.4.(e)** Reports. – For the 2013-2015 fiscal biennium, the State Board of
38 Education shall report to the Fiscal Research Division prior to May 1 of each year if it
39 determines that counties have supplanted funds.

40 **SECTION 8.4.(f)** Use of Funds. – Local boards of education are encouraged to use
41 at least twenty percent (20%) of the funds they receive pursuant to this section to improve the
42 academic performance of children who are performing at Level I or II on either reading or
43 mathematics end-of-grade tests in grades three through eight.

44 Local school administrative units may also utilize funds allocated under this section
45 to purchase services that allow for extraction of data from the Education Value-Added
46 Assessment System (EVAAS).

47 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

48 **SECTION 8.5.(a)** Funds appropriated for disadvantaged student supplemental
49 funding shall be used, consistent with the policies and procedures adopted by the State Board of
50 Education, only to:
51

- 1 (1) Provide instructional positions or instructional support positions and/or
- 2 professional development;
- 3 (2) Provide intensive in-school and/or after-school remediation;
- 4 (3) Purchase diagnostic software and progress-monitoring tools; and
- 5 (4) Provide funds for teacher bonuses and supplements. The State Board of
- 6 Education shall set a maximum percentage of the funds that may be used for
- 7 this purpose.

8 The State Board of Education may require local school administrative units
9 receiving funding under the Disadvantaged Student Supplemental Fund to purchase the
10 Education Value-Added Assessment System (EVAAS) in order to provide in-depth analysis of
11 student performance and help identify strategies for improving student achievement. This data
12 shall be used exclusively for instructional and curriculum decisions made in the best interest of
13 children and for professional development for their teachers and administrators.

14 **SECTION 8.5.(b)** Funds appropriated to a local school administrative unit for
15 disadvantaged student supplemental funding (DSSF) shall be allotted based on (i) the unit's
16 eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and
17 the following teacher-to-student ratios:

- 18 (1) For counties with wealth greater than ninety percent (90%) of the statewide
- 19 average, a ratio of 1:19.9.
- 20 (2) For counties with wealth not less than eighty percent (80%) and not greater
- 21 than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
- 22 (3) For counties with wealth less than eighty percent (80%) of the statewide
- 23 average, a ratio of 1:19.1.
- 24 (4) For local school administrative units receiving DSSF funds in fiscal year
- 25 2005-2006, a ratio of 1:16. These local school administrative units shall
- 26 receive no less than the DSSF amount allotted in fiscal year 2006-2007.

27 For the purpose of this subsection, wealth shall be calculated under the low-wealth
28 supplemental formula as provided for in this act.

29 **SECTION 8.5.(c)** If a local school administrative unit's wealth increases to a level
30 that adversely affects the unit's disadvantaged student supplemental funding (DSSF) allotment
31 ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one
32 additional fiscal year.

33 **BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION**

34 **SECTION 8.6.** Notwithstanding G.S. 143C-6-4, the Department of Public
35 Instruction may, after consultation with the Office of State Budget and Management and the
36 Fiscal Research Division, reorganize, if necessary, to implement the budget reductions set out
37 in this act. Consultation shall occur prior to requesting budgetary and personnel changes
38 through the budget revision process. The Department shall provide a current organization chart
39 in the consultation process and shall report to the Joint Legislative Commission on
40 Governmental Operations on any reorganization.

41 **LITIGATION RESERVE FUNDS**

42 **SECTION 8.7.** The State Board of Education may expend up to five hundred
43 thousand dollars (\$500,000) each year for the 2013-2014 and 2014-2015 fiscal years from
44 unexpended funds for licensed employees' salaries to pay expenses related to litigation.

45 **UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

46 **SECTION 8.8.(a)** Funds appropriated for the Uniform Education Reporting
47 System (UERS) shall not revert at the end of the 2012-2013 fiscal year. Funds appropriated for
48
49
50

1 UERS for the 2013-2015 fiscal biennium shall not revert at the end of each fiscal year but shall
2 remain available until expended.

3 **SECTION 8.8.(b)** This section becomes effective June 30, 2013.
4

5 **REVISE NC VIRTUAL PUBLIC SCHOOLS (NCVPS) COST CALCULATION DATE**

6 **SECTION 8.9.(a)** Section 7.22(d)(6) of S.L. 2011-145 is repealed.

7 **SECTION 8.9.(b)** In implementing the allotment formula for the North Carolina
8 Virtual Public Schools (NCVPS) program, the State Board of Education shall calculate, no later
9 than February 28 of each year, the actual instructional cost for each local school administrative
10 unit and charter school based upon actual NCVPS enrollment as of that date.
11

12 **SCHOOL BUS REPLACEMENT**

13 **SECTION 8.11.(a)** G.S. 115C-249 reads as rewritten:

14 "**§ 115C-249. Purchase and maintenance of school buses, materials and supplies.**

15 (a) To the extent that the funds shall be made available to it for such purpose, a local
16 board of education is authorized to purchase from time to time such additional school buses and
17 service vehicles or replacements for school buses and service vehicles, as may be deemed by
18 such board to be necessary for the safe and efficient transportation of pupils enrolled in the
19 schools within such local school administrative unit. Any school bus so purchased shall be
20 constructed and equipped as prescribed by the provisions of this Article and by the regulations
21 of the State Board of Education issued pursuant thereto. Any school bus so purchased that is
22 capable of operating on diesel fuel shall be capable of operating on diesel fuel with a minimum
23 biodiesel concentration of B-20, as defined in G.S. 143-58.4. At least two percent (2%) of the
24 total volume of fuel purchased annually by local school districts statewide for use in school bus
25 diesel engine motor vehicles shall be biodiesel fuel of a minimum blend of B-20, to the extent
26 that biodiesel blend is available and compatible with the technology of the vehicles or
27 equipment used.

28 (b) The tax-levying authorities of any county are hereby authorized to make provision
29 from time to time in the capital outlay budget of the county for the purchase of such school
30 buses or service vehicles.

31 (c) Any funds appropriated from time to time by the General Assembly for the purchase
32 of school buses or service vehicles shall be allocated by the State Board of Education to the
33 respective local boards of education in accordance with the requirements of such boards as
34 determined by the State Board of Education, and thereupon shall be paid over to the respective
35 local boards of education in accordance with such allocation.

36 (c1) In determining which school buses in the statewide fleet are to be replaced with
37 State funds in a given year, the State Board of Education shall give highest priority to safety
38 concerns.

39 A bus is eligible for replacement with State funds based on its age and mileage when it is
40 either 20 years old by model year or has been operated for 250,000 miles, except as follows:

41 (1) A bus that has been operated for less than 150,000 miles is not eligible for
42 replacement regardless of its model year.

43 (2) A bus that is less than 15 years old by model year is not eligible for
44 replacement until the bus has been operated for 300,000 miles.

45 (c2) The State Board of Education may authorize the replacement of up to 30 buses each
46 year due to safety concerns regarding the bus or mechanical or structural problems that would
47 place an undue burden on a local school administrative unit.

48 (c3) A local school administrative unit shall receive an incentive payment of two
49 thousand dollars (\$2,000) at the beginning of each school year for each bus that it continues to
50 operate although the bus is eligible for replacement, until the bus is 23 years old by model year.

1 The local school administrative unit may use these bonus funds for the additional maintenance
2 costs of operating buses with higher mileage or for any other school purpose.

3 (d) The title to any additional or replacement school bus or service vehicle purchased
4 pursuant to the provisions of this section, shall be taken in the name of the board of education
5 of such local school administrative unit, and such bus shall in all respects be maintained and
6 operated pursuant to the provisions of this Article in the same manner as any other public
7 school bus.

8 (e) It shall be the duty of the county board of education to provide adequate buildings
9 and equipment for the storage and maintenance of all school buses and service vehicles owned
10 or operated by the board of education of any local school administrative unit in such county. It
11 shall be the duty of the tax-levying authorities of such county to provide in its capital outlay
12 budget for the construction or acquisition of such buildings and equipment as may be required
13 for this purpose.

14 (f) In the event of the damage or destruction of any school bus or service vehicle by
15 fire, collision, or otherwise, the board of education of the local school administrative unit which
16 shall own or operate such bus or service vehicle may apply to the State Board of Education for
17 funds with which to replace it. If the State Board of Education finds that such bus or service
18 vehicle has been destroyed or damaged to the extent that it cannot be made suitable for further
19 use, and if the State Board of Education finds that the replacement of such bus or service
20 vehicle is necessary in order to enable such local school administrative unit to operate properly
21 its school bus transportation system, the State Board of Education shall allot to the board of
22 education of such local school administrative unit from the funds now held by the State Board
23 of Education for the replacement of school buses or service vehicles, or from funds hereafter
24 appropriated by the General Assembly for that purpose, a sum sufficient to purchase a new
25 school bus or service vehicle to be used as a replacement for such damaged or destroyed bus or
26 service vehicle and upon such allocation such sum shall be paid over to or for the account of
27 the board of education of such local school administrative unit for such purpose.

28 (g) Repealed by Session Laws 2003-147, s. 3, effective for a local school administrative
29 unit when the unit is certified as being E-Procurement compliant, or April 1, 2004, whichever
30 occurs first.

31 (h) Appropriations by the General Assembly for the purchase of public school buses
32 shall not revert to the General Fund. Any unexpended portion of those appropriations shall at
33 the end of each fiscal year be transferred to a reserve account and be held, together with any
34 other funds appropriated for the purpose, for the purchase of public school buses."

35 **SECTION 8.11.(b)** For the 2013-2015 fiscal biennium only, State funds shall be
36 used, at the request of the local school administrative unit, to replace (i) all buses that are 20
37 years old by model year and (ii) all other buses eligible for replacement under G.S. 115C-249,
38 as rewritten by subsection (a) of this section.

40 **SCHOOL PERFORMANCE GRADES/EVAAS**

41 **SECTION 8.13.(a)** Section 7A.3(e) of S.L. 2012-142 is repealed.

42 **SECTION 8.13.(b)** Article 8 of Chapter 115C of the General Statutes is amended
43 by adding a new Part to read:

44 "Part 1B. School Performance.

45 **"§ 115C-83.11. School performance scores and grades.**

46 (a) The State Board of Education shall award school performance scores, grades, and an
47 indicator of student growth as required by G.S. 115C-12(9)c1., calculated as provided in this
48 section.

49 (b) For schools serving students in any combination of grades three through eight, the
50 school performance score shall be calculated based on the performance composite comprised of
51 the following:

- 1 (1) Percent of students who score at or above proficient on annual assessments
2 for reading in grades three through eight.
- 3 (2) Percent of students who score at or above proficient on annual assessments
4 for mathematics in grades three through eight.
- 5 (3) Percent of students who score at or above proficient on annual assessments
6 for science in grades five and eight.
- 7 (4) Percent of proficient scores in Algebra I/Integrated I, English II, and Biology
8 end-of-course tests.
- 9 (c) For schools serving students in any combination of grades nine through 12, the
10 school performance score shall be the average of the following five indicators:
- 11 (1) Percent of proficient scores in Algebra I/Integrated I, English II, and Biology
12 end-of-course tests.
- 13 (2) Percent of students who complete a higher level mathematics class with a
14 passing grade.
- 15 (3) Percent of college readiness benchmarks met on a nationally normed test of
16 college readiness.
- 17 (4) Percent of students who graduate within four years of entering high school.
- 18 (5) Percent of students who demonstrate workplace readiness on a nationally
19 normed test of workplace readiness.
- 20 (d) The State Board of Education shall calculate school performance scores using the
21 State mean to set the criteria for each indicator. Each indicator will be translated to a common
22 scale and averaged for the reporting of one school performance letter grade for each school.
- 23 (e) For schools that meet or exceed growth as determined by the Education
24 Value-Added Assessment System (EVAAS), the final letter grade shall be increased by one
25 grade.
- 26 (f) For schools serving students in third through eighth grade, their final letter grade
27 shall be increased by one letter grade if the performance composite, comprising of the percent
28 of proficient scores for reading, mathematics, and science, is at or above eighty percent (80%)
29 for the current year and the two prior school years.
- 30 (g) For schools serving students in ninth through 12th grade, their final letter grade shall
31 be increased by one letter grade if the performance composite, comprising of the percent of
32 proficient scores for Algebra I/Integrated I, English II, and Biology end-of-course tests, is at or
33 above eighty percent (80%) for the current year and the two prior school years.
- 34 (h) In calculating the overall school performance score earned by schools, the State
35 Board of Education shall proportionally adjust the scale to account for the absence of a school
36 performance element for award of scores to a school that does not have a measure of one of the
37 school performance elements annually assessed for the grades taught at that school.
- 38 (i) The State Board of Education shall report to the Joint Legislative Education
39 Oversight Committee annually by January 15 on any adjustments to the calculation and the
40 distribution of the school performance grades."

41 **SECTION 8.13.(c)** G.S. 115C-12(9)c1 reads as rewritten:

- 42 "1. To issue an annual "report card" for the State and for each local
43 school administrative unit, assessing each unit's efforts to improve
44 student performance based on the growth in performance of the
45 students in each school and taking into account progress over the
46 previous years' level of performance and the State's performance in
47 comparison with other states. This assessment shall take into account
48 factors that have been shown to affect student performance and that
49 the State Board considers relevant to assess the State's efforts to
50 improve student performance. As a part of the annual "report card"
51 for each local school administrative unit, the State Board shall

1 ~~award~~award, in accordance with G.S. 115C-83.11, an overall
2 numerical school performance score ~~on a scale of zero to 100~~ and a
3 corresponding letter grade of A, B, C, D, or F earned by each school
4 within the local school administrative unit. The school performance
5 score and grade shall reflect student performance on annual
6 subject-specific assessments, college and workplace readiness
7 measures, and graduation rates. For schools serving students in any
8 grade from kindergarten to eighth grade, separate performance scores
9 and grades shall also be awarded based on the school performance in
10 reading and mathematics respectively. The annual "report card" for
11 schools serving students in third grade also shall include the number
12 and percentage of third grade students who (i) take and pass the
13 alternative assessment of reading comprehension; (ii) were retained
14 in third grade for not demonstrating reading proficiency as indicated
15 in G.S. 115C-83.7(a); and (iii) were exempt from mandatory third
16 grade retention by category of exemption as listed in
17 G.S. 115C-83.7(b)."

18 **SECTION 8.13.(d)** G.S. 115C-47(58) reads as rewritten:

19 "(58) To Inform the Public About the North Carolina School Report Cards Issued
20 by the State Board of Education. – Each local board of education shall
21 ensure that the report card issued for it by the State Board of Education
22 receives wide distribution to the local press or is otherwise provided to the
23 public. Each local board of education shall ensure that the overall school
24 performance score and grade calculated in accordance with G.S. 115C-83.11
25 and earned by each school in the local school administrative unit for the
26 current and previous four school years is prominently displayed on the Web
27 site of the local school administrative unit. If any school in the local school
28 administrative unit is awarded a grade of D or F, the local board of education
29 shall provide notice of the grade in writing to the parent or guardian of all
30 students enrolled in that school."

31 **SECTION 8.13.(e)** G.S. 115C-238.29F(l) reads as rewritten:

32 "(l) North Carolina School Report Cards. – A charter school shall ensure that the report
33 card issued for it by the State Board of Education receives wide distribution to the local press
34 or is otherwise provided to the public. A charter school shall ensure that the overall school
35 performance score and grade calculated in accordance with G.S. 115C-83.11 and earned by the
36 charter school for the current and previous four school years is prominently displayed on the
37 school Web site. If a charter school is awarded a grade of D or F, the charter school shall
38 provide notice of the grade in writing to the parent or guardian of all students enrolled in that
39 school."

40 **SECTION 8.13.(f)** G.S. 115C-238.66(11) reads as rewritten:

41 "(11) North Carolina School Report Cards. – A regional school shall ensure that
42 the report card issued for it by the State Board of Education receives wide
43 distribution to the local press or is otherwise provided to the public. A
44 regional school shall ensure that the overall school performance score and
45 grade calculated in accordance with G.S. 115C-83.11 and earned by the
46 regional school for the current and previous four school years is prominently
47 displayed on the school Web site. If a regional school is awarded a grade of
48 D or F, the regional school shall provide notice of the grade in writing to the
49 parent or guardian of all students enrolled in that school."

50 **SECTION 8.13.(g)** G.S. 115C-12(24) reads as rewritten:

1 "(24) Duty to Develop Standards for Alternative Learning Programs, Provide
2 Technical Assistance on Implementation of Programs, and Evaluate
3 Programs. – The State Board of Education shall adopt standards for
4 assigning students to alternative learning programs. These standards shall
5 include (i) a description of the programs and services that are recommended
6 to be provided in alternative learning programs and (ii) a process for
7 ensuring that an assignment is appropriate for the student and that the
8 student's parents are involved in the decision. The State Board also shall
9 adopt policies that define what constitutes an alternative school and an
10 alternative learning program.

11 The State Board of Education shall also adopt standards to require that
12 local school administrative units shall use (i) the teachers allocated for
13 students assigned to alternative learning programs pursuant to the regular
14 teacher allotment and (ii) the teachers allocated for students assigned to
15 alternative learning programs only to serve the needs of these students.

16 The State Board of Education shall provide technical support to local
17 school administrative units to assist them in developing and implementing
18 plans and proposals for alternative learning programs.

19 The State Board shall evaluate the effectiveness of alternative learning
20 programs and, in its discretion, of any other programs funded from the
21 Alternative Schools/At-Risk Student allotment. Local school administrative
22 units shall report to the State Board of Education on how funds in the
23 Alternative Schools/At-Risk Student allotment are spent and shall otherwise
24 cooperate with the State Board of Education in evaluating the alternative
25 learning programs. As part of its evaluation of the effectiveness of these
26 programs, the State Board shall, through the application of the accountability
27 system developed under G.S. 115C-83.11 and G.S. 115C-105.35, measure
28 the educational performance and growth of students placed in alternative
29 schools and alternative programs. If appropriate, the Board may modify this
30 system to adapt to the specific characteristics of these schools. Also as part
31 of its evaluation, the State Board shall evaluate its standards adopted under
32 this subdivision and make any necessary changes to those standards based
33 on strategies that have been proven successful in improving student
34 achievement and shall report to the Joint Legislative Education Oversight
35 Committee by April 15, 2006 to determine if any changes are necessary to
36 improve the implementation of successful alternative learning programs and
37 alternative schools."

38 **SECTION 8.13.(h)** The State Board of Education shall issue the first annual report
39 cards under G.S. 115C-12(9)c1, as amended by this section, no earlier than August 1, 2014.

40 **SECTION 8.13.(i)** The State Board of Education shall not be subject to the
41 requirements of Section 7.7(b) of this act for the development of school performance scores
42 and grades in accordance with G.S. 115C-12(9)c1, as amended by this section.

43 **SECTION 8.13.(j)** This section applies beginning with the 2013-2014 school year.

44 45 **LEA BUDGETARY FLEXIBILITY**

46 **SECTION 8.14.** G.S. 115C-105.25 reads as rewritten:

47 **"§ 115C-105.25. Budget flexibility.**

48 (a) Consistent with improving student performance, a local board shall provide
49 maximum flexibility to schools in the use of funds to enable the schools to accomplish their
50 goals.

- 1 (b) Subject to the following limitations, local boards of education may transfer and may
2 approve transfers of funds between funding allotment categories:
- 3 (1) ~~In accordance with a school improvement plan accepted under~~
4 ~~G.S. 115C-105.27, State funds allocated for teacher assistants may be~~
5 ~~transferred only for personnel (i) to serve students only in kindergarten~~
6 ~~through third grade, or (ii) to serve students primarily in kindergarten~~
7 ~~through third grade when the personnel are assigned to an elementary school~~
8 ~~to serve the whole school. Funds allocated for teacher assistants may be~~
9 ~~transferred to reduce class size or to reduce the student teacher ratio in~~
10 ~~kindergarten through third grade so long as the affected teacher assistant~~
11 ~~positions are not filled when the plan is amended or approved by the~~
12 ~~building level staff entitled to vote on the plan or the affected teacher~~
13 ~~assistant positions are not expected to be filled on the date the plan is to be~~
14 ~~implemented. Any State funds appropriated for teacher assistants that were~~
15 ~~converted to certificated teachers before July 1, 1995, in accordance with~~
16 ~~Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter~~
17 ~~103 of the 1993 Session Laws, may continue to be used for certificated~~
18 ~~teachers.~~
- 19 (1a) Funds for children with disabilities, career and technical education, and other
20 purposes may be transferred only as permitted by federal law and the
21 conditions of federal grants or as provided through any rules that the State
22 Board of Education adopts to ensure compliance with federal regulations.
- 23 (2) ~~In accordance with a school improvement plan accepted under~~
24 ~~G.S. 115C-105.27, (i) State funds allocated for classroom~~
25 ~~materials/instructional supplies/equipment may be transferred only for the~~
26 ~~purchase of textbooks; (ii) State funds allocated for textbooks may be~~
27 ~~transferred only for the purchase of instructional supplies, instructional~~
28 ~~equipment, or other classroom materials; and (iii) State funds allocated for~~
29 ~~noninstructional support personnel may be transferred only for teacher~~
30 ~~positions.~~
- 31 (2a) ~~Up to three percent (3%) of State funds allocated for noninstructional~~
32 ~~support personnel may be transferred for staff development.~~
- 33 (3) ~~No funds shall be transferred into the central office administration allotment~~
34 ~~category.~~
- 35 (4) ~~Funds allocated for children with disabilities, for students with limited~~
36 ~~English proficiency, and for driver's education shall not be transferred.~~
- 37 (5) ~~Funds allocated for classroom teachers may be transferred only for teachers~~
38 ~~of exceptional children, for teachers of at risk students, and for authorized~~
39 ~~purposes under the textbooks allotment category and the classroom~~
40 ~~materials/instructional supplies/equipment allotment category.~~
- 41 (5a) ~~Positions allocated for classroom teachers may be converted to dollar~~
42 ~~equivalents to contract for visiting international exchange teachers. These~~
43 ~~positions shall be converted at the statewide average salary for classroom~~
44 ~~teachers, including benefits. The converted funds shall be used only to cover~~
45 ~~the costs associated with bringing visiting international exchange teachers to~~
46 ~~the local school administrative unit through a State-approved visiting~~
47 ~~international exchange teacher program and supporting the visiting exchange~~
48 ~~teachers.~~
- 49 (5b) Except as provided in subdivision (5a) of this subsection, positions allocated
50 for classroom teachers and instructional support personnel may be converted
51 to dollar equivalents for any purpose authorized by the policies of the State

1 Board of Education. These positions shall be converted at the salary on the
 2 first step of the "A" Teachers Salary Schedule. Certified position allotments
 3 shall not be transferred to dollars to hire the same type of position.

4 (5c) Funds allocated for school building administration may be converted for any
 5 purpose authorized by the policies of the State Board of Education. For
 6 funds related to principal positions, the salary transferred shall be based on
 7 the first step of the Principal III Salary Schedule. For funds related to
 8 assistant principal months of employment, the salary transferred shall be
 9 based on the first step of the Assistant Principal Salary Schedule. Certified
 10 position allotments shall not be transferred to dollars to hire the same type of
 11 position.

12 ~~(6) Funds allocated for vocational education may be transferred only in~~
 13 ~~accordance with any rules that the State Board of Education considers~~
 14 ~~appropriate to ensure compliance with federal regulations.~~

15 ~~(7) Funds allocated for career development shall be used in accordance with~~
 16 ~~Section 17.3 of Chapter 324 of the 1995 Session Laws.~~

17 ~~(8) Funds allocated for academically or intellectually gifted students may be~~
 18 ~~used only (i) for academically or intellectually gifted students; (ii) to~~
 19 ~~implement the plan developed under G.S. 115C-150.7; or (iii) in accordance~~
 20 ~~with an accepted school improvement plan, for any purpose so long as that~~
 21 ~~school demonstrates it is providing appropriate services to academically or~~
 22 ~~intellectually gifted students assigned to that school in accordance with the~~
 23 ~~local plan developed under G.S. 115C-150.7.~~

24 ~~(9) Funds allocated in the Alternative Schools/At Risk Student allotment shall~~
 25 ~~be spent only for alternative learning programs, at risk students, and school~~
 26 ~~safety programs.~~

27 (c) To ensure that parents, educators, and the general public are informed on how State
 28 funds have been used to address local educational priorities, each local school administrative
 29 unit shall publish the following information on its Web site by October 15 of each year:

30 (1) A description of each program report code, written in plain English, and a
 31 summary of the prior fiscal year's expenditure of State funds within each
 32 program report code.

33 (2) A description of each object code within a program report code, written in
 34 plain English, and a summary of the prior fiscal year's expenditure of State
 35 funds for each object code.

36 (3) A description of each allotment transfer that increased or decreased the
 37 initial allotment amount by more than five percent (5%) and the educational
 38 priorities that necessitated the transfer."

40 RESIDENTIAL SCHOOLS

41 **SECTION 8.15.(a)** The Department of Public Instruction shall not transfer any
 42 school-based personnel from the State's residential schools to central office administrative
 43 positions.

44 **SECTION 8.15.(b)** Notwithstanding G.S. 146-30 or any other provision of law, the
 45 Department of Public Instruction shall retain all proceeds generated from the rental of building
 46 space on the residential school campuses. The Department of Public Instruction shall use all
 47 receipts generated from these leases to staff and operate the North Carolina School for the
 48 Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School.
 49 These receipts shall not be used to support administrative functions within the Department.

51 EXCELLENT PUBLIC SCHOOLS ACT/SUMMER READING CAMPS

1 **SECTION 8.16.** Funds appropriated for the 2013-2015 fiscal biennium for summer
2 reading camps as defined in G.S. 115C-83.3(9) shall not revert at the end of each fiscal year but
3 shall remain available until expended.
4

5 **PARTICIPATION IN COMMUNITIES IN SCHOOLS LEARNING INITIATIVE**

6 **SECTION 8.17.(a)** The purpose of the Harvard University Reads for Summer
7 Learning Initiative, which is conducted in concert with Communities In Schools of North
8 Carolina, Inc. (CISNC), is to help at-risk children in grades two through four read at grade level
9 by the fourth grade and to maintain their reading competency. Students who are enrolled in this
10 initiative shall be exempt from mandatory retention requirements set out in G.S. 115C-83.7 and
11 G.S. 115C-238.29F. Any student participating in this initiative and in need of more intensive
12 intervention shall, however, be placed in a summer reading program as determined by the local
13 school administrative unit and as approved by the child's parent or guardian.

14 **SECTION 8.17.(b)** CISNC shall report to the Joint Legislative Education
15 Oversight Committee on the initiative by November 1, 2015. This report shall include reading
16 competency outcome data for all participating students.

17 **SECTION 8.17.(c)** Subsection (a) of this section expires at the end of the
18 2014-2015 school year.
19

20 **INSTRUCTIONAL IMPROVEMENT SYSTEM**

21 **SECTION 8.18.(a)** It is the intent of the General Assembly that the optional
22 portions of the Home Base Instructional Improvement System (System) shall be
23 receipt-supported. The State Board of Education shall establish a cost not to exceed four dollars
24 (\$4.00) per average daily membership for local school administrative units and charter schools
25 that elect to participate in the optional portions of the System. A local school administrative
26 unit or charter school may identify budget reductions to State Public School Fund allotments to
27 cover the required payment.

28 **SECTION 8.18.(b)** If funds collected pursuant to subsection (a) of this section are
29 not sufficient to cover the cost of the optional portions of the System, the State Board of
30 Education may use funds appropriated to the Department of Public Instruction or State Aid for
31 Public Schools for this purpose.

32 **SECTION 8.18.(c)** If funds collected pursuant to subsection (a) of this section
33 exceed the cost of the optional portions of the System, such funds shall not revert and shall be
34 used to reduce the per-student cost in the subsequent fiscal years.

35 **SECTION 8.18.(d)** This section becomes effective July 1, 2014.
36

37 **PHASE OUT CERTAIN TEACHER SALARY SUPPLEMENTS**

38 **SECTION 8.22.** Notwithstanding Section 35.11 of this act, no teachers or
39 instructional support personnel, except for certified school nurses and instructional support
40 personnel in positions for which a master's degree is required for licensure, shall be paid on the
41 "M" salary schedule or receive a salary supplement for academic preparation at the six-year
42 degree level or at the doctoral degree level for the 2014-2015 school year, unless they were
43 paid on that salary schedule or received that salary supplement prior to the 2014-2015 school
44 year.
45

46 **COMPETITIVE GRANTS TO IMPROVE AFTER SCHOOL SERVICES**

47 **SECTION 8.24.(a)** Of the funds appropriated for the At-Risk Student Services
48 Alternative School Allotment, the State Board of Education shall use up to five million dollars
49 (\$5,000,000) for the 2014-2015 fiscal year for a three-year After School Quality Improvement
50 Grant Program administered by the North Carolina Department of Public Instruction. Of these
51 funds, the Department of Public Instruction may use up to two hundred thousand dollars

1 (\$200,000) to administer the program. The purpose of the program is to pilot after school
2 learning programs for at-risk students that raise standards for student academic outcomes and
3 that:

- 4 (1) Use an evidence-based model with a proven track record of success.
- 5 (2) Include rigorous, quantitative performance measures to confirm their
6 effectiveness during the grant cycle and at the end end-of-grant cycle.
- 7 (3) Are fully integrated with State performance measures and student academic
8 goals.
- 9 (4) Can be expanded for wider use in North Carolina.
- 10 (5) Prioritize science, technology, engineering, and mathematics (STEM)
11 learning opportunities.
- 12 (6) Expand student access to learning activities and academic support that
13 strengthen student engagement and leverage community-based resources,
14 including private sector employer involvement.

15 Local school administrative units and nonprofits working in collaboration with local
16 school administrative units are eligible to receive two-year grants of up to five hundred
17 thousand dollars (\$500,000) a year, based on proposed number of students served, with an
18 option for a third year of funding. At least seventy percent (70%) of students served by the
19 program must qualify for free or reduced-price meals.

20 Grants shall be matched on the basis of three dollars (\$3.00) in grant funds for every
21 one dollar (\$1.00) in nongrant funds. Matching funds shall not include other State funds.
22 Matching funds may include in-kind contributions.

23 **SECTION 8.24.(b)** Grant recipients shall report to the Department of Public
24 Instruction after the first year of funding on the progress of the grant, including alignment with
25 Common Core Standards, data collection for reporting student progress, and other measures,
26 before receiving funding for the next fiscal year. Grant recipients shall report after the second
27 year of funding on key performance data, including statewide test results, attendance rates, and
28 promotion rates. Grant allocations for the third year shall be based on student performance.

29 **SECTION 8.24.(c)** The Department of Public Instruction shall provide progress
30 reports on the grant program to the Joint Legislative Education Oversight Committee by
31 September 15, 2015, and September 15, 2016. The Department shall provide a final report on
32 the program by September 15, 2017. The final report shall include the final results of the
33 program and recommendations regarding effective after school program models, standards and
34 performance measures, based on the experience of the grant recipients.

35 36 **INVESTING IN INNOVATION GRANT**

37 **SECTION 8.25.(a)** Section 7.17 of S.L. 2012-142 is repealed.

38 **SECTION 8.25.(b)** The federal Investing in Innovation Fund Grant: Validating
39 Early College Strategies for Traditional Comprehensive High Schools awarded to the North
40 Carolina New Schools Project for 2012-2017 requires students to enroll in a community college
41 course in the tenth grade. Notwithstanding any other provision of law, specified local school
42 administrative units may offer one community college course to participating sophomore (tenth
43 grade) students. Participating local school administrative units are Alleghany, Beaufort,
44 Hertford, Jones, Madison, Richmond, Rutherford, Surry, Warren, Wilkes, and Yancey County
45 Schools.

46 **SECTION 8.25.(c)** Grant funds shall be used to pay for all costs incurred by the
47 local school administrative units and the community college partners to implement the grant,
48 including community college FTE. Community colleges shall not earn budget FTE for student
49 course enrollments supported with this grant.

50 **SECTION 8.25.(d)** Research for the project shall address the effects of early
51 college strategies in preparing students for college completion. The North Carolina New

1 Schools Project shall report on the implementation of the grant to the State Board of Education,
2 State Board of Community Colleges, Office of the Governor, and the Joint Legislative
3 Education Oversight Committee no later than March 15, 2014, and annually thereafter until the
4 end of the grant period.

5 6 **LOCAL SCHOOL ADMINISTRATIVE UNIT BUDGET ADJUSTMENT**

7 **SECTION 8.26.(a)** Within 14 days of the date this act becomes law, the State
8 Board of Education shall notify each local school administrative unit and charter school of the
9 amount the unit or charter school must reduce from the State General Fund appropriations. The
10 State Board shall determine the amount of the reduction for each unit and charter school on the
11 basis of average daily membership.

12 **SECTION 8.26.(b)** Local school administrative units and charter schools shall
13 report to the Department of Public Instruction on the flexibility budget reductions they have
14 identified within 30 days of the date this act becomes law.

15 16 **BROADEN SUCCESSFUL PARTICIPATION IN ADVANCED COURSES**

17 **SECTION 8.27.(a)** G.S. 115C-12(9)c1. reads as rewritten:

18 "c1. To issue an annual "report card" for the State and for each local
19 school administrative unit, assessing each unit's efforts to improve
20 student performance based on the growth in performance of the
21 students in each school and taking into account progress over the
22 previous years' level of performance and the State's performance in
23 comparison with other states. This assessment shall take into account
24 factors that have been shown to affect student performance and that
25 the State Board considers relevant to assess the State's efforts to
26 improve student performance. As a part of the annual "report card"
27 for each local school administrative unit, the State Board shall award
28 an overall numerical school performance score on a scale of zero to
29 100 and a corresponding letter grade of A, B, C, D, or F earned by
30 each school within the local school administrative unit. The school
31 performance score and grade shall reflect student performance on
32 annual subject-specific assessments, college and workplace readiness
33 measures, and graduation rates. For schools serving students in any
34 grade from kindergarten to eighth grade, separate performance scores
35 and grades shall also be awarded based on the school performance in
36 reading and mathematics respectively. The annual "report card" for
37 schools serving students in third grade also shall include the number
38 and percentage of third grade students who (i) take and pass the
39 alternative assessment of reading comprehension; (ii) were retained
40 in third grade for not demonstrating reading proficiency as indicated
41 in G.S. 115C-83.7(a); and (iii) were exempt from mandatory third
42 grade retention by category of exemption as listed in
43 G.S. 115C-83.7(b). The annual "report card" for high schools shall
44 also include measures of Advanced Placement course participation
45 and International Baccalaureate Diploma Programme participation
46 and Advanced Placement and International Baccalaureate
47 examination participation and performance."

48 **SECTION 8.27.(b)** Article 8 of Chapter 115C of the General Statutes is amended
49 by adding a new section to read:

50 **"§ 115C-83.4A. Advanced courses.**

1 (a) It is the intent of the State to enhance accessibility and encourage students to enroll
2 in and successfully complete more rigorous advanced courses to enable success in
3 postsecondary education for all students. For the purposes of this section, an advanced course is
4 an Advanced Placement or International Baccalaureate Diploma Programme course. To attain
5 this goal, to the extent funds are made available for this purpose, the following shall be
6 provided:

7 (1) Students enrolled in public schools shall be exempt from paying any fees for
8 administration of examinations for advanced courses and registration fees
9 for advanced courses in which the student is enrolled regardless of the score
10 the student achieves on an examination.

11 (2) Bonuses shall be awarded to teachers of Advanced Placement courses for
12 students who earn scores of three or higher on Advanced Placement
13 examinations and to teachers of International Baccalaureate Diploma
14 Programme courses for students who score four or higher on International
15 Baccalaureate examinations.

16 (b) Eligible secondary students shall be encouraged to enroll in advanced courses to
17 expose them to more rigorous coursework while still in secondary school. Successfully
18 completing advanced courses will increase the quality and level of students' preparation for
19 postsecondary career paths and their pursuit of higher education.

20 (c) The results of student diagnostic tests administered pursuant to G.S. 115C-174.18
21 and G.S. 115C-174.22, such as the Preliminary SAT/National Merit Scholarship Qualifying
22 Test (PSAT/NMSQT) and ACT, shall be used to identify students who are prepared or who
23 need additional work to be prepared to enroll and be successful in advanced courses.

24 (d) Local boards of education shall provide information to students and parents on
25 available opportunities and the enrollment process for students to take advanced courses. The
26 information shall explain the value of advanced courses in preparing students for postsecondary
27 level coursework, enabling students to gain access to postsecondary opportunities, and
28 qualifying for scholarships and other financial aid opportunities.

29 (e) Local boards of education shall ensure that all high school students have access to
30 advanced courses in language arts, mathematics, science, and social studies. Such access may
31 be provided through enrollment in courses offered through or approved by the North Carolina
32 Virtual Public School.

33 (f) The State Board of Education shall seek a partner, such as the College Board, to
34 form the North Carolina Advanced Placement Partnership, hereinafter referred to as
35 Partnership, to assist in improving college readiness of secondary students and to assist
36 secondary schools to ensure that students have access to high-quality, rigorous academics with
37 a focus on access to Advanced Placement courses.

38 In order to implement its responsibilities under this section, the partner selected by the State
39 Board of Education shall provide staff to do the following:

40 (1) Provide professional development in the form of support and training to
41 enable teachers of Advanced Placement courses to have the necessary
42 content knowledge, instructional skills, and materials to prepare students for
43 success in Advanced Placement courses and examinations and mastery of
44 postsecondary course content.

45 (2) Provide administrators, including principals and counselors, with
46 professional development that will enable them to create strong and effective
47 Advanced Placement courses in their schools.

48 (3) Provide teachers of students in grades seven through 12 with preadvanced
49 course professional development and materials that prepare students for
50 success in Advanced Placement courses.

1 (4) Provide consulting expertise and technical assistance to support
2 implementation.

3 (5) Prioritize assistance to schools designated as low-performing by the State
4 Board of Education and provide for frequent visits to the schools targeted by
5 the Partnership.

6 (g) The Partnership shall report annually to the Department of Public Instruction on the
7 Partnership's implementation of its responsibilities under subsection (f) of this section.

8 (h) Beginning October 1, 2014, the State Board of Education shall report annually to
9 the Joint Legislative Education Oversight Committee on advanced courses in North Carolina.
10 The report shall include, at a minimum, the following information:

11 (1) The North Carolina Advanced Placement Partnership's report to the
12 Department of Public Instruction as required by subsection (g) of this section
13 and the State Board's assessment of that report.

14 (2) Number of students enrolled in advanced courses and participating in
15 advanced course examinations, including demographic information by
16 gender, race, and free and reduced-price lunch status.

17 (3) Student performance on advanced course examinations, including
18 information by course, local school administrative unit, and school.

19 (4) Number of students participating in 10th grade PSAT/NMSQT testing.

20 (5) Number of teachers attending summer institutes offered by the North
21 Carolina Advanced Placement Partnership.

22 (6) Number and distribution of teachers awarded bonuses for student advanced
23 course examination performance.

24 (7) Distribution of funding appropriated for advanced course testing fees,
25 bonuses, and professional development by local school administrative unit
26 and school.

27 (8) Status and efforts of the North Carolina Advanced Placement Partnership.

28 (9) Other trends in advanced courses and examinations."

29 SECTION 8.27.(c) G.S. 115C-174.18 reads as rewritten:

30 "§ 115C-174.18. **Opportunity to take ~~Preliminary Scholastic Aptitude Test.~~Preliminary**
31 **SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT).**

32 Every student in the eighth through tenth grades who has completed Algebra I or who is in
33 the last month of Algebra I shall be given an opportunity to take a version of ~~the Preliminary~~
34 ~~Scholastic Aptitude Test (PSAT)~~ either the Preliminary SAT/National Merit Scholarship
35 Qualifying Test (PSAT/NMSQT) or the ACT, at the discretion of the local school
36 administrative unit, one time at ~~State expense~~ no cost to the student. The maximum amount of
37 State funds used for this purpose shall be the cost of the PSAT/NMSQT."

38 SECTION 8.27.(d) Of the funds appropriated to the Department of Public
39 Instruction to implement the requirements of this section, ten million eight hundred thirty-one
40 thousand one hundred eighty-four dollars (\$10,831,184) for the 2014-2015 fiscal year shall be
41 used to fund fees for testing in advanced courses and three million four hundred seventy-one
42 thousand six hundred sixteen dollars (\$3,471,616) for the 2014-2015 fiscal year shall be used
43 for teacher bonuses, and one million five hundred thousand dollars (\$1,500,000) for each fiscal
44 year shall be used by the North Carolina Advanced Placement Partnership to carry out its
45 responsibilities as set forth in this section. Funding appropriated for professional development
46 may be used by the State Board of Education to contract with an independent evaluator to
47 assess the implementation and impact of advanced course programs in North Carolina. For the
48 purposes this of section, the term "advanced courses" means an Advanced Placement or
49 International Baccalaureate Diploma Programme course.

50 SECTION 8.27.(e) Beginning with the 2014-2015 school year, the State Board of
51 Education shall use funds allocated in subsection (d) of this section to do all of the following:

- 1 (1) Provide incentive funding to local school administrative units to be
2 distributed to teachers of advanced courses as follows:
3 a. A bonus in the amount of fifty dollars (\$50.00) for each student
4 taught by an advanced course teacher in each advanced course who
5 receives the following score:
6 1. For Advanced Placement courses, a score of three or higher
7 on the College Board Advanced Placement Examination.
8 2. For International Baccalaureate Diploma Programme courses,
9 a score of four or higher on the International Baccalaureate
10 course examination.
11 b. An additional bonus of five hundred dollars (\$500.00) to each
12 advanced course teacher who teaches in a school identified as
13 low-performing under G.S. 115C-105.37 by the State Board of
14 Education and who is eligible to receive a bonus under
15 sub-subdivision a. of this subdivision. The teacher shall be eligible to
16 receive the additional bonus regardless of the number of classes
17 taught or the number of students receiving scores which make the
18 teacher eligible to receive a bonus under sub-subdivision a. of this
19 subdivision.
20 c. No teacher shall be awarded a bonus pursuant to this subdivision that
21 exceeds two thousand dollars (\$2,000) in any given school year. The
22 bonus awarded to a teacher pursuant to this subdivision shall be in
23 addition to any regular wage or other bonus the teacher receives or is
24 scheduled to receive.
25 (2) Provide funds to local school administrative units to pay testing fees for
26 advanced courses for all students.
27 (3) Provide funds to the North Carolina Advanced Placement Partnership for
28 professional development for teachers of Advanced Placement courses.

29 **SECTION 8.27.(f)** Except as otherwise provided in this section, this section
30 applies beginning with the 2013-2014 school year.
31

32 INCREASE SUCCESSFUL CAREER AND TECHNICAL EDUCATION (CTE) 33 PARTICIPATION

34 **SECTION 8.28.(a)** G.S. 115C-12 is amended by adding a new subdivision to read:
35 "(41) To Establish Career and Technical Education Incentives. – The State Board
36 of Education shall establish, implement, and determine the impact of a
37 career and technical education incentive program as provided under
38 G.S. 115C-156.2."

39 **SECTION 8.28.(b)** Article 10 of Chapter 115C of the General Statutes is amended
40 by adding a new section to read:

41 "§ 115C-156.2. Industry certifications and credentials program; bonus funds program.

42 (a) It is the intent of the State to encourage students to enroll in and successfully
43 complete rigorous coursework and credentialing processes in career and technical education to
44 enable success in the workplace. To attain this goal, to the extent funds are made available for
45 this purpose, students shall be supported to earn approved industry certifications and
46 credentials, and local school administrative units shall receive bonuses for each student who
47 earns an approved industry certification or credential.

- 48 (1) Students enrolled in public schools and in career and technical education
49 courses shall be exempt from paying any fees for one administration of
50 examinations leading to industry certifications and credentials pursuant to
51 rules adopted by the State Board of Education.

- 1 (2) Bonus funds shall be awarded to local school administrative units in
2 amounts provided under subdivision (4) of this section, pursuant to rules
3 adopted by the State Board of Education under this section. Each school year
4 the State Board of Education shall make an award to those local school
5 administrative units who have at least one student in one school having
6 earned an industry-recognized certification or credential that has been
7 identified by the State Board of Education, in consultation with the State
8 Department of Commerce, as an occupation in high need of additional
9 skilled employees at the time the student enrolled in a career and technical
10 education course that leads to an industry certification or credential.
- 11 (3) Bonus funds shall be used by local school administrative units to (i)
12 collaborate with local industries and employers to meet workforce needs and
13 (ii) award bonuses to teachers of students earning approved industry
14 certifications or credentials. No teacher shall be awarded a bonus pursuant to
15 this subdivision that exceeds two thousand dollars (\$2,000) in any given
16 school year. Direct instruction personnel bonuses shall be distributed as
17 follows:
- 18 a. A bonus in the amount of twenty-five dollars (\$25.00) for each
19 student taught by a teacher who provided instruction in a course that
20 led to the attainment of an industry certification with a two hundred
21 fifty dollar (\$250.00) value ranking.
- 22 b. A bonus in the amount of fifty dollars (\$50.00) for each student
23 taught by a teacher who provided instruction in a course that led to
24 the attainment of an industry certification with a five hundred dollar
25 (\$500.00) value ranking.
- 26 (4) The State Board of Education, in consultation with the State Department of
27 Commerce, shall rank each industry certification based on academic rigor
28 and employment value and award five hundred dollars (\$500.00) or two
29 hundred fifty dollars (\$250.00) to the local school administrative unit per
30 student completing the industry certification based upon ranking. If funds
31 appropriated from the General Assembly for this purpose are insufficient to
32 provide bonuses for each industry certification that has been achieved, then
33 the State Board of Education shall prorate the bonus award amounts. Fifty
34 percent (50%) of the ranking shall be based on academic rigor and the
35 remaining fifty percent (50%) on employment value. Academic rigor and
36 employment value shall be based on the following elements:
- 37 a. Academic rigor shall be based on the number of instructional hours,
38 including work experience or internship hours, required to earn the
39 industry certification or credential, with a bonus given for
40 coursework that also provides community college credit.
- 41 b. Employment value shall be based on the entry wage, growth rate in
42 employment for each occupational category, and average annual
43 openings for the primary occupation linked with the industry
44 certification or credential.
- 45 (5) Each school year, at such time as agreed to by the Department of Commerce
46 and the State Board of Education, the Department of Commerce shall
47 provide the State Board of Education with a list of those occupations in high
48 need of additional skilled employees. If the occupations identified in such
49 list are not substantially the same as those occupations identified in the list
50 from the prior year, reasonable notice of such changes shall be provided to
51 local school administrative units.

1 (1) First priority shall be given to eligible students who received a scholarship
2 grant during the previous school year if those students have applied by
3 March 1.

4 (2) After scholarship grants have been awarded to prior recipients as provided in
5 subdivision (1) of this subsection, scholarships shall be awarded with
6 remaining funds as follows:

7 a. At least fifty percent (50%) of the remaining funds shall be used to
8 award scholarship grants to eligible students residing in households
9 with an income level not in excess of the amount required for the
10 student to qualify for the federal free or reduced-price lunch
11 program.

12 b. No more than thirty-five percent (35%) of the remaining funds shall
13 be used to award scholarship grants to eligible students entering
14 either kindergarten or first grade.

15 c. Any remaining funds shall be used to award scholarship grants to all
16 other eligible students.

17 (b) Scholarship grants awarded to eligible students residing in households with an
18 income level not in excess of the amount required for the student to qualify for the federal free
19 or reduced-price lunch program shall be for amounts of up to four thousand two hundred
20 dollars (\$4,200) per year. Scholarship grants awarded to eligible students residing in
21 households with an income level in excess of the amount required for the student to qualify for
22 the federal free or reduced-price lunch program shall be for amounts of not more than ninety
23 percent (90%) of the required tuition and fees for the nonpublic school the eligible child will
24 attend. Tuition and fees for a nonpublic school may include tuition and fees for books,
25 transportation, equipment, or other items required by the nonpublic school. No scholarship
26 grant shall exceed four thousand two hundred dollars (\$4,200) per year per eligible student, and
27 no scholarship grant shall exceed the required tuition and fees for the nonpublic school the
28 eligible student will attend.

29 (c) The Authority shall permit an eligible student receiving a scholarship grant to enroll
30 in a different nonpublic school and remain eligible. An eligible student receiving a scholarship
31 grant who transfers to another nonpublic school during the year may be eligible to receive a pro
32 rata share of any unexpended portion of the scholarship grant for tuition and fees at the
33 nonpublic school to which the student transfers.

34 (d) The Authority shall establish rules and regulations for the administration and
35 awarding of scholarship grants and may include in those rules a lottery process for selection of
36 scholarship grant recipients within the criteria established by this section.

37 **"§ 115C-562.3. Verification of eligibility.**

38 (a) The Authority may seek verification of information on any application for
39 scholarship grants from eligible students. The Authority shall select and verify a random
40 sample of no less than six percent (6%) of applications annually. The Authority shall establish
41 rules for the verification process and may use the federal verification requirements process for
42 free and reduced-price lunch applications as guidance for those rules. If a household fails to
43 cooperate with verification efforts, the Authority shall revoke the award of the scholarship
44 grant to the eligible student.

45 (b) Household members of applicants for scholarship grants shall authorize the
46 Authority to access information needed for verification efforts held by other State agencies,
47 including the Department of Revenue, the Department of Health and Human Services, and the
48 Department of Public Instruction.

49 **"§ 115C-562.4. Identification of nonpublic schools and distribution of scholarship grant**
50 **information.**

1 (a) The Division shall provide annually by February 1 to the Authority a list of all
2 nonpublic schools operating in the State that meet the requirements of Part 1 or Part 2 of this
3 Article. The Division shall notify the Authority of any schools included in the list that the
4 Division has determined to be ineligible within five business days of the determination of
5 ineligibility.

6 (b) The Authority shall provide information about the scholarship grant program to the
7 Division, including applications and the obligations of nonpublic schools accepting eligible
8 students receiving scholarship grants. The Division shall ensure that information about the
9 scholarship grant program is provided to all qualified nonpublic schools on an annual basis.

10 **"§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving**
11 **scholarship grants.**

12 (a) A nonpublic school that accepts eligible students receiving scholarship grants shall
13 comply with the following:

14 (1) Provide to the Authority documentation for required tuition and fees charged
15 to the student by the nonpublic school.

16 (2) Conduct a criminal background check for the staff member with the highest
17 decision-making authority, as defined by the bylaws, articles of
18 incorporation, or other governing document to ensure that person has not
19 been convicted of any crime listed in G.S. 115C-238.29K.

20 (3) Provide to the parent or guardian of an eligible student, whose tuition and
21 fees are paid in whole or in part with a scholarship grant, an annual written
22 explanation of the student's progress, including the student's scores on
23 standardized achievement tests.

24 (4) Administer, at least once in each school year, a nationally standardized test
25 or other nationally standardized equivalent measurement selected by the
26 chief administrative officer of the nonpublic school to all eligible students
27 whose tuition and fees are paid in whole or in part with a scholarship grant
28 enrolled in grades three and higher. The nationally standardized test or other
29 equivalent measurement selected must measure achievement in the areas of
30 English grammar, reading, spelling, and mathematics. Test performance data
31 shall be submitted to the Authority by July 15 of each year. Test
32 performance data reported to the Authority under this subdivision is not a
33 public record under Chapter 132 of the General Statutes.

34 (5) Provide to the Authority graduation rates of the students receiving
35 scholarship grants in a manner consistent with nationally recognized
36 standards.

37 (6) Contract with a certified public accountant to perform a financial review,
38 consistent with generally accepted accounting principles, for each school
39 year in which the school accepts students receiving more than three hundred
40 thousand dollars (\$300,000) in scholarship grants awarded under this Part.

41 (b) A nonpublic school that accepts students receiving scholarship grants shall not
42 require any additional fees based on the status of the student as a scholarship grant recipient.

43 (c) A nonpublic school enrolling more than 25 students whose tuition and fees are paid
44 in whole or in part with a scholarship grant shall report to the Authority on the aggregate
45 standardized test performance of eligible students. Aggregate test performance data reported to
46 the Authority which does not contain personally identifiable student data shall be a public
47 record under Chapter 132 of the General Statutes. Test performance data may be shared with
48 public or private institutions of higher education located in North Carolina and shall be
49 provided to an independent research organization selected by the Authority for research
50 purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.

1 (d) A nonpublic school accepting students receiving scholarship grants that fails to
2 comply with the requirements of this section shall be ineligible to receive future scholarship
3 grants if the Authority determines that the nonpublic school is not in compliance with the
4 requirements of this section. The nonpublic school shall notify the parent or guardian of any
5 enrolled student receiving a scholarship grant that the nonpublic school is no longer eligible to
6 receive future scholarship grants. A nonpublic school may appeal for reconsideration of
7 eligibility after one year.

8 **"§ 115C-562.6. Scholarship endorsement.**

9 The Authority shall remit, at least two times each school year, scholarship grant funds
10 awarded to eligible students to the nonpublic school for endorsement by at least one of the
11 student's parents or guardians. The parent or guardian shall restrictively endorse the scholarship
12 grant funds awarded to the eligible student to the nonpublic school for deposit into the account
13 of the nonpublic school. The parent or guardian shall not designate any entity or individual
14 associated with the nonpublic school as the parent's attorney-in-fact to endorse the scholarship
15 grant funds but shall endorse the scholarship grant funds in person at the site of the nonpublic
16 school. A parent's or guardian's failure to comply with this section shall result in forfeit of the
17 scholarship grant. A scholarship grant forfeited for failure to comply with this section shall be
18 returned to the Authority to be awarded to another student.

19 **"§ 115C-562.7. Authority reporting requirements.**

20 (a) The Authority shall report to the Department of Public Instruction annually, no later
21 than August 1, the number of students who have received scholarship grants for the current
22 school year and who were enrolled the prior semester in a local school administrative unit or
23 charter school by the previously attended local school administrative unit or charter school. The
24 Department of Public Instruction shall adjust the allotments of local school administrative units
25 and charter schools based on the number of students awarded a scholarship grant who attended
26 a local school administrative unit or charter school during the prior semester. The amount of the
27 adjustment shall equal the average per pupil allocation for average daily membership from the
28 local school administrative unit or charter school.

29 (b) The Authority shall report annually, no later than March 1, to the Joint Legislative
30 Education Oversight Committee on the following:

- 31 (1) Total number, grade level, race, ethnicity, and sex of eligible students
32 receiving scholarship grants.
- 33 (2) Total amount of scholarship grant funding awarded.
- 34 (3) Number of students previously enrolled in local school administrative units
35 or charter schools in the prior semester by the previously attended local
36 school administrative unit or charter school.
- 37 (4) Nonpublic schools in which scholarship grant recipients are enrolled,
38 including numbers of scholarship grant students at each nonpublic school.
- 39 (5) Nonpublic schools deemed ineligible to receive scholarships.

40 (c) The Authority shall report annually, no later than December 1, to the Department of
41 Public Instruction and the Joint Legislative Education Oversight Committee on the following:

- 42 (1) Learning gains or losses of students receiving scholarship grants. The report
43 shall include learning gains of participating students on a statewide basis and
44 shall compare, to the extent possible, the learning gains or losses of eligible
45 students by nonpublic school to the statewide learning gains or losses of
46 public school students with similar socioeconomic backgrounds, using
47 aggregate standardized test performance data provided to the Authority by
48 nonpublic schools and by the Department of Public Instruction.
- 49 (2) Competitive effects on public school performance on standardized tests as a
50 result of the scholarship grant program. The report shall analyze the impact
51 of the availability of scholarship grants on public school performance on

1 standardized tests by local school administrative units to the extent possible,
 2 and shall provide comparisons of the impact by geographic region and
 3 between rural and urban local school administrative units.

4 This report shall be conducted by an independent research organization to be selected by
 5 the Authority, which may be a public or private entity or university. The independent research
 6 organization shall report to the Authority on the results of its research. The Joint Legislative
 7 Education Oversight Committee shall review reports from the Authority and shall make
 8 ongoing recommendations to the General Assembly as needed regarding improving
 9 administration and accountability for nonpublic schools accepting students receiving
 10 scholarship grants."

11 **SECTION 8.29.(b)** G.S. 110-86(2) reads as rewritten:

12 "(2) Child care. – A program or arrangement where three or more children less
 13 than 13 years old, who do not reside where the care is provided, receive care
 14 on a regular basis of at least once per week for more than four hours but less
 15 than 24 hours per day from persons other than their guardians or full-time
 16 custodians, or from persons not related to them by birth, marriage, or
 17 adoption. Child care does not include the following:

18 ...

19 f. Nonpublic schools described in Part 2 of Article 39 of Chapter 115C
 20 of the General Statutes that are accredited by national or regional
 21 accrediting agencies with early childhood standards ~~the Southern~~
 22 ~~Association of Colleges and Schools~~ and that operate a child care
 23 facility as defined in subdivision (3) of this section for less than six
 24 and one-half hours per day either on or off the school site;

25"

26 **SECTION 8.29.(c)** G.S. 115C-555 reads as rewritten:

27 **"§ 115C-555. Qualification of nonpublic schools.**

28 The provisions of this Part shall apply to any nonpublic school which has one or more of
 29 the following characteristics:

- 30 (1) It is accredited by the State Board of Education.
 31 (2) It is accredited by ~~the Southern Association of Colleges and Schools~~ a
 32 national or regional accrediting agency.
 33 (3) It is an active member of the North Carolina Association of Independent
 34 Schools.
 35 (4) It receives no funding from the State of North Carolina. For the purposes of
 36 this Article, scholarship grant funds awarded pursuant to Part 2A of this
 37 Article to eligible students attending a nonpublic school shall not be
 38 considered funding from the State of North Carolina."

39 **SECTION 8.29.(d)** G.S. 116-204 reads as rewritten:

40 **"§ 116-204. Powers of Authority.**

41 The Authority is hereby authorized and empowered:

42 ...

43 (11) To administer the awarding of scholarship grants to students attending
 44 nonpublic schools as provided in Part 2A of Article 39 of Chapter 115 of the
 45 General Statutes."

46 **SECTION 8.29.(e)** For the 2013-2014 school year, the State Education Assistance
 47 Authority (Authority) shall award scholarship grants to eligible students to attend nonpublic
 48 schools that meet the requirements of Article 39 of Chapter 115C of the General Statutes, as
 49 identified by the Division of Nonpublic Education, Department of Administration. The
 50 Authority shall make applications available no later than August 1, 2013, and shall begin
 51 awarding grants no later than August 15, 2013. Information about scholarship grants and the

1 application process shall be made available on the Authority's Web site. The Division of
2 Nonpublic Education, Department of Administration, shall make available to the Authority a
3 list of all nonpublic schools operating in the State that meet the requirements of Part 1 or Part 2
4 of Article 39 of Chapter 115C of the General Statutes no later than August 1, 2013.

5 **SECTION 8.29.(f)** For the 2013-2014 school year, to be eligible to receive a
6 scholarship grant, a student shall meet both of the following criteria:

- 7 (1) Reside in a household with an income level not in excess of the amount
8 required for the student to qualify for the federal free or reduced-price lunch
9 program.
- 10 (2) Be a full-time student who has not yet received a high school diploma and
11 was assigned to and attending a public school pursuant to G.S. 115C-366
12 during the 2013 spring semester.

13 **SECTION 8.29.(g)** Scholarship grants for 2013-2014 shall be for amounts of up to
14 four thousand two hundred dollars (\$4,200) for required tuition and fees for the nonpublic
15 school the eligible child will attend. Tuition and fees for a nonpublic school may include tuition
16 and fees for books, transportation, equipment, or other items required by the nonpublic school.
17 No scholarship grant shall exceed the required tuition and fees for the nonpublic school the
18 eligible student will attend.

19 **SECTION 8.29.(h)** The Authority shall permit an eligible student receiving a
20 scholarship grant in 2013-2014 to enroll in a different nonpublic school and remain eligible. An
21 eligible student receiving a scholarship grant who transfers to another nonpublic school during
22 the year may be eligible to receive a pro rata share of any unexpended portion of the
23 scholarship grant for tuition and fees at the nonpublic school to which the student transfers.

24 **SECTION 8.29.(i)** The Authority shall establish temporary rules and regulations
25 for the administration and awarding of scholarship grants in 2013-2014, which may include a
26 process for awarding grants using a random lottery system.

27 **SECTION 8.29.(j)** G.S. 115C-562.3 through G.S. 115C-562.7, as enacted by this
28 section, shall apply to any scholarship grant awarded for the 2013-2014 school year.

29 **SECTION 8.29.(k)** It is the intent of the General Assembly to appropriate fifty
30 million dollars (\$50,000,000) in recurring funds beginning in the 2015-2016 fiscal year to be
31 awarded to eligible students as scholarship grants. The Authority may retain up to four hundred
32 thousand dollars (\$400,000) annually for administrative costs associated with the scholarship
33 grant program. Beginning in the 2014-2015 fiscal year, funds shall be appropriated to the
34 public schools for assistance to at-risk students and to community organizations serving the
35 educational needs of at-risk students still enrolled in public schools in an amount equal to the
36 cost-savings created by the award of opportunity scholarship grants.

37 **SECTION 8.29.(l)** The Authority shall select an independent research
38 organization, as required by G.S. 115C-562.7, as enacted by this section, beginning with the
39 2016-2017 school year. The first learning gains report required by G.S. 115C-562.7, as enacted
40 by this section, shall not be due until December 1, 2017. The first financial review for a
41 nonpublic school that accepts scholarship grant funds, as required by G.S. 115C-562.5(a)(6), as
42 enacted by this section, shall not be required until the 2014-2015 school year.

43 **SECTION 8.29.(m)** This section applies beginning with the 2013-2014 school
44 year. For the 2013-2014 school year, scholarship grants shall be awarded as provided in
45 subsections (e) through (j) of this section. Beginning with the 2014-2015 school year and
46 thereafter, scholarship grants shall be awarded in accordance with Part 2A of Article 39 of
47 Chapter 115C of the General Statutes, as enacted by this section.

48
49 **REPEAL REQUIREMENT THAT SCHOOLS PROVIDE READING WORKSHOPS
50 FOR PARENTS OF STUDENTS WHO HAVE BEEN RETAINED**

51 **SECTION 8.30.** G.S. 115C-83.8(d) is repealed.

1
2 **TASK FORCE TO STUDY TEACHER AND SCHOOL ADMINISTRATOR**
3 **EFFECTIVENESS AND COMPENSATION**

4 **SECTION 8.31.(a)** Establishment. – The North Carolina Educator Effectiveness
5 and Compensation Task Force is established.

6 **SECTION 8.31.(b)** Membership. – The Task Force shall be composed of 18
7 members as follows:

8 (1) Nine members appointed by the Speaker of the House of Representatives as
9 follows:

- 10 a. Four persons who are members of the House of Representatives at
11 the time of appointment, at least two of whom represent the minority
12 party.
13 b. A representative of the Department of Public Instruction.
14 c. A classroom teacher, as recommended by the North Carolina
15 Association of Educators.
16 d. A school principal, as recommended by the North Carolina
17 Association of School Administrators.
18 e. A representative of a North Carolina institution of higher education
19 that offers a teacher education program and a master's degree
20 program in education or school administration.
21 f. A representative from the Professional Educators of North Carolina.

22 (2) Nine members appointed by the President Pro Tempore of the Senate as
23 follows:

- 24 a. Four persons who are members of the Senate at the time of
25 appointment, at least two of whom represent the minority party.
26 b. A representative of the State Board of Education.
27 c. A classroom teacher, as recommended by the North Carolina
28 Association of Educators.
29 d. A school system superintendent, as recommended by the North
30 Carolina Association of School Administrators.
31 e. A local school board member, as recommended by the North
32 Carolina School Boards Association.
33 f. A representative from the Professional Educators of North Carolina.

34 The Task Force shall have two cochairs, one designated by the President Pro
35 Tempore of the Senate and one designated by the Speaker of the House of Representatives
36 from among their appointees. The Task Force shall meet upon the call of the cochairs.
37 Vacancies shall be filled by the appointing authority. A quorum of the Task Force shall be a
38 majority of the members.

39 **SECTION 8.31.(c)** Duties. – The Task Force shall make recommendations on
40 whether to create a statewide model of incentives to encourage the recruitment and retention of
41 highly effective educators and to consider the transition to an alternative compensation system
42 for educators. In developing recommendations, the Task Force shall consider at least the
43 following factors:

- 44 (1) Alternatives to or simplification of the current teacher and school principal
45 salary schedules, including the need for "hold harmless" options or a choice
46 in compensation structure to avoid reduction in pay for current educators.
47 (2) Incorporating the feedback of educators in order to maximize buy-in.
48 (3) The integration of school-level performance measures in an alternative
49 compensation system.
50 (4) Whether local school administrative units may create their own customized
51 alternative compensation systems in lieu of or in addition to a statewide

1 system, including necessary parameters such as funding flexibility and
2 guidelines for local boards of education.

3 (5) The use of incentive pay to recruit and retain educators to teach in hard to
4 staff areas.

5 (6) The recognition of educator responsibilities and leadership roles such as
6 mentoring of beginning teachers and instructional coaching.

7 (7) Methods for identifying effective teaching and its relationship to an
8 alternative compensation system, including:

9 a. The correlation of student outcomes with effective teaching.

10 b. The use of multiple teacher evaluation measures and feedback
11 methods to recognize effective teaching such as classroom
12 observations, student surveys, video training for teachers, and
13 standard measures of student achievement.

14 c. The use of multiple teacher observations, including at least one
15 observer from outside of the teacher's school.

16 d. The correlation to annual student growth and performance data,
17 evaluations, effectiveness levels, and a three-year average of student
18 growth.

19 (8) Barriers to the implementation of alternative compensation systems.

20 (9) Educator compensation reform in other states and North Carolina pilot
21 programs currently utilizing alternative compensation.

22 (10) Effective strategies for retaining effective teachers.

23 **SECTION 8.31.(d)** Compensation; Administration. – Members of the Task Force
24 shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or
25 138-6, as appropriate. With the prior approval of the Legislative Services Commission, the
26 Legislative Services Officer shall assign professional and clerical staff to assist in the work of
27 the Task Force. With the prior approval of the Legislative Services Commission, the Task
28 Force may hold its meetings in the State Legislative Building or the Legislative Office
29 Building. The Task Force may also meet at various locations around the State in order to
30 promote greater public participation in its deliberations. The Task Force, while in the discharge
31 of its official duties, may exercise all the powers provided under the provisions of G.S. 120-19
32 and G.S. 120-19.1 through G.S. 120-19.4, including the power to request all officers, agents,
33 agencies, and departments of the State to provide any information, data, or documents within
34 their possession, ascertainable from their records or otherwise available to them, and the power
35 to subpoena witnesses.

36 **SECTION 8.31.(e)** Report. – The Task Force shall report its findings and
37 recommendations to the 2014 Regular Session of the 2013 General Assembly no later than
38 April 15, 2014. The Task Force shall terminate on April 15, 2014, or upon the filing of its final
39 report, whichever occurs first.

40 **RESTORE TEACHING FELLOWS PROGRAM**

41 **SECTION 8.32.** Section 1.38 of S.L. 2011-266 is repealed.

42 **RURAL CHARTER SCHOOL DEVELOPMENT PILOT PROGRAM**

43 **SECTION 8.33.(a)** Parents for Educational Freedom in North Carolina, Inc.
44 (PEFNC) shall use up to four hundred sixty-four thousand one hundred dollars (\$464,100) in
45 recurring funds made available to it under this act for each fiscal year of the 2013-2015 fiscal
46 biennium to develop and administer a pilot program that provides grant funding to participants
47 for the development of up to 12 charter schools in counties with currently less than a sixty-five
48 percent (65%) average passage rate on end-of-grade and end-of-course tests.
49
50

1 (c) The Commission members shall elect a chair from the membership of the
2 Commission. The Commission shall meet at least three times annually on the call of the Chair
3 or as additionally provided by the Commission. A quorum is six members of the Commission.
4 Members may not send designees to Commission meetings nor may they vote by proxy.

5 (d) The Commission shall develop and administer the Education and Workforce
6 Innovation Program, as established under G.S. 115C-64.11, and make awards of grants under
7 the Program. The Commission shall work closely with the North Carolina New Schools in
8 administering the program.

9 (e) The Commission shall publish a report on the Education and Workforce Innovation
10 Program on or before April 30 of each year. The report shall be submitted to the Joint
11 Legislative Education Oversight Committee, the State Board of Education, the State Board of
12 Community Colleges, and the Board of Governors of The University of North Carolina. The
13 report shall include at least all of the following information:

14 (1) An accounting of how funds and personnel resources were utilized and their
15 impact on student achievement, retention, and employability.

16 (2) Recommended statutory and policy changes.

17 (3) Recommendations for improvement of the program.

18 **§ 115C-64.11. The Education and Workforce Innovation Program.**

19 (a) Program Establishment. – There is established the Education and Workforce
20 Innovation Program (Program) to foster innovation in education that will lead to more students
21 graduating career and college ready. Funds appropriated to the Program shall be used to award
22 competitive grants to an individual school, a local school administrative unit, or a regional
23 partnership of more than one local school administrative unit to advance comprehensive,
24 high-quality education that equips teachers with the knowledge and skill required to succeed
25 with all students. Before receiving a grant, applicants must meet all of the following conditions:

26 (1) Form a partnership, for the purposes of the grant, with either a public or
27 private university or a community college.

28 (2) Form a partnership, for the purposes of the grant, with regional businesses
29 and business leaders.

30 (3) Demonstrate the ability to sustain innovation once grant funding ends.

31 (b) Applicant Categories and Specific Requirements. –

32 (1) Individual schools. – Individual public schools must demonstrate all of the
33 following in their applications:

34 a. Partnerships with business and industry to determine the skills and
35 competencies needed for students' transition into growth sectors of
36 the regional economy.

37 b. Aligned pathways to employment, including students' acquisition of
38 college credit or industry recognized credentials.

39 c. Development of systems, infrastructure, capacity, and culture to
40 enable teachers and school leaders to continuously focus on
41 improving individual student achievement.

42 (2) Local school administrative units. – Local school administrative units must
43 demonstrate all of the following in their applications:

44 a. Implementation of comprehensive reform and innovation.

45 b. Appointment of a senior leader to manage and sustain the change
46 process with a specific focus on providing parents with a portfolio of
47 meaningful options among schools.

48 (3) Regional partnerships of two or more local school administrative units. –
49 Partnerships of two or more local school administrative units must
50 demonstrate all of the following in their applications:

- 1 a. Implementation of resources of partnered local school administrative
2 units in creating a tailored workforce development system for the
3 regional economy and fostering innovation in each of the partnered
4 local school administrative units.
5 b. Promotion of the development of knowledge and skills in career
6 clusters of critical importance to the region.
7 c. Benefits of the shared strengths of local businesses and higher
8 education.
9 d. Usage of technology to deliver instruction over large geographic
10 regions and build networks with industry.
11 e. Implementation of comprehensive reform and innovation that can be
12 replicated in other local school administrative units.
13 (c) Consideration of Factors in Awarding of Grants. – All applications must include
14 information on at least the following in order to be considered for a grant:
15 (1) Describe the aligned pathways from school to high-growth careers in
16 regional economies.
17 (2) Leverage technology to efficiently and effectively drive teacher and
18 principal development, connect students and teachers to online courses and
19 resources, and foster virtual learning communities among faculty, higher
20 education partners, and business partners.
21 (3) Establish a comprehensive approach to enhancing the knowledge and skills
22 of teachers and administrators to successfully implement the proposed
23 innovative program and to graduate all students ready for work and college.
24 (4) Link to a proven provider of professional development services for teachers
25 and administrators capable of providing evidence-based training and tools
26 aligned with the goals of the proposed innovative program.
27 (5) Form explicit partnerships with businesses and industry, which may include
28 business advisory councils, internship programs, and other customized
29 projects aligned with relevant workforce skills.
30 (6) Partner with community colleges or public or private universities to enable
31 communities to challenge every student to graduate with workplace
32 credentials or college credit.
33 (7) Align K-12 and post-secondary instruction and performance expectations to
34 reduce the need for college remediation courses.
35 (8) Secure input from parents to foster broad ownership for school choice
36 options and to foster greater understanding of the need for continued
37 education beyond high school.
38 (9) Provide a description of the funds that will be used and a proposed budget
39 for five years.
40 (10) Describe the source of matching funds required in subsection (d) of this
41 section.
42 (11) Establish a strategy to achieve meaningful analysis of program outcomes due
43 to the receipt of grant funds under this section.
44 (d) Matching Private and Local Funds. – All funds appropriated by the State must be
45 matched by a combination of private and local funds. All grant applicants must fund
46 twenty-five percent (25%) of program costs through local funds. An additional twenty-five
47 percent (25%) of program costs must be raised by private funds.
48 (e) Grants. – Any grants awarded by the Commission may be spent over a five-year
49 period from the initial award.

1 (f) Reporting Requirements. – No later than March 1 of each year, a grant recipient
2 shall submit to the Commission an annual report for the preceding grant year that describes the
3 academic progress made by the students and the implementation of program initiatives."

4 **SECTION 8.34.(b)** The North Carolina Education and Workforce Innovation
5 Commission (Commission), as established by G.S. 115C-64.10, as enacted by this section, shall
6 conduct a study to determine the most efficient way to fund dual enrollment for high school
7 students in college coursework. The Commission shall report the results of this study to the
8 Joint Legislative Education Oversight Committee by October 1, 2014.

9 **SECTION 8.34.(c)** The appointments to the Commission as set forth in
10 G.S. 115C-64.10, as enacted by this section, shall be made by the appointing entities no later
11 than September 1, 2013. The Commission shall hold its first meeting no later than October 1,
12 2013.

13 14 **SCHOOL PSYCHOLOGISTS, SCHOOL COUNSELORS, AND SCHOOL SOCIAL** 15 **WORKERS**

16 **SECTION 8.35.(a)** Grants to local school administrative units, regional schools,
17 and charter schools for additional school psychologists, school counselors, and school social
18 workers shall be matched on the basis of one dollar (\$1.00) in State funds for every one dollar
19 (\$1.00) in local funds and shall be used to supplement and not to supplant State, local, and
20 federal funds expended for school psychologists, school counselors, and school social workers.

21 The State Board of Education shall include need-based considerations in its criteria
22 for awarding these grants to local school administrative units, regional schools, and charter
23 schools. The State Board shall also give lower priority to local school administrative units,
24 regional schools, and charter schools that have received a grant for school resource officers
25 pursuant to Section 8.36 of this act.

26 **SECTION 8.35.(b)** Article 21 of Chapter 115C of the General Statutes is amended
27 by adding a new section to read:

28 **"§ 115C-316.1. Duties of school counselors.**

29 (a) School counselors shall implement a comprehensive developmental school
30 counseling program in their schools. Counselors shall spend at least eighty percent (80%) of
31 their work time providing direct services to students. Direct services do not include the
32 coordination of standardized testing. Direct services shall consist of:

- 33 (1) Delivering the school guidance curriculum through large group guidance,
34 interdisciplinary curriculum development, group activities, and parent
35 workshops;
- 36 (2) Guiding individual student planning through individual or small group
37 assistance and individual or small group advisement;
- 38 (3) Providing responsive services through consultation with students, families,
39 and staff; individual and small group counseling; crisis counseling; referrals;
40 and peer facilitation; and
- 41 (4) Performing other student services listed in the Department of Public
42 Instruction school counselor job description that has been approved by the
43 State Board of Education.

44 (b) During the remainder of their work time, counselors shall spend adequate time on
45 school counseling program support activities that consist of professional development;
46 consultation, collaboration, and training; and program management and operations. School
47 counseling program support activities do not include the coordination of standardized testing.
48 However, school counselors may assist other staff with the coordination of standardized
49 testing."

1 **SECTION 8.35.(c)** Prior to the 2013-2014 school year, each local board of
2 education shall develop a transition plan for implementing subsection (b) of this section within
3 existing resources by reassigning duties within its schools.

4 The State Board of Education shall distribute guidelines to all local school
5 administrative units on the implementation of subsection (b) of this section.

6 7 **GRANTS FOR SCHOOL RESOURCE OFFICERS IN ELEMENTARY AND MIDDLE** 8 **SCHOOLS**

9 **SECTION 8.36.** Grants to local school administrative units, regional schools, and
10 charter schools for school resource officers in elementary and middle schools shall be matched
11 on the basis of two dollars (\$2.00) in State funds for every one dollar (\$1.00) in local funds and
12 shall be used to supplement and not to supplant State, local, and federal funds for school
13 resource officers.

14 The State Board of Education shall include need-based considerations in its criteria
15 for awarding these grants to local school administrative units, regional schools, and charter
16 schools. The State Board shall also give lower priority to local school administrative units,
17 regional schools, and charter schools that have received a grant for additional school
18 psychologists, school counselors, and school social workers pursuant to Section 8.35 of this act.

19 Local school administrative units, regional schools, and charter schools may use
20 these funds to employ school resource officers in elementary and middle schools, to train them,
21 or both. Any such training shall include instruction on research into the social and cognitive
22 development of elementary school and middle school children.

23 24 **PANIC ALARM SYSTEMS**

25 **SECTION 8.37.(a)** G.S. 115C-47(40) reads as rewritten:

26 "(40) To adopt emergency response plans. – Local boards of education ~~may~~shall
27 in coordination with local law enforcement agencies, adopt emergency
28 response plans relating to incidents of school violence. These plans are not a
29 public record as the term "public record" is defined under G.S. 132-1 and
30 shall not be subject to inspection and examination under G.S. 132-6."

31 **SECTION 8.37.(b)** Grants to local school administrative units, regional schools,
32 and charter schools for panic alarm systems in schools shall be matched on the basis of one
33 dollar (\$1.00) in State funds for every one dollar (\$1.00) in local funds and shall be used to
34 supplement and not to supplant State, local, and federal funds for panic alarm systems.

35 The State Board of Education shall include need-based considerations in its criteria
36 for awarding these grants to local school administrative units, regional schools, and charter
37 schools.

38 **SECTION 8.37.(c)** Effective July 1, 2015, every public school shall have a panic
39 alarm system that connects with the nearest local law enforcement agency in the local board of
40 education's emergency response plan.

41 42 **SCHOOL SAFETY EXERCISES**

43 **SECTION 8.38.(a)** Article 8C of Chapter 115C of the General Statutes is amended
44 by adding a new section to read:

45 **"§ 115C-105.49. School safety exercises.**

46 (a) At least every two years each local school administrative unit shall hold a full
47 systemwide school safety and school lockdown exercise with the local law enforcement
48 agencies that are part of the local board of education's emergency response plan. The purpose
49 of the exercise shall be to permit participants to (i) discuss simulated emergency situations in a
50 low-stress environment, (ii) clarify their roles and responsibilities and the overall logistics of

1 dealing with an emergency, and (iii) identify areas in which the emergency response plan needs
2 to be modified.

3 (b) At least once a year each school shall hold a full school-wide school safety and
4 lockdown exercise with the local law enforcement agencies that are part of the local board of
5 education's emergency response plan."

6 **SECTION 8.38.(b)** This section applies beginning with the 2013-2014 school year.
7

8 **SCHEMATIC DIAGRAMS OF SCHOOL FACILITIES**

9 **SECTION 8.39.(a)** Article 8C of Chapter 115C of the General Statutes is amended
10 by adding a new section to read:

11 **"§ 115C-105.50. Schematic diagram of school facilities.**

12 (a) Each local school administrative unit shall prepare schematic diagrams of its school
13 facilities and provide (i) the schematic diagrams and (ii) keys to the main entrance of all school
14 facilities to local law enforcement agencies. Each local school administrative unit shall provide
15 updates of the schematic diagrams to local law enforcement agencies when substantial
16 modifications such as new facilities or modifications to doors and windows are made to school
17 facilities.

18 (b) The Department of Public Instruction, in consultation with the Department of Public
19 Safety, shall develop standards and guidelines for the preparation and content of schematic
20 diagrams and necessary updates.

21 (c) The schematic diagrams are not public records under Chapter 132 of the General
22 Statutes."

23 **SECTION 8.39.(b)** The schematic diagrams and keys to the main entrance of all
24 school facilities referenced in this section shall be provided to local law enforcement prior to
25 January 1, 2014.

26 **SECTION 8.39.(c)** This section applies beginning with the 2013-2014 school year.
27

28 **ANONYMOUS TIP LINE**

29 **SECTION 8.40.(a)** Article 8C of Chapter 115C of the General Statutes is amended
30 by adding a new section to read:

31 **"§ 115C-105.51. Anonymous tip lines.**

32 (a) Each local school administrative unit shall develop and operate an anonymous tip
33 line, in coordination with local law enforcement and social services agencies, to receive
34 anonymous information on internal or external risks to school buildings and school-related
35 activities.

36 (b) The Department of Public Instruction, in consultation with the Department of Public
37 Safety, shall develop standards and guidelines for the development, operation, and staffing of
38 tip lines.

39 (c) The Department of Public Instruction shall provide information to local school
40 administrative units on federal, State, local, and private grants available for this purpose."

41 **SECTION 8.40.(b)** This section applies beginning with the 2013-2014 school year.
42

43 **SCHOOL SAFETY COMPONENT OF SCHOOL IMPROVEMENT PLANS**

44 **SECTION 8.41.(a)** G.S. 115C-105.27 reads as rewritten:

45 **"§ 115C-105.27. Development and approval of school improvement plans.**

46 (a) School Improvement Team. – In order to improve student performance, each school
47 shall develop a school improvement plan that takes into consideration the annual performance
48 goal for that school that is set by the State Board under G.S. 115C-105.35 and the goals set out
49 in the mission statement for the public schools adopted by the State Board of Education. The
50 principal of each school, representatives of the assistant principals, instructional personnel,
51 instructional support personnel, and teacher assistants assigned to the school building, and

1 parents of children enrolled in the school shall constitute a school improvement ~~team to~~ team.
2 The team shall develop a school improvement plan to improve student performance.

3 Representatives of the assistant principals, instructional personnel, instructional support
4 personnel, and teacher assistants shall be elected by their respective groups by secret ballot.

5 Unless the local board of education has adopted an election policy, parents shall be elected
6 by parents of children enrolled in the school in an election conducted by the parent and teacher
7 organization of the school or, if none exists, by the largest organization of parents formed for
8 this purpose. Parents serving on school improvement teams shall reflect the racial and
9 socioeconomic composition of the students enrolled in that school and shall not be members of
10 the building-level staff.

11 Parental involvement is a critical component of school success and positive student
12 achievement; therefore, it is the intent of the General Assembly that parents, along with
13 teachers, have a substantial role in developing school improvement plans. To this end, school
14 improvement team meetings shall be held at a convenient time to assure substantial parent
15 participation.

16 ~~All school improvement plans shall be, to the greatest extent possible, data-driven. School
17 improvement teams shall use the Education Value Added Assessment System (EVAAS) or a
18 compatible and comparable system approved by the State Board of Education, to analyze
19 student data to identify root causes for problems, to determine actions to address them, and to
20 appropriately place students in courses such as Algebra I. School improvement plans shall
21 contain clear, unambiguous targets, explicit indicators and actual measures, and expeditious
22 time frames for meeting the measurement standards.~~

23 (a1) Open Meetings. – School improvement team meetings are subject to the open
24 meetings requirements of Article 33C of Chapter 143 of the General Statutes. Deliberations on
25 the school safety components of the plan shall be in closed session in accordance with
26 G.S. 143-318.11(a)(8). The principal shall ensure that these requirements are met.

27 (a2) Public Records. – The school improvement plan, except for the school safety
28 components of the plan, is a public record subject to Chapter 132 of the General Statutes and
29 shall be posted on the school Web site. The names of the members of the school improvement
30 team, their positions, and the date of their election to the school improvement team shall also be
31 posted on the Web site.

32 The school safety components of the plan are not public records subject to Chapter 132 of
33 the General Statutes.

34 (b) School Improvement Plan. – In order to improve student performance, the school
35 improvement team at each school shall develop a school improvement plan that takes into
36 consideration the annual performance goal for that school that is set by the State Board under
37 G.S. 115C-105.35 and the goals set out in the mission statement for the public schools adopted
38 by the State Board of Education. All school improvement plans shall be, to the greatest extent
39 possible, data-driven. School improvement teams shall use the Education Value-Added
40 Assessment System (EVAAS) or a compatible and comparable system approved by the State
41 Board of Education to (i) analyze student data and identify root causes for problems, (ii)
42 determine actions to address them, and (iii) appropriately place students in courses such as
43 Algebra I. School improvement plans shall contain clear, unambiguous targets, explicit
44 indicators and actual measures, and expeditious time frames for meeting the measurement
45 standards.

46 The strategies for improving student performance:

- 47 (1) Shall include a plan for the use of staff development funds that may be made
48 available to the school by the local board of education to implement the
49 school improvement plan. The plan may provide that a portion of these
50 funds is used for mentor training and for release time and substitute teachers
51 while mentors and teachers mentored are meeting;

- 1 (1a) Repealed by Session Laws 2012-142, s. 7A.1(c), effective July 2, 2012.
2 (2) Shall include a plan to address school safety and discipline concerns;
3 (3) May include a decision to use State funds in accordance with
4 G.S. 115C-105.25;
5 (4) Shall include a plan that specifies the effective instructional practices and
6 methods to be used to improve the academic performance of students
7 identified as at risk of academic failure or at risk of dropping out of school;
8 (5) May include requests for waivers of State laws, rules, or policies for that
9 school. A request for a waiver shall meet the requirements of
10 G.S. 115C-105.26;
11 (6) Shall include a plan to provide a duty-free lunch period for every teacher on
12 a daily basis or as otherwise approved by the school improvement team; and
13 (7) Shall include a plan to provide duty-free instructional planning time for
14 every teacher under G.S. 115C-301.1, with the goal of providing an average
15 of at least five hours of planning time per week.

16 (c) School Vote on the Plan. – Support among affected staff members is essential to
17 successful implementation of a school improvement plan to address improved student
18 performance at that school. The principal of the school shall present the proposed school
19 improvement plan to all of the principals, assistant principals, instructional personnel,
20 instructional support personnel, and teacher assistants assigned to the school building for their
21 review and vote. The vote shall be by secret ballot. The principal shall submit the school
22 improvement plan to the local board of education only if the proposed school improvement
23 plan has the approval of a majority of the staff who voted on the plan.

24 (c1) Consideration of the School Safety Components of the Plan. – The superintendent
25 shall review the school safety components of the school improvement plans and make written
26 recommendations on them to the local board of education. Prior to a vote to accept a school's
27 improvement plan in accordance with G.S. 115C-105.25(d), the local board of education shall
28 review the school safety components of the plan for that school in closed session. The board
29 shall make findings on the safety components of the plan. Neither the safety components of the
30 plan nor the board's findings on the safety components of the plan shall be set out in the
31 minutes of the board.

32 (d) Adoption of the Plan. – The local board of education shall accept or reject the
33 school improvement plan. The local board shall not make any substantive changes in any
34 school improvement plan that it accepts. If the local board rejects a school improvement plan,
35 the local board shall state with specificity its reasons for rejecting the plan; the school
36 improvement team may then prepare another plan, present it to the principals, assistant
37 principals, instructional personnel, instructional support personnel, and teacher assistants
38 assigned to the school building for a vote, and submit it to the local board to accept or reject. If
39 no school improvement plan is accepted for a school within 60 days after its initial submission
40 to the local board, the school or the local board may ask to use the process to resolve
41 disagreements recommended in the guidelines developed by the State Board under
42 G.S. 115C-105.20(b)(5). If this request is made, both the school and local board shall
43 participate in the process to resolve disagreements. If there is no request to use that process,
44 then the local board may develop a school improvement plan for the school. The General
45 Assembly urges the local board to utilize the school's proposed school improvement plan to the
46 maximum extent possible when developing such a plan.

47 (e) Effective Period of the Plan. – A school improvement plan shall remain in effect for
48 no more than two years; however, the school improvement team may amend the plan as often
49 as is necessary or appropriate. If, at any time, any part of a school improvement plan becomes
50 unlawful or the local board finds that a school improvement plan is impeding student
51 performance at a school, the local board may vacate the relevant portion of the plan and may

1 direct the school to revise that portion. The procedures set out in this subsection shall apply to
2 amendments and revisions to school improvement plans.

3 (f) Elimination of Other Unnecessary Plans. – If a local board of education finds that a
4 school improvement plan adequately covers another plan that the local school administrative
5 unit is otherwise required to prepare, the local school administrative unit shall not be required
6 to prepare an additional plan on the matter.

7 (g) Compliance With Requirements. – Any employee, parent, or other interested
8 individual or organization is encouraged to notify the principal of any concerns regarding
9 compliance with this section. In addition, any employee, parent, or other interested individual
10 or organization may submit in writing to the superintendent concerns regarding compliance
11 with this section. The superintendent shall make a good-faith effort to investigate the concern.
12 The superintendent shall upon request provide a written response to the concern."

13 **SECTION 8.41.(b)** G.S. 143-318.11(a)(8) reads as rewritten:

14 "(a) Permitted Purposes. – It is the policy of this State that closed sessions shall be held
15 only when required to permit a public body to act in the public interest as permitted in this
16 section. A public body may hold a closed session and exclude the public only when a closed
17 session is required:

18 ...

19 (8) To formulate plans by a local board of education relating to emergency
20 response to incidents of school violence or to formulate and adopt the school
21 safety components of school improvement plans by a local board of
22 education or a school improvement team."

23 **SECTION 8.41.(c)** This section applies beginning with the 2013-2014 school year.
24

25 CRISIS KITS

26 **SECTION 8.42.(a)** Article 8C of Chapter 115C of the General Statutes is amended
27 by adding a new section to read:

28 "**§ 115C-105.52. School crisis kits.**

29 The Department of Public Instruction, in consultation with the Department of Public Safety
30 through the North Carolina Center for Safer Schools, shall adopt policies on the placement of
31 school crisis kits in schools and on the contents of those kits. The kits shall include, at a
32 minimum, basic first-aid supplies, communications devices, and other items recommended by
33 the International Association of Chiefs of Police.

34 The principal of each school, in coordination with the law enforcement agencies that are
35 part of the local board of education's emergency response plan, shall place one or more crisis
36 kits at appropriate locations in the school."

37 **SECTION 8.42.(b)** This section applies beginning with the 2013-2014 school year.
38

39 SCHOOL SAFETY/CONFORMING CHANGES FOR CHARTER SCHOOLS AND 40 REGIONAL SCHOOLS

41 **SECTION 8.43.(a)** G.S. 115C-238.29F is amended by adding a new subsection to
42 read:

43 "(a1) Emergency Response Plan. – A charter school shall, in coordination with local law
44 enforcement agencies, adopt an emergency response plan relating to incidents of school
45 violence. These plans are not a public record as the term "public record" is defined under
46 G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

47 Charter schools shall also comply with the provisions in G.S. 115C-105.49(b),
48 115C-105.50, and 115C-105.52."

49 **SECTION 8.43.(b)** G.S. 115C-238.66 is amended by adding a new subdivision to
50 read:

1 "(7a) Emergency Response Plan. – A regional school shall, in coordination with
2 local law enforcement agencies, adopt an emergency response plan relating
3 to incidents of school violence. These plans are not a public record as the
4 term "public record" is defined under G.S. 132-1 and shall not be subject to
5 inspection and examination under G.S. 132-6. Regional schools shall also
6 comply with the provisions in G.S. 115C-105.49(b), 115C-105.50, and
7 115C-105.52."

8 **SECTION 8.43.(c)** This section applies beginning with the 2013-2014 school year.

10 **EMERGENCY AND CRISIS TRAINING**

11 **SECTION 8.44.** The Department of Public Safety, through the North Carolina
12 Center for Safer Schools and in conjunction with the Department of Justice and the Department
13 of Public Instruction, shall develop school emergency and crisis training modules for school
14 employees and provide them to schools as soon as practicable.

16 **VOLUNTEER SCHOOL SAFETY RESOURCE OFFICER PROGRAM**

17 **SECTION 8.45.(a)** G.S. 14-269.2(a) is amended by adding a new subdivision to
18 read:

19 "(3a) Volunteer school safety resource officer. – A person who volunteers as a
20 school safety resource officer as provided by G.S. 162-26 or
21 G.S. 160A-288.4."

22 **SECTION 8.45.(b)** G.S. 14-269.2(g) is amended by adding a new subdivision to
23 read:

24 "(g) This section shall not apply to any of the following:

25 ...

26 (7) A volunteer school safety resource officer providing security at a school
27 pursuant to an agreement as provided in G.S. 115C-47(61) and either
28 G.S. 162-26 or G.S. 160A-288.4, provided that the volunteer school safety
29 resource officer is acting in the discharge of the person's official duties and
30 is on the educational property of the school that the officer was assigned to
31 by the head of the appropriate local law enforcement agency."

32 **SECTION 8.45.(c)** G.S. 115C-47 is amended by adding a new subdivision to read:
33 **"§ 115C-47. Powers and duties generally.**

34 In addition to the powers and duties designated in G.S. 115C-36, local boards of education
35 shall have the power or duty:

36 ...

37 (61) To Provide a Safe School Environment. – Local boards of education may
38 enter into an agreement with the sheriff, chief of police of a local police
39 department, or chief of police of a county police department to provide
40 security at the schools by assigning volunteer school safety resource officers
41 who meet the selection standards and criteria developed by the head of the
42 appropriate local law enforcement agency and the criteria set out in
43 G.S. 162-26 or G.S. 160A-288.4, as appropriate."

44 **SECTION 8.45.(d)** G.S. 160A-282(c) reads as rewritten:

45 "(c) The board of commissioners of any county may provide that persons who are
46 deputized by the sheriff of the county as special deputy sheriffs or persons who are serving as
47 volunteer law-enforcement officers at the request of the sheriff and under his authority, while
48 undergoing official training and while performing duties on behalf of the county pursuant to
49 orders or instructions of the sheriff, shall be entitled to benefits under the North Carolina
50 Workers' Compensation Act and to any fringe benefits for which such persons qualify.

1 This subsection shall not apply to volunteer school safety resource officers as described in
2 G.S. 162-26."

3 **SECTION 8.45.(e)** Article 3 of Chapter 162 of the General Statutes is amended by
4 adding a new section to read:

5 **"§ 162-26. Sheriff may establish volunteer school safety resource officer program.**

6 (a) The sheriff may establish a volunteer school safety resource officer program to
7 provide nonsalaried special deputies to serve as school safety resource officers in public
8 schools. To be a volunteer in the program, a person must have prior experience as either (i) a
9 sworn law enforcement officer or (ii) a military police officer with a minimum of two years'
10 service. If a person with experience as a military police officer is no longer in the armed
11 services, the person must also have an honorable discharge. A program volunteer must receive
12 training on research into the social and cognitive development of elementary, middle, and high
13 school children and must also meet the selection standards and any additional criteria
14 established by the sheriff.

15 (b) Each volunteer shall report to the sheriff and shall work under the direction and
16 supervision of the sheriff or the sheriff's designee when carrying out the volunteer's duties as a
17 school safety resource officer. No volunteer may be assigned to a school as a school safety
18 resource officer until the volunteer has updated or renewed the volunteer's law enforcement
19 training and has been certified by the North Carolina Sheriff's Education and Training
20 Standards Commission as meeting the educational and firearms proficiency standards required
21 of persons serving as special deputy sheriffs. A volunteer is not required to meet the physical
22 standards required by the North Carolina Sheriff's Education and Training Standards
23 Commission but must have a standard medical exam to ensure the volunteer is in good health.
24 A person selected by the sheriff to serve as a volunteer under this section shall have the power
25 of arrest while performing official duties as a volunteer school safety resource officer.

26 (c) The sheriff may enter into an agreement with the local board of education to provide
27 volunteer school safety resource officers who meet both the criteria established by this section
28 and the selection and training requirements set by the sheriff of the county for the schools. The
29 sheriff shall be responsible for the assignment of any volunteer school safety resource officer
30 assigned to a public school and for the supervision of the officer.

31 (d) There shall be no liability on the part of and no cause of action shall arise against a
32 volunteer school safety resource officer, the Sheriff or employees of the sheriff supervising a
33 volunteer school safety officer, or the public school system or its employees for any good-faith
34 action taken by them in the performance of their duties with regard to the volunteer school
35 safety resource officer program established pursuant to this section."

36 **SECTION 8.45.(f)** Article 13 of Chapter 160A of the General Statutes is amended
37 by adding a new section to read:

38 **"§ 160A-288.4. Police chief may establish volunteer school safety resource officer**
39 **program.**

40 (a) The chief of police of a local police department or of a county police department
41 may establish a volunteer school safety resource officer program to provide nonsalaried special
42 law enforcement officers to serve as school safety resource officers in public schools. To be a
43 volunteer in the program, a person must have prior experience as either (i) a sworn law
44 enforcement officer or (ii) a military police officer with a minimum of two years' service. If a
45 person with experience as a military police officer is no longer in the armed services, the
46 person must also have an honorable discharge. A program volunteer must receive training on
47 research into the social and cognitive development of elementary, middle, and high school
48 children and must also meet the selection standards and any additional criteria established by
49 the chief of police.

50 (b) Each volunteer shall report to the chief of police and shall work under the direction
51 and supervision of the chief of police or the chief's designee when carrying out the volunteer's

1 duties as a school safety resource officer. No volunteer may be assigned to a school as a school
2 safety resource officer until the volunteer has updated or renewed the volunteer's law
3 enforcement training and has been certified by the North Carolina Criminal Justice Education
4 and Training Standards Commission as meeting the educational and firearms proficiency
5 standards required of persons serving as criminal justice officers. A volunteer is not required to
6 meet the physical standards required by the North Carolina Criminal Justice Education and
7 Training Standards Commission but must have a standard medical exam to ensure the volunteer
8 is in good health. A person selected by the chief of police to serve as a volunteer under this
9 section shall have the power of arrest while performing official duties as a volunteer school
10 safety resource officer.

11 (c) The chief of police may enter into an agreement with the local board of education to
12 provide volunteer school safety resource officers who meet both the criteria established by this
13 section and the selection and training requirements set by the chief of police of the municipality
14 or county in which the schools are located. The chief of police shall be responsible for the
15 assignment of any volunteer school safety resource officer assigned to a public school and for
16 the supervision of the officer.

17 (d) There shall be no liability on the part of and no cause of action shall arise against a
18 volunteer school safety resource officer, the chief of police or employees of the local law
19 enforcement agency supervising a volunteer school safety officer, or the public school system
20 or its employees for any good-faith action taken by them in the performance of their duties with
21 regard to the volunteer school safety resource officer program established pursuant to this
22 section."

23 **SECTION 8.45.(g)** This section becomes effective December 1, 2013.

24 **INFORMATION TECHNOLOGY OVERSIGHT CAPACITY**

25 **SECTION 8.46.** Notwithstanding G.S. 143C-6-4 and subject to the direction,
26 control, and approval of the State Board of Education, the State Superintendent of Public
27 Instruction shall realign existing resources within the Department of Public Instruction to
28 increase the information technology oversight capacity of the Department. The Superintendent
29 shall identify two positions for this purpose in order to establish a Chief Information Officer
30 and a Project Management Officer. The realignment of the positions and resources is subject to
31 the approval of the Office of State Budget and Management.
32

33 **PILOT PROGRAM/SPORTS FOR STUDENTS WITH DISABILITIES**

34 **SECTION 8.47.** Of the funds appropriated to the Department of Public Instruction
35 or State Aid for Public Schools for the 2013-2015 fiscal biennium, the Department may use up
36 to three hundred thousand dollars (\$300,000) each fiscal year to develop and implement a pilot
37 program for an integrated community-based adapted sports program for students with
38 disabilities in grades kindergarten through 12. If the Department uses funds for this purpose,
39 the pilot program shall be consistent with the "Dear Colleague" letter addressing equal access
40 to extracurricular athletics for students with disabilities released by the U.S. Department of
41 Education, Office for Civil Rights, on January 25, 2013. The pilot program shall also include
42 specific strategies to overcome barriers to the participation of students with disabilities in
43 extracurricular athletics and incorporate a philosophy of personal empowerment for those
44 students. The pilot program may be conducted in one or more local school administrative units
45 and provide for collaboration with universities and community colleges and other community
46 organizations to achieve the purposes of the program.
47

48 **STUDY VIRTUAL CHARTER SCHOOLS**

49 **SECTION 8.48.** The State Board of Education shall study and determine needed
50 modifications for authorization and oversight of virtual charter schools, including application
51

1 requirements, enrollment growth, and funding allocations, and shall prepare these
2 recommendations in the form of draft rules and proposed statutory changes. The State Board
3 shall present the draft rules and the proposed statutory changes to the Joint Legislative
4 Education Oversight Committee by February 1, 2014.

5 This section shall not be construed to affect litigation pending as of the date of the
6 enactment of this section.

7 8 **PART IX. THE EXCELLENT PUBLIC SCHOOLS ACT OF 2013**

9 10 **MODIFY TEACHER LICENSURE FEES**

11 **SECTION 9.3.(a)** G.S. 115C-296 reads as rewritten:

12 "**§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor**
13 **programs.**

14 ...

15 (a2) The State Board of Education shall ~~impose the following~~ establish a schedule of
16 fees for teacher licensure and administrative changes:changes. The fees established under this
17 subsection shall not exceed the actual cost of providing the service. The schedule may include
18 fees for any of the following services:

- 19 (1) Application for demographic or administrative changes to a ~~license,~~
20 \$30.00.license.
- 21 (2) Application for a duplicate license or for copies of documents in the
22 licensure files, \$30.00.files.
- 23 (3) Application for a renewal, extension, addition, upgrade, reinstatement, and
24 variation to a license, \$55.00.license.
- 25 (4) Initial application for a New, In-State Approved Program Graduate,
26 \$55.00.Graduate.
- 27 (5) Initial application for an Out-of-State license, \$85.00.license.
- 28 (6) All other ~~applications, \$85.00.applications.~~

29 ~~The~~An applicant must pay ~~the fee~~any nonrefundable service fees at the time ~~the~~an
30 application is submitted.

31 (a3) The State Board of Education shall report to the Joint Legislative Education
32 Oversight Committee by March 15 in any year that the amount of fees in the fee schedule
33 established under subsection (a2) of this section has been modified during the previous 12
34 months. The report shall include the number of personnel paid from licensure receipts, any
35 change in personnel paid from receipts, other related costs covered by the receipts, and the
36 estimated unexpended receipts as of June 30 of the year reported.

37"

38 **SECTION 9.3.(b)** For the 2013-2014 fiscal year only and notwithstanding Article
39 2A of Chapter 150B of the General Statutes, the State Board of Education shall be exempt from
40 rule making in establishing a schedule of fees for teacher licensure and administrative changes
41 pursuant to G.S. 115C-296(a2), as amended by this section.

42 43 **PART X. COMMUNITY COLLEGES**

44 45 **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

46 **SECTION 10.1.(a)** Notwithstanding any other provision of law, and consistent
47 with the authority established in G.S. 115D-3, the President of the North Carolina Community
48 College System may reorganize the System Office in accordance with recommendations and
49 plans submitted to and approved by the State Board of Community Colleges.

50 **SECTION 10.1.(b)** This section expires June 30, 2014.

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 10.2. Of the funds appropriated to the Community Colleges System Office for the 2013-2015 fiscal biennium for the College Information System, up to one million two hundred fifty thousand dollars (\$1,250,000) shall not revert at the end of each fiscal year but shall remain available until expended. These funds may be used only to purchase periodic system upgrades.

BASIC SKILLS PLUS

SECTION 10.3.(a) Notwithstanding any other provision of law, the State Board of Community Colleges may authorize a local community college to use up to twenty percent (20%) of the State Literacy Funds allocated to it to provide employability skills, job-specific occupational and technical skills, and developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate.

SECTION 10.3.(b) Notwithstanding any other provision of law, if a community college is authorized by the State Board to provide employability skills, job-specific occupational or technical skills, or developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate, the college may waive the tuition and registration fees associated with this instruction.

ENROLLMENT FUNDING

SECTION 10.4.(a) Beginning with the 2013-2015 fiscal biennium, community colleges shall receive funding based on the number of full-time equivalent (FTE) students enrolled in curriculum, continuing education, and Basic Skills courses, by tiered funding level. Community colleges shall calculate this enrollment as the higher of the current year's total enrollment or the average enrollment of the last two academic years.

The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by February 1, 2014, on the use of nonrecurring funds appropriated to it to phase in this new enrollment funding model.

SECTION 10.4.(b) G.S. 115D-5 is amended by adding a new subsection to read:

"(v) Community colleges may teach technical education, health care, developmental education, and STEM-related courses at any time during the year, including the summer term. Student membership hours from these courses shall be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level."

SECTION 10.4.(c) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by October 1, 2014, on FTE for the 2014 summer term.

SECTION 10.4.(d) Subsection (b) of this section is effective when it becomes law and applies beginning with the summer 2014 term.

TIERED ENROLLMENT FUNDING

SECTION 10.4A.(a) Beginning with the 2014-2015 fiscal year, the State Board of Community Colleges shall implement a fourth tier in the Tiered Funding Formula adopted by the State Board to allocate funds to community colleges based on the number of full-time equivalent (FTE) students enrolled in curriculum, continuing education, and Basic Skills courses in order to fund curriculum programs leading to immediate employment at the highest available funding level.

SECTION 10.4A.(b) By March 15, 2014, the State Board of Community Colleges shall report to the House Appropriations Committee, Senate Appropriations/Base Budget Committee, the House Appropriations Subcommittee on Education, and the Senate

1 Appropriations on Education/Higher Education on a plan for implementation of the additional
2 funding level for curriculum programs leading to immediate employment as required by
3 subsection (a) of this section.
4

5 PERFORMANCE FUNDING

6 SECTION 10.5.(a) G.S. 115D-31.3 reads as rewritten:

7 "§ 115D-31.3. Institutional performance accountability.

8 (a) ~~Creation~~Implementation of Accountability Measures and Performance Standards. –
9 The State Board of Community Colleges shall ~~create new~~adopt and implement a system of
10 accountability measures and performance standards for the Community College System. ~~The~~At
11 least once every three years, the State Board of Community Colleges shall review, and
12 revise if necessary, annually the accountability measures and performance standards to ensure
13 that they are appropriate for use in recognition of successful institutional performance. If the
14 State Board determines that accountability measures and performance standards must be
15 revised following a review required by this subsection, the State Board shall report to the Joint
16 Legislative Education Oversight Committee prior to the implementation of any proposed
17 revisions.

18 (b) through (d) Repealed by Session Laws 2000-67, s. 9.7, effective July 1, 2000.

19 (e) Mandatory Performance Measures. – The State Board of Community Colleges shall
20 evaluate each college on the following eight performance measures:

- 21 (1) Progress of basic skills students.
- 22 (2) ~~Passing rate for~~Attainment of General Educational Development (GED)
23 ~~diploma examinations.~~diplomas by students.
- 24 (3) Performance of students who transfer to a four-year institution.
- 25 (4) Success ~~rates~~ of developmental students in subsequent college-level English
26 courses.
- 27 (5) Success ~~rates~~ of developmental students in subsequent college-level math
28 courses.
- 29 (5a) Progress of first-year curriculum students.
- 30 (6) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.
- 31 (7) Curriculum student retention and graduation.
- 32 (8) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.
- 33 (9) ~~Passing rate for~~Attainment of licensure and ~~certification~~
34 ~~examinations.~~certifications by students.

35 The State Board may also evaluate each college on additional performance measures.

36 (f) Publication of Performance Ratings. – Each college shall publish its performance on
37 the eight measures set out in subsection (e) of this section (i) annually in its electronic catalog
38 or on the Internet and (ii) in its printed catalog each time the catalog is reprinted.

39 The Community Colleges System Office shall publish the performance of all colleges on all
40 eight measures.

41 (g) ~~Recognition for~~of Successful Institutional Performance. – For the purpose of
42 recognition ~~for~~of successful institutional performance, the State Board of Community Colleges
43 shall evaluate each college on the eight performance ~~measures.~~measures set out in subsection
44 (e) of this section. ~~For each of these eight performance measures on which a college performs~~
45 ~~successfully, the college may retain and carry forward into the next fiscal year one fourth of~~
46 ~~one percent (1/4 of 1%) of its final fiscal year General Fund appropriations.~~Subject to the
47 availability of funds, the State Board may allocate funds among colleges based on the
48 evaluation of each institution's performance, including at least the following components:

- 49 (1) Program quality evaluated by determining a college's rate of student success
50 on each measure as compared to a systemwide performance baseline and
51 goal.

1 (2) Program impact on student outcomes evaluated by the number of students
2 succeeding on each measure.

3 (g1) Carryforward of Funds Allocated Based on Performance. – A college that receives
4 funds under subsection (g) of this section may retain and carry forward an amount up to or
5 equal to its performance-based funding allocation for that year into the next fiscal year.

6 (h) ~~Recognition for Exceptional Institutional Performance.~~— Funds not allocated to
7 colleges in accordance with subsection (g) of this section shall be used to reward exceptional
8 institutional performance. A college is deemed to have achieved exceptional institutional
9 performance if it succeeds on all eight performance measures. After all State aid budget
10 obligations have been met, the State Board of Community Colleges shall distribute the
11 remainder of these funds to colleges that achieve exceptional institutional performance status
12 based on the pro rata share of total full time equivalent (FTE) students served at each college.
13 The State Board may withhold the portion of funds for which a college may qualify as an
14 exceptional institution while the college is under investigation by a State or federal agency or if
15 its performance does not meet the standards established by the Southern Association of
16 Colleges and Schools, the State Auditor's Office, or the State Board of Community Colleges.
17 The State Board may release the funds at such time as the investigations are complete and the
18 issues are resolved.

19 (i) ~~Permissible Uses of Funds.~~— Funds retained by colleges or distributed to colleges
20 pursuant to this section shall be used for the purchase of equipment, initial program start up
21 costs including faculty salaries for the first year of a program, and one time faculty and staff
22 bonuses. These funds shall not be used for continuing salary increases or for other obligations
23 beyond the fiscal year into which they were carried forward. These funds shall be encumbered
24 within 12 months of the fiscal year into which they were carried forward.

25 (j) ~~Use of funds in low wealth counties.~~— Funds retained by colleges or distributed to
26 colleges pursuant to this section may be used to supplement local funding for maintenance of
27 plant if the college does not receive maintenance of plant funds pursuant to G.S. 115D-31.2,
28 and if the county in which the main campus of the community college is located meets all of
29 the following:

30 (1) ~~Is designated as a Tier 1 county in accordance with G.S. 143B-437.08.~~

31 (2) ~~Had an unemployment rate of at least two percent (2%) above the State~~
32 ~~average or greater than seven percent (7%), whichever is higher, in the prior~~
33 ~~calendar year.~~

34 (3) ~~Is a county whose wealth, as calculated under the formula for distributing~~
35 ~~supplemental funding for schools in low wealth counties, is eighty percent~~
36 ~~(80%) or less of the State average.~~

37 ~~Funds may be used for this purpose only after all local funds appropriated for maintenance~~
38 ~~of plant have been expended."~~

39 **SECTION 10.5.(b)** Section 9.2(b) of S.L. 1999-237 is repealed.

40 **SECTION 10.5.(c)** Section 8.6 of S.L. 2012-142 is repealed.

41 **SECTION 10.5.(d)** Effective only for the 2011-2012 reporting year, and
42 notwithstanding G.S. 115D-31.3, the State Board of Community Colleges shall not require a
43 college to report its performance on the progress of basic skills students as part of the
44 mandatory performance standards prescribed by G.S. 115D-31.3(e), as amended by this
45 section. In distributing performance-based funding allocations for the 2013-2014 fiscal year,
46 notwithstanding G.S. 115D-31.3, the State Board of Community Colleges shall not consider the
47 progress of basic skills students or the attainment of GED diplomas for the purpose of
48 recognizing successful institutional performance. However, the State Board of Community
49 Colleges shall distribute a portion of the Basic Skills block grant appropriated under this act for
50 the 2013-2014 fiscal year based on the number of GED diplomas awarded by each college.

1 **SECTION 10.5.(e)** Beginning with the 2012-2013 reporting year, the State Board
2 of Community Colleges shall require a college to report its performance on all eight of the
3 mandatory performance standards prescribed by G.S. 115D-31.3(e), as amended by this
4 section.

5
6 **REPEAL OF SENIOR CITIZEN TUITION WAIVER**

7 **SECTION 10.6.** G.S. 115D-5(b)(11) is repealed.

8
9 **STUDY OF THE APPROVAL PROCESS FOR MULTICAMPUS CENTERS**

10 **SECTION 10.7.** The State Board of Community Colleges shall develop a process
11 for approval of community college multicampus centers. The Board shall report to the Joint
12 Legislative Education Oversight Committee by January 1, 2014, on its plan for a multicampus
13 approval process and any statutory changes necessary to implement the plan.

14
15 **CLARIFY EMPLOYEE ACADEMIC ASSISTANCE**

16 **SECTION 10.12.** G.S. 115D-5(b1) reads as rewritten:

17 "(b1) The State Board of Community Colleges shall not waive tuition and registration fees
18 for community college faculty or staff members. Community colleges may, however, use State
19 or local funds to pay tuition and registration fees for one course per semester for full-time
20 community college faculty or staff members employed for a nine-, ten-, eleven-, or
21 twelve-month term. Community colleges may also use State and local funds to pay tuition and
22 registration fees for professional development courses and for other courses consistent with the
23 academic assistance program authorized by the State Personnel Commission."

24
25 **REVISE TARGETED ASSISTANCE CRITERIA**

26 **SECTION 10.13.** G.S. 115D-40.1(b) reads as rewritten:

27 "(b) Targeted Assistance. – Notwithstanding subsection (a) of this section, the State
28 Board may allocate ~~no more than up to~~ ten percent (10%) of the funds appropriated for
29 Financial Assistance for Community College Students ~~to~~ to the following students:

- 30 (1) Students who ~~do not qualify for need based assistance but who~~ enroll in
31 low-enrollment programs that prepare students for high-demand
32 ~~occupations, and occupations.~~
- 33 (2) Students with disabilities who have been referred by the Department of
34 Health and Human Services, Division of Vocational Rehabilitation
35 Rehabilitation, and are enrolled in a community college."

36
37 **REPURPOSE OF FUNDS**

38 **SECTION 10.14.(a)** Of the funds appropriated to Forsyth Technical Community
39 College in fiscal year 2005-2006 for the construction of the Center for Emerging Technologies
40 at Forsyth Technical Community College, the sum of three million dollars (\$3,000,000) for
41 fiscal year 2013-2014 shall be transferred by the Office of State Budget and Management to
42 Budget Code 26800 to be administered by the North Carolina Community Colleges System
43 Office. The Community Colleges System Office shall allocate up to three hundred thousand
44 dollars (\$300,000) of these funds each fiscal year to Forsyth Technical Community College for
45 the operating costs and lease expenses for the community college's biotechnology,
46 nanotechnology, design, and advanced information technology programs; Small Business
47 Center; and Corporate and Industrial Training programs. The Community Colleges System
48 Office shall continue to allocate these funds to Forsyth Technical Community College for this
49 purpose until those funds are expended. No additional State funds shall be made available to
50 Forsyth Technical Community College to be used for the purposes described in this section.

1 **SECTION 10.14.(b)** The Office of State Budget and Management shall transfer all
2 funds in Budget Codes 40520 and 40620 that are unencumbered as of July 1, 2013, except
3 those funds to be transferred in accordance with subsection (a) of this section, to Budget Code
4 16800. Of the funds transferred to Budget Code 16800 under this subsection, the State Board of
5 Community Colleges shall allocate those funds to the community colleges to which the funds
6 were appropriated. These funds shall be used for community college equipment.
7

8 **CLARIFY COMMUNITY COLLEGE AUDITS**

9 **SECTION 10.15.(a)** Effective July 1, 2015, G.S. 115D-5(m) is repealed.

10 **SECTION 10.15.(b)** Effective July 1, 2015, G.S. 115D-58.16 reads as rewritten:

11 **"§ 115D-58.16. Audits.**

12 (a) Each community college shall be ~~audited~~ subject to a financial audit a minimum of
13 once every two years. Community colleges may use State funds to contract with the State
14 Auditor or with a certified public accountant to perform the audits. The colleges shall submit
15 the results of the audits to the State Board of Community Colleges.

16 The State Board of Community Colleges shall ensure that all colleges are audited in
17 accordance with this section.

18 (b) Notwithstanding the provisions of Chapter 143D of the General Statutes, a
19 community college shall not be subject to the EAGLE program administered by the Office of
20 the State Controller unless (i) there is a finding of internal control problems in the most recent
21 financial audit of the college or (ii) the State Board of Community Colleges determines that a
22 college should be subject to the program."

23 **SECTION 10.15.(c)** The Community Colleges System Office, in consultation with
24 the constituent institutions, shall develop procedures for streamlining community college audits
25 to minimize the administrative burden on the institutions being audited. The System Office
26 shall report the results of its study to the Joint Legislative Education Oversight Committee by
27 January 1, 2015.
28

29 **PART XI. UNIVERSITIES**

30 31 **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID** 32 **PROGRAMS/STUDY SCHOLARSHIPS FOR CHILDREN OF WAR VETERAN'S** 33 **PROGRAM**

34 **SECTION 11.1.(a)** There is appropriated from the Escheat Fund income to the
35 Board of Governors of The University of North Carolina the sum of thirty-seven million two
36 hundred eighty-seven thousand two hundred forty-two dollars (\$37,287,242) for the 2013-2014
37 fiscal year and the sum of thirty-seven million two hundred eighty-seven thousand two hundred
38 forty-two dollars (\$37,287,242) for the 2014-2015 fiscal year to be used for The University of
39 North Carolina Need-Based Financial Aid Program.

40 **SECTION 11.1.(b)** There is appropriated from the Escheat Fund income to the
41 State Board of Community Colleges the sum of fifteen million two hundred forty-six thousand
42 three hundred seventy-three dollars (\$15,246,373) for the 2013-2014 fiscal year and the sum of
43 sixteen million three hundred thirty-five thousand dollars (\$16,335,000) for the 2014-2015
44 fiscal year to be used for community college grants.

45 **SECTION 11.1.(c)** There is appropriated from the Escheat Fund income to the
46 Department of Administration, Division of Veterans Affairs, the sum of six million five
47 hundred twenty thousand nine hundred sixty-four dollars (\$6,520,964) for the 2013-2014 fiscal
48 year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars
49 (\$6,520,964) for the 2014-2015 fiscal year to be used for need-based student financial aid.

50 **SECTION 11.1.(d)** The funds appropriated by this section shall be allocated by the
51 State Education Assistance Authority (SEAA) for need-based student financial aid in

1 accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less
2 than the amounts referenced in this section, the difference may be taken from the Escheat Fund
3 principal to reach the appropriations referenced in this section; however, under no
4 circumstances shall the Escheat Fund principal be reduced below the sum required in
5 G.S. 116B-6(f). If any funds appropriated under this section remain uncommitted for
6 need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat
7 Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that
8 fiscal year.

9 **SECTION 11.1.(e)** The State Education Assistance Authority shall perform all of
10 the administrative functions necessary to implement this program of financial aid. The SEAA
11 shall conduct periodic evaluations of expenditures of the scholarship programs to determine if
12 allocations are utilized to ensure access to institutions of higher learning and to meet the goals
13 of the respective programs. SEAA may make recommendations for redistribution of funds to
14 The University of North Carolina, Department of Administration, and the President of the
15 Community College System regarding their respective scholarship programs, who then may
16 authorize redistribution of unutilized funds for a particular fiscal year.

17 **SECTION 11.1.(f)** G.S. 116B-7(a) reads as rewritten:

18 "(a) The income derived from the investment or deposit of the Escheat Fund shall be
19 distributed annually on or before ~~July 15~~ August 15 to the State Education Assistance Authority
20 for grants and loans to aid worthy and needy students who are residents of this State and are
21 enrolled in public institutions of higher education in this State. Such grants and loans shall be
22 made upon terms, consistent with the provisions of this Chapter, pursuant to which the State
23 Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to
24 116-209.23, Article 23 of Chapter 116 of the General Statutes, policies of the Board of
25 Governors of The University of North Carolina regarding need-based grants for students of The
26 University of North Carolina, and policies of the State Board of Community Colleges regarding
27 need-based grants for students of the community colleges."

28 **SECTION 11.1.(g)** The Joint Legislative Education Oversight Committee shall
29 study the Scholarships for Children of War Veterans Program in the Department of
30 Administration and no later than March 1, 2014, shall report its findings to the Chairs of the
31 House of Representatives Appropriations Subcommittee on General Government, to the Chairs
32 of the Senate Appropriations Committee on General Government and Information Technology,
33 and to the General Assembly. The report shall include findings and recommendations regarding
34 all of the following:

- 35 (1) Which State agency is the appropriate entity to administer the program.
- 36 (2) Ways in which the Program could be redesigned so as to increase cost
37 predictability. This part of the report shall specifically include
38 recommendations regarding the desirability of imposing time limits and
39 scholarship award maximums on scholarships made available under the
40 Program.
- 41 (3) Methods of coordinating with other scholarship programs so as to ensure
42 that non-State resources are maximized before Program resources are used.

43 44 **UNC NEED-BASED FINANCIAL AID FORWARD FUNDING RESERVE/PROVIDE** 45 **FUNDS FOR UNC NEED-BASED GRANTS**

46 **SECTION 11.2.(a)** It is the intent of the General Assembly to move the UNC
47 Need-Based Financial Aid Program grant funding into a reserve in the North Carolina Student
48 Loan Fund designated for that purpose so that funds appropriated for grants in a fiscal year are
49 awarded to students for the following academic year. This change will provide additional
50 program stability.

1 **SECTION 11.2.(b)** The UNC Need-Based Financial Aid Forward Funding
2 Reserve is established as a reserve in the North Carolina Student Loan Fund. The funds in the
3 UNC Need-Based Financial Aid Forward Funding Reserve shall be held in reserve until the
4 sum in reserve is sufficient to implement the forward funding of grants awarded to students in
5 accordance with the intent set out in subsection (a) of this section.

6 **SECTION 11.2.(c)** The following funds shall be transferred to the UNC
7 Need-Based Financial Aid Forward Funding Reserve (Reserve):

- 8 (1) The sum of fifty-nine million eight hundred fifty-nine thousand five hundred
9 sixty-two dollars (\$59,859,562) shall be transferred from the North Carolina
10 Student Loan Fund to the Reserve.
- 11 (2) Of the funds appropriated by this act to the Board of Governors of The
12 University of North Carolina for the 2013-2015 fiscal biennium, the sum of
13 three million four hundred seventy-five thousand five hundred thirty-eight
14 dollars (\$3,475,538) for the 2013-2014 fiscal year and the sum of three
15 million four hundred fifty-four thousand six hundred fifty-six dollars
16 (\$3,454,656) for the 2014-2015 fiscal year shall be transferred to the
17 Reserve.
- 18 (3) Notwithstanding G.S. 115C-296.2, the sum of three million five hundred
19 twenty-five thousand dollars (\$3,525,000) shall be transferred from the fund
20 balance of the National Board Certification Loan program to the Reserve.
- 21 (4) The sum of five hundred thousand dollars (\$500,000) shall be transferred
22 from the John B. McLendon Scholarship Fund established in
23 G.S. 116-209.40 to the Reserve.

24 **SECTION 11.2.(d)** There is appropriated from the Escheat Fund for the 2013-2014
25 fiscal year to the UNC Need-Based Financial Aid Forward Funding Reserve the sum of one
26 million eighty-eight thousand six hundred twenty-seven dollars (\$1,088,627).

27 **SECTION 11.2.(e)** G.S. 116-209.40 is repealed.

28

29 **COORDINATED RESIDENCY DETERMINATION PROCESS**

30 **SECTION 11.3.(a)** The General Assembly finds that it is in the best interest of the
31 State for the University System, the Community College System, and the State Education
32 Assistance Authority to apply the criteria in G.S. 116-143.1 to determine residency for tuition
33 purposes in a coordinated and similar manner. Therefore, The University of North Carolina, the
34 North Carolina Community College System, and the State Education Assistance Authority shall
35 jointly develop and implement a coordinated and centralized process to be used by those three
36 entities when determining the residency for tuition purposes of students who apply for
37 admission and are admitted to a constituent institution of The University of North Carolina or a
38 community college under the jurisdiction of the State Board of Community Colleges and for
39 private college students receiving State-funded financial aid. In developing a centralized
40 residency determination process, The University of North Carolina General Administration, the
41 North Carolina Community College System, and the State Education Assistance Authority shall
42 consult with the North Carolina Independent Colleges and Universities.

43 **SECTION 11.3.(b)** No later than January 1, 2014, The University of North
44 Carolina, the North Carolina Community College System, and the State Education Assistance
45 Authority shall report to the Joint Legislative Education Oversight Committee regarding the
46 progress in developing and implementing a coordinated and centralized process and any
47 necessary statutory changes.

48

49 **IMPLEMENT TUITION SURCHARGE STUDY RECOMMENDATIONS**

50 **SECTION 11.4.(a)** G.S. 116-143.7 is amended by adding a new subsection to read:

1 "(d) Each constituent institution shall implement procedures to notify students and
2 parents regarding the tuition surcharge and to provide appropriate advance notice to a student
3 when the student is approaching the credit hour limit regarding the tuition surcharge. The
4 procedures shall comply with the tuition surcharge notification principles established by the
5 Board of Governors."

6 **SECTION 11.4.(b)** G.S. 116-11 is amended by adding a new subdivision to read:

7 "(7a) The Board of Governors shall develop a uniform core set of notification
8 principles regarding the tuition surcharge, including a process for each
9 campus to notify students and parents at orientation and through each
10 semester's tuition statements and a process to provide appropriate advance
11 notification to a student when the student is approaching the credit hour limit
12 regarding the tuition surcharge. The Board of Governors shall direct each
13 constituent institution to implement these procedures."

14 **SECTION 11.4.(c)** Notwithstanding G.S. 116-143.7, courses and credit hours
15 transferred from an institution of higher education that is not a constituent institution or a
16 community college established pursuant to G.S. 115D-4, that are accepted by a constituent
17 institution prior to July 1, 2013, shall not count toward the tuition surcharge. General
18 Administration of The University of North Carolina shall report by March 1, 2014, to the Joint
19 Legislative Education Oversight Committee on the number of courses exempted from the
20 tuition surcharge pursuant to this subsection.

21 **SECTION 11.4.(d)** Subsections (a) and (b) of this section apply to the 2013 fall
22 academic semester and to each subsequent academic semester.

23 24 **UNC MANAGEMENT FLEXIBILITY REDUCTION**

25 **SECTION 11.5.(a)** The management flexibility reduction for The University of
26 North Carolina shall not be allocated by the Board of Governors to the constituent institutions
27 and affiliated entities using an across-the-board method but in a manner that recognizes the
28 importance of the academic missions and differences among The University of North Carolina
29 entities.

30 Before taking reductions in instructional budgets, the Board of Governors and the
31 campuses of the constituent institutions shall consider all of the following:

- 32 (1) Reducing State funding for centers and institutes, speaker series, and other
33 nonacademic activities.
- 34 (2) Faculty workload adjustments.
- 35 (3) Restructuring of research activities.
- 36 (4) Implementing cost-saving span of control measures.
- 37 (5) Reducing the number of senior and middle management positions.
- 38 (6) Eliminating low-performing, redundant, or low-enrollment programs.
- 39 (7) Using alternative funding sources.
- 40 (8) Protecting direct classroom services.

41 The Board of Governors and the campuses of the constituent institutions also shall
42 review the institutional trust funds and the special funds held by or on behalf of The University
43 of North Carolina and its constituent institutions to determine whether there are monies
44 available in those funds that can be used to assist with operating costs. In addition, the
45 campuses of the constituent institutions also shall require their faculty to have a teaching
46 workload equal to the national average in their Carnegie classification.

47 **SECTION 11.5.(b)** In allocating the management flexibility reduction, no
48 reduction in State funds shall be allocated in either fiscal year of the 2013-2015 biennium to
49 any of the following:

- 50 (1) UNC Need-Based Financial Aid.
- 51 (2) North Carolina Need-Based Scholarship.

1 **SECTION 11.5.(c)** The University of North Carolina shall report on the
2 implementation of the management flexibility reduction in subsection (a) of this section to the
3 Office of State Budget and Management and the Fiscal Research Division no later than October
4 1, 2013. This report shall identify both of the following by campus:

- 5 (1) The total number of positions eliminated by type (faculty/nonfaculty).
- 6 (2) The low-performing, redundant, and low-enrollment programs that were
7 eliminated.

9 **UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

10 **SECTION 11.6.(a)** G.S. 116-11 is amended by adding a new subdivision to read:

11 "(9a) The Board of Governors shall report to the Joint Legislative Education
12 Oversight Committee and the Office of State Budget and Management by
13 March 1 of each year regarding the sum of facilities and administrative fees
14 and overhead receipts for The University of North Carolina that are collected
15 and expended by each constituent institution. The report shall include all of
16 the following information:

- 17 a. The collection of facilities and administrative fees and overhead
18 receipts by line item and by grant or program.
- 19 b. The use of facilities and administrative fees and overhead receipts
20 showing line item expenditures by grant or program.
- 21 c. The sum of facilities and administrative fees and overhead receipts
22 collected or expended by each constituent institution for maintenance
23 and operation of facilities that were constructed with or at any time
24 operated by funds from the General Fund."

25 **SECTION 11.6.(b)** Section 31.14 of S.L. 2001-424 is repealed.

27 **STUDENT CHARGES AT THE NORTH CAROLINA SCHOOL OF SCIENCE AND** 28 **MATH**

29 **SECTION 11.7.(a)** G.S. 116-40.22 reads as rewritten:

30 "**§ 116-40.22. Management flexibility.**

31 ...

32 (c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the General
33 Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors
34 pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the
35 Board of Governors tuition and fees for program-specific and institution-specific needs at that
36 institution without regard to whether an emergency situation exists and not inconsistent with
37 the actions of the General Assembly. Any tuition and fees set pursuant to this subsection are
38 appropriated for use by the institution. Notwithstanding this subsection, neither the Board of
39 Governors of The University of North Carolina nor its Board of Trustees shall impose any
40 tuition or mandatory fee at the North Carolina School of Science and Mathematics without the
41 approval of the General Assembly. Assembly, except as provided in subsection (e) of this
42 section.

43 ...

44 (e) The Board of Governors of The University of North Carolina may approve, upon
45 the recommendation of the Board of Trustees of the North Carolina School of Science and
46 Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for
47 distance education services provided by the North Carolina School of Science and Mathematics
48 to nonresidents and for students participating in extracurricular enrichment programs sponsored
49 by the School."

50 **SECTION 11.7.(b)** G.S. 116-143 reads as rewritten:

1 **"§ 116-143. State-supported institutions of higher education required to charge tuition**
2 **and fees.**

3 ...

4 (b) In the event that said students are unable to pay the cost of tuition and required
5 academic fees as the same may become due, in cash, the said several boards of trustees are
6 hereby authorized and empowered, in their discretion, to accept the obligation of the student or
7 students together with such collateral or security as they may deem necessary and proper, it
8 being the purpose of this Article that all students in State institutions of higher learning shall be
9 required to pay tuition, and that free tuition is hereby abolished. Notwithstanding this section,
10 neither the Board of Governors of The University of North Carolina nor its Board of Trustees
11 shall impose any tuition or mandatory fee at the North Carolina School of Science and
12 Mathematics without the approval of the General ~~Assembly~~.Assembly, except as provided in
13 subsection (e) of this section.

14 ...

15 (e) The Board of Governors of The University of North Carolina may approve, upon
16 the recommendation of the Board of Trustees of the North Carolina School of Science and
17 Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for
18 distance education services provided by the North Carolina School of Science and Mathematics
19 to nonresidents and for students participating in extracurricular enrichment programs sponsored
20 by the School."

21 **SECTION 11.7.(c)** This section applies to the 2013-2014 spring academic
22 semester and each subsequent academic semester.

23

24 **STUDENT CHARGES AT THE UNC SCHOOL OF THE ARTS**

25 **SECTION 11.8.(a)** Article 4 of Chapter 116 of the General Statutes is amended by
26 adding a new section to read:

27 **"§ 116-68.1. Fees.**

28 The Board of Governors of The University of North Carolina may set fees, not inconsistent
29 with the actions of the General Assembly, to be paid by in-State high school students enrolled
30 at the University of North Carolina School of the Arts to assist with expenses of the institution.
31 The Board of Trustees may recommend to the Board of Governors of The University of North
32 Carolina that fees be set, not inconsistent with actions of the General Assembly, to be paid by
33 in-State high school students enrolled at the University of North Carolina School of the Arts to
34 assist with expenses of the institution. The University of North Carolina School of the Arts may
35 charge and collect fees established as provided by this section from in-State high school
36 students enrolled at the University of North Carolina School of the Arts."

37 **SECTION 11.8.(b)** This section applies to the 2014-2015 academic year and each
38 subsequent academic year.

39

40 **AUTHORIZE STATE EDUCATION ASSISTANCE AUTHORITY TO CONTINUE TO**

41 **COLLECT NORTH CAROLINA TEACHING FELLOWS REPAYMENTS**

42 **SECTION 11.9.** Subsection (b) of Section 1.38 of S.L. 2011-266 is repealed.

43

44 **UNC STRATEGIC DIRECTION INITIATIVE**

45 **SECTION 11.14.(a)** Data Analytics Projects. – Of the funds appropriated by this
46 act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal
47 biennium to be used for data analytics, the sum of five hundred thousand dollars (\$500,000) for
48 the 2013-2014 fiscal year and the sum of five hundred thousand dollars (\$500,000) for the
49 2014-2015 fiscal year shall be allocated to the University of North Carolina at Wilmington to
50 complete the construction of the Predictive Analytics Project and to make the project available
51 as a model for data analytics that may be used by the other constituent institutions. The Board

1 of Governors shall allocate the remaining funds appropriated by this act for data analytics
 2 among the other constituent institutions to construct data analytic projects similar to the model
 3 project at the University of North Carolina at Wilmington.

4 The University of North Carolina at Wilmington shall report the progress in
 5 implementing its Predictive Analytics Project and the information gained through the Project to
 6 the House of Representatives Education Appropriations Subcommittee and the Senate
 7 Education Appropriations Committee by the convening of the 2014 Regular Session of the
 8 2013 General Assembly. The information in the report shall include the expenditures at the
 9 Wilmington campus for the 2012-2013 fiscal year set out separately by degree level.

10 The General Administration of The University of North Carolina shall make a final
 11 report to the 2015 General Assembly by the time it convenes regarding the implementation of
 12 the Predictive Analytics Project at the University of North Carolina at Wilmington and the
 13 progress in implementing data analytics projects at the other campuses in The University of
 14 North Carolina System. The report shall include the expenditures at each campus set out
 15 separately by degree level and by campus for the 2013-2014 fiscal year and the plans to
 16 continue to make the expenditure information available in the same manner for each
 17 subsequent fiscal year.

18 **SECTION 11.14.(b)** Tuition Assistance for Nonresident Veterans. – Of the funds
 19 appropriated by this act to the Board of Governors of The University of North Carolina for the
 20 2013-2015 fiscal biennium to increase degree attainment, the sum of three million dollars
 21 (\$3,000,000) for the 2013-2014 fiscal year and the sum of three million dollars (\$3,000,000) for
 22 the 2014-2015 fiscal year shall be used to provide funding to assist nonresident veteran students
 23 with the difference in cost between resident and nonresident tuition. The University of North
 24 Carolina is encouraged to use these funds to increase participation in the federal Yellow Ribbon
 25 Program to maximize available resources.

26 **SECTION 11.14.(c)** Funds for UNC Investments in Faculty, Research, and
 27 Scholarship. – Of the funds appropriated by this act to the Board of Governors of The
 28 University of North Carolina for the 2013-2015 fiscal biennium, the sum of two million four
 29 hundred thousand dollars (\$2,400,000) in recurring funds and the sum of one million dollars
 30 (\$1,000,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of twelve million
 31 one hundred thousand dollars (\$12,100,000) in recurring funds and the sum of ten million
 32 dollars (\$10,000,000) in nonrecurring funds for the 2014-2015 fiscal year for focused
 33 investments in faculty, research, and scholarship that support certain priorities of The
 34 University System shall be allocated as follows:

	FY 2013-2014	FY 2014-2015
35		
36	Advanced Manufacturing:	
37	Faculty and Staff	\$1,000,000 (R)
38	Advanced Manufacturing:	
39	Operations and Support	\$500,000 (R)
40	Data Sciences:	
41	Faculty and Staff	\$900,000 (R)
42	Data Sciences:	
43	Operations and Support	\$400,000 (R)
44	Defense, Military, and Security:	
45	Faculty and Staff	\$1,000,000 (R)
46	Defense, Military, and Security:	
47	Operations and Support	\$500,000 (R)
48	Energy:	
49	Faculty and Staff	\$1,000,000 (R)
50	Energy:	
51	Operations and Support	\$500,000 (R)

1	Marine and Coastal Sciences:		
2	Faculty and Staff	\$400,000 (R)	\$1,300,000 (R)
3	Marine and Coastal Sciences:		
4	Operations and Support	\$200,000 (R)	\$400,000 (R)
5	Pharmaco-Engineering:		
6	Faculty and Staff	\$200,000 (R)	\$3,400,000 (R)
7	Pharmaco-Engineering:		
8	Graduate Fellowship/Support	—	\$200,000 (R)
9	Capital Facilities Lease Costs	—	\$1,000,000 (R)
10	Startup and Infrastructure	—	\$7,000,000 (NR)
11	Shared Research Equipment	\$1,000,000 (NR)	\$3,000,000 (NR)

12 **SECTION 11.14.(d)** The Board of Governors shall allocate the funds designated
13 for data sciences in subsection (c) of this section to the University of North Carolina at
14 Charlotte.

15

16 **STUDENT FINANCIAL AID/SEMESTER LIMIT**

17 **SECTION 11.15.(a)** G.S. 115C-499.2(6) is repealed.

18 **SECTION 11.15.(b)** Article 35A of Chapter 115C of the General Statutes is
19 amended by adding a new section to read:

20 "**§ 115C-499.2A. Semester limitation on eligibility for scholarship.**

21 (a) Except as otherwise provided by subsection (c) of this section, a student with a
22 matriculated status at a constituent institution of The University of North Carolina shall not
23 receive a scholarship for more than 10 full-time academic semesters, or its equivalent if
24 enrolled part-time, unless the student is enrolled in a program officially designated by the
25 Board of Governors as a five-year degree program. If a student is enrolled in such a five-year
26 degree program, then the student shall not receive a scholarship for more than 12 full-time
27 academic semesters or the equivalent if enrolled part-time.

28 (b) Except as otherwise provided by subsection (c) of this section, a student with a
29 matriculated status at a community college shall not receive a scholarship for more than six
30 full-time academic semesters, or the equivalent if enrolled part-time.

31 (c) Upon application by a student, the appropriate postsecondary institution may grant a
32 waiver to the student who may then receive a scholarship for the equivalent of one additional
33 full-time academic semester if the student demonstrates that any of the following have
34 substantially disrupted or interrupted the student's pursuit of a degree, diploma, or certificate:
35 (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term
36 disability, or (iv) other extraordinary hardship. The Board of Governors or the State Board of
37 Community Colleges, as appropriate, shall establish policies and procedures to implement the
38 waiver provided by this subsection."

39 **SECTION 11.15.(c)** Article 3 of Chapter 115D of the General Statutes is amended
40 by adding a new section to read:

41 "**§ 115D-40.2. Semester limitation on eligibility for North Carolina Community College**
42 **grants.**

43 (a) Except as otherwise provided by this section, a student shall not receive a
44 need-based grant from the North Carolina Community College Grant Program for more than
45 six full-time academic semesters, or the equivalent if enrolled part-time.

46 (b) Upon application by a student, the community college may grant a waiver to the
47 student who may then receive a grant from the North Carolina Community College Grant
48 Program for the equivalent of one additional full-time academic semester if the student
49 demonstrates that any of the following have substantially disrupted or interrupted the student's
50 pursuit of a degree, diploma, or certificate: (i) a military service obligation, (ii) serious medical
51 debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The

1 State Board shall establish policies and procedures to implement the waiver provided by this
2 subsection."

3 **SECTION 11.15.(d)** G.S. 116-25.1 reads as rewritten:

4 **"§ 116-25.1. Limit receipt of Semester limitation on eligibility for The University of North**
5 **Carolina need-based financial aid grants to traditional time period required to**
6 **earn baccalaureate degree grants.**

7 (a) Except as otherwise provided by this section, a student shall not receive a grant
8 from The University of North Carolina Need-Based Financial Aid Program for more than ~~nine~~
9 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the student is
10 enrolled in a program officially designated by the Board of Governors as a five-year degree
11 program. If a student is enrolled in such a five-year degree program, then the student shall not
12 receive a need-based grant from The University of North Carolina Need-Based Financial Aid
13 Program for more than ~~11~~12 full-time academic semesters or its equivalent if enrolled
14 part-time.

15 (b) Upon application by a student, ~~the student may receive a grant for one additional~~
16 ~~part-time or full-time academic semester as appropriate, the constituent institution may grant a~~
17 ~~waiver to the student who may then receive a grant for the equivalent of one additional~~
18 ~~full-time academic semester if the student demonstrates that any of the following have~~
19 ~~substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service~~
20 ~~obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv)~~
21 ~~other extraordinary hardship, including inability to enroll in the appropriate courses due to~~
22 ~~reduced course offerings. hardship.~~ The Board of Governors shall establish ~~the~~
23 ~~appropriate policies and~~ procedures to implement the ~~additional semester extension waiver~~
24 provided by this subsection."

25 **SECTION 11.15.(e)** G.S. 116-281(6) is repealed.

26 **SECTION 11.15.(f)** Article 34 of Chapter 116 of the General Statutes is amended
27 by adding a new section to read:

28 **"§ 116-281.1. Semester limitation on eligibility for scholarship.**

29 (a) A student shall not receive a scholarship under this Article for more than 10
30 full-time academic semesters, or the equivalent if enrolled part-time, unless the student is
31 enrolled in a program officially designated by the eligible private postsecondary institution as a
32 five-year degree program. If a student is enrolled in such a five-year degree program, then the
33 student shall not receive a scholarship under this Article for more than 12 full-time academic
34 semesters or the equivalent if enrolled part-time.

35 (b) Upon application by a student, the eligible private postsecondary institution may
36 grant a waiver to the student who may then receive a scholarship for the equivalent of one
37 additional full-time academic semester if the student demonstrates that any of the following
38 have substantially disrupted or interrupted the student's pursuit of a baccalaureate degree: (i) a
39 military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term
40 disability, or (iv) other extraordinary hardship. The eligible private postsecondary institution
41 shall establish policies and procedures to implement the waiver provided by this subsection."

42 **SECTION 11.15.(g)** Article 23 of Chapter 116 of the General Statutes is amended
43 by adding a new section to read:

44 **"§ 116-209.19A. Limit semesters eligible for need-based grants and scholarships.**

45 The Authority administers the following need-based grant and scholarship programs: the
46 Education Lottery Scholarships, North Carolina Community College Grant Program, The
47 University of North Carolina Need-Based Financial Aid Program, and Need-Based
48 Scholarships for Students Attending Private Institutions of Higher Education.
49 G.S. 115C-499.2A, 115D-40.2, 116-25.1, and 116-281.1 limit the number of semesters that a
50 student may receive a grant or scholarship from any of those programs and also provide the
51 circumstances in which a waiver to those limits may be granted by the appropriate

1 postsecondary institution. The Authority shall enforce these limitations in administering these
2 programs so that unless a waiver is granted by the appropriate postsecondary institution, no
3 student shall receive a grant or scholarship from any of those programs or any combination of
4 those financial aid programs while pursuing a degree, diploma, or certificate for more than any
5 of the following time periods: (i) 10 full-time academic semesters or its equivalent if enrolled
6 part-time or (ii) 12 full-time academic semesters or its equivalent if the student is enrolled in a
7 program officially designated as a five-year degree program.

8 A postsecondary institution that grants a waiver under G.S. 115C-499.2A, 115D-40.2,
9 116-25.1, or 116-281.1 shall certify the granting of the waiver in a manner acceptable to the
10 Authority and shall also maintain documentation substantiating the reason for the waiver."

11 **SECTION 11.15.(h)** The State Education Assistance Authority shall structure its
12 payment schedule to encourage students to complete an average of 30 credit hours per
13 academic year. The State Education Assistance Authority shall report to the Joint Legislative
14 Education Oversight Committee by March 1, 2014, regarding the measures implemented by the
15 Authority pursuant to this subsection.

16 **SECTION 11.15.(i)** This section applies to the 2014-2015 academic year and each
17 subsequent academic year.

18 **STUDY SCHOOL OF SCIENCE AND MATHEMATICS/MORGANTON CAMPUS**

19 **SECTION 11.16.(a)** The Board of Governors of The University of North Carolina,
20 the North Carolina School of Science and Mathematics (School of Science and Math), and the
21 Department of Public Instruction shall jointly study the feasibility of establishing a western
22 campus for the School of Science and Math at the School for the Deaf in Morganton. In its
23 study, the Board of Governors, the School of Science and Math, and the Department of Public
24 Instruction shall consider the number of students with excellent academic records who apply to
25 the School of Science and Math but are not accepted because of the School's lack of physical
26 space to accommodate additional students. They may also consult with the Department of
27 Administration regarding what, if any, renovations would be required at the School for the Deaf
28 if a western campus for the School of Science and Math were located at that facility.

29 If it is determined that the School for the Deaf is not a suitable site for the location
30 of a western campus, the Board of Governors, School of Science and Math, and the Department
31 of Public Instruction in consultation with the Department of Administration may consider other
32 sites in western North Carolina that are available as a site.

33 **SECTION 11.16.(b)** The Department of Administration shall, upon request by the
34 Board of Governors, the North Carolina School of Science and Math, and the Department of
35 Public Instruction, provide information regarding renovations that may be required to locate a
36 western campus for the School of Science and Math at the School for the Deaf and shall also
37 provide, upon request, information regarding other State-owned real property that may be
38 available for such a purpose.

39 **SECTION 11.16.(c)** The Board of Governors, the School of Science and Math, and
40 the Department of Public Instruction shall report their findings and recommendations to the
41 House of Representatives and Senate Appropriations Subcommittees on Education by February
42 1, 2014.

43 **NC GUARANTEED ADMISSION PROGRAM**

44 **SECTION 11.17.(a)** The Board of Governors of The University of North Carolina,
45 in consultation with the State Board of Community Colleges, shall develop the North Carolina
46 Guaranteed Admission Program (NC GAP). The goals of NC GAP are to encourage and assist
47 more students to obtain a baccalaureate degree within a shorter time period; to provide students
48 with a college education at significantly lower costs for both the student and the State; to help
49 decrease the amount of debt resulting from loans that a student may owe upon graduation; to
50
51

1 provide a student with an interim degree that may increase a student's job opportunities if the
2 student chooses not to continue postsecondary education; and to provide easier access to
3 academic counseling that will assist a student in selecting coursework that reflects the student's
4 educational and career goals and helps the student succeed academically.

5 The purpose of the program is to provide an option for students who apply for
6 admission to a constituent institution and satisfy the admission criteria, but whose academic
7 credentials are not as competitive as other students admitted to the institution. A student who
8 chooses to participate in NC GAP shall agree to defer admission to the constituent institution
9 for at least two years and in return shall be guaranteed admission to the constituent institution
10 for the student's junior year, provided the student enrolls in a community college and earns an
11 associate degree.

12 **SECTION 11.17.(b)** The State Board of Community Colleges, in consultation with
13 the Board of Governors of The University of North Carolina, shall adopt rules to ensure that a
14 student participating in NC GAP is provided counseling and assistance in selecting coursework
15 that reflects the student's educational and career goals and that provides a smooth transition
16 from the community college to the constituent institution.

17 **SECTION 11.17.(c)** The State Board of Community Colleges shall allocate a
18 portion of the nonrecurring funds appropriated to the Board by this act for the 2014-2015 fiscal
19 year to assist community colleges with students who are participating in NC GAP.

20 **SECTION 11.17.(d)** The Board of Governors of The University of North Carolina
21 and the State Board of Community Colleges shall report to the Joint Legislative Education
22 Oversight Committee by March 1, 2014, on the development and implementation of NC GAP.
23 The report shall include a comprehensive description of the program and the academic
24 counseling required to help students in NC GAP succeed academically.

25 **SECTION 11.17.(e)** NC GAP shall be implemented for the 2014-2015 academic
26 year and shall continue for each subsequent academic year.

27 **UNC ISCHOOL/CAREER AND COLLEGE PROMISE PROGRAM**

28 **SECTION 11.18.** The University of North Carolina at Greensboro and the
29 Department of Public Instruction shall jointly study the feasibility of restarting the UNC-G
30 iSchool by incorporating it as a part of the Career and College Promise Program. As part of the
31 study, the University of North Carolina at Greensboro and the Department of Public Instruction
32 shall consider the cost of incorporating the iSchool within the existing structure of the Career
33 and College Promise Program. The University of North Carolina at Greensboro and the
34 Department of Public Instruction shall report to the Joint Legislative Education Oversight
35 Committee by March 1, 2014, regarding their findings and recommendations.

36 **PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

37 **SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT**

38 **DEPARTMENT FLEXIBILITY TO ACHIEVE DEPARTMENTAL PRIORITIES AND** 39 **ENHANCE FISCAL OVERSIGHT AND ACCOUNTABILITY**

40 **SECTION 12A.1.(a)** Notwithstanding any other provision of law to the contrary
41 and consistent with G.S. 143B-10, the Secretary of the Department of Health and Human
42 Services may reorganize positions and related operational costs within the Department (i) upon
43 a demonstration by the Department of cost-effectiveness and (ii) after approval by the Office of
44 State Budget and Management (OSBM) of a written proposal submitted by the Department to
45 OSBM. Proposals submitted to OSBM under this section shall, at a minimum, identify the
46 positions involved and the strategies to be implemented in order to achieve efficiencies.
47
48
49
50

1 **SECTION 12A.1.(b)** In order to enhance fiscal oversight and accountability, the
 2 Secretary of the Department of Health and Human Services may realign existing resources to
 3 expand its internal audit capacity. The Secretary may identify up to 32 existing positions for
 4 this purpose. Any realignment of resources and positions pursuant to this subsection is subject
 5 to the prior approval of OSBM. Notwithstanding any provision of law to the contrary, these
 6 realignments shall be reflected in the authorized budget. The expanded Office of Internal Audit
 7 shall provide the Department's management personnel with independent reviews and analyses
 8 of various functions and services within the Department, including operational audits,
 9 performance audits, compliance audits, financial audits, and other special reviews.

10 **SECTION 12A.1.(c)** By no later than June 30, 2014, the Department shall report
 11 any actions undertaken pursuant to this section to the Joint Legislative Oversight Committee on
 12 Health and Human Services and the Fiscal Research Division. The report shall, at a minimum,
 13 identify the positions involved and the strategies implemented to achieve efficiencies, to
 14 expand internal audit capacity, or both.

15
 16 **FUNDING FOR NONPROFIT ORGANIZATIONS/ESTABLISH COMPETITIVE**
 17 **GRANTS PROCESS**

18 **SECTION 12A.2.(a)** Of the funds appropriated in this act to the Department of
 19 Health and Human Services, Division of Central Management and Support, the sum of nine
 20 million five hundred twenty-nine thousand one hundred thirty-four dollars (\$9,529,134) for the
 21 2013-2014 fiscal year only and the sum of three million twenty-one thousand three hundred
 22 twenty-three dollars (\$3,021,323) appropriated in Section 12J.1 of this act for each year of the
 23 2013-2015 fiscal biennium shall be used to allocate funds for nonprofit organizations.

24 **SECTION 12A.2.(b)** For fiscal year 2013-2014 only, from funds appropriated
 25 under subsection (a) of this section, the Department shall allocate the designated amounts to the
 26 following nonprofit organizations:

27	(1)	North Carolina Senior Games, Inc.	\$ 111,908
28	(2)	ARC of North Carolina	281,517
29	(3)	ARC of North Carolina – Wilmington	47,025
30	(4)	Autism Society of North Carolina	2,710,003
31	(5)	The Mariposa School for Children with Autism	313,097
32	(6)	Easter Seals UCP of North Carolina	1,491,827
33	(7)	ABC of North Carolina Child Development Center	337,807
34	(8)	Residential Services, Inc.	227,006
35	(9)	Oxford House, Inc.	184,240
36	(10)	Brain Injury Association of North Carolina	207,475
37	(11)	Food Bank of Central and Eastern North Carolina, Inc.	460,600
38	(12)	Food Bank of the Albemarle	460,600
39	(13)	Manna Food Bank	460,600
40	(14)	Second Harvest Food Bank of Metrolina, Inc.	460,600
41	(15)	Second Harvest Food Bank of Northwest	
42		North Carolina, Inc.	460,600
43	(16)	Second Harvest Food Bank of Southeast	
44		North Carolina	460,600
45	(17)	Prevent Blindness NC	422,060
46	(18)	Maternity Homes	345,450
47	(19)	NC High School Athletic Association (NCHSAA)	306,291
48	(20)	Work First – Boys & Girls Clubs	2,259,243
49	(21)	Vocational Rehabilitation Services – Easter Seal	
50		Society/UCP North Carolina	173,428
51	(22)	ALS Jim "Catfish" Hunter	368,480

1 **SECTION 12A.2.(c)** It is the intent of the General Assembly that beginning fiscal
2 year 2014-2015 the Department implement a competitive grants process for nonprofit funding.
3 To that end, the Department shall develop a plan that establishes a competitive grants process
4 to be administered by the Division of Central Management and Support. The Department shall
5 develop a plan that, at a minimum, includes each of the following:

- 6 (1) A request for application (RFA) process to allow nonprofits to apply for and
7 receive State funds on a competitive basis.
- 8 (2) A requirement that nonprofits match a minimum of ten percent (10%) of the
9 total amount of the grant award.
- 10 (3) A requirement that the Secretary prioritize grant awards to those nonprofits
11 that are able to leverage non-State funds in addition to the grant award.
- 12 (4) A process that awards grants to nonprofits dedicated to providing services on
13 a statewide basis and that support any of the following State health and
14 wellness initiatives:
 - 15 a. A program targeting advocacy, support, education, or residential
16 services for persons diagnosed with autism.
 - 17 b. A comprehensive program of education, advocacy, and support
18 related to brain injury and those affected by brain injury.
 - 19 c. A system of residential supports for those afflicted with substance
20 abuse addiction.
 - 21 d. A program of advocacy and supports for individuals with intellectual
22 and developmental disabilities or severe and persistent mental illness,
23 substance abusers, or the elderly.
 - 24 e. Supports and services to children and adults with developmental
25 disabilities or mental health diagnoses.
 - 26 f. A food distribution system for needy individuals.
 - 27 g. The provision and coordination of services for the homeless.
 - 28 h. The provision of services for individuals aging out of foster care.
 - 29 i. Programs promoting wellness, physical activity, and health education
30 programming for North Carolinians.
 - 31 j. A program focused on enhancing vision screening through the State's
32 public school system.
 - 33 k. Provision for the delivery of after-school services for at-risk youth.
 - 34 l. The provision of direct services for amyotrophic lateral sclerosis
35 (ALS) and those diagnosed with the disease.
- 36 (5) Ensures that funds received by the Department to implement the plan
37 supplement and do not supplant existing funds for health and wellness
38 programs and initiatives.

39 **SECTION 12A.2.(d)** By no later than December 1, 2013, each nonprofit
40 organization receiving funding pursuant to subsection (b) of this section shall submit to the
41 Division of Central Management and Support a written report of all activities funded by State
42 appropriations. The report shall include the following information about the fiscal year
43 preceding the year in which the report is due:

- 44 (1) The entity's mission, purpose, and governance structure.
- 45 (2) A description of the types of programs, services, and activities funded by
46 State appropriations.
- 47 (3) Statistical and demographical information on the number of persons served
48 by these programs, services, and activities, including the counties in which
49 services are provided.
- 50 (4) Outcome measures that demonstrate the impact and effectiveness of the
51 programs, services, and activities.

1 (5) A detailed program budget and list of expenditures, including all positions
2 funded and funding sources.

3 (6) The source and amount of any matching funds received by the entity.

4 **SECTION 12A.2.(e)** By no later than February 1, 2014, the Secretary of Health
5 and Human Services shall develop a plan for the implementation of the competitive grants
6 process for nonprofit funding and shall report to the Joint Legislative Oversight Committee on
7 Health and Human Services on the plan.

8 **SECTION 12A.2.(f)** By no later than April 1, 2014, the Secretary of Health and
9 Human Services shall implement the plan for the competitive grants process.

10 **SECTION 12A.2.(g)** By no later than July 1, 2014, the Secretary shall announce
11 the recipients of the competitive grant awards. After awards have been granted, the Secretary
12 shall submit a report to the Joint Legislative Oversight Committee on Health and Human
13 Services on the grant awards that includes at least all of the following:

14 (1) The identity and a brief description of each grantee and each program or
15 initiative offered by the grantee.

16 (2) The amount of funding awarded to each grantee.

17 (3) The number of persons served by each grantee, broken down by program or
18 initiative.

19 20 **SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES**

21 **SECTION 12A.2A.(a)** As used in this act, "group home" means any facility that (i)
22 is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised
23 living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G .5601(c)(3), and (iii)
24 serves adults whose primary diagnosis is mental illness or a developmental disability but may
25 also have other diagnoses.

26 **SECTION 12A.2A.(b)** From the funds appropriated in this act to the Department
27 of Health and Human Services, Division of Central Management and Support, the sum of eight
28 million dollars (\$8,000,000) in nonrecurring funds shall be used to provide temporary,
29 short-term financial assistance in the form of a monthly payment to group homes on behalf of
30 each resident who meets all of the following criteria:

31 (1) Was eligible for Medicaid-covered personal care services (PCS) prior to
32 January 1, 2013, but was determined to be ineligible for PCS on or after
33 January 1, 2013, due to Medicaid State Plan changes in PCS eligibility
34 criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section
35 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194.

36 (2) Has continuously resided in a group home since December 31, 2012.

37 **SECTION 12A.2A.(c)** These monthly payments shall be subject to all of the
38 following requirements and limitations:

39 (1) The amount of the monthly payments authorized by this section shall not
40 exceed four hundred sixty-four dollars and thirty cents (\$464.30) per month
41 for each resident who meets all criteria specified in subsection (b) of this
42 section.

43 (2) A group home that receives the monthly payments authorized by this section
44 shall not, under any circumstances, use these payments for any purpose other
45 than providing, as necessary (i) non-hands-on assistance, (ii) supervision,
46 and (iii) medication management for a resident who meets all criteria
47 specified in subsection (b) of this section.

48 (3) The Department shall make monthly payments authorized by this section to
49 a group home on behalf of each resident who meets all criteria specified in
50 subsection (b) of this section only for the period commencing July 1, 2013,
51 and ending June 30, 2014, or upon depletion of the eight million dollars

1 (\$8,000,000) in nonrecurring funds appropriated in this act to the Division of
2 Central Management and Support for the 2013-2014 fiscal year for the
3 purpose of this section, whichever is earlier.

4 (4) The Department shall make monthly payments authorized by this section
5 only to the extent sufficient funds are available from the eight million dollars
6 (\$8,000,000) in nonrecurring funds appropriated in this act to the Division of
7 Central Management and Support for the 2013-2014 fiscal year for the
8 purpose of this section.

9 (5) The Department shall not make monthly payments authorized by this section
10 to a group home on behalf of a resident during the pendency of an appeal by
11 or on behalf of the resident under G.S. 108A-70.9A.

12 (6) The Department shall terminate all monthly payments pursuant to this
13 section on June 30, 2014, or upon depletion of the funds appropriated in this
14 act to the Division of Central Management and Support for the 2013-2014
15 fiscal year for the purpose of this section, whichever is earlier.

16 **SECTION 12A.2A.(d)** The Department shall use an existing mechanism to
17 administer these funds in the least restrictive manner that ensures compliance with this section
18 and timely and accurate payments to group homes. The Department shall not, under any
19 circumstances, use any portion of the eight million dollars (\$8,000,000) appropriated in this act
20 to the Division of Central Management and Support for the purpose of this section for any other
21 purpose.

22 **SECTION 12A.2A.(e)** By no later than April 1, 2014, the Department of Health
23 and Human Services shall study and submit to the House Appropriations Subcommittee on
24 Health and Human Services, the Senate Appropriations Committee on Health and Human
25 Services, the Legislative Oversight Committee on Health and Human Services, and the Fiscal
26 Research Division a plan for a long-term solution for individuals residing in group homes who
27 would like to continue residing in this setting and, as a result of an independent assessment,
28 have been determined to need only one or more of the following: (i) non-hands-on assistance,
29 (ii) supervision, and (iii) medication management.

30 **SECTION 12A.2A.(f)** Nothing in this section shall be construed as an obligation
31 by the General Assembly to appropriate funds for the purpose of this section, or as an
32 entitlement by any group home, resident of a group home, or other person to receive temporary,
33 short-term financial assistance under this section.

34 **SECTION 12A.2A.(g)** This section expires June 30, 2014.

35 36 **HEALTH INFORMATION TECHNOLOGY**

37 **SECTION 12A.3.(a)** The Department of Health and Human Services, in
38 cooperation with the State Chief Information Officer, shall coordinate health information
39 technology (HIT) policies and programs within the State of North Carolina. The Department's
40 goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and
41 to ensure that each State agency, public entity, and private entity that undertakes health
42 information technology activities does so within the area of its greatest expertise and technical
43 capability and in a manner that supports coordinated State and national goals, which shall
44 include at least all of the following:

45 (1) Ensuring that patient health information is secure and protected, in
46 accordance with applicable law.

47 (2) Improving health care quality, reducing medical errors, reducing health
48 disparities, and advancing the delivery of patient-centered medical care.

49 (3) Providing appropriate information to guide medical decisions at the time and
50 place of care.

51 (4) Ensuring meaningful public input into HIT infrastructure development.

- 1 (5) Improving the coordination of information among hospitals, laboratories,
2 physicians' offices, and other entities through an effective infrastructure for
3 the secure and authorized exchange of health care information.
- 4 (6) Improving public health services and facilitating early identification and
5 rapid response to public health threats and emergencies, including
6 bioterrorist events and infectious disease outbreaks.
- 7 (7) Facilitating health and clinical research.
- 8 (8) Promoting early detection, prevention, and management of chronic diseases.

9 **SECTION 12A.3.(b)** The Department of Health and Human Services shall
10 establish and direct an HIT management structure that is efficient and transparent and that is
11 compatible with the Office of the National Health Coordinator for Information Technology
12 (National Coordinator) governance mechanism. The HIT management structure shall be
13 responsible for all of the following:

- 14 (1) Developing a State plan for implementing and ensuring compliance with
15 national HIT standards and for the most efficient, effective, and widespread
16 adoption of HIT.
- 17 (2) Ensuring that (i) specific populations are effectively integrated into the State
18 plan, including aging populations, populations requiring mental health
19 services, and populations utilizing the public health system, and (ii) unserved
20 and underserved populations receive priority consideration for HIT support.
- 21 (3) Identifying all HIT stakeholders and soliciting feedback and participation
22 from each stakeholder in the development of the State plan.
- 23 (4) Ensuring that existing HIT capabilities are considered and incorporated into
24 the State plan.
- 25 (5) Identifying and eliminating conflicting HIT efforts where necessary.
- 26 (6) Identifying available resources for the implementation, operation, and
27 maintenance of health information technology, including identifying
28 resources and available opportunities for North Carolina institutions of
29 higher education.
- 30 (7) Ensuring that potential State plan participants are aware of HIT policies and
31 programs and the opportunity for improved health information technology.
- 32 (8) Monitoring HIT efforts and initiatives in other states and replicating
33 successful efforts and initiatives in North Carolina.
- 34 (9) Monitoring the development of the National Coordinator's strategic plan and
35 ensuring that all stakeholders are aware of and in compliance with its
36 requirements.
- 37 (10) Monitoring the progress and recommendations of the HIT Policy and
38 Standards Committee and ensuring that all stakeholders remain informed of
39 the Committee's recommendations.
- 40 (11) Monitoring all studies and reports provided to the United States Congress
41 and reporting to the Joint Legislative Oversight Committee on Information
42 Technology and the Fiscal Research Division on the impact of report
43 recommendations on State efforts to implement coordinated HIT.

44 **SECTION 12A.3.(c)** Section 10.24(c) of S.L. 2011-145 reads as rewritten:

45 ~~"SECTION 10.24.(c) Beginning October 1, 2011, the Department of Health and Human~~
46 ~~Services shall provide quarterly written reports~~By no later than January 15, 2015, the
47 Department of Health and Human Services shall provide a written report on the status of HIT
48 efforts to the Joint Legislative Oversight Committee on Health and Human Services and the
49 Fiscal Research Division. The reports due each January 1 and July 1 shall consist of updates to
50 ~~substantial initiatives or challenges that have occurred since the most recent comprehensive~~

1 ~~report. The reports due each October 1 and April 1~~report shall be comprehensive and shall
2 include all of the following:

- 3 (1) Current status of federal HIT initiatives.
- 4 (2) Current status of State HIT efforts and initiatives among both public and
5 private entities.
- 6 (3) A breakdown of current public and private funding sources and dollar
7 amounts for State HIT initiatives.
- 8 (4) Department efforts to coordinate HIT initiatives within the State and any
9 obstacles or impediments to coordination.
- 10 (5) HIT research efforts being conducted within the State and sources of funding
11 for research efforts.
- 12 (6) Opportunities for stakeholders to participate in HIT funding and other efforts
13 and initiatives during the next quarter.
- 14 (7) Issues associated with the implementation of HIT in North Carolina and
15 recommended solutions to these issues."
- 16

17 **FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION** 18 **SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS**

19 **SECTION 12A.4.(a)** The Secretary of the Department of Health and Human
20 Services may utilize prior year earned revenue received for the replacement MMIS in the
21 amount of nine million six hundred fifty-eight thousand one hundred fifty-two dollars
22 (\$9,658,152) for the 2013-2014 fiscal year and in the amount of one million six hundred
23 sixty-six thousand six hundred twenty-five dollars (\$1,666,625) for the 2014-2015 fiscal year.
24 In the event the Department does not receive prior year earned revenues in the amounts
25 authorized by this section, or funds are insufficient to advance the project, the Department may,
26 with prior approval from the Office of State Budget and Management (OSBM), utilize
27 overrealized receipts and funds appropriated to the Department to achieve the level of funding
28 specified in this section for the replacement MMIS.

29 **SECTION 12A.4.(b)** The Department shall make full development of the
30 replacement MMIS a top priority. During development and implementation of the replacement
31 MMIS, the Department shall develop plans to ensure the timely and effective implementation
32 of enhancements to the system to provide the following capabilities:

- 33 (1) Receiving and tracking premiums or other payments required by law.
- 34 (2) Compatibility with the Health Information System.

35 **SECTION 12A.4.(c)** The Department shall make every effort to expedite the
36 implementation of the enhancements. The replacement MMIS shall have the capability to fully
37 implement the administration of NC Health Choice, Ticket to Work, CAP Children's Program,
38 all relevant Medicaid waivers, and the Medicare 646 waiver as it applies to Medicaid eligibles.

39 **SECTION 12A.4.(d)** The Office of the State Chief Information Officer (SCIO) and
40 the Office of Information Technology Services (ITS) shall work in cooperation with the
41 Department to ensure the timely and effective implementation of the replacement MMIS and
42 any enhancements. The SCIO shall ensure that the replacement MMIS meets all State
43 requirements for project management and shall immediately report any failure to meet these
44 requirements to the Joint Legislative Oversight Committee on Health and Human Services, the
45 Joint Legislative Oversight Committee on Information Technology, the Fiscal Research
46 Division, and the Office of State Budget and Management. The SCIO shall also immediately
47 report if any replacement MMIS project, or portion of a project, is listed as red in the project
48 portfolio management tool.

49 **SECTION 12A.4.(e)** Notwithstanding G.S. 114-2.3, the Department shall consult
50 with the Office of the SCIO concerning the retention of private counsel for the replacement
51 MMIS, and as directed by the Office of the SCIO, retain private counsel with expertise in

1 pertinent information technology and computer law to negotiate and review contract
2 amendments associated with the replacement MMIS. The private counsel engaged by the
3 Department shall review the replacement MMIS contract amendments between the Department
4 and the vendors to ensure that the requirements of subsection (c) of this section are met in their
5 entirety and that the terms of the contract amendments are in the State's best interest.

6 **SECTION 12A.4.(f)** The Department shall immediately report any changes to the
7 replacement MMIS implementation schedules to the Joint Legislative Oversight Committee on
8 Health and Human Services, the Joint Legislative Oversight Committee on Information
9 Technology, the Fiscal Research Division, and the Office of State Budget and Management,
10 with a full explanation of the reason for the change and any associated costs.

11 **SECTION 12A.4.(g)** The Department shall provide the following reports on the
12 replacement MMIS by the dates specified in this subsection to the Joint Legislative Oversight
13 Committee on Health and Human Services, the Joint Legislative Oversight Committee on
14 Information Technology, the Fiscal Research Division, and the Office of State Budget and
15 Management:

- 16 (1) By no later than September 1, 2013, a progress report on full implementation
17 of the replacement MMIS, which shall include at least all of the following:
18 a. Any issues encountered following the "go-live" date of July 1, 2013,
19 and how each issue was resolved.
20 b. Any system requirements for manual workarounds and the time line
21 for implementing an automated solution for each manual
22 workaround.
23 c. Required capabilities that are not available in the replacement MMIS
24 on the "go-live" date of July 1, 2013, with a date for the
25 implementation of each.
- 26 (2) By no later than November 1, 2013, a progress report on full implementation
27 of the replacement MMIS, which shall include at least all of the following:
28 a. An updated estimate of the costs associated with operating and
29 maintaining the system during the 2013-2014 and 2014-2015 fiscal
30 years, with an explanation for any changes from previous
31 submissions.
32 b. The cost, if any, associated with the resolution of each issue
33 encountered following the "go-live" date of July 1, 2013, and the
34 source of funding for the associated cost.
35 c. The cost, if any, associated with any system requirements for manual
36 workarounds, the source of funding used to pay for the associated
37 cost, the cost associated with transitioning to each automated
38 solution, and the source of funding for each identified cost.
39 d. A comparison of timeliness and accuracy of payments for legacy
40 system and replacement system transactions, using the same criteria
41 for both.
42 e. The cost, if any, associated with implementation of any required
43 capabilities that are not available in the replacement MMIS on the
44 "go-live" date of July 1, 2013.
- 45 (3) By no later than December 1, 2013, a plan for the elimination of the Office
46 of Medicaid Management Information System Services (OMMISS) and the
47 transfer of its remaining operations to other Divisions within the Department
48 of Health and Human Services. This plan shall include at least all of the
49 following:
50 a. The specific operations to be transferred to other Divisions within the
51 Department, the specific Division to which each operation will be

1 transferred, the State personnel that will be impacted by each
2 transfer, costs associated with each transfer, and sources of funding
3 to enable the identified Divisions to assume these transferred
4 operations.

5 b. Any State personnel costs that will result from the dissolution of
6 OMMISS, including the costs of any severance payments and any
7 compensatory time earned during the course of the project, broken
8 down by employee; and any identified sources of funding to pay for
9 these personnel costs.

10 c. A plan for transitioning out of the space currently leased by the State
11 for OMMISS, costs associated with this transition, and any savings
12 that will result from the transition.

13 (4) By no later than January 15, 2014, a preliminary report on the Department's
14 plan for achieving system certification, which shall include at least all of the
15 following:

16 a. A description of the process.

17 b. A detailed time line.

18 c. Any issues that could impact the timing of system certification and
19 plans to mitigate identified issues.

20 d. Any costs associated with system certification.

21 e. Any identified funding sources to pay for costs associated with
22 system certification.

23 **SECTION 12A.4.(h)** The Department shall complete the Reporting and Analytics
24 Project solution simultaneously with the implementation of the replacement MMIS.

25 **SECTION 12A.4.(i)** Notwithstanding any other provision of law and to the extent
26 permitted by federal law, the Department shall not approve any overtime or compensatory time
27 related to the replacement MMIS after the replacement MMIS "go-live" date of July 1, 2013,
28 without the prior written approval of the Office of State Personnel for each specific instance of
29 overtime or compensatory time.

30
31 **FUNDING FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES**
32 **THROUGH TECHNOLOGY (NC FAST); REPORT ON ELIGIBILITY**
33 **DETERMINATIONS FOR THE EXCHANGE**

34 **SECTION 12A.6.(a)** Funds appropriated in this act in the amount of eight hundred
35 sixty-four thousand six hundred fifty-five dollars (\$864,655) for State fiscal year 2014-2015
36 along with the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families
37 Accessing Services through Technology (NC FAST) project shall be used to match federal
38 funds in fiscal years 2013-2014 and 2014-2015 to expedite the development and
39 implementation of the Eligibility Information System (EIS), Child Care, Low Income Energy
40 Assistance, and Crisis Intervention Programs, and Child Service components of the NC FAST
41 project.

42 **SECTION 12A.6.(b)** The Department of Health and Human Services shall report
43 on NC FAST's performance in providing eligibility determinations for Medicaid applicants on
44 the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by
45 Section 2 of S.L. 2013-5. The report shall contain a description of the following:

46 (1) Funding sources, funding amounts, and expenditures for the project
47 beginning in fiscal year 2012-2013 through the time of the report.

48 (2) Any challenges with the eligibility determination project and how NC FAST
49 solved those challenges.

50 (3) The number of eligibility determinations performed for applicants on the
51 federally facilitated Health Benefit Exchange, including an analysis of on

1 what days and for how many persons eligibility determinations were
2 performed as well as how many applicants were determined to be eligible.
3 The Department shall submit a report to the Joint Legislative Commission on Governmental
4 Operations, the Joint Legislative Oversight Committee on Health and Human Services, and the
5 Joint Legislative Oversight Committee on Information Technology three months after open
6 enrollment begins for the federally facilitated Health Benefit Exchange.
7

8 **LIABILITY INSURANCE**

9 **SECTION 12A.7.** Article 31 of Chapter 58 of the General Statutes is amended by
10 adding a new section to read:

11 **"§ 58-31-26. Medical liability insurance for certain physicians and dentists.**

12 (a) The Secretary of the Department of Health and Human Services and the Secretary
13 of the Department of Public Safety may provide medical liability insurance not to exceed one
14 million dollars (\$1,000,000) per incident on behalf of employees of these Departments who are
15 licensed to practice medicine or dentistry; on behalf of all licensed physicians who are faculty
16 members of The University of North Carolina who perform work on a contractual basis for the
17 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for
18 incidents that occur in Division programs; and on behalf of physicians in all residency training
19 programs from The University of North Carolina who are in training at institutions operated by
20 the Department of Health and Human Services. This coverage may include commercial
21 insurance or self-insurance and shall cover these individuals for their acts or omissions only
22 while they are engaged in providing medical and dental services pursuant to their State
23 employment or training.

24 (b) The coverage provided pursuant to this section shall not cover any individual for
25 any act or omission that the individual knows or reasonably should know constitutes a violation
26 of the applicable criminal laws of any state or the United States, or that arises out of any sexual,
27 fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton
28 negligence.

29 (c) The coverage provided pursuant to this section shall not require any additional
30 appropriations and, except as provided in subsection (a) of this section, shall not apply to any
31 individual providing contractual service to the Department of Health and Human Services or
32 the Department of Public Safety."
33

34 **ELIMINATION OF UNNECESSARY AND REDUNDANT REPORTS**

35 **SECTION 12A.8.(a)** Eliminate Outcomes Evaluation Study on the Effectiveness
36 of Substance Abuse Services Provided to Person Convicted of DWI. – G.S. 122C-142.1(j) is
37 repealed.

38 **SECTION 12A.8.(b)** Eliminate Evaluation of Efficiency and Effectiveness of
39 Family Resource Center Grant Program. – G.S. 143B-152.15(b) is repealed.

40 **SECTION 12A.8.(c)** Eliminate Annual Report on Progress of MH/DD/SAS State
41 Plan. – G.S. 122C-102(c) is repealed.

42 **SECTION 12A.8.(d)** Eliminate Annual Report on North Carolina State Plan on
43 Healthcare Associated Infections. – G.S. 130A-150(e) is repealed.

44 **SECTION 12A.8.(e)** Eliminate Annual Report on The Health Insurance Program
45 for Children. – G.S. 108A-70.27(b) is repealed.

46 **SECTION 12A.8.(f)** Eliminate Annual Report by State Child Fatality Review
47 Team. – G.S. 143B-150.20(h) is repealed.
48

49 **CANCER COORDINATION REPORTING**

50 **SECTION 12A.9.** G.S. 130A-33.51(b) reads as rewritten:

1 "(b) The Committee shall submit a written report not later than May 1, 1994, and not
2 later than October 1 of each subsequent year, to ~~the Governor and to the Joint Legislative~~
3 ~~Commission on Governmental Operations.~~ the Secretary. The report shall address the progress
4 in implementation of a cancer control program. The report shall include an accounting of funds
5 expended and anticipated funding needs for full implementation of recommended programs."
6

7 **MEETINGS OF CANCER COORDINATION COMMITTEE**

8 **SECTION 12A.10.** G.S. 130A-33.50(b) reads as rewritten:

9 "(b) The Committee shall have up to 34 members, including the Secretary of the
10 Department or the Secretary's designee. The members of the Committee shall elect a chair and
11 vice-chair from among the Committee membership. The Committee shall meet not more than
12 twice a year at the call of the chair. Six of the members shall be legislators, three of whom shall
13 be appointed by the Speaker of the House of Representatives, and three of whom shall be
14 appointed by the President Pro Tempore of the Senate. Four of the members shall be cancer
15 survivors, two of whom shall be appointed by the Speaker of the House of Representatives, and
16 two of whom shall be appointed by the President Pro Tempore of the Senate. The remainder of
17 the members shall be appointed by the Governor as follows:

- 18 (1) One member from the Department of Environment and Natural Resources;
- 19 (2) Three members, one from each of the following: the Department, the
20 Department of Public Instruction, and the North Carolina Community
21 College System;
- 22 (3) Four members representing the cancer control programs at North Carolina
23 medical schools, one from each of the following: the University of North
24 Carolina at Chapel Hill School of Medicine, the Bowman Gray School of
25 Medicine, the Duke University School of Medicine, and the East Carolina
26 University School of Medicine;
- 27 (4) One member who is an oncology nurse representing the North Carolina
28 Nurses Association;
- 29 (5) One member representing the Cancer Committee of the North Carolina
30 Medical Society;
- 31 (6) One member representing the Old North State Medical Society;
- 32 (7) One member representing the American Cancer Society, North Carolina
33 Division, Inc.;
- 34 (8) One member representing the North Carolina Hospital Association;
- 35 (9) One member representing the North Carolina Association of Local Health
36 Directors;
- 37 (10) One member who is a primary care physician licensed to practice medicine
38 in North Carolina;
- 39 (11) One member representing the American College of Surgeons;
- 40 (12) One member representing the North Carolina Oncology Society;
- 41 (13) One member representing the Association of North Carolina Cancer
42 Registrars;
- 43 (14) One member representing the Medical Directors of the North Carolina
44 Association of Health Plans; and
- 45 (15) Up to four additional members at large.

46 Except for the Secretary, the members shall be appointed for staggered four-year terms and
47 until their successors are appointed and qualify. The Governor may remove any member of the
48 Committee from office in accordance with the provisions of G.S. 143B-13. Members may
49 succeed themselves for one term and may be appointed again after being off the Committee for
50 one term."
51

ANNUAL REPORT OF LAPSED SALARY FUNDS

SECTION 12A.11. Section 10.20 of S.L. 2012-142 reads as rewritten:

"SECTION 10.20. Beginning no later than November 1, 2012, and annually thereafter, the Department of Health and Human Services shall submit ~~quarterly reports~~ a report to the Joint Legislative Oversight Committee on Health and Human Services, ~~the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, Services~~ and the Fiscal Research Division on the use of lapsed salary funds by each Division within the Department. For each Division, the report shall include the following information about the preceding ~~calendar quarter~~ State fiscal year:

- (1) The total amount of lapsed salary funds.
- (2) The number of full-time equivalent positions comprising the lapsed salary funds.
- (3) The Fund Code for each full-time equivalent position included in the number reported pursuant to subdivision (2) of this section.
- (4) The purposes for which the Department expended lapsed salary funds."

PRISON REPORT

SECTION 12A.12. G.S. 148-19(d) reads as rewritten:

"(d) The Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services shall adopt standards for the delivery of mental health and mental retardation services to inmates in the custody of the Division of Adult Correction of the Department of Public Safety. The Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services shall give the Secretary of Public Safety an opportunity to review and comment on proposed standards prior to promulgation of such standards; however, final authority to determine such standards remains with the Commission. The Secretary of the Department of Health and Human Services shall designate an agency or agencies within the Department of Health and Human Services to monitor the implementation by the Division of Adult Correction of the Department of Public Safety of these standards and of substance abuse standards adopted by the Division of Adult Correction of the Department of Public Safety. ~~The Secretary of Health and Human Services shall send a written report on the progress which the Division of Adult Correction of the Department of Public Safety has made on the implementation of such standards to the Governor, the Lieutenant Governor, and the Speaker of the House. Such reports shall be made on an annual basis beginning January 1, 1978.~~"

MODIFICATIONS TO JUSTUS-WARREN TASK FORCE

SECTION 12A.13. G.S. 143B-216.60 reads as rewritten:

"§ 143B-216.60. The Justus-Warren Heart Disease and Stroke Prevention Task Force.

...

(e) The Task Force shall meet ~~at least quarterly or more frequently~~ not more than twice annually at the call of the Chair.

(f) ~~The Task Force Chair may establish committees for the purpose of making special studies pursuant to its duties, and may appoint non Task Force members to serve on each committee as resource persons. Resource persons shall be voting members of the committees and shall receive subsistence and travel expenses in accordance with G.S. 138-5 and G.S. 138-6. Committees may meet with the frequency needed to accomplish the purposes of this section.~~

...."

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION**NC PRE-K**

1 **SECTION 12B.1.(a)** Eligibility. – The Department of Health and Human Services,
2 Division of Child Development and Early Education, shall continue implementing the
3 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four
4 years of age on or before August 31 of the program year. Income eligibility requirements for
5 the program shall be based on a child whose family's gross income is at or below one hundred
6 thirty percent (130%) of the federal poverty guidelines. In addition, any age-eligible child who
7 is a child of either of the following shall be eligible for the program: (i) an active duty member
8 of the Armed Forces of the United States, including the North Carolina National Guard, State
9 military forces, or a reserve component of the Armed Forces, who was ordered to active duty
10 by the proper authority within the last 18 months or is expected to be ordered within the next 18
11 months or (ii) a member of the Armed Forces of the United States, including the North
12 Carolina National Guard, State military forces, or a reserve component of the Armed Forces,
13 who was injured or killed while serving on active duty. Eligibility determinations for
14 prekindergarten participants may continue through local education agencies and local North
15 Carolina Partnership for Children, Inc., partnerships.

16 **SECTION 12B.1.(b)** Multiyear Contracts. – The Division of Child Development
17 and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for
18 licensed private child care centers providing NC Pre-K classrooms.

19 **SECTION 12B.1.(c)** Programmatic Standards. – All entities operating
20 prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of
21 Child Development and Early Education regarding programmatic standards and classroom
22 requirements.

23 **SECTION 12B.1.(d)** NC Pre-K Committees. – The Division of Child
24 Development and Early Education shall establish a standard decision-making process to be
25 used by local NC Pre-K committees in awarding prekindergarten classroom slots and student
26 selection.

27 **SECTION 12B.1.(e)** SEEK. – All prekindergarten classrooms shall be required to
28 participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline
29 the payment function for these classrooms with a goal of eliminating duplicative systems and
30 streamlining the accounting and payment processes among the subsidy reimbursement systems.
31 Prekindergarten funds transferred may be used to add these programs to SEEK.

32 **SECTION 12B.1.(f)** Pilot Program. – The Division of Child Development and
33 Early Education shall create a pilot program that provides funding for NC Pre-K classrooms on
34 a per classroom basis. The pilot program shall include three different NC Pre-K contractual
35 regions that are geographically diverse. The local NC Pre-K administrator shall contract with
36 the provider for operation of a classroom established pursuant to the pilot program. The
37 Division shall provide a report on the status of the pilot program to the Joint Legislative
38 Oversight Committee on Health and Human Services and the Fiscal Research Division no later
39 than January 31, 2014. The report shall include the following:

- 40 (1) The number of students served.
- 41 (2) The amount of funds paid for each classroom.
- 42 (3) The amount of funds paid per student.
- 43 (4) The attendance information on students in the pilot program as compared to
44 those students in a classroom having a traditional funding structure.
- 45 (5) Information on the number of students and students' families using the
46 Subsidized Early Education for Kids (SEEK) system.
- 47 (6) A cost comparison of the classroom pilots to the average cost per student
48 through the per student funding methodology.

49 **SECTION 12B.1.(g)** Reporting. – The Division of Child Development and Early
50 Education shall submit an annual report no later than March 15 of each year to the Joint
51 Legislative Commission on Governmental Operations, the Joint Legislative Oversight

1 Committee on Health and Human Services, the Office of State Budget and Management, and
 2 the Fiscal Research Division. The report shall include the following:

- 3 (1) The number of children participating in the NC Pre-K program by county.
- 4 (2) The number of children participating in the NC Pre-K program who have
 5 never been served in other early education programs such as child care,
 6 public or private preschool, Head Start, Early Head Start, or early
 7 intervention programs.
- 8 (3) The expected NC Pre-K expenditures for the programs and the source of the
 9 local contributions.
- 10 (4) The results of an annual evaluation of the NC Pre-K program.

11 **SECTION 12B.1.(h)** Child Care Commission. – G.S. 143B-168.4(b) reads as
 12 rewritten:

13 "(b) Members shall be appointed as follows:

- 14 (1) Of the Governor's initial appointees, four shall be appointed for terms
 15 expiring June 30, ~~1986;~~2015, and three shall be appointed for terms expiring
 16 June 30, ~~1987;~~2016;
- 17 (2) Of the General Assembly's initial appointees appointed upon
 18 recommendation of the President of the Senate, two shall be appointed for
 19 terms expiring June 30, ~~1986;~~2015, and two shall be appointed for terms
 20 expiring June 30, ~~1987;~~2016;
- 21 (3) Of the General Assembly's initial appointees appointed upon
 22 recommendation of the Speaker of the House of Representatives, two shall
 23 be appointed for terms expiring June 30, ~~1986;~~2015, and two shall be
 24 appointed for terms expiring June 30, ~~1987;~~2016.

25 Appointments by the General Assembly shall be made in accordance with G.S. 120-121. After
 26 the initial appointees' terms have expired, all members shall be appointed to serve two-year
 27 terms. Any appointment to fill a vacancy on the Commission created by the resignation,
 28 dismissal, death, or disability of a member shall be for the balance of the unexpired term."

29 **SECTION 12B.1.(i)** The terms of all members currently serving on the Child Care
 30 Commission shall expire on January 1, 2014. A new Commission of 17 members shall be
 31 appointed in the manner provided by G.S. 143B-168.4(a) and (b), as amended in subsection (h)
 32 of this section. Members appointed pursuant to subsection (h) of this section shall be appointed
 33 no later than July 1, 2014.

34
 35 **CHILD CARE SUBSIDY RATES**

36 **SECTION 12B.3.(a)** The maximum gross annual income for initial eligibility,
 37 adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the
 38 State median income, adjusted for family size.

39 **SECTION 12B.3.(b)** Fees for families who are required to share in the cost of care
 40 shall be established based on a percent of gross family income and adjusted for family size.
 41 Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%

42
 43
 44
 45
 46
 47 **SECTION 12B.3.(c)** Payments for the purchase of child care services for
 48 low-income children shall be in accordance with the following requirements:

- 49 (1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106
 50 and licensed child care centers and homes that meet the minimum licensing
 51 standards that are participating in the subsidized child care program shall be

1 paid the one-star county market rate or the rate they charge privately paying
2 parents, whichever is lower, unless prohibited by subsection (f) of this
3 section.

4 (2) Licensed child care centers and homes with two or more stars shall receive
5 the market rate for that rated license level for that age group or the rate they
6 charge privately paying parents, whichever is lower, unless prohibited by
7 subsection (f) of this section.

8 (3) Nonlicensed homes shall receive fifty percent (50%) of the county market
9 rate or the rate they charge privately paying parents, whichever is lower.

10 (4) No payments shall be made for transportation services or registration fees
11 charged by child care facilities.

12 (5) Payments for subsidized child care services for postsecondary education
13 shall be limited to a maximum of 20 months of enrollment.

14 (6) The Department of Health and Human Services shall implement necessary
15 rule changes to restructure services, including, but not limited to, targeting
16 benefits to employment.

17 **SECTION 12B.3.(d)** Provisions of payment rates for child care providers in
18 counties that do not have at least 50 children in each age group for center-based and
19 home-based care are as follows:

20 (1) Except as applicable in subdivision (2) of this subsection, payment rates
21 shall be set at the statewide or regional market rate for licensed child care
22 centers and homes.

23 (2) If it can be demonstrated that the application of the statewide or regional
24 market rate to a county with fewer than 50 children in each age group is
25 lower than the county market rate and would inhibit the ability of the county
26 to purchase child care for low-income children, then the county market rate
27 may be applied.

28 **SECTION 12B.3.(e)** A market rate shall be calculated for child care centers and
29 homes at each rated license level for each county and for each age group or age category of
30 enrollees and shall be representative of fees charged to parents for each age group of enrollees
31 within the county. The Division of Child Development and Early Education shall also calculate
32 a statewide rate and regional market rate for each rated license level for each age category.

33 **SECTION 12B.3.(f)** The Division of Child Development and Early Education
34 shall continue implementing policies that improve the quality of child care for subsidized
35 children, including a policy in which child care subsidies are paid, to the extent possible, for
36 child care in the higher quality centers and homes only. The Division shall define higher
37 quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those
38 counties with an inadequate number of four- and five-star rated facilities, the Division shall
39 continue a transition period that allows the facilities to continue to receive subsidy funds while
40 the facilities work on the increased star ratings. The Division may allow exemptions in counties
41 where there is an inadequate number of four- and five-star rated facilities for nonstar rated
42 programs, such as religious programs.

43 **SECTION 12B.3.(g)** Facilities licensed pursuant to Article 7 of Chapter 110 of the
44 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the
45 program that provides for the purchase of care in child care facilities for minor children of
46 needy families. Except as authorized by subsection (f) of this section, no separate licensing
47 requirements shall be used to select facilities to participate. In addition, child care facilities
48 shall be required to meet any additional applicable requirements of federal law or regulations.
49 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of
50 the General Statutes shall meet the requirements established by other State law and by the
51 Social Services Commission.

1 County departments of social services or other local contracting agencies shall not
2 use a provider's failure to comply with requirements in addition to those specified in this
3 subsection as a condition for reducing the provider's subsidized child care rate.

4 **SECTION 12B.3.(h)** Payment for subsidized child care services provided with
5 Work First Block Grant funds shall comply with all regulations and policies issued by the
6 Division of Child Development for the subsidized child care program.

7 **SECTION 12B.3.(i)** Noncitizen families who reside in this State legally shall be
8 eligible for child care subsidies if all other conditions of eligibility are met. If all other
9 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be
10 eligible for child care subsidies only if at least one of the following conditions is met:

- 11 (1) The child for whom a child care subsidy is sought is receiving child
12 protective services or foster care services.
- 13 (2) The child for whom a child care subsidy is sought is developmentally
14 delayed or at risk of being developmentally delayed.
- 15 (3) The child for whom a child care subsidy is sought is a citizen of the United
16 States.

17 **SECTION 12B.3.(j)** Department of Health and Human Services, Division of Child
18 Development and Early Education, shall require all county departments of social services to
19 include on any forms used to determine eligibility for child care subsidy whether the family
20 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

21 CHILD CARE ALLOCATION FORMULA

22 **SECTION 12B.4.(a)** The Department of Health and Human Services shall allocate
23 child care subsidy voucher funds to pay the costs of necessary child care for minor children of
24 needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children,
25 Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each
26 county's child care subsidy allocation. The Department of Health and Human Services shall use
27 the following method when allocating federal and State child care funds, not including the
28 aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc.,
29 subsidy allocation:
30

- 31 (1) Funds shall be allocated to a county based upon the projected cost of serving
32 children under age 11 in families with all parents working who earn less than
33 seventy-five percent (75%) of the State median income.
- 34 (2) The Department of Health and Human Services shall allocate to counties all
35 State funds appropriated for child care subsidy and shall not withhold funds
36 during the 2013-2014 and 2014-2015 fiscal years.

37 **SECTION 12B.4.(b)** When implementing the formula under subsection (a) of this
38 section, the Department shall include the market rate increases in the formula process, rather
39 than running these increases outside the formula process. Additionally, the Department shall do
40 the following:

- 41 (1) Effective for fiscal year 2013-2014, use twenty-five percent (25%) annual
42 implementation which reflects a four-year phase-in approach through the
43 end of the current Census cycle.
- 44 (2) Effective immediately following the next new Census data release, use one-
45 third (1/3) annual implementation, which reflects a three-year phase-in
46 approach for each Census cycle thereafter going forward.

47 **SECTION 12B.4.(c)** The Department of Health and Human Services may
48 reallocate unused child care subsidy voucher funds in order to meet the child care needs of
49 low-income families. Any reallocation of funds shall be based upon the expenditures of all
50 child care subsidy voucher funding, including North Carolina Partnership for Children, Inc.,
51 funds within a county.

CHILD CARE FUNDS MATCHING REQUIREMENTS

SECTION 12B.5. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).

CHILD CARE REVOLVING LOAN

SECTION 12B.6. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 12B.7. The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at three percent (3%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan or eighty thousand dollars (\$80,000), whichever is greater.

**EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES
ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT
ADJUSTMENTS**

SECTION 12B.9.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall establish policies that focus the North Carolina Partnership for Children, Inc.'s mission on improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star rated facilities increase their star ratings and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

- (1) Increase children's literacy.
- (2) Increase the parents' ability to raise healthy, successful children.
- (3) Improve children's health.
- (4) Assist four- and five-star rated facilities in improving and maintaining quality.

SECTION 12B.9.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall develop a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships shall be required to participate in the contract management system and shall be directed by the North Carolina Partnership for Children, Inc.,

1 to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency
2 and effectiveness.

3 **SECTION 12B.9.(c)** Salaries. – The salary schedule developed and implemented
4 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State
5 funds that may be used for the salary of the Executive Director of the North Carolina
6 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina
7 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 8 (1) The population of the area serviced by a local partnership.
- 9 (2) The amount of State funds administered.
- 10 (3) The amount of total funds administered.
- 11 (4) The professional experience of the individual to be compensated.
- 12 (5) Any other relevant factors pertaining to salary, as determined by the North
13 Carolina Partnership for Children, Inc.

14 The salary schedule shall be used only to determine the maximum amount of State funds that
15 may be used for compensation. Nothing in this subsection shall be construed to prohibit a local
16 partnership from using non-State funds to supplement an individual's salary in excess of the
17 amount set by the salary schedule established under this subsection.

18 **SECTION 12B.9.(d)** Match Requirements. – It is the intent of the General
19 Assembly to continue to increase the percentage of the match of cash and in-kind contributions
20 required of the North Carolina Partnership for Children, Inc., and the local partnerships. The
21 North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate,
22 be required to match one hundred percent (100%) of the total amount budgeted for the program
23 in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children,
24 Inc., and the local partnerships are required to match, contributions of cash shall be equal to at
25 least eleven percent (11%), and in-kind donated resources shall be equal to no more than three
26 percent (3%) for a total match requirement of fourteen percent (14%) for the 2013-2014 fiscal
27 year; and contributions of cash shall be equal to at least eleven percent (11%), and in-kind
28 donated resources shall be equal to no more than four percent (4%) for a total match
29 requirement of fifteen percent (15%) for the 2014-2015 fiscal year. The North Carolina
30 Partnership for Children, Inc., may carry forward any amount in excess of the required match
31 for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only
32 in-kind contributions that are quantifiable shall be applied to the in-kind match requirement.
33 Volunteer services may be treated as an in-kind contribution for the purpose of the match
34 requirement of this subsection. Volunteer services that qualify as professional services shall be
35 valued at the fair market value of those services. All other volunteer service hours shall be
36 valued at the statewide average wage rate as calculated from data compiled by the Employment
37 Security Commission in the Employment and Wages in North Carolina Annual Report for the
38 most recent period for which data are available. Expenses, including both those paid by cash
39 and in-kind contributions, incurred by other participating non-State entities contracting with the
40 North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered
41 resources available to meet the required private match. In order to qualify to meet the required
42 private match, the expenses shall:

- 43 (1) Be verifiable from the contractor's records.
- 44 (2) If in-kind, other than volunteer services, be quantifiable in accordance with
45 generally accepted accounting principles for nonprofit organizations.
- 46 (3) Not include expenses funded by State funds.
- 47 (4) Be supplemental to and not supplant preexisting resources for related
48 program activities.
- 49 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and
50 be necessary and reasonable for the proper and efficient accomplishment of
51 the Program's objectives.

- 1 (6) Be otherwise allowable under federal or State law.
2 (7) Be required and described in the contractual agreements approved by the
3 North Carolina Partnership for Children, Inc., or the local partnership.
4 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local
5 partnership by the contractor in the same manner as reimbursable expenses.

6 Failure to obtain a fourteen percent (14%) match by June 30 of the 2013-2014 fiscal
7 year and a fifteen percent (15%) match by June 30 of the 2014-2015 fiscal year shall result in a
8 dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year.
9 The North Carolina Partnership for Children, Inc., shall be responsible for compiling
10 information on the private cash and in-kind contributions into a report that is submitted to the
11 Joint Legislative Commission on Governmental Operations in a format that allows verification
12 by the Department of Revenue. The same match requirements shall apply to any expansion
13 funds appropriated by the General Assembly.

14 **SECTION 12B.9.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,
15 and all local partnerships shall use competitive bidding practices in contracting for goods and
16 services on contract amounts as follows:

- 17 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
18 specified by a written policy to be developed by the Board of Directors of
19 the North Carolina Partnership for Children, Inc.
20 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen
21 thousand dollars (\$15,000), three written quotes.
22 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than
23 forty thousand dollars (\$40,000), a request for proposal process.
24 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
25 proposal process and advertising in a major newspaper.

26 **SECTION 12B.9.(f) Allocations.** – The North Carolina Partnership for Children,
27 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the
28 2012-2013 funding level.

29 **SECTION 12B.9.(g) Performance-Based Evaluation.** – The Department of Health
30 and Human Services shall continue to implement the performance-based evaluation system.

31 **SECTION 12B.9.(h) Expenditure Restrictions.** – The Department of Health and
32 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the
33 allocation of funds for Early Childhood Education and Development Initiatives for State fiscal
34 years 2013-2014 and 2014-2015 shall be administered and distributed in the following manner:

- 35 (1) Capital expenditures are prohibited for fiscal years 2013-2014 and
36 2014-2015. For the purposes of this section, "capital expenditures" means
37 expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).
38 (2) Expenditures of State funds for advertising and promotional activities are
39 prohibited for fiscal years 2013-2014 and 2014-2015.

40 For fiscal years 2013-2014 and 2014-2015, local partnerships shall not spend any State funds
41 on marketing campaigns, advertising, or any associated materials. Local partnerships may
42 spend any private funds the local partnerships receive on those activities.

43 44 **SUBPART XII-C. DIVISION OF SOCIAL SERVICES**

45 46 **REVISE DATES/TANF BENEFIT IMPLEMENTATION**

47 **SECTION 12C.1.(a)** The General Assembly approves the plan titled "North
48 Carolina Temporary Assistance for Needy Families State Plan 2012-2015," prepared by the
49 Department of Health and Human Services and presented to the General Assembly. The North
50 Carolina Temporary Assistance for Needy Families State Plan covers the period October 1,
51 2012, through September 30, 2015. The Department shall submit the State Plan, as revised in

1 accordance with subsection (b) of this section and as amended by this act or any other act of the
2 2013 General Assembly, to the United States Department of Health and Human Services.

3 **SECTION 12C.1.(b)** The counties approved as Electing Counties in the North
4 Carolina Temporary Assistance for Needy Families State Plan 2012-2015, as approved by this
5 section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

6 **SECTION 12C.1.(c)** Counties that submitted the letter of intent to remain as an
7 Electing County or to be redesignated as an Electing County and the accompanying county plan
8 for years 2012 through 2015 pursuant to G.S. 108A-27(e) shall operate under the Electing
9 County budget requirements effective July 1, 2012. For programmatic purposes, all counties
10 referred to in this subsection shall remain under their current county designation through
11 September 30, 2015.

12 **SECTION 12C.1.(d)** For the 2013-2014 fiscal year, Electing Counties shall be
13 held harmless to their Work First Family Assistance allocations for the 2012-2013 fiscal year,
14 provided that remaining funds allocated for Work First Family Assistance and Work First
15 Diversion Assistance are sufficient for payments made by the Department on behalf of
16 Standard Counties pursuant to G.S. 108A-27.11(b).

17 **SECTION 12C.1.(e)** In the event that departmental projections of Work First
18 Family Assistance and Work First Diversion Assistance for the 2013-2014 fiscal year indicate
19 that remaining funds are insufficient for Work First Family Assistance and Work First
20 Diversion Assistance payments to be made on behalf of Standard Counties, the Department is
21 authorized to deallocate funds, of those allocated to Electing Counties for Work First Family
22 Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for
23 payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by
24 the Office of State Budget and Management. If the Department adjusts the allocation set forth
25 in subsection (d) of this section, then a report shall be made to the Joint Legislative
26 Commission on Governmental Operations, the House of Representatives Appropriations
27 Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health
28 and Human Services, and the Fiscal Research Division.

29 30 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 31 **PERFORMANCE ENHANCEMENTS**

32 **SECTION 12C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the
33 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to
34 children and families in cases of abuse, neglect, and dependency where a child is at imminent
35 risk of removal from the home and to children and families in cases of abuse where a child is
36 not at imminent risk of removal. The Program shall be developed and implemented statewide
37 on a regional basis. The IFPS shall ensure the application of standardized assessment criteria
38 for determining imminent risk and clear criteria for determining out-of-home placement.

39 **SECTION 12C.2.(b)** The Department of Health and Human Services shall require
40 that any program or entity that receives State, federal, or other funding for the purpose of IFPS
41 shall provide information and data that allows for the following:

- 42 (1) An established follow-up system with a minimum of six months of
43 follow-up services.
- 44 (2) Detailed information on the specific interventions applied, including
45 utilization indicators and performance measurement.
- 46 (3) Cost-benefit data.
- 47 (4) Data on long-term benefits associated with IFPS. This data shall be obtained
48 by tracking families through the intervention process.
- 49 (5) The number of families remaining intact and the associated interventions
50 while in IFPS and 12 months thereafter.

1 (6) The number and percentage, by race, of children who received IFPS
2 compared to the ratio of their distribution in the general population involved
3 with Child Protective Services.

4 **SECTION 12C.2.(c)** The Department shall establish a performance-based funding
5 protocol and shall only provide funding to those programs and entities providing the required
6 information specified in subsection (b) of this section. The amount of funding shall be based on
7 the individual performance of each program.

8 9 **CHILD CARING INSTITUTIONS**

10 **SECTION 12C.3.** Until the Social Services Commission adopts rules setting
11 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the
12 maximum reimbursement for child caring institutions shall not exceed the rate established for
13 the specific child caring institution by the Department of Health and Human Services, Office of
14 the Controller. In determining the maximum reimbursement, the State shall include county and
15 IV-E reimbursements.

16 17 **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

18 **SECTION 12C.4.** Of the funds available for the provision of foster care services,
19 the Department of Health and Human Services, Division of Social Services, may provide for
20 the financial support of children who are deemed to be (i) in a permanent family placement
21 setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency.
22 The Division of Social Services shall design the Guardianship Assistance Program (GAP) in
23 such a manner that no additional expenses are incurred beyond the funds budgeted for foster
24 care. The Guardianship Assistance Program rates shall reimburse the legal guardian for room
25 and board and be set at the same rate as the foster care room and board rates in accordance with
26 rates established under G.S. 108A-49.1. The Social Services Board shall adopt rules
27 establishing a Guardianship Assistance Program to implement this section, including defining
28 the phrase "legal guardian" as used in this section.

29 30 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

31 **SECTION 12C.5.(a)** Of the funds appropriated from the General Fund to the
32 Department of Health and Human Services, the sum of one hundred eighty-seven thousand two
33 hundred seventy-five dollars (\$187,275) for the 2013-2014 fiscal year and three hundred
34 sixty-four thousand four hundred fifteen dollars (\$364,415) for the 2014-2015 fiscal year shall
35 be used to expand support for the child welfare postsecondary support program for the
36 educational needs of foster youth aging out of the foster care system and special needs children
37 adopted from foster care after age 12 by providing assistance with the "cost of attendance" as
38 that term is defined in 20 U.S.C. § 108711. These funds shall be allocated by the State
39 Education Assistance Authority.

40 **SECTION 12C.5.(b)** Of the funds appropriated from the General Fund to the
41 Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the
42 2013-2014 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2014-2015 fiscal
43 year shall be allocated to the North Carolina State Education Assistance Authority (SEAA).
44 The SEAA shall use these funds only to perform administrative functions necessary to manage
45 and distribute scholarship funds under the child welfare postsecondary support program.

46 **SECTION 12C.5.(c)** Of the funds appropriated from the General Fund to the
47 Department of Health and Human Services, the sum of three hundred thirty-nine thousand four
48 hundred ninety-three dollars (\$339,493) for the 2013-2014 fiscal year and the sum of three
49 hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2014-2015
50 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary

1 support program described under subsection (a) of this section, which administration shall
2 include the performance of case management services.

3 **SECTION 12C.5.(d)** Funds appropriated to the Department of Health and Human
4 Services for the child welfare postsecondary support program shall be used only for students
5 attending public institutions of higher education in this State.

6 7 **WORK FIRST FAMILY ASSISTANCE ELIGIBILITY AND PAYMENT LEVELS**

8 **SECTION 12C.8.** The maximum net family annual income eligibility standards for
9 Work First Family Assistance are the same standards of need for eligibility for the categorically
10 needy under the Medicaid Program. The payment level for Work First Family Assistance shall
11 be fifty percent (50%) of the standard of need.

12 13 **REVISE DUTIES OF STATE CHILD FATALITY PREVENTION TEAM/REPEAL** 14 **TASK FORCE**

15 **SECTION 12C.9.(a)** G.S. 7B-1405 reads as rewritten:

16 "**§ 7B-1405. State Team – duties.**

17 The State Team shall:

18 ...

- 19 (2) ~~Report to the Task Force during the existence of the Task Force, in the~~
20 ~~format and at the time required by the Task Force, on the State Team's~~
21 ~~activities and its recommendations for changes to any law, rule, and policy~~
22 ~~that would promote the safety and well-being of children;~~

23 ...

24 The State Team may report to the Governor or General Assembly, within the first week of
25 the convening or reconvening of the General Assembly, on the State Team's activities and its
26 recommendations for changes to any law, rule, or policy that would promote the safety and
27 well-being of children. Any recommendations of changes to law, rule, or policy shall be
28 accompanied by specific legislative or policy proposals and detailed fiscal notes setting forth
29 the costs to the State."

30 **SECTION 12C.9.(b)** G.S. 7B-1413 reads as rewritten:

31 "**§ 7B-1413. Access to records.**

32 (a) ~~The State Team, the Local Teams, and the Task Force during its existence, Team and~~
33 ~~the Local Teams~~ shall have access to all medical records, hospital records, and records
34 maintained by this State, any county, or any local agency as necessary to carry out the purposes
35 of this Article, including police investigations data, medical examiner investigative data, health
36 records, mental health records, and social services records. ~~The State Team, the Task~~
37 ~~Force, Team~~ and the Local Teams shall not, as part of the reviews authorized under this Article,
38 contact, question, or interview the child, the parent of the child, or any other family member of
39 the child whose record is being reviewed. Any member of a Local Team may share, only in an
40 official meeting of that Local Team, any information available to that member that the Local
41 Team needs to carry out its duties.

42 ...

43 (c) ~~All otherwise confidential information and records acquired by the State Team, the~~
44 ~~Local Teams, and the Task Force during its existence, Team and the Local Teams~~ in the
45 exercise of their duties are confidential; are not subject to discovery or introduction into
46 evidence in any proceedings; and may only be disclosed as necessary to carry out the purposes
47 of the ~~State Team, the Local Teams, and the Task Force, Team and the Local Teams.~~ In
48 addition, all otherwise confidential information and records created by a Local Team in the
49 exercise of its duties are confidential; are not subject to discovery or introduction into evidence
50 in any proceedings; and may only be disclosed as necessary to carry out the purposes of the
51 Local Team. No member of the State Team, a Local Team, nor any person who attends a

1 meeting of the State Team or a Local Team, may testify in any proceeding about what
2 transpired at the meeting, about information presented at the meeting, or about opinions formed
3 by the person as a result of the meetings. This subsection shall not, however, prohibit a person
4 from testifying in a civil or criminal action about matters within that person's independent
5 knowledge.

6"

7 **SECTION 12C.9.(c)** G.S. 7B-1414 reads as rewritten:

8 "**§ 7B-1414. Administration; funding.**

9 (a) To the extent of funds available, the ~~chairs of the Task Force and~~ State Team may
10 hire staff or consultants to assist ~~the Task Force and~~ the State Team in completing ~~their~~ its
11 duties.

12 (b) Members, staff, and consultants of the ~~Task Force or~~ State Team shall receive travel
13 and subsistence expenses in accordance with the provisions of G.S. 138-5 or G.S. 138-6, as the
14 case may be, paid from funds appropriated to implement this Article and within the limits of
15 those funds.

16 (c) ~~With the approval of the Legislative Services Commission, legislative staff and~~
17 ~~space in the Legislative Building and the Legislative Office Building may be made available to~~
18 ~~the Task Force."~~

19 **SECTION 12C.9.(d)** G.S. 7B-1401(4) is repealed.

20 **SECTION 12C.9.(e)** G.S. 7B-1402, 7B-1403, and 7B-1412 are repealed.

21 **SECTION 12C.9.(f)** The Revisor of Statutes shall delete the phrases "Child
22 Fatality Task Force" or "North Carolina Child Fatality Task Force" wherever those phrases
23 appear in Article 14 of Chapter 7B of the General Statutes or anywhere in the General Statutes.
24 In making the changes authorized by this subsection, the Revisor is also authorized to adjust
25 subject and verb agreement and the placement of conjunctions.

26 **SECTION 12C.9.(g)** This section becomes effective July 1, 2014.

27 **A FAMILY FOR EVERY CHILD/PROVISION OF FOSTER CARE**

28 **SECTION 12C.10.(a)** Of the funds appropriated in this act to the Department of
29 Health and Human Services, Division of Social Services, the sum of one million five hundred
30 thousand dollars (\$1,500,000) for the 2013-2014 fiscal year and the sum of one million five
31 hundred thousand dollars (\$1,500,000) for the 2014-2015 fiscal year shall be used to restore
32 funding to the Adoption Promotion Fund to (i) reimburse private nonprofit organizations
33 pursuant to performance-based contracts to support adoption programs and (ii) provide a
34 financial incentive to public county departments of social services to complete adoptions above
35 an established baseline.

36 **SECTION 12C.10.(b)** Of the funds appropriated in this act to the Department of
37 Health and Human Services, Division of Social Services, the sum of one million dollars
38 (\$1,000,000) for the 2013-2014 fiscal year and the sum of two million seven hundred fifty
39 thousand dollars (\$2,750,000) for the 2014-2015 fiscal year shall be used solely for the
40 Permanency Innovation Initiative Fund for services provided by the Children's Home Society
41 of North Carolina as established by G.S. 131D-10.9B, enacted in subsection (e) of this section.

42 **SECTION 12C.10.(c)** G.S. 108A-50.2 reads as rewritten:

43 "**§ 108A-50.2. Special Children Adoption Promotion Fund.**

44 (a) Funds appropriated by the General Assembly to the Department of Health and
45 Human Services, Division of Social Services, for the ~~Special Children Adoption Promotion~~
46 Fund shall be used as provided in this section. The Division of Social Services of the
47 Department of Health and Human Services, in consultation with the North Carolina
48 Association of County Directors of Social Services and representatives of licensed private
49 adoption agencies, shall develop guidelines for the awarding of funds to licensed public and
50 private adoption agencies upon the adoption of children described in G.S. 108A-50 and in
51

1 foster care. Payments received from the ~~Special Children~~ Adoption Promotion Fund by
2 participating agencies shall be used exclusively to enhance the adoption services. No local
3 match shall be required as a condition for receipt of these funds. In accordance with State rules
4 for allowable costs, the ~~Special Children~~ Adoption Promotion Fund may be used for
5 post-adoption services for families whose income exceeds two hundred percent (200%) of the
6 federal poverty level.

7 (b) Of the total funds appropriated for the ~~Special Children~~ Adoption Promotion Fund
8 each year, twenty percent (20%) of the total funds available shall be reserved for payment to
9 participating private adoption agencies. If the funds reserved in this subsection for payments to
10 private agencies have not been spent on or before March 31 of each State fiscal year, the
11 Division of Social Services may reallocate those funds, in accordance with this section, to other
12 participating adoption agencies.

13 (c) The Division of Social Services shall monitor the total expenditures in the ~~Special~~
14 ~~Children~~ Adoption Promotion Fund and redistribute unspent funds to ensure that the funds are
15 used in accordance with the guidelines established in subsection (a) of this section."

16 **SECTION 12C.10.(d)** G.S. 131D-10.1 through G.S. 131D-10.9 are recodified as
17 Part 1 of Article 1A of Chapter 131D of the General Statutes.

18 **SECTION 12C.10.(e)** Article 1A of Chapter 131D of the General Statutes is
19 amended by adding the following new Part to read:

20 "Part 2. A Family for Every Child Initiative.

21 **"§ 131D-10.9A. Permanency Innovation Initiative Oversight Committee created.**

22 (a) Creation and Membership. – The Permanency Innovation Initiative Oversight
23 Committee is established. The Committee shall be located administratively in the General
24 Assembly. The Committee shall consist of 11 members serving staggered terms. In making
25 appointments, each appointing authority shall select members who have appropriate experience
26 and knowledge of the issues to be examined by the Committee and shall strive to ensure racial,
27 gender, and geographical diversity among the membership. The initial Committee members
28 shall be appointed on or after July 1, 2013, as follows:

29 (1) Four members shall be appointed by the General Assembly upon
30 recommendation of the Speaker of the House of Representatives. Of the
31 members appointed under this subdivision, at least one shall be a member of
32 the judiciary who shall serve for a term of two years and at least one shall be
33 a representative from the Children's Home Society of North Carolina who
34 shall serve for a term of three years. One member of the House shall be
35 appointed for a one-year term. The remaining appointee shall serve a
36 one-year term.

37 (2) Four members shall be appointed by the General Assembly upon the
38 recommendation of the President Pro Tempore of the Senate. Of the
39 members appointed under this subdivision, at least one shall be a
40 representative from the Department of Health and Human Services, Division
41 of Social Services, who shall serve for a term of two years and at least one
42 shall be a representative from The Duke Endowment who shall serve for a
43 term of three years. One member of the Senate shall be appointed for a
44 one-year term. The remaining appointee shall serve a one-year term.

45 (3) Three members shall be appointed by the Governor. Of the members
46 appointed under this subdivision, at least one shall be a representative from a
47 county department of social services who shall serve for a term of three
48 years and at least one shall be a representative from the University of North
49 Carolina at Chapel Hill who shall serve for a term of two years. The
50 remaining member shall serve a one-year term.

1 **(b) Terms.** – Upon the expiration of the terms of the initial Committee members, each
2 member shall be appointed for a term of three years and shall serve until a successor is
3 appointed. No member may serve more than two consecutive full terms. A vacancy shall be
4 filled within 30 days by the authority making the initial appointment.

5 **(c) Purpose and Powers.** – The Committee shall:

6 **(1)** Design and implement a data tracking methodology to collect and analyze
7 information to gauge the success of the initiative.

8 **(2)** Develop a methodology to identify short- and long-term cost-savings in the
9 provision of foster care and any potential reinvestment strategies.

10 **(3)** Oversee program implementation to ensure fidelity to the program models
11 identified under subdivisions (1) and (2) of G.S. 131D-10.9B(a).

12 **(4)** Study, review, and recommend other policies and services that may
13 positively impact permanency and well-being outcomes.

14 **(d) Reports.** – The Committee shall report its analysis and any findings and
15 recommendations to the General Assembly by September 15 of each year.

16 **(e) Organization.** – The President Pro Tempore of the Senate and the Speaker of the
17 House of Representatives shall each designate a cochair of the Committee. The Committee
18 shall meet at least once a quarter upon the joint call of the cochairs. A quorum of the
19 Committee is seven members. No action may be taken except by a majority vote at a meeting at
20 which a quorum is present.

21 **(f) Funding.** – From funds available to the General Assembly, the Legislative Services
22 Commission shall allocate monies to fund the work of the Committee. Members of the
23 Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1 and
24 G.S. 138-5.

25 **(g) Staff.** – The Legislative Services Commission, through the Legislative Services
26 Officer, shall assign professional staff to assist the Committee in its work. Upon the direction
27 of the Legislative Services Commission, the Director of Legislative Assistants of the Senate
28 and of the House of Representatives shall assign clerical staff to the Committee. The expenses
29 for clerical employees shall be borne by the Committee.

30 **"§ 131D-10.9B. Permanency Innovation Initiative Fund.**

31 **(a)** There is created the Permanency Innovation Initiative Fund that will support a
32 demonstration project with services provided by Children's Home Society of North Carolina to
33 (i) improve permanency outcomes for children living in foster care through reunification with
34 parents, providing placement or guardianship with other relatives, or adoption, (ii) improve
35 engagement with biological relatives of children in or at risk of entering foster care, and (iii)
36 reduce costs associated with maintaining children in foster care. In implementing these goals,
37 the Permanency Innovation Initiative Fund shall support the following strategies:

38 **(1)** Family Finding, which is a program that uses intensive biological family
39 engagement services to discover and engage biological relatives of children
40 living in public foster care to provide permanent emotional and relational
41 support, including adoption, legal guardianship, or legal custody.

42 **(2)** Child Specific Adoption Recruitment Services, which is a program that
43 follows the Wendy's Wonderful Kids Model as developed by The Dave
44 Thomas Foundation for Adoption and works with children in public foster
45 care to develop and execute adoption recruitment plans tailored to the needs
46 of the individual child.

47 **(3)** Permanency Training Services, which are services delivered by Children's
48 Home Society of North Carolina to assess the readiness of county
49 departments of social services to implement the permanency strategies under
50 subdivisions (1) and (2) of this subsection and provide training services to
51 support the delivery of the services.

1 (b) This program shall not constitute an entitlement and is subject to the availability of
2 funds.

3 (c) The Social Services Commission shall adopt rules to implement the provisions of
4 this section."

6 **SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES**

8 **TIERED STATE-COUNTY SPECIAL ASSISTANCE PILOT**

9 **SECTION 12D.2.(a)** It is the intent of the General Assembly to create a
10 State-County Special Assistance program that allows counties greater flexibility in serving
11 individual needs within their communities and greater control over how county funds are used
12 to support this program in light of the fact that counties are required to pay for fifty percent
13 (50%) of the costs of this program. To that end, the General Assembly directs the Department
14 of Health and Human Services to establish a pilot program in accordance with subsection (b) of
15 this section.

16 **SECTION 12D.2.(b)** The Department of Health and Human Services, Division of
17 Aging and Adult Services, shall establish a pilot program to implement a tiered rate structure
18 within the State-County Special Assistance program for individuals residing in group homes,
19 in-home living arrangements, and assisted living residences as defined in G.S. 131D-2.1. The
20 purposes of the pilot program are to (i) determine the best way to implement a block grant for
21 this program statewide and (ii) test the feasibility and effectiveness of implementing a tiered
22 rate structure to address program participants' intensity of need, including medication
23 management. The Department shall select a minimum of four and a maximum of six counties
24 to participate in the pilot program, at least two of which shall be rural counties and at least two
25 of which shall be urban counties. The pilot program shall (i) be implemented during the
26 2013-2014 fiscal year, (ii) operate for at least a 12-month period, and (iii) comply with any
27 agreements in effect between the State of North Carolina and the United States government.

28 **SECTION 12D.2.(c)** The Department shall implement the pilot program in
29 collaboration with the local departments of social services in the counties selected for
30 participation. As part of the pilot program, the selected counties shall receive a State General
31 Fund allocation as a block grant to be equally matched with county general funds. The General
32 Fund allocation provided to each county participating in the pilot program shall be calculated
33 based upon the average annual Special Assistance expenditures for that county during the
34 2011-2013 fiscal biennium, adjusted for the amount of projected annual growth in the number
35 of Special Assistance recipients in that county during the 2013-2015 fiscal biennium. These
36 funds may be used to pay for room, board, and personal care services, including medication
37 management, for individuals eligible to receive State-County Special Assistance, subject to the
38 following limitations and requirements:

- 39 (1) These funds shall not be used to cover any portion of the cost of providing
40 services for which an individual receives Medicaid coverage.
- 41 (2) The pilot program shall comply with all federal and State requirements
42 governing the existing State-County Special Assistance program, except that
43 Section 12D.3 does not apply to the pilot program.
- 44 (3) The tiered rate structure shall be based upon intensity of need, and an
45 individual's placement within a tier shall be based upon an independent
46 assessment of the individual's need for room, board, and assistance with
47 activities of daily living, including medication management.

48 **SECTION 12D.2.(d)** By no later than February 1, 2014, the Department shall
49 submit a progress report on the implementation and operation of the pilot program, including
50 any obstacles to implementation; and by no later than February 1, 2015, the Department shall
51 submit a final report on the results of the pilot program, along with any recommendations based

1 on these results, to the Joint Legislative Oversight Committee on Health and Human Services
2 and the Fiscal Research Division. The report due by February 1, 2015, shall include
3 information from all participating counties on at least all of the following:

- 4 (1) The amount of the tiered rates implemented as part of the pilot program.
- 5 (2) The cost methodology for determining these tiered rates.
- 6 (3) The number of individuals participating in the pilot program while residing
7 in a group home.
- 8 (4) The number of individuals participating in the pilot program while residing
9 in an in-home living arrangement.
- 10 (5) The number of individuals participating in the pilot program while residing
11 in an assisted living residence as defined by G.S. 131D-2.1, broken down by
12 facility type.
- 13 (6) A comparison of the number of recipients of State-County Special
14 Assistance prior to and during the pilot program, broken down by county
15 and living arrangement.
- 16 (7) Any other information the Department deems relevant for determining the
17 best way to implement a block grant statewide for the State-County Special
18 Assistance program.

19 **SECTION 12D.2(e)** As used in this section, the term "group home" means any
20 facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition
21 of a supervised living facility under 10A NCAC 27G .5601, and (iii) serves adults whose
22 primary diagnosis is mental illness or a developmental disability but may also have other
23 diagnoses.

24 25 **STATE-COUNTY SPECIAL ASSISTANCE**

26 **SECTION 12D.3.(a)** For each year of the 2013-2015 fiscal biennium, the
27 maximum monthly rate for residents in adult care home facilities shall be one thousand one
28 hundred eighty-two dollars (\$1,182) per month per resident.

29 **SECTION 12D.3.(b)** For each year of the 2013-2015 fiscal biennium, the
30 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one
31 thousand five hundred fifteen dollars (\$1,515) per month per resident.

32 33 **SUBPART XII-E. DIVISION OF PUBLIC HEALTH**

34 35 **PERMIT FEE INCREASE FOR CERTAIN FOOD AND LODGING** 36 **ESTABLISHMENTS**

37 **SECTION 12E.1.(a)** G.S. 130A-247 is amended by adding a new subdivision to
38 read:

39 "(8) "Temporary food establishment" means an establishment not otherwise
40 exempted from this part pursuant to G.S. 130A-250 that (i) prepares or
41 serves food, (ii) operates for a period of time not to exceed 21 days in one
42 location, and (iii) is affiliated with and endorsed by a transitory fair,
43 carnival, circus, festival, or public exhibition."

44 **SECTION 12E.1.(b)** G.S. 130A-248(d) reads as rewritten:

45 "(d) The Department shall charge each establishment subject to this section, except
46 nutrition programs for the elderly administered by the Division of Aging and Adult Services of
47 the Department of Health and Human Services, establishments that prepare and sell meat food
48 products or poultry products, temporary food establishments, limited food services
49 establishments, and public school cafeterias, a fee of ~~seventy-five ninety-five~~ dollars (\$75.00)
50 (\$95.00) for each permit issued. This fee shall be reassessed annually for permits that do not
51 expire. The Commission shall adopt rules to implement this subsection. Fees collected under

1 this subsection shall be used for State and local food, lodging, and institution sanitation
2 programs and activities. No more than ~~thirty-three and one-third percent (33 1/3%)~~ of the fees
3 twenty-five dollars (\$25.00) of each fee collected under this subsection may be used to support
4 State health programs and activities."

5 **SECTION 12E.1.(c)** G.S. 130A-248(d1) reads as rewritten:

6 "(d1) The Department shall charge a twenty-five dollar (\$25.00) late payment fee to any
7 establishment subject to this section, except nutrition programs for the elderly administered by
8 the Division of Aging of the Department of Health and Human Services, establishments that
9 prepare and sell meat food products or poultry products, temporary food establishments, limited
10 food services establishments, and public school cafeterias, that fails to pay the fee required by
11 subsection (d) of this section within 45 days after billing by the Department. The Department
12 may, in accordance with G.S. 130A-23, suspend the permit of an establishment that fails to pay
13 the required fee within 60 days after billing by the Department. The Department shall charge a
14 reinstatement fee of one hundred fifty dollars (\$150.00) to any establishment that requests
15 reinstatement of its permit after the permit has been suspended. The Commission shall adopt
16 rules to implement this subsection.

17 The clear proceeds of civil penalties collected pursuant to this subsection shall be remitted
18 to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

19 **SECTION 12E.1.(d)** G.S. 130A-248 is amended by adding a new subsection to
20 read:

21 "(d2) A local health department shall charge each temporary food establishment and each
22 limited food services establishment a fee of seventy-five dollars (\$75.00) for each permit
23 issued. A local health department shall use all fees collected under this subsection for local
24 food, lodging, and institution sanitation programs and activities."

25 **SECTION 12E.1.(e)** Subsections (a) through (d) of this section become effective
26 on July 1, 2013, and apply to food and lodging permits effective or reassessed on or after July
27 1, 2013.

28 **SECTION 12E.1.(f)** Section 31.11A of S.L. 2011-145, as amended by Section 61A
29 of S.L. 2011-391 and Section 10.15 of S.L. 2012-142, is repealed.

30 31 **FUNDS FOR SCHOOL NURSES**

32 **SECTION 12E.3.(a)** All funds appropriated in this act for the School Nurse
33 Funding Initiative shall be used to supplement and not supplant other State, local, or federal
34 funds appropriated or allocated for this purpose. Communities shall maintain their current level
35 of effort and funding for school nurses. These funds shall not be used to fund nurses for State
36 agencies. These funds shall be distributed to local health departments according to a formula
37 that includes all of the following:

- 38 (1) School nurse-to-student ratio.
- 39 (2) Percentage of students eligible for free or reduced meals.
- 40 (3) Percentage of children in poverty.
- 41 (4) Per capita income.
- 42 (5) Eligibility as a low-wealth county.
- 43 (6) Mortality rates for children between one and 19 years of age.
- 44 (7) Percentage of students with chronic illnesses.
- 45 (8) Percentage of county population consisting of minority persons.

46 **SECTION 12E.3.(b)** The Division of Public Health shall ensure that school nurses
47 funded with State funds (i) do not assist in any instructional or administrative duties associated
48 with a school's curriculum and (ii) perform all of the following with respect to school health
49 programs:

- 50 (1) Serve as the coordinator of the health services program and provide nursing
51 care.

- 1 (2) Provide health education to students, staff, and parents.
- 2 (3) Identify health and safety concerns in the school environment and promote a
- 3 nurturing school environment.
- 4 (4) Support healthy food services programs.
- 5 (5) Promote healthy physical education, sports policies, and practices.
- 6 (6) Provide health counseling, assess mental health needs, provide interventions,
- 7 and refer students to appropriate school staff or community agencies.
- 8 (7) Promote community involvement in assuring a healthy school and serve as
- 9 school liaison to a health advisory committee.
- 10 (8) Provide health education and counseling and promote healthy activities and
- 11 a healthy environment for school staff.
- 12 (9) Be available to assist the county health department during a public health
- 13 emergency.

14 **SECTION 12E.3.(c)** Section 6.9(b) of S.L. 2011-145, as amended by Section 6.2
15 of S.L. 2012-142, is repealed.

16

17 **CHILDREN'S DEVELOPMENTAL SERVICE AGENCIES**

18 **SECTION 12E.4.** In order to reduce the amount of State funds appropriated for the
19 Children's Developmental Service Agencies (CDSAs) program, the Department of Health and
20 Human Services, Division of Public Health, shall close four CDSAs, effective July 1, 2014.
21 The Department shall retain the CDSA located in the City of Morganton and the CDSAs with
22 the highest caseloads of children residing in rural and medically underserved areas. By no later
23 than March 1, 2014, the Department shall submit a report to the Joint Legislative Oversight
24 Committee on Health and Human Services and the Fiscal Research Division identifying the
25 four CDSAs selected for closure in accordance with this section.

26

27 **AIDS DRUG ASSISTANCE PROGRAM**

28 **SECTION 12E.5.(a)** The Department of Health and Human Services shall work
29 with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for
30 the treatment of individuals in the custody of DPS who have been diagnosed with Human
31 Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner
32 that allows these funds to be accounted for as State matching funds in the Department of Health
33 and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug
34 Assistance Program (ADAP).

35 **SECTION 12E.5.(b)** By no later than April 1, 2014, and by no later than April 1,
36 2015, the Department of Health and Human Services, Division of Public Health, shall submit a
37 report to the Joint Legislative Oversight Committee on Health and Human Services and the
38 Fiscal Research Division on alternative options for serving individuals diagnosed with
39 HIV/AIDS who are eligible to receive services under ADAP, including the State Medicaid
40 program and the federally facilitated Health Benefit Exchange that will operate in this State.

41

42 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE**

43 **SECTION 12E.6.(a)** Funds appropriated in this act to the Department of Health
44 and Human Services, Division of Public Health, for the Community-Focused Eliminating
45 Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid
46 to close the gap in the health status of African-Americans, Hispanics/Latinos, and American
47 Indians as compared to the health status of white persons. These grants-in-aid shall focus on the
48 use of measures to eliminate or reduce health disparities among minority populations in this
49 State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer.
50 The Office of Minority Health shall coordinate and implement the grants-in-aid program
51 authorized by this section.

1 **SECTION 12E.6.(b)** In implementing the grants-in-aid program authorized by
2 subsection (a) of this section, the Department shall ensure all of the following:

- 3 (1) The amount of any grant-in-aid is limited to three hundred thousand dollars
4 (\$300,000).
- 5 (2) Only community-based organizations, faith-based organizations, local health
6 departments, hospitals, and CCNC networks located in urban and rural areas
7 of the western, eastern, and Piedmont areas of this State are eligible to apply
8 for these grants-in-aid. No more than four grants-in-aid shall be awarded to
9 applicants located in any one of the three areas specified in this subdivision.
- 10 (3) Each eligible applicant shall be required to demonstrate substantial
11 participation and involvement with all other categories of eligible applicants,
12 in order to ensure an evidence-based medical home model that will affect
13 change in health and geographic disparities.
- 14 (4) Eligible applicants shall select one or more of the following chronic illnesses
15 or conditions specific to the applicant's geographic area as the basis for
16 applying for a grant-in-aid under this section to affect change in the health
17 status of African-Americans, Hispanics/Latinos, or American Indians:
- 18 a. Heart Disease.
19 b. Stroke.
20 c. Diabetes.
21 d. Obesity.
22 e. Asthma.
23 f. HIV/AIDS.
24 g. Cancer.
- 25 (5) The minimum duration of the grant period for any grant-in-aid is two years.
- 26 (6) The maximum duration of the grant period for any grant-in-aid is three
27 years.
- 28 (7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight
29 percent (8%) of the grant funds for overhead costs and (ii) shall be required
30 at the end of the grant period to demonstrate significant gains in addressing
31 one or more of the health disparity focus areas identified in subsection (a) of
32 this section.
- 33 (8) An independent panel with expertise in the delivery of services to minority
34 populations, health disparities, chronic illnesses and conditions, and
35 HIV/AIDS shall conduct the review of applications for grants-in-aid. The
36 Department shall establish the independent panel required by this section.

37 **SECTION 12E.6.(c)** The grants-in-aid awarded under this section shall be awarded
38 in honor of the memory of the following deceased members of the General Assembly: Bernard
39 Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne
40 Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used
41 for concerted efforts to address large gaps in health status among North Carolinians who are
42 African-American, as well as disparities among other minority populations in North Carolina.

43 **SECTION 12E.6.(d)** Section 10.21(d) of S.L. 2011-145 reads as rewritten:

44 "**SECTION 10.21.(d)** By ~~October 1, 2012, and annually thereafter,~~ October 1, 2013, the
45 Department shall submit a report to ~~the House of Representatives Appropriations~~
46 ~~Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health~~
47 ~~and Human Services, the Joint Legislative Oversight Committee on Health and Human~~
48 Services and the Fiscal Research Division on funds appropriated to the CFEHDI. The report
49 shall include specific activities undertaken pursuant to subsection (a) of this section to address
50 large gaps in health status among North Carolinians who are African-American and other
51 minority populations in this State, and shall also address all of the following:

- 1 (1) Which community-based organizations, faith-based organizations, local
2 health departments, hospitals, and CCNC networks received CFEHDI
3 grants-in-aid.
4 (2) The amount of funding awarded to each grantee.
5 (3) Which of the minority populations were served by each grantee.
6 (4) Which community-based organizations, faith-based organizations, local
7 health departments, hospitals, and CCNC networks were involved in
8 fulfilling the goals and activities of each grant-in-aid awarded under this
9 section and what activities were planned and implemented by the grantee to
10 fulfill the community focus of the CFEHDI program.
11 (5) How the activities implemented by the grantee fulfilled the goal of reducing
12 health disparities among minority populations, and the specific success in
13 reducing particular incidences."
14

15 STRATEGIES FOR IMPROVING MEN'S HEALTH

16 **SECTION 12E.7.** Article 7 of Chapter 130A of the General Statutes is amended by
17 adding a new Part to read:

18 "Part 5A. Men's Health.

19 "§ 130A-223.1. Department to establish strategies for improving men's health.

20 The Department of Health and Human Services, Division of Public Health, Chronic Disease
21 and Injury Prevention Section, shall work to expand the State's attention and focus on the
22 prevention of disease and improvement in the quality of life for men over their entire lifespan.
23 The Department shall develop strategies for achieving these goals, which shall include, but not
24 be limited to, all of the following:

- 25 (1) Developing a strategic plan to improve health care services.
26 (2) Building public health awareness.
27 (3) Developing initiatives within existing programs.
28 (4) Pursuing federal and State funding for the screening, early detection, and
29 treatment of prostate cancer and other diseases affecting men's health."
30

31 INCREASE NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEES

32 **SECTION 12E.8.(a)** G.S. 130A-389(a) reads as rewritten:

33 "(a) If, in the opinion of the medical examiner investigating the case or of the Chief
34 Medical Examiner, it is advisable and in the public interest that an autopsy or other study be
35 made; or, if an autopsy or other study is requested by the district attorney of the county or by
36 any superior court judge, an autopsy or other study shall be made by the Chief Medical
37 Examiner or by a competent pathologist designated by the Chief Medical Examiner. A
38 complete autopsy report of findings and interpretations, prepared on forms designated for the
39 purpose, shall be submitted promptly to the Chief Medical Examiner. Subject to the limitations
40 of G.S. 130A-389.1 relating to photographs and video or audio recordings of an autopsy, a
41 copy of the report shall be furnished to any person upon request. A fee for the autopsy or other
42 study shall be paid by the State. However, if the deceased is a resident of the county in which
43 the death or fatal injury occurred, that county shall pay the fee. The fee shall be one thousand
44 two hundred fifty dollars (\$1,000)-(\$1,250)."

45 **SECTION 12E.8.(b)** This section becomes effective July 1, 2013, and applies to
46 fees imposed for autopsies performed on or after that date.
47

48 SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED 49 HEALTHCARE FACILITIES

50 ESTABLISH STATEWIDE TELEPSYCHIATRY PROGRAM

1 **SECTION 12F.1.(a)** By no later than August 15, 2013, the Office of Rural Health
2 and Community Care of the Department of Health and Human Services shall develop and
3 submit to the Senate Appropriations Committee on Health and Human Services, the House
4 Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight
5 Committee on Health and Human Services, and the Fiscal Research Division a plan to
6 implement a statewide telepsychiatry program to be administered by East Carolina University
7 Center for Telepsychiatry and e-Behavioral Health (ECU Center for Telepsychiatry) pursuant
8 to a contract between the Department and ECU Center for Telepsychiatry. The plan shall be
9 substantially similar to the Albemarle Hospital Foundation telepsychiatry project currently
10 operating in 14 hospitals in eastern North Carolina and shall allow all hospitals licensed to
11 operate in the State under Chapter 131E or Chapter 122C of the General Statutes to participate
12 in the telepsychiatry program, either as a consultant site or as a referring site. As used in this
13 section, the terms "consultant site" and "referring site" are as defined in G.S. 143B-139.4B(a).
14 In addition, the plan shall include at least all of the following:

- 15 (1) Specific steps to be taken by ECU Center for Telepsychiatry, within
16 specified time periods, to work toward implementation of the telepsychiatry
17 program on a statewide basis.
- 18 (2) Specific steps to be taken by the Department to oversee and monitor
19 establishment and administration of the program.
- 20 (3) Estimated program costs and rates of payment for telepsychiatry services.
- 21 (4) Requirements for liability coverage related to participation in telepsychiatry.

22 **SECTION 12F.1.(b)** Article 3 of Chapter 143B of the General Statutes is amended
23 by adding a new section to read:

24 **§ 143B-139.4B. Office of Rural Health and Community Care to oversee and monitor**
25 **establishment and administration of statewide telepsychiatry program.**

26 (a) The following definitions apply in this section:

- 27 (1) Consultant site. – The hospital or other site at which the consulting provider
28 is physically located at the time the consulting provider delivers the acute
29 mental health or substance abuse care by means of telepsychiatry.
- 30 (2) Hospital. – A facility licensed under Chapter 131E or Chapter 122C of the
31 General Statutes, or a State facility listed in G.S. 122C-181.
- 32 (3) Referring site. – The hospital at which the patient is physically located.
- 33 (4) Telepsychiatry. – The delivery of acute mental health or substance abuse
34 care, including diagnosis or treatment, by means of two-way real-time
35 interactive audio and video by a consulting provider at a consultant site to an
36 individual patient at a referring site. The term does not include the standard
37 use of telephones, facsimile transmissions, unsecured electronic mail, or a
38 combination of these in the course of care.
- 39 (5) Consulting provider. – A physician or other health care provider licensed in
40 this State to provide acute mental health or substance abuse care.

41 (b) The North Carolina Office of Rural Health and Community Care shall oversee the
42 establishment and administration of a statewide telepsychiatry program that allows referring
43 sites to utilize consulting providers at a consultant site to provide timely psychiatric assessment
44 and rapid initiation of treatment for patients at the referring site experiencing an acute mental
45 health or substance abuse crisis. The Office of Rural Health and Community Care shall contract
46 with East Carolina University Center for Telepsychiatry and e-Behavioral Health to administer
47 the telepsychiatry program. The contract shall include a provision requiring East Carolina
48 University Center for Telepsychiatry and e-Behavioral Health to work toward implementing
49 this program on a statewide basis by no later than January 1, 2014, and to report annually to the
50 Office of Rural Health and Community Care on the following performance measures:

- 51 (1) Number of consultant sites and referring sites participating in the program.

- 1 (2) Number of psychiatric assessments conducted under the program, reported
2 by site or region.
- 3 (3) Length of stay of patients receiving telepsychiatry services in the emergency
4 departments of hospitals participating in the program, reported by
5 disposition.
- 6 (4) Number of involuntary commitments resulting from psychiatric assessments
7 conducted by consulting providers under the program, reported by year and
8 compared to prior years.
- 9 (c) The Office of Rural Health and Community Care shall have all of the following
10 powers and duties relative to the statewide telepsychiatry program:
- 11 (1) Ongoing oversight and monitoring of the program.
- 12 (2) Ongoing monitoring of the performance of East Carolina University Center
13 for Telepsychiatry and e-Behavioral Health under its contract with the
14 Department, including all of the following:
- 15 a. Review of the performance measures described in subsection (b) of
16 this section.
- 17 b. Annual site visits to East Carolina University Center for
18 Telepsychiatry and e-Behavioral Health.
- 19 (3) Facilitation of program linkages with critical access hospitals and small rural
20 hospitals.
- 21 (4) Conducting visits to referring sites and consultant sites to monitor
22 implementation of the program; and upon implementation, conducting these
23 site visits at least once annually.
- 24 (5) Addressing barriers and concerns identified by consulting providers,
25 consultant sites, and referring sites participating in the program.
- 26 (6) Encouraging participation in the program by all potential consultant sites,
27 consulting providers, and referring sites throughout the State, and promoting
28 continued participation in the program by consultant sites, consulting
29 providers, and referring sites throughout the State.
- 30 (7) Compiling a list of recommendations for future tele-health initiatives, based
31 on operation of the statewide telepsychiatry program.
- 32 (8) Reviewing on a quarterly basis the financial statements of East Carolina
33 University Center for Telepsychiatry and e-Behavioral Health related to the
34 telepsychiatry program in order to compare and monitor projected and actual
35 program costs.
- 36 (9) Annually reporting to the Legislative Oversight Committee on Health and
37 Human Services and the Fiscal Research Division on or before November
38 1st on the operation and effectiveness of the program. The report shall
39 include information on each of the performance measures described in
40 subsection (b) of this section.
- 41 (d) The Department shall adopt rules necessary to ensure the health and safety of
42 patients who receive care, diagnosis, or treatment under the telepsychiatry program authorized
43 by this section."

44 **SECTION 12F.1.(c)** From the funds appropriated in this act to the Department of
45 Health and Human Services, Division of Central Management and Support, Office of Rural
46 Health and Community Care, the sum of two million dollars (\$2,000,000) for the 2013-2014
47 fiscal year and the sum of two million dollars (\$2,000,000) for the 2014-2015 fiscal year shall
48 be used for the following purposes:

- 49 (1) To enter into a contract with East Carolina University Center for
50 Telepsychiatry and e-Behavioral Health for statewide implementation and

1 administration of the telepsychiatry program authorized in
2 G.S. 143B-139.4B of the General Statutes.

- 3 (2) To purchase needed telepsychiatry equipment for the State facilities listed in
4 G.S. 122C-181 that participate in the statewide telepsychiatry program.

5 **SECTION 12F.1.(d)** Subsection (c) of this section becomes effective July 1, 2013.
6 The remainder of this section is effective when it becomes law.

7
8 **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

9 **SECTION 12F.2.(a)** Use of Funds. – Of the funds appropriated in Section 2.1 of
10 this act to the Department of Health and Human Services, Division of Mental Health,
11 Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of
12 thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars
13 (\$38,121,644) for the 2013-2014 fiscal year and the sum of thirty-eight million one hundred
14 twenty-one thousand six hundred forty-four dollars (\$38,121,644) for the 2014-2015 fiscal year
15 shall be used to purchase additional local inpatient psychiatric beds or bed days not currently
16 funded by or through LME/MCOs. The Department shall develop and implement a two-tiered
17 system of payment for purchasing these local inpatient psychiatric beds or bed days based on
18 acuity level, with an enhanced rate of payment for inpatient psychiatric beds or bed days for
19 individuals with higher acuity levels, as defined by the Department. The enhanced rate of
20 payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels
21 shall not exceed the lowest average cost per patient bed day among the State psychiatric
22 hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing
23 funds allocated to LME/MCOs for community-based mental health, developmental disabilities,
24 and substance abuse services may be used to purchase additional local inpatient psychiatric
25 beds or bed days. Funds designated in this subsection for the purchase of local inpatient
26 psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise
27 available to the Department for the purchase of inpatient psychiatric services through contracts
28 with local hospitals.

29 **SECTION 12F.2.(b)** Distribution and Management of Beds or Bed Days. – The
30 Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased
31 in accordance with this section are distributed across the State in LME/MCO catchment areas
32 and according to need as determined by the Department. The Department shall ensure that beds
33 or bed days for individuals with higher acuity levels are distributed across the State in LME
34 catchment areas, including any catchment areas served by managed care organizations, and
35 according to greatest need based on hospital bed utilization data. The Department shall enter
36 into contracts with LME/MCOs and local hospitals for the management of these beds or bed
37 days. The Department shall work to ensure that these contracts are awarded equitably around
38 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric
39 beds or bed days, including the determination of the specific local hospital or State psychiatric
40 hospital to which an individual should be admitted pursuant to an involuntary commitment
41 order.

42 **SECTION 12F.2.(c)** Funds to be Held in Statewide Reserve. – Funds appropriated
43 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be
44 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental
45 Health, Developmental Disabilities, and Substance Abuse Services to pay for services
46 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.
47 LME/MCOs shall remit claims for payment to the Department within 15 working days after
48 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days
49 after receipt of payment from the Department.

50 **SECTION 12F.2.(d)** Ineffective LME/MCO Management of Beds or Bed Days. –
51 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed

1 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not
2 being utilized while demand for services at the State psychiatric hospitals has not reduced, or
3 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)
4 of this section, the Department may contract with another LME/MCO to manage the beds or
5 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital
6 directly.

7 **SECTION 12F.2.(e)** Reporting by LME/MCOs. – The Department shall establish
8 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

9 **SECTION 12F.2.(f)** Reporting by Department. – By no later than March 1, 2014,
10 the Department shall report to the Joint Legislative Oversight Committee on Health and Human
11 Services and the Fiscal Research Division on all of the following:

12 (1) A uniform system for beds or bed days purchased during the fiscal year
13 ending June 30, 2013, from (i) funds appropriated in this act that are
14 designated for this purpose in subsection (a) of this section, (ii) existing
15 State appropriations, and (iii) local funds.

16 (2) Other Department initiatives funded by State appropriations to reduce State
17 psychiatric hospital use.

18 **SECTION 12F.2.(g)** Repeal of Hospital Utilization Pilot. – Sections 10.49(s1)
19 through 10.49(s5) of S.L. 2007-323 are repealed.

20 **FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM**

21 **SECTION 12F.3.(a)** Recurring funds appropriated in this act to the Department of
22 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
23 Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child
24 Treatment Program (NC CTP) shall be used for the following purposes:

25 (1) To provide clinical training and coaching to licensed Medicaid clinicians on
26 an array of evidence-based treatments and to provide a statewide platform to
27 assure accountability and outcomes.

28 (2) To maintain and manage a public roster of program graduates, linking
29 high-quality clinicians with children, families, and professionals.

30 (3) To partner with State, LME/MCO, and private sector leadership to bring
31 effective mental health treatment to children in juvenile justice and mental
32 health facilities.

33 **SECTION 12F.3.(b)** Nonrecurring funds appropriated in this act to the Department
34 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and
35 Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child
36 Treatment Program (NC CTP) shall be used to pay for the cost of developing a secure database
37 for the NC CTP to track individual-level and aggregate-level data with interface capability to
38 work with existing networks within State agencies. The database shall be the property of the
39 State and shall be hosted on State infrastructure. Any data or product that is part of, or derived
40 from, this database shall be and will remain the sole property of the State.

41 **SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

42 **SECTION 12F.4.(a)** For the purpose of mitigating cash flow problems that many
43 LME/MCOs experience at the beginning of each fiscal year relative to single stream funding,
44 the Department of Health and Human Services, Division of Mental Health, Developmental
45 Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each
46 LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount
47 of that distribution from the LME/MCO's total reimbursements for the fiscal year.

48 **SECTION 12F.4.(b)** The Department of Health and Human Services, Division of
49 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall periodically
50

1 review and, as deemed necessary by the Department, update the set of standardized covered
2 benefits developed and implemented by the Department pursuant to Section 10.11(b) of S.L.
3 2011-145 for recipients of LME/MCO community service funds; provided, however, the
4 Department shall not implement any updates that increase the overall cost of these standardized
5 covered benefits.

6 7 **BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE** 8 **MONITORING**

9 **SECTION 12F.4A.(a)** The Department of Health and Human Services shall
10 require local management entities, including local management entities that have been
11 approved to operate the 1915(b)/(c) Medicaid Waiver (LME/MCOs), to implement clinical
12 integration activities with Community Care of North Carolina (CCNC) through TotalCare, a
13 collaborative initiative designed to improve and minimize the cost of care for patients who
14 suffer from comorbid mental health or substance abuse and primary care or other chronic
15 conditions.

16 **SECTION 12F.4A.(b)** The Department shall ensure that, by no later than January
17 1, 2014, all LME/MCOs submit claims data, including to the extent practical, retrospective
18 claims data and integrated payment and reporting system (IPRS) data, to the CCNC Informatics
19 Center, either directly or through the Medicaid Management Information System. Upon receipt
20 of this claims data, CCNC shall provide access to clinical data and care management
21 information within the Informatics Center to LME/MCOs and authorized behavioral health
22 providers to support treatment, quality assessment and improvement activities, or coordination
23 of appropriate and effective patient care, treatment, or habilitation.

24 **SECTION 12F.4A.(c)** The Department, in consultation with CCNC and the
25 LME/MCOs, shall develop quality and performance statistics on the status of mental health,
26 developmental disabilities, and substance abuse services, including, but not limited to,
27 variations in total cost of care, clinical outcomes, and access to and utilization of services.

28 **SECTION 12F.4A.(d)** The Department shall, within available appropriations and
29 as deemed necessary by the Department, expand or alter existing contracts by mutual
30 agreement of all parties to the contract in order to implement the provisions of this section.

31 **SECTION 12F.4A.(e)** By no later than March 1, 2014, and semiannually
32 thereafter, the Department shall submit a report to the Joint Legislative Oversight Committee
33 on Health and Human Services and the Fiscal Research Division on the progress, outcomes,
34 and savings associated with the implementation of clinical integration activities with CCNC
35 pursuant to this section.

36 37 **LME/MCO FUNDS FOR SUBSTANCE ABUSE SERVICES**

38 **SECTION 12F.6.(a)** LME/MCOs shall use a portion of their allocated funds for
39 substance abuse treatment services to support prevention and education activities at a level at
40 least equivalent to the 2012-2013 fiscal year.

41 **SECTION 12F.6.(b)** In providing treatment and services for adult offenders and
42 increasing the number of Treatment Accountability for Safer Communities (TASC) case
43 managers, local management entities shall consult with TASC to improve offender access to
44 substance abuse treatment and match evidence-based interventions to individual needs at each
45 stage of substance abuse treatment. Special emphasis should be placed on intermediate
46 punishment offenders, community punishment offenders at risk for revocation, and Department
47 of Correction releases who have completed substance abuse treatment while in custody.

48 The Department shall allocate up to three hundred thousand dollars (\$300,000) of
49 the funds appropriated in this act to the Department of Health and Human Services, Division of
50 Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide
51 substance abuse services for adult offenders and to increase the number of TASC case

1 managers. These funds shall be allocated to TASC before funds are allocated to LMEs for
2 mental health services, substance abuse services, and crisis services.

3
4 **IMPROVE REPORTING BY DISPENSERS UNDER CONTROLLED SUBSTANCES**
5 **REPORTING SYSTEM**

6 **SECTION 12F.7.** G.S. 90-113.73(a) reads as rewritten:

7 "(a) The Department shall establish and maintain a reporting system of prescriptions for
8 all Schedule II through V controlled substances. Each dispenser shall submit the information in
9 accordance with transmission methods and frequency established by rule by the Commission.
10 The Department may issue a waiver to a dispenser that is unable to submit prescription
11 information by electronic means. The waiver may permit the dispenser to submit prescription
12 information by paper form or other means, provided all information required of electronically
13 submitted data is submitted. The dispenser shall report the information required under this
14 section ~~on a monthly basis for the first 12 months of the Controlled Substances Reporting~~
15 ~~System's operation, and twice monthly thereafter, until January 2, 2010, at which time~~
16 ~~dispensers shall report no later than seven days~~no later than the close of business on the third
17 business day after delivery of the prescription is dispensed~~prescription, beginning the next day~~
18 after the delivery date. However, the dispenser is encouraged to report the information required
19 under this section no later than 24 hours after delivery of the prescription. The dispenser shall
20 submit the information in a format as determined annually by the Department based on the
21 format used in the majority of the states operating a controlled substances reporting system."
22

23 **SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION**

24
25 **ELIMINATE COMPREHENSIVE REPORT ON MEDICATION-RELATED ERRORS**
26 **IN NURSING HOMES**

27 **SECTION 12G.2.(a)** G.S. 131E-128.1(e) reads as rewritten:

28 "(e) Confidentiality. – The meetings or proceedings of the advisory committee, the
29 records and materials it produces, and the materials it considers, including analyses and reports
30 pertaining to medication-related error reporting under G.S. 131E-128.2 ~~and G.S. 131E-128.5~~
31 and pharmacy reports on drug defects and adverse reactions under G.S. 131E-128.4, shall be
32 confidential and not be considered public records within the meaning of G.S. 132-1. The
33 meetings or proceedings and records and materials also shall not be subject to discovery or
34 introduction into evidence in any civil action against a nursing home or a provider of
35 professional health services resulting from matters that are the subject of evaluation and review
36 by the committee. No person who was in attendance at a meeting of the committee shall testify
37 in any civil action as to any evidence or other matters produced or presented during the
38 meetings or proceedings of the committee or as to any findings, recommendations, evaluations,
39 opinions, or other actions of the committee or its members. Notwithstanding the foregoing:

- 40 (1) Information, documents, or records otherwise available, including any
41 deficiencies found in the course of an inspection conducted under
42 G.S. 131E-105, shall not be immune from discovery or use in a civil action
43 merely because they were presented during meetings or proceedings of the
44 advisory committee. A member of the advisory committee or a person who
45 testifies before the committee may testify in a civil action but cannot be
46 asked about that person's testimony before the committee or any opinion
47 formed as a result of the committee meetings or proceedings.
- 48 (2) Information that is confidential and not subject to discovery or use in civil
49 actions under this subsection may be released to a professional standards
50 review organization that performs any accreditation or certification function.
51 Information released to the professional standards review organization shall

1 be limited to information reasonably necessary and relevant to the standards
 2 review organization's determination to grant or continue accreditation or
 3 certification. Information released to the standards review organization
 4 retains its confidentiality and is not subject to discovery or use in any civil
 5 action as provided under this subsection. The standards review organization
 6 shall keep the information confidential subject to this subsection.

7 (3) Information that is confidential and not subject to discovery or use in civil
 8 actions under this subsection may be released to the Department of Health
 9 and Human Services pursuant to its investigative authority under
 10 G.S. 131E-105. Information released to the Department shall be limited to
 11 information reasonably necessary and relevant to the Department's
 12 investigation of compliance with Part 1 of Article 6 of this Chapter.
 13 Information released to the Department retains its confidentiality and is not
 14 subject to discovery or use in any civil action as provided in this subsection.
 15 The Department shall keep the information confidential subject to this
 16 subsection.

17 (4) Information that is confidential and is not subject to discovery or use in civil
 18 actions under this subsection may be released to an occupational licensing
 19 board having jurisdiction over the license of an individual involved in an
 20 incident that is under review or investigation by the advisory committee.
 21 Information released to the occupational licensing board shall be limited to
 22 information reasonably necessary and relevant to an investigation being
 23 conducted by the licensing board pertaining to the individual's involvement
 24 in the incident under review by the advisory committee. Information
 25 released to an occupational licensing board retains its confidentiality and is
 26 not subject to discovery or use in any civil action as provided in this
 27 subsection. The occupational licensing board shall keep the information
 28 confidential subject to this subsection."

29 **SECTION 12G.2.(b)** G.S. 131E-128.1(g) reads as rewritten:

30 "(g) Penalty. – The Department may take adverse action against the license of a nursing
 31 home upon a finding that the nursing home has failed to comply with this section,
 32 G.S. 131E-128.2, 131E-128.3, ~~131E-128.4, or 131E-128.5~~ or 131E-128.4."

33 **SECTION 12G.2.(c)** G.S. 131E-128.5 is repealed.

34 35 **SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)**

36 37 **DETAILED MEDICAID REFORM PROPOSAL TO BE PREPARED BY** 38 **DEPARTMENT OF HEALTH AND HUMAN SERVICES; MEDICAID REFORM** 39 **ADVISORY GROUP ESTABLISHED**

40 **SECTION 12H.1.(a)** The Department of Health and Human Services, Division of
 41 Medical Assistance, (Department), in consultation with the Medicaid Reform Advisory Group
 42 created by subsection (e) of this section, shall create a detailed plan for, but not implement,
 43 significant reforms to the State's Medicaid Program that shall accomplish the following:

- 44 (1) Create a predictable and sustainable Medicaid program for North Carolina
 45 taxpayers.
- 46 (2) Increase administrative ease and efficiency for North Carolina Medicaid
 47 providers.
- 48 (3) Provide care for the whole person by uniting physical and behavioral health
 49 care.

1 **SECTION 12H.1.(b)** The Department shall submit its detailed proposal of how to
2 reform the State's Medicaid Program to the General Assembly. The report shall contain the
3 following:

- 4 (1) The details of the reform plan, including how the plan would accomplish the
5 goals set out in subsection (a) of this section.
- 6 (2) The Department's methodology for selecting the reform plan over
7 alternatives.
- 8 (3) Forecasts of the reform plan's potential to slow the growth of the costs of the
9 Medicaid Program, including the assumptions and methodology used for the
10 forecast, as well as an explanation of how the Department's forecast
11 methodology has been improved to produce more accurate forecasting than
12 in prior years.
- 13 (4) The reform plan's impact, as compared to the existing Medicaid Program, on
14 both providers and recipients in areas such as enrollment within the
15 Medicaid system, access to services, quality of care, and payment
16 methodologies, and any other areas of comparison to help the General
17 Assembly evaluate the reform plan.
- 18 (5) If regional demonstration projects, pilot projects, or similar projects will be
19 used to test a proposal, how the Department will ensure that the test
20 methodology is scientifically valid and consistent with social science
21 research methods.
- 22 (6) How financial risks will be allocated under the reform plan.
- 23 (7) The mechanisms through which the Department and any contractors under
24 the reform plan would be held accountable for the implementation and
25 performance of the plan.
- 26 (8) Short-term costs to implement the plan and expected long-term savings in
27 future years from slowing the growth of costs.
- 28 (9) A realistic time line for implementation.
- 29 (10) Draft Medicaid State Plan Amendments, Medicaid waivers, amendments to
30 State law, or other changes necessary to legally allow the Department to
31 implement its reform plan.
- 32 (11) Any other detailed information that would assist the General Assembly in
33 evaluating the strength of the reform plan and the plan's ability to
34 accomplish the goals set out in subsection (a) of this section.

35 **SECTION 12H.1.(c)** The Department is encouraged to and may submit draft
36 Medicaid State Plan amendments, draft waiver applications, or other documents to the federal
37 government to solicit feedback on the Department's proposal prior to reporting to the General
38 Assembly. The Department shall not, however, submit any documents to the federal
39 government to implement the reform plan without legislation authorizing the Department to
40 implement the Department's reform plan.

41 **SECTION 12H.1.(d)** The Department shall submit its reform plan to the 2013
42 General Assembly when it reconvenes in 2014 but is encouraged to submit its plan as early as it
43 responsibly can.

44 **SECTION 12H.1.(e)** Advisory Group. – There is established the North Carolina
45 Medicaid Reform Advisory Group (Advisory Group) in order to advise and guide the
46 Department of Health and Human Services in its development of its detailed plan to reform
47 Medicaid. The Advisory Group shall meet in order to (i) provide stakeholder input in a public
48 forum and (ii) ensure the transparency of the process of developing the reform proposal. Until
49 the submission of the Medicaid reform plan to the General Assembly, the Advisory Group shall
50 meet not less than monthly and shall begin meeting after a majority of the membership has
51 been appointed. The Advisory Group shall meet at the call of the Cochairs.

1 The Advisory Group shall consist of the following 22 members:

- 2 (1) Seven members appointed by the Speaker of the House of Representatives,
3 as follows:
4 a. Three members of the House of Representatives, one of whom shall
5 be designated as a cochair.
6 b. A licensed pharmacist.
7 c. A representative of Community Care of North Carolina (CCNC).
8 d. A representative of a larger hospital in an urban community.
9 e. A patient advocate for mental health, developmental disabilities, or
10 substance abuse issues.
- 11 (2) Seven members appointed by the President Pro Tempore of the Senate, as
12 follows:
13 a. Three members of the Senate, one of whom shall be designated as a
14 cochair.
15 b. A specialist physician.
16 c. A representative of a long-term care facility provider.
17 d. A representative of a smaller hospital in a rural community.
18 e. A representative of a health insurer.
- 19 (3) A cochair appointed by the Governor. This appointee may not be an
20 employee of the Department of Health and Human Services. In order to
21 work confidentially with legislative staff assigned to the Advisory Group
22 and for the limited purposes of working with those legislative staff, this
23 appointee shall be considered a "legislator," as that term is defined under
24 G.S. 120-129, for the application of legislative confidentiality under Article
25 17 of Chapter 120 of the General Statutes.
- 26 (4) The Secretary of the Department of Health and Human Services, who shall
27 serve ex officio, or the Secretary's designee.
- 28 (5) The Director of the Division of Medical Assistance within the Department of
29 Health and Human Services, who shall serve ex officio, or the Director's
30 designee.
- 31 (6) Five members appointed by the Governor as follows:
32 a. A pediatrician.
33 b. A non-pediatric primary care physician.
34 c. A representative of an assisted living provider.
35 d. A director of a local management entity/managed care organization
36 (LME/MCO).
37 e. A patient advocate for physical health issues.

38 The appointing officer shall fill vacancies. Neither an individual required to register under
39 Article 2 of Chapter 120C of the General Statutes nor an immediate family member of such an
40 individual may be appointed to the Advisory Group.

41 Legislative members of the Advisory Group shall receive per diem, subsistence, and
42 travel expenses as provided in G.S. 120-3.1. Non-legislative members of the Advisory Group
43 shall receive reimbursements as allowed under G.S. 138-6. The Advisory Group may contract
44 for consultant services as provided in G.S. 120-32.02. Upon approval of the Legislative
45 Services Commission, the Legislative Services Officer shall assign professional staff to assist
46 the Advisory Group in its work. Clerical staff shall be furnished to the Advisory Group through
47 the offices of the House of Representatives and Senate Directors of Legislative Assistants. The
48 Advisory Group may exercise all of the powers provided under G.S. 120-19 through
49 G.S. 120-19.4 while in the discharge of its official duties.

50 The Secretary of Health and Human Services shall ensure adequate staff
51 representation and support from the Department of Health and Human Services.

1 The Advisory Group shall terminate on July 1, 2014.

2
3 **CLARIFY STATE PLAN AMENDMENT PROCEDURES**

4 **SECTION 12H.2.(a)** Part 6 of Article 2 of Chapter 108A of the General Statutes is
5 amended by adding a new section to read as follows:

6 **"§ 108A-54.1A. Amendments to Medicaid State Plan and Medicaid Waivers.**

7 (a) No provision in the Medicaid State Plan or in a Medicaid Waiver may expand or
8 otherwise alter the scope or purpose of the Medicaid program from that authorized by law
9 enacted by the General Assembly. For purposes of this section, the term "amendments to the
10 State Plan" includes State Plan amendments, Waivers, and Waiver amendments.

11 (b) The Department may submit amendments to the State Plan only as required under
12 any of the following circumstances:

13 (1) A law enacted by the General Assembly directs the Department to submit an
14 amendment to the State Plan.

15 (2) A law enacted by the General Assembly makes a change to the Medicaid
16 Program that requires approval by the federal government.

17 (3) A change in federal law, including regulatory law, or a change in the
18 interpretation of federal law by the federal government requires an
19 amendment to the State Plan.

20 (4) A change made by the Department to the Medicaid Program requires an
21 amendment to the State Plan, if the change was within the authority granted
22 to the Department by State law.

23 (5) An amendment to the State Plan is required in response to an order of a court
24 of competent jurisdiction.

25 (c) Amendments to the State Plan submitted to the federal government for approval
26 shall contain only those changes that are allowed by the authority for submitting an amendment
27 to the State Plan in subsection (b) of this section.

28 (d) No fewer than 10 days prior to submitting an amendment to the State Plan to the
29 federal government, the Department shall post the amendment on its Web site and notify the
30 members of the Joint Legislative Oversight Committee on Health and Human Services and the
31 Fiscal Research Division, that the amendment has been posted. This requirement shall not
32 apply to draft or proposed amendments submitted to the federal government for comments, but
33 not submitted for approval. If the authority for submitting the amendment to the State Plan is
34 pursuant to subdivision (3), (4), (5), or (6) of subsection (b) of this section, then, prior to
35 submitting an amendment to the federal government, the Department shall submit to the
36 General Assembly members receiving notice under this subsection and to the Fiscal Research
37 Division an explanation of the amendment, the need for the amendment, and the federal time
38 limits required for implementation of the amendment.

39 (e) The Department shall submit an amendment to the State Plan to the federal
40 government by a date sufficient to provide the federal government adequate time to review and
41 approve the amendment so the amendment may be effective by the date required by the
42 directing authority in subsection (b) of this section."

43 **SECTION 12H.2.(b)** G.S. 108A-70.25 reads as rewritten:

44 **"§ 108A-70.25. State Plan for Health Insurance Program for Children.**

45 ~~The Department shall develop and submit a State Plan to implement "The Health Insurance~~
46 ~~Program for Children" authorized under this Part to the federal government as application for~~
47 ~~federal funds under Title XXI. The State Plan submitted under this Part shall be developed by~~
48 ~~the Department only as authorized by and in accordance with this Part. No provision in the~~
49 ~~State Plan submitted under this Part may expand or otherwise alter the scope or purpose of the~~
50 ~~Program from that authorized under this Part. The Department shall include in the State Plan~~
51 ~~submitted only those items required by this Part and required by the federal government to~~

1 ~~qualify for federal funds under Title XXI and necessary to secure the State's federal fund~~
2 ~~allotment for the applicable fiscal period. Except as otherwise provided in this section, the~~
3 ~~Department shall not amend the State Plan nor submit any amendments thereto to the federal~~
4 ~~government for review or approval without the specific approval of the General Assembly. In~~
5 ~~the event federal law requires that an amendment be made to the State Plan and further requires~~
6 ~~that the amendment be submitted or implemented within a time period when the General~~
7 ~~Assembly is not and will not be in session to approve the amendment, then the Department may~~
8 ~~submit the amendment to the federal government for review and approval without the approval~~
9 ~~of the General Assembly. Prior to submitting an amendment to the federal government without~~
10 ~~General Assembly approval as authorized in this section, the Department shall report the~~
11 ~~proposed amendment to the Joint Legislative Oversight Committee on Health and Human~~
12 ~~Services and to members of the Joint Appropriations Subcommittee on Health and Human~~
13 ~~Services. The report shall include an explanation of the amendment, the necessity therefor, and~~
14 ~~the federal time limits required for implementation of the amendment.~~

15 (a) The NC Health Choice program shall be administered and operated in accordance
16 with this Part and the NC Health Choice State Plan, as periodically amended by the Department
17 of Health and Human Services and approved by the federal government.

18 (b) The requirements in G.S. 108A-54.1A shall apply to NC Health Choice State Plan
19 amendments in the same manner in which they apply to Medicaid State Plan amendments."
20

21 GENERAL MEDICAID POLICIES

22 SECTION 12H.3.(a) G.S. 108A-54 reads as rewritten:

23 "§ 108A-54. Authorization of Medical Assistance Program.

24 (a) The Department is authorized to establish a Medicaid Program in accordance with
25 Title XIX of the federal Social Security Act. The Department may adopt rules to implement the
26 Program. The State is responsible for the nonfederal share of the costs of medical services
27 provided under the Program. A county is responsible for the county's cost of administering the
28 Program in that county.

29 ...

30 (c) The Medicaid Program shall be administered and operated in accordance with this
31 Part and the North Carolina Medicaid State Plan and Waivers, as periodically amended by the
32 Department of Health and Human Services in accordance with G.S. 108A-54.1A and approved
33 by the federal government."

34 SECTION 12H.3.(b) In addition to paying the non-federal share of the costs of
35 medical services provided under the Medicaid Program, as provided in G.S. 108A-54(a), the
36 State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments
37 under the Medicare Modernization Act of 2004, P.L. 108-173, as amended.

38 SECTION 12H.3.(c) The Department shall not take any actions that the
39 Department determines would jeopardize the State's qualification to receive federal funds
40 through the Medicaid Program.

41 MEDICAID IS SECONDARY PAYOR OF CLAIMS

42 SECTION 12H.4. Medicaid is a secondary payor of claims. The Department shall
43 apply Medicaid medical policy to recipients who have primary insurance other than Medicare,
44 Medicare Advantage, or Medicaid. For recipients who have primary insurance other than
45 Medicare, Medicare Advantage, or Medicaid, the Department shall pay the lesser of the
46 Medicaid Allowable Amount or an amount up to the actual coinsurance or deductible or both of
47 the primary payor, in accordance with the State Plan, as approved by the Department of Health
48 and Human Services. The Department may disregard application of this policy in cases where
49 application of the policy would adversely affect patient care.
50
51

COUNTIES SHARING IN FRAUD RECOVERY

SECTION 12H.5. The Department of Health and Human Services, Division of Medical Assistance, shall provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

PROCEDURE TO CHANGE MEDICAL POLICY

SECTION 12H.6.(a) G.S. 108A-54.2 reads as rewritten:

"§ 108A-54.2. Procedures for changing medical policy.

(a) The Department shall adopt rules to develop, amend, and adopt medical coverage policy for Medicaid and NC Health Choice in accordance with this section.

(b) Medical coverage policy is defined as those policies, definitions, or guidelines utilized to evaluate, treat, or support the health or developmental conditions of a recipient so as to determine eligibility, authorization or continued authorization, medical necessity, course of treatment and supports, clinical outcomes, and clinical supports treatment practices for a covered procedure, product, or service. Medical coverage policy is subject to the following:

- (1) During the development of new medical coverage policy or amendment to existing medical coverage policy, the Department shall consult with and seek the advice of the Physician Advisory Group and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.
- (2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:
 - a. Publish the proposed new or amended medical coverage policy on the Department's Web site;
 - b. Notify all Medicaid and NC Health Choice providers of the proposed, new, or amended policy; and
 - c. Upon request, provide persons copies of the proposed medical coverage policy.
- (3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, the Department shall accept oral and written comments on the proposed new or amended policy.
- (4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:
 - a. Notify all Medicaid and NC Health Choice providers of the proposed policy;
 - b. Upon request, provide persons notice of amendments to the proposed policy; and
 - c. Accept additional oral or written comments during this 15-day period.

(c) If the adoption of new or amended medical coverage policies is necessitated by an act of the General Assembly or a change in federal law, then the 45- and 15-day time periods specified in subsection (b) of this section shall instead be 30- and 10-day time periods."

SECTION 12H.6.(b) G.S. 108A-54.3 is repealed.

SECTION 12H.6.(c) Unless directed to do so by the General Assembly, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the

1 proposed change in medical policy and submitted it for departmental review. Changes to
2 medical policy affecting the amount, sufficiency, duration, and scope of health care services
3 and who may provide services are subject to the following:

4 (1) If the fiscal impact indicated by the fiscal analysis for any proposed medical
5 policy change exceeds five hundred thousand dollars (\$500,000) in total
6 requirements for Medicaid or fifty thousand dollars (\$50,000) in total
7 requirements for NC Health Choice for a given fiscal year, then the
8 Department shall submit the proposed medical policy change to the fiscal
9 analysis to the Office of State Budget and Management and the Fiscal
10 Research Division. The Department shall not implement the proposed
11 medical policy change unless the source of State funding is identified and
12 approved by the Office of State Budget and Management.

13 (2) If the medical policy change meets the requirement thresholds specified in
14 subdivision (1) of this subsection but is required for compliance with federal
15 law, then the Department shall submit the proposed medical policy or policy
16 interpretation change with the five-year fiscal analysis to the Office of State
17 Budget and Management prior to implementing the change.

18 The Department shall annually report, by November 1 of each year, all medical policy changes
19 with total requirements of less than the amount specified in subdivision (1) of this subsection to
20 the Office of State Budget and Management and the Fiscal Research Division of the Legislative
21 Services Commission.

22 23 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

24 **SECTION 12H.7.** The Department of Health and Human Services, Division of
25 Medical Assistance, shall charge an application fee of one hundred dollars (\$100.00), and the
26 amount federally required, to each provider enrolling in the Medicaid Program for the first
27 time. The fee shall be charged to all providers at recredentialing every three years.

28 29 **ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS**

30 **SECTION 12H.8.(a)** Providers shall follow the Department's established
31 procedures for securing electronic payments, and the Department shall not provide routine
32 provider payments by check. Medicaid providers shall file claims electronically, except that
33 nonelectronic claims submission may be required when it is in the best interest of the
34 Department.

35 **SECTION 12H.8.(b)** Providers shall submit Preadmission Screening and Annual
36 Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor
37 with interface capability to submit data into the Web-based PASARR.

38 **SECTION 12H.8.(c)** Providers shall submit requests for prior authorizations
39 electronically via Web site. Providers shall access their authorizations via online portals rather
40 than receiving hard copies by mail. Providers shall receive copies of adverse decisions
41 electronically, although recipients shall receive adverse decisions via certified mail.

42 **SECTION 12H.8.(d)** Providers shall submit their provider enrollment applications
43 online. The Department shall accept electronic signatures rather than require receipt of signed
44 hard copies.

45 46 **CLARIFY RULE MAKING**

47 **SECTION 12H.9.(a)** G.S. 108A-54(b) is recodified as G.S. 108A-54.1B(a).

48 **SECTION 12H.9.(b)** G.S. 108A-54.1B, as created by subsection (a) of this
49 section, reads as rewritten:

50 **"§ 108A-54.1B. Adoption of rules; State Plans, including amendments and waivers to**
51 **State Plans, have effect of rules.**

(a) The Department is expressly authorized to adopt temporary and permanent rules to implement or define the federal laws and regulations, the North Carolina State Plan of Medical Assistance, and the North Carolina State Plan of the Health Insurance Program for Children, the terms and conditions of eligibility for applicants and recipients of the Medical Assistance Program and the Health Insurance Program for Children, audits and program integrity, the services, goods, supplies, or merchandise made available to recipients of the Medical Assistance Program and the Health Insurance Program for Children, and reimbursement for the services, goods, supplies, or merchandise made available to recipients of the Medical Assistance Program and the Health Insurance Program for Children.

(b) State Plans, State Plan Amendments, and Waivers approved by the Centers for Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC Health Choice program shall have the force and effect of rules adopted pursuant to Article 2A of Chapter 150B of the General Statutes."

SECTION 12H.9.(c) G.S. 150B-1(d) is amended by adding a new subdivision to read as follows:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

- ...
- (22) The Department of Health and Human Services with respect to the content of State Plans, State Plan Amendments, and Waivers approved by the Centers for Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC Health Choice program."

SECTION 12H.9.(d) G.S. 150B-21.1(a) is amended by adding a new subdivision to read as follows:

"(a) Adoption. – An agency may adopt a temporary rule when it finds that adherence to the notice and hearing requirements of G.S. 150B-21.2 would be contrary to the public interest and that the immediate adoption of the rule is required by one or more of the following:

- ...
- (17) To maximize receipt of federal funds for the Medicaid or NC Health Choice programs within existing State appropriations, to reduce Medicaid or NC Health Choice expenditures, and to reduce Medicaid and NC Health Choice fraud and abuse."

SECTION 12H.9.(e) Prior to filing a temporary rule authorized under G.S. 150B-21.1(a)(17), as enacted by this section, with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary rule and its effect on State appropriations and local governments.

MEDICAID ELIGIBILITY; ADJUSTMENT TO HEALTH CHOICE ELIGIBILITY

SECTION 12H.10.(a) Families and children who are categorically and medically needy are eligible for Medicaid, subject to the following annual income levels:

Family Size	Categorically Needy Income Level	Medically Needy Income Level
1	\$ 4,344	\$ 2,900
2	5,664	3,800
3	6,528	4,400
4	7,128	4,800
5	7,776	5,200
6	8,376	5,600
7	8,952	6,000

1 permitted under P.L. 106-170, Ticket to Work and Work Incentives Improvement Act of 1999.
2 The Department shall establish rules, policies, and procedures to implement this act in
3 accordance with this section."

4 **SECTION 12H.10.(g)** Effective January 1, 2014, G.S. 108A-70.21(a)(1)d. reads as
5 rewritten:

6 "**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing;**
7 **coverage from private plans; purchase of extended coverage.**

8 (a) Eligibility. – The Department may enroll eligible children based on availability of
9 funds. Following are eligibility and other requirements for participation in the Program:

10 (1) Children must:

- 11 a. Be between the ages of 6 through 18;
- 12 b. Be ineligible for Medicaid, Medicare, or other federal
13 government-sponsored health insurance;
- 14 c. Be uninsured;
- 15 d. Be in a family whose family income is above ~~one hundred percent~~
16 ~~(100%)~~ one hundred thirty-three percent (133%) through two
17 hundred percent (200%) of the federal poverty level;
- 18 e. Be a resident of this State and eligible under federal law; and
- 19 f. Have paid the Program enrollment fee required under this Part.

20"

21 22 **NC HEALTH CHOICE TEMPORARY EXTENDED COVERAGE**

23 **SECTION 12H.11.** An enrollee in the NC Health Choice program who loses
24 eligibility due to reaching the age of 19 on or after June 1, 2013, may purchase at full premium
25 cost continued coverage under the NC Health Choice program until the end of the month
26 following the date on which the Secretary of the United States Department of Health and
27 Human Services determines that the North Carolina federally facilitated Health Benefits
28 Exchange is fully operational. The benefits, co-payments, and other conditions of enrollment
29 under the NC Health Choice program applicable to extended coverage purchased in accordance
30 with this section shall be the same as those applicable to an NC Health Choice enrollee who has
31 not yet reached the age of 19.

32 33 **MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR** 34 **SERVICES**

35 **SECTION 12H.13.(a)** Except as otherwise provided in this act, the allowable State
36 plan services, co-pays, reimbursement rates, and fees shall remain the same as those effective
37 June 30, 2013. Except as otherwise provided in this act and to the extent allowable under
38 federal law, the adjustments made in this section apply to both the Medicaid Program and the
39 NC Health Choice program.

40 **SECTION 12H.13.(b)** Effective July 1, 2013, any rates that contain an inflationary
41 or increase factor shall not increase above the rate in effect on June 30, 2013, unless the rate is
42 otherwise increased by the General Assembly. Hospital outpatient services' percentage of cost
43 shall be adjusted to compensate for expected inflation that hospitals would be eligible for, and
44 cost settlement will only be up to that percentage. The following rates are excluded from this
45 subsection: Federally Qualified Health Centers, Rural Health Centers, State-Operated services,
46 Hospice, Part B and D Premiums, third-party and health maintenance organization (HMO)
47 premiums, drugs, managed care organization (MCO) capitation payments, and nursing direct
48 care services case mix index increases.

49 **SECTION 12H.13.(c)** Effective November 1, 2013, nominal co-pays are increased
50 to the maximum amount allowed by the Centers for Medicare and Medicaid Services (CMS) as
51 of June 30, 2013.

1 **SECTION 12H.13.(d)** Effective January 1, 2014, the following changes are made
2 to allowable State plan services:

- 3 (1) Of the 22 visits allowed per recipient per fiscal year for professional services
4 provided by physicians, nurse practitioners, nurse midwives, physician
5 assistants, clinics, and health departments, prior authorization is required for
6 visits in excess of 10 within a year. This limitation and prior authorization
7 requirement does not apply to chronic conditions.
- 8 (2) Adult rehabilitation home visits for set-up and training are limited to three
9 within a 12-month period.

10 **SECTION 12H.13.(e)** Effective January 1, 2014, the percentage of allowable costs
11 for hospital outpatients is reduced from eighty percent (80%) to seventy percent (70%).

12 **SECTION 12H.13.(f)** Effective January 1, 2014, nonemergency facility services
13 provided in an emergency room shall be reimbursed based on a single fee. The Department of
14 Health and Human Services, Division of Medical Assistance, shall establish such a fee. This
15 fee may not be cost-settled.

16 **SECTION 12H.13.(g)** The Department of Health and Human Services, Division of
17 Medical Assistance, shall implement changes to the reimbursement rates and methodologies for
18 prescribed drugs in order to achieve the savings required by this act. The rates and
19 methodologies required by this section shall be effective January 1, 2014. Options to achieve
20 savings include changing, including creating or eliminating, any of the following:

- 21 (1) The percentage paid on the Wholesale Acquisition Cost (WAC).
- 22 (2) The percentage paid on the State Medicaid Average Costs (SMAC).
- 23 (3) The rates for dispensing generic, preferred, and brand drugs.
- 24 (4) The rates and tiers for dispensing drugs based on the percentage of generic
25 drugs dispensed by a pharmacist.
- 26 (5) Supplemental rebates for mental health and HIV drugs.
- 27 (6) Targeted savings for all classes of specialty drugs.
- 28 (7) Payments based on invoice costs to pharmacists, as obtained through
29 periodic surveys with updates to an invoice price list.

30 **SECTION 12H.13.(h)** Effective January 1, 2014, prior authorization is required
31 for all drugs prescribed that have an on-label use of treating attention deficit hyperactivity
32 disorder (ADHD) or attention deficit disorder (ADD).

33 34 **ADDITIONAL MANAGEMENT OF DRUG UTILIZATION**

35 **SECTION 12H.13A.** The Department of Health and Human Services shall work
36 with Community Care of North Carolina (CCNC) to do the following:

- 37 (1) Ensure better pharmacy management, including compliance by Medicaid
38 recipients with taking their prescription drugs and compliance by pharmacy
39 providers with the CCNC protocols.
- 40 (2) Identify Medicaid recipients who are frequent users of pharmacy services
41 and coordinate with physicians and pharmacists to implement steps to
42 enhance CCNC care management programs.

43 44 **ADMINISTRATIVE HEARINGS FUNDING AND PROCEDURE MODIFICATION**

45 **SECTION 12H.16.(a)** The Department of Health and Human Services
46 (Department) shall transfer the sum of one million dollars (\$1,000,000) for the 2013-2014
47 fiscal year, and the sum of one million dollars (\$1,000,000) for the 2014-2015 fiscal year, to the
48 Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for
49 mediation services provided for Medicaid applicant and recipient appeals and to contract for
50 other services necessary to conduct the appeals process. OAH shall continue the Memorandum
51 of Agreement (MOA) with the Department for mediation services provided for Medicaid

1 recipient appeals and contracted services necessary to conduct the appeals process. The MOA
2 will facilitate the Department's ability to draw down federal Medicaid funds to support this
3 administrative function. Upon receipt of invoices from OAH for covered services rendered in
4 accordance with the MOA, the Department shall transfer the federal share of Medicaid funds
5 drawn down for this purpose.

6 **SECTION 12H.16.(b)** G.S. 108C-5 reads as rewritten:

7 **"§ 108C-5. Payment suspension and audits utilizing extrapolation.**

8 (a) The Department may suspend payments to a provider in accordance with the
9 requirements and procedures set forth in 42 C.F.R. § 455.23.

10 (b) In addition to the procedures for suspending payment set forth at 42 C.F.R. §
11 455.23, the Department may also suspend payment to any provider that (i) owes a final
12 overpayment, assessment, or fine to the Department and has not entered into an approved
13 payment plan with the Department or (ii) has had its participation in the Medicaid or Health
14 Choice programs suspended or terminated by the Department. For purposes of this section, a
15 suspension or termination of participation does not become final until all administrative appeal
16 rights have been exhausted and shall not include any agency decision that is being contested at
17 the Department or the Office of Administrative Hearings or in Superior Court provided that the
18 Superior Court has entered a stay pursuant to the provisions of G.S. 150B-48.

19 (b1) The Department shall withhold payment to any North Carolina Medicaid provider
20 or Health Choice provider for whom the Division of Medical Assistance, or its vendor, has
21 identified an overpayment in a written notice to the provider. Withholding shall begin on the
22 31st day after the day the notice of overpayment is mailed and shall continue during the
23 pendency of any appeal until the overpayment becomes a final overpayment. For purposes of
24 this subsection, withholding during any month shall not exceed the amount of any interest
25 required by law plus nine percent (9%) of the sum of the total overpayment amount identified
26 in the notice of overpayment and any penalty required by law. If the Department subsequently
27 reduces the identified overpayment in writing, withholding during any subsequent month shall
28 not exceed the amount of any interest required by law plus nine percent (9%) of the sum of the
29 total reduced identified overpayment and any penalty required by law. Total withholdings shall
30 not exceed the total amount of the overpayment plus any penalty and interest charges required
31 by law. If the total amount withheld exceeds the final overpayment plus interest and penalty
32 required by law, the Department shall pay the provider the amount withheld in excess of the
33 final overpayment plus penalty and interest. Upon request by the provider and for good cause
34 shown, the Department is authorized to approve a payment plan for a provider to pay an
35 overpayment, pursuant to subsection (g) of this section. Absent a showing of good cause for
36 repayment to be made over a period of more than one year, the Department shall take all
37 necessary and appropriate action to recover overpayments within 365 days of the date the
38 notice of overpayment was mailed to the provider.

39 (c) For providers who owe a final overpayment, assessment, or fine to the Department,
40 the payment suspension shall begin the thirty-first day after the overpayment, assessment, or
41 fine becomes final. The payment suspension shall not exceed the amount owed to the
42 Department, including any applicable penalty and interest charges.

43 (d) Providers whose participation in the Medicaid or Health Choice programs has been
44 suspended or terminated shall have all payments suspended beginning on the thirty-first day
45 after the suspension or termination becomes final.

46 (e) The Department shall consult with the N.C. Departments of Treasury and Revenue
47 and other State departments and agencies to determine if a provider owes debts or fines to the
48 State. The Department may collect any of these debts owed to the State subsequent to
49 consideration by the Department of the financial impact upon the provider and the impact upon
50 access to the services provided by the provider.

1 (f) When issuing payment suspensions and withholdings in accordance with this
2 Chapter, the Department may suspend or withhold payment to all providers which share the
3 same IRS Employee Identification Number or corporate parent as the provider or provider site
4 location which owes the final overpayment, overpayment, assessment, or fine. The Department
5 shall give 30 days advance written notice to all providers which share the same IRS Employee
6 Identification Number or corporate parent as the provider or provider site location of the
7 intention of the Department to implement a payment ~~suspension~~-suspension or withholding.

8 (g) The Department is authorized to approve a payment plan for a provider to pay a
9 final overpayment, overpayment, assessment, or fine including interest and any penalty. The
10 payment plan can include a term of up to 24 months. The Department shall establish in rule the
11 conditions of such provider payment plans. Nothing in this subsection shall prevent the
12 provider and the Department from mutually agreeing to modifications of a payment plan.

13 (h) All payments suspended or withheld in accordance with this Chapter shall be
14 applied toward any final overpayment, assessment, or fine owed to the Department.

15"

16 **SECTION 12H.16.(c)** Chapter 108C of the General Statutes is amended by adding
17 a new section to read as follows:

18 **"§ 108C-5.1. Post-payment review and recovery audit contracts.**

19 The Department shall not pay contingent fees pursuant to any contract with an entity
20 conducting Medicaid post-payment reviews or Recovery Audit Contractor (RAC) audits before
21 all appeal rights have been exhausted. Any contingent fee for Medicaid post-payment reviews
22 or RAC audits shall be calculated as a percentage of the amount of the final overpayment, as
23 defined in G.S. 108C-2(5). The State share of the contingent fee paid for Medicaid
24 post-payment reviews or RAC audits shall not exceed the State share of the amount actually
25 recovered by the Department and applied to the final overpayment."

26 **SECTION 12H.16.(d)** Subsection (c) of this section applies only to contracts
27 entered into or amended on or after the effective date of subsection (c).

28 **SECTION 12H.16.(e)** G.S. 1A-1 is amended by adding a new Article to read as
29 follows:

30 "Article 9.

31 "Extraordinary Writs.

32 **"Rule 90. Certiorari.**

33 (a) Scope of the Writ; Review of the Judgments, Decisions, and Orders of the Office of
34 Administrative Hearings. – The writ of certiorari may be issued in appropriate circumstances
35 by the Superior Court to permit review of the judgments, decisions, and orders of the Office of
36 Administrative Hearings when no right of appeal from an interlocutory order exists.

37 (b) Petition for Writ; to Which Superior Court Addressed. – Application for the writ of
38 certiorari shall be made by filing a petition therefor with the clerk of the superior court division
39 to which appeal of right might lie from a final decision of the Office of Administrative
40 Hearings in the contested case for which issuance of the writ is sought.

41 (c) Same; Filing and Service; Content. – The petition shall be filed without
42 unreasonable delay and shall be accompanied by proof of service upon all other parties. The
43 petition shall contain a statement of the facts necessary to an understanding of the issues
44 presented by the application, a statement of the reasons why the writ should issue, and certified
45 copies of the judgment, decision, order, or opinion or parts of the record which may be
46 essential to an understanding of the matters set forth in the petition. The petition shall be
47 verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk will
48 docket the petition.

49 (d) Response; Determination by Court. – Within 10 days after service of the petition
50 any party may file a response thereto with supporting affidavits or certified portions of the
51 record not filed with the petition. Filing shall be accompanied by proof of service upon all other

1 parties. The court for good cause shown may shorten the time for filing a response.
2 Determination will be made on the basis of the petition, the response, and any supporting
3 papers. No briefs or oral argument will be received or allowed unless ordered by the court upon
4 its own initiative.

5 **"Rule 91. Mandamus and Prohibition.**

6 (a) Petition for Writ; to Which Superior Court Addressed. – Applications for the writs
7 of mandamus or prohibition directed to an administrative law judge shall be made by filing a
8 petition therefor with the clerk of the superior court division to which appeal of right might lie
9 from a final decision entered in the contested case for which issuance of the writ is sought.

10 (b) Same; Filing and Service; Content. – The petition shall be filed without
11 unreasonable delay after the action by the Office of Administrative Hearings sought to be
12 prohibited or compelled has been undertaken, or has occurred, or has been refused, and shall be
13 accompanied by proof of service on the respondent administrative law judge or administrative
14 law judges and on all other parties to the action. The petition shall contain a statement of the
15 facts necessary to an understanding of the issues presented by the application, a statement of
16 the issues presented and of the relief sought, a statement of the reasons why the writ should
17 issue, and certified copies of any order or opinion or parts of the record that may be essential to
18 an understanding of the matters set forth in the petition. The petition shall be verified by
19 counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk shall docket the
20 petition.

21 (c) Response; Determination by Court. – Within 10 days after service of the petition the
22 respondent or any party may file a response thereto with supporting affidavits or certified
23 portions of the record not filed with the petition. Filing shall be accompanied by proof of
24 service upon all other parties. The court for good cause shown may shorten the time for filing a
25 response. Determination will be made on the basis of the petition, the response, and any
26 supporting papers. No briefs or oral argument will be received or allowed unless ordered by the
27 court upon its own initiative.

28 **"Rule 92. Supersedeas.**

29 (a) Pending Review of Office of Administrative Hearings Judgments, Decisions, and
30 Orders. – Application may be made to the appropriate superior court for a writ of supersedeas
31 to stay the execution or enforcement of any judgment, decision, order, or other determination of
32 the Office of Administrative Hearings which is not automatically stayed by the taking of appeal
33 when an appeal has been taken or a petition for mandamus, prohibition, or certiorari has been
34 filed to obtain review of the judgment, decision, order, or other determination and (i) a stay
35 order or entry has been sought by the applicant by deposit of security or by motion at the Office
36 of Administrative Hearings and such order or entry has been denied or vacated by the trial
37 tribunal or (ii) extraordinary circumstances make it impracticable to obtain a stay by deposit of
38 security or by application to the Office of Administrative Hearings for a stay order.

39 (b) Petition; Filing and Service; Content. – The petition shall be filed with the clerk of
40 the superior court division to which appeal of right might lie from a final decision of the Office
41 of Administrative Hearings in the contested case for which issuance of the writ is sought. The
42 petitions shall be accompanied by proof of service upon all other parties. The petition shall be
43 verified by counsel or the petitioner. Upon receipt of the required docket fee, the clerk will
44 docket the petition. For stays of the judgments of the Office of Administrative Hearings, the
45 petition shall contain a statement that a stay has been sought in the Office of Administrative
46 Hearings and denied or vacated or shall contain facts showing that it was impracticable there to
47 seek a stay. For stays of any judgment, the petition shall contain (i) a statement of any facts
48 necessary to an understanding of the basis upon which the writ is sought and (ii) a statement of
49 reasons why the writ should issue in justice to the applicant. The petition may be accompanied
50 by affidavits and by any certified portions of the record pertinent to its consideration. It may be
51 included in a petition to the superior court for certiorari, mandamus, or prohibition.

1 (c) Response; Determination by Court. – Within 10 days after service of the petition,
2 any party may file a response thereto with supporting affidavits or certified portions of the
3 record not filed with the petition. Filing shall be accompanied by proof of service upon all other
4 parties. The court for good cause shown may shorten the time for filing a response.
5 Determination will be made on the basis of the petition, the response, and any supporting
6 papers. No briefs or oral argument will be received or allowed unless ordered by the court upon
7 its own initiative.

8 (d) Temporary Stay. – Upon the filing of a petition for supersedeas, the applicant may
9 apply, either within the petition or by separate paper, for an order temporarily staying
10 enforcement or execution of the judgment, decision, order, or other determination pending
11 decision by the court upon the petition for supersedeas. If application is made by separate
12 paper, it shall be filed and served in the manner provided for the petition for supersedeas in
13 Rule 92(b). The court for good cause shown in such a petition for temporary stay may issue
14 such an order ex parte."

15 **SECTION 12H.16.(f)** Article 4 of Chapter 150B of the General Statutes is
16 amended by adding a new section to read:

17 **"§ 150B-53. Writs.**

18 Any party to a contested case may petition for writs of certiorari, mandamus, prohibition, or
19 supersedeas in the manner prescribed in Rules 90, 91, and 92 of the North Carolina Rules of
20 Civil Procedure."

21
22 **PROVIDER PERFORMANCE BONDS**

23 **SECTION 12H.17.(a)** Subject to the provisions of this section, the Department
24 may require Medicaid-enrolled providers to purchase a performance bond in an amount not to
25 exceed one hundred thousand dollars (\$100,000) naming as beneficiary the Department of
26 Health and Human Services, Division of Medical Assistance, or provide to the Department a
27 validly executed letter of credit or other financial instrument issued by a financial institution or
28 agency honoring a demand for payment in an equivalent amount. The Department may require
29 the purchase of a performance bond or the submission of an executed letter of credit or
30 financial instrument as a condition of initial enrollment, reenrollment, recredentialing, or
31 reinstatement if any of the following are true:

- 32 (1) The provider fails to demonstrate financial viability.
33 (2) The Department determines there is significant potential for fraud and abuse.
34 (3) The Department otherwise finds it is in the best interest of the Medicaid
35 program to do so.

36 The Department shall specify the circumstances under which a performance bond or executed
37 letter of credit will be required.

38 **SECTION 12H.17.(b)** The Department may waive or limit the requirements of
39 subsection (a) of this section for individual Medicaid-enrolled providers or for one or more
40 classes of Medicaid-enrolled providers based on the following:

- 41 (1) The provider's or provider class's dollar amount of monthly billings to
42 Medicaid.
43 (2) The length of time an individual provider has been licensed, endorsed,
44 certified, or accredited in this State to provide services.
45 (3) The length of time an individual provider has been enrolled to provide
46 Medicaid services in this State.
47 (4) The provider's demonstrated ability to ensure adequate record keeping,
48 staffing, and services.
49 (5) The need to ensure adequate access to care.

50 In waiving or limiting requirements of this section, the Department shall take into consideration
51 the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The

1 Department shall provide to the affected provider written notice of the findings upon which its
2 action is based and shall include the performance bond requirements and the conditions under
3 which a waiver or limitation apply.

4 **SECTION 12H.17.(c)** The Department may adopt temporary rules in accordance
5 with G.S. 150B-21.1 as necessary to implement G.S. 108C-14, as enacted by this section.
6

7 **SHARED SAVINGS PLAN WITH PROVIDERS**

8 **SECTION 12H.18.(a)** The Department of Health and Human Services shall
9 consult with providers affected by subsection (b) of this section to develop a shared savings
10 plan under which the Department shall begin making provider payments no later than June 30,
11 2014. The shared savings plan shall provide incentives to provide effective and efficient care
12 that results in positive outcomes for Medicaid and NC Health Choice recipients. Payments
13 under the shared savings plan shall be paid from funds withheld under subsection (b) of this
14 section.

15 **SECTION 12H.18.(b)** During the 2013-2015 fiscal biennium, the Department of
16 Health and Human Services shall withhold two percent (2%) of payments for the following
17 services rendered to Medicaid and NC Health Choice recipients on or after July 1, 2013:

- 18 (1) Inpatient hospital.
- 19 (2) Physician, excluding primary care until January 1, 2015.
- 20 (3) Dental.
- 21 (4) Optical services and supplies.
- 22 (5) Podiatry.
- 23 (6) Chiropractors.
- 24 (7) Hearing aids.
- 25 (8) Personal care services.
- 26 (9) Nursing homes.
- 27 (10) Adult care homes.
- 28 (11) Drugs.

29 Funds from payments withheld under this section that are budgeted to be shared with providers
30 shall not revert to the General Fund.

31 **SECTION 12H.18.(c)** The Department of Health and Human Services shall report
32 to the Joint Legislative Oversight Committee on Health and Human Services on the
33 development of the shared savings program established by this section no later than March 1,
34 2014.

35 **SECTION 12H.18.(d)** The Department of Health and Human Services shall use
36 funds withheld from payments for drugs to develop with Community Care of North Carolina
37 (CCNC) a program for Medicaid and Health Choice recipients based on the CheckMeds NC
38 program. The program shall include the following:

- 39 (1) At least 50 community pharmacies by June 30, 2014.
- 40 (2) At least 500 community pharmacies in at least 70 counties by June 30, 2015.
- 41 (3) A per member per month (PMPM) payment for care coordination and
42 population health services provided in conjunction with CCNC.
- 43 (4) A pay for performance payment.
44

45 **MODIFY HOSPITAL PROVIDER ASSESSMENTS BY CHANGING AMOUNT** 46 **RETAINED BY THE STATE**

47 **SECTION 12H.19.(a)** G.S. 108A-121(8) reads as rewritten:

48 "(8) State's annual Medicaid payment. - ~~Forty-three million dollars~~
49 ~~(\$43,000,000);~~ Ninety-five million dollars (\$95,000,000)."

50 **SECTION 12H.19.(b)** G.S. 108A-124 reads as rewritten:

51 "**§ 108A-124. Use of assessment proceeds.**

1 (a) Use. – The proceeds of the assessments imposed under this Article and all
2 corresponding matching federal funds must be used to make the State annual Medicaid
3 payment to the State and the Medicaid equity payments and UPL payments to hospitals.

4 (b) Quarterly Payments. – Within seven business days ~~of following~~ the due date for
5 each quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:

6 ~~(1) Transfer to the State Controller twenty five percent (25%) of the State's~~
7 ~~annual Medicaid payment amount.~~

8 ~~(2)~~(1) Pay to each hospital that has paid its equity assessment for the respective
9 quarter twenty-five percent (25%) of its Medicaid equity payment amount. A
10 hospital's Medicaid equity payment amount is the sum of the hospital's
11 Medicaid inpatient and outpatient deficits after calculating all other
12 Medicaid payments, excluding disproportionate share hospital payments and
13 the UPL payment remitted to the hospital under subdivision ~~(3)~~(2) of this
14 subsection.

15 ~~(3)~~(2) Pay to the primary affiliated teaching hospital for the East Carolina
16 University Brody School of Medicine, to the critical access hospitals, and to
17 each hospital that has paid its UPL assessment for the respective quarter
18 twenty-five percent (25%) of its UPL payment amount, as determined under
19 subsection (c) of this section.

20"

21 **SECTION 12H.19.(c)** Article 7 of Chapter 108A of the General Statutes is
22 amended by adding a new section to read as follows:

23 "**§ 108A-128. Payment for providers formerly subject to this Article.**

24 If a hospital provider is made exempt from an assessment under this Article because of an
25 acquisition of the hospital by another hospital provider that is exempt from an assessment under
26 this Article, then the acquired hospital provider shall continue to make payments to the State
27 for the acquired hospital provider's pro rata portion of the State's annual Medicaid payment.
28 This pro rata portion shall be based on the acquired hospital provider's percentage contribution
29 to the State's annual Medicaid payment at the time of acquisition."

30
31 **MODIFY MEDICAID RATE METHODOLOGIES FOR RECENTLY ACQUIRED**
32 **PROVIDERS; CREATE REGIONAL BASE RATES FOR HOSPITALS**

33 **SECTION 12H.20.(a)** The Department of Health and Human Services shall
34 modify Medicaid rate methodologies to ensure that rates paid to hospital or physician providers
35 that were acquired, merged, leased, or managed after December 31, 2011, do not exceed rates
36 that would have been paid if the provider had not been acquired, merged, leased, or managed.

37 **SECTION 12H.20.(b)** The Department of Health and Human Services, Division of
38 Medical Assistance, shall replace the existing base rates for individual hospitals with new
39 regional base rates for all hospitals within a given region. The Department shall consult with
40 hospitals to define the regions and to identify appropriate regional differences in order to
41 establish regional base rates. The new regional base rates shall do the following:

42 (1) Maintain the same statewide total for the base rates for all hospitals as before
43 the base rate revision, after first adjusting the statewide total based on the
44 changes to rates made by subsection (a) of this section.

45 (2) Ensure the sustainability of small rural hospitals, ensuring access to care.

46
47 **COMMUNITY CARE OF NORTH CAROLINA COST-EFFECTIVENESS AND**
48 **OUTCOMES STUDY; CONTINUED REPORTING**

49 **SECTION 12H.21.(a)** The Office of the State Auditor shall, as recommended in its
50 January 2013 performance audit of the Medicaid Program, engage nationally recognized
51 medical researchers to perform a scientifically valid study based upon actual data to determine

1 whether the Community Care of North Carolina (CCNC) model saves money and improves
2 health outcomes. This study shall begin during fiscal year 2013-2014 and shall, if possible, be
3 completed by the end of that fiscal year. The Department of Health and Human Services shall,
4 upon the direction of and in amounts specified by the Office of the State Auditor, make
5 payments to the contractor hired by the Office of the State Auditor from the one hundred
6 thousand dollars (\$100,000) appropriated elsewhere in this budget for this study as well as from
7 federal Medicaid matching funds available for this study.

8 **SECTION 12H.21.(b)** During fiscal year 2014-2015, the Department of Health
9 and Human Services shall submit a report from a qualified entity with proven experience in
10 conducting actuarial and health care studies on the Medicaid cost-savings achieved by the
11 CCNC networks, which shall include children, adults, and the aged, blind, and disabled, to the
12 House of Representatives Appropriations Subcommittee on Health and Human Services, the
13 Senate Appropriations Committee on Health and Human Services, and the Fiscal Research
14 Division.

15 **SECTION 12H.21.(c)** North Carolina Community Care Networks, Inc. (NCCCN),
16 shall report quarterly to the Department and to the Office of State Budget and Management
17 (OSBM) on the development of the statewide Enhanced Primary Care Case Management
18 System and its defined goals and deliverables as agreed upon in the contract. NCCCN shall
19 submit biannual reports to the Secretary of Health and Human Services, OSBM, the House of
20 Representatives Appropriations Subcommittee on Health and Human Services, the Senate
21 Appropriations Committee on Health and Human Services, and the Fiscal Research Division on
22 the progress and results of implementing the quantitative, analytical, utilization, quality, cost
23 containment, and access goals and deliverables set out in the contract. NCCCN shall conduct its
24 own analysis of the CCNC system to identify any variations from the development plan for the
25 Enhanced Primary Care Case Management System and its defined goals and deliverables set
26 out in the contract between the Department of Health and Human Services, Division of Medical
27 Assistance (DMA), and NCCCN. Upon identifying any variations, NCCCN shall develop and
28 implement a plan to address the variations. NCCCN shall report the plan to DMA within 30
29 days after taking any action to implement the plan.

30
31 **COMMUNITY CARE OF NORTH CAROLINA TO SET AND PAY PER MEMBER**
32 **PER MONTH PAYMENTS ON PERFORMANCE BASIS TO ENCOURAGE**
33 **BETTER CARE MANAGEMENT**

34 **SECTION 12H.22.(a)** The Department of Health and Human Services shall
35 contract with Community Care Networks, Inc. (NCCCN), to administer and distribute the funds
36 currently allocated to per member per month (PMPM) payments for Community Care of North
37 Carolina (CCNC) primary care providers. NCCCN shall distribute one hundred percent (100%)
38 of the funds allocated to PMPM payments to primary care providers on a care management
39 performance basis using criteria developed by NCCCN. In developing its pay for performance
40 model, NCCCN shall (i) ensure an adequate statewide network of participating CCNC primary
41 care providers and (ii) adopt a payment level of zero dollars (\$0.00) for providers who do not
42 satisfactorily participate in CCNC care management initiatives. Performance-based payments
43 shall begin on July 1, 2014.

44 **SECTION 12H.22.(b)** PMPM payments from the Department to CCNC primary
45 care providers shall continue until the implementation of the performance-based payment
46 system.

47 **SECTION 12H.22.(c)** The Department shall consult with the Joint Legislative
48 Oversight Committee on Health and Human Services on the performance-based payment
49 proposal from NCCCN to incentivize better care management from primary care providers. If
50 the Department submits a report and requests a meeting for the consultation, but the Oversight
51 Committee does not hear the consultation within 90 days of the request, then the consultation

1 requirement shall be deemed waived by the Oversight Committee. The report submitted for
2 consultation shall include the following:

- 3 (1) Measureable elements that will be used to differentiate care management
4 performance-based payments from the existing PMPM payments.
- 5 (2) A comparison of the performance plan to other measures such as the
6 Healthcare Effectiveness Data and Information Set (HEDIS) or other
7 national performance or quality measures.
- 8 (3) The specific structure of when payments would be made.
- 9 (4) An impact calculation of prospective payments under the performance-based
10 payment plan and the current PMPM rates.

11 **SECTION 12H.22.(d)** Subsection (a) of this section is contingent upon both of the
12 following:

- 13 (1) The Department's successful renegotiation of and modification to the
14 existing contract or entering into a new contract with NCCCN to administer
15 and distribute performance-based payments, as provided in subsection (a) of
16 this section.
- 17 (2) The consultation required under subsection (c) of this section or an implied
18 waiver of the consultation requirement, as provided in subsection (c) of this
19 section.
20

21 **ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

22 **SECTION 12H.24.(a)** Receivables reserved at the end of the 2013-2014 and
23 2014-2015 fiscal years shall, when received, be accounted for as nontax revenue for each of
24 those fiscal years.

25 **SECTION 12H.24.(b)** For the 2013-2014 fiscal year, the Department of Health
26 and Human Services shall deposit from its revenues one hundred ten million dollars
27 (\$110,000,000) with the Department of State Treasurer to be accounted for as nontax revenue.
28 For the 2014-2015 fiscal year, the Department of Health and Human Services shall deposit
29 from its revenues one hundred nine million dollars (\$109,000,000) with the Department of
30 State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return
31 of General Fund appropriations, nonfederal revenue, fund balances, or other resources from
32 State-owned and State-operated hospitals which are used to provide indigent and non-indigent
33 care services. The return from State-owned and State-operated hospitals to DHHS will be made
34 from nonfederal resources in an amount equal to the amount of the payments from the Division
35 of Medical Assistance for uncompensated care. The treatment of any revenue derived from
36 federal programs shall be in accordance with the requirements specified in the Code of Federal
37 Regulations, Title 2, Part 225.
38

39 **MEDICAID SPECIAL FUND TRANSFER**

40 **SECTION 12H.25.** Of the funds transferred to the Department of Health and
41 Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from
42 the Medicaid Special Fund to the Department of Health and Human Services the sum of
43 forty-three million dollars (\$43,000,000) for the 2013-2014 fiscal year and the sum of
44 forty-three million dollars (\$43,000,000) for the 2014-2015 fiscal year. These funds shall be
45 allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the
46 prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding,
47 these funds shall replace the reduction in general revenue funding effected in this act.
48

49 **MEDICAID COST CONTAINMENT ACTIVITIES**

50 **SECTION 12H.26.(a)** The Department of Health and Human Services may use up
51 to five million dollars (\$5,000,000) in the 2013-2014 fiscal year and up to five million dollars

1 (\$5,000,000) in the 2014-2015 fiscal year in Medicaid funds budgeted for program services to
2 support the cost of administrative activities when cost-effectiveness and savings are
3 demonstrated. The funds shall be used to support activities that will contain the cost of the
4 Medicaid Program, including contracting for services, hiring additional staff, funding pilot
5 programs, Health Information Exchange and Health Information Technology (HIE/HIT)
6 administrative activities, or providing grants through the Office of Rural Health and
7 Community Care to plan, develop, and implement cost containment programs.

8 Medicaid cost containment activities may include prospective reimbursement
9 methods, incentive-based reimbursement methods, service limits, prior authorization of
10 services, periodic medical necessity reviews, revised medical necessity criteria, service
11 provision in the least costly settings, plastic magnetic-stripped Medicaid identification cards for
12 issuance to Medicaid enrollees, fraud detection software or other fraud detection activities,
13 technology that improves clinical decision making, credit balance recovery and data mining
14 services, and other cost containment activities. Funds may be expended under this section only
15 after the Office of State Budget and Management has approved a proposal for the expenditure
16 submitted by the Department. Proposals for expenditure of funds under this section shall
17 include the cost of implementing the cost containment activity and documentation of the
18 amount of savings expected to be realized from the cost containment activity.

19 **SECTION 12H.26.(b)** The Department shall report annually on the expenditures
20 under this section to the House of Representatives Appropriations Subcommittee on Health and
21 Human Services, the Senate Appropriations Committee on Health and Human Services, and the
22 Fiscal Research Division. The report shall include the methods used to achieve savings and the
23 amount saved by these methods. The report is due to the House of Representatives
24 Appropriations Subcommittee on Health and Human Services, the Senate Appropriations
25 Committee on Health and Human Services, and the Fiscal Research Division not later than
26 December 1 of each year for the activities of the previous State fiscal year.

27 **MISCELLANEOUS MEDICAID PROVISIONS**

29 **SECTION 12H.27.(a)** Volume Purchase Plans and Single Source Procurement. –
30 The Department of Health and Human Services, Division of Medical Assistance, may, subject
31 to the approval of a change in the State Medicaid Plan, contract for services, medical
32 equipment, supplies, and appliances by implementation of volume purchase plans, single
33 source procurement, or other contracting processes in order to improve cost containment.

34 **SECTION 12H.27.(b)** Cost Containment Programs. – The Department of Health
35 and Human Services, Division of Medical Assistance, may undertake cost containment
36 programs, including contracting for services, preadmissions to hospitals, and prior approval for
37 certain outpatient surgeries before they may be performed in an inpatient setting.

38 **SECTION 12H.27.(c)** Posting of Notices on Web Site. – For any public notice of
39 change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no
40 later than seven business days after the date of publication, publish the same notice on its Web
41 site on the same Web page as it publishes State Plan amendments, and the notice shall remain
42 on the Web site continuously for 90 days.

43 **SECTION 12H.27.(d)** Medicaid Identification Cards. – The Department shall
44 issue Medicaid identification cards to recipients on an annual basis with updates as needed.

45 **CONTINUE A+KIDS REGISTRY AND ASAP INITIATIVE**

46 **SECTION 12H.28.** Community Care of North Carolina (CCNC) and the
47 Department of Health and Human Services, Division of Medical Assistance, shall continue to
48 do the following:
49

- 1 (1) Monitor the prescription and administration of atypical antipsychotic
 2 medications to Medicaid recipients under the age of 18 through the About
 3 the Antipsychotics – Keeping It Documented for Safety (A+KIDS) Registry.
 4 (2) Utilize a prior authorization policy for off-label antipsychotic and safety
 5 monitoring for Medicaid recipients 18 and older through the Adult Safety
 6 with Antipsychotic Prescribing (ASAP) Initiative.
 7

8 **SUBPART XII-I. MISCELLANEOUS**

9 10 **STUDY/ALLOW CERTIFIED NURSE-MIDWIVES GREATER FLEXIBILITY IN** 11 **PRACTICE OF MIDWIFERY**

12 **SECTION 12I.2.(a)** The Joint Legislative Oversight Committee on Health and
 13 Human Services shall appoint a subcommittee to study whether certified nurse-midwives
 14 should be given more flexibility in the practice of midwifery. In conducting the study, the
 15 subcommittee shall consider whether a certified nurse-midwife should be allowed to practice
 16 midwifery in collaboration with, rather than under the supervision of, a physician licensed to
 17 practice medicine under Article 1 of Chapter 90 of the General Statutes who is actively
 18 engaged in the practice of obstetrics.

19 **SECTION 12I.2.(b)** The subcommittee shall report its findings and
 20 recommendations to the Joint Legislative Oversight Committee on Health and Human Services
 21 on or before April 1, 2014, at which time it shall terminate.
 22

23 **SUBPART XII-J. DHHS BLOCK GRANTS**

24 25 **DHHS BLOCK GRANTS**

26 **SECTION 12J.1.(a)** Except as otherwise provided, appropriations from federal
 27 block grant funds are made for each year of the fiscal biennium ending June 30, 2015,
 28 according to the following schedule:
 29

30 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES** 31 **(TANF) FUNDS**

32 33 Local Program Expenditures

34 35 Division of Social Services

36		
37	01. Work First Family Assistance	\$ 60,285,413
38		
39	02. Work First County Block Grants	82,485,495
40		
41	03. Work First Electing Counties	2,352,521
42		
43	04. Adoption Services – Special Children's Adoption Fund	2,026,877
44		
45	05. Child Protective Services – Child Welfare	
46	Workers for Local DSS	9,412,391
47		
48	06. Child Welfare Collaborative	632,416
49		

50 Division of Child Development

1	07.	Subsidized Child Care Program	52,060,846
2			
3	08.	Swap Child Care Subsidy	6,352,644
4			
5		Division of Public Health	
6			
7	09.	Teen Pregnancy Initiatives	2,500,000
8			
9		DHHS Administration	
10			
11	10.	Division of Social Services	2,482,260
12			
13	11.	Office of the Secretary	34,042
14			
15		Transfers to Other Block Grants	
16			
17		Division of Child Development	
18			
19	12.	Transfer to the Child Care and Development Fund	71,773,001
20			
21	13.	Transfer to Social Services Block Grant for Child	
22		Protective Services – Child Welfare Training in	
23		Counties	1,300,000
24			
25	14.	Transfer to Social Services Block Grant for Child	
26		Protective Services	5,040,000
27			
28	15.	Transfer to Social Services Block Grant for County	
29		Departments of Social Services for Children's Services	4,148,001
30			
31		TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
32		(TANF) FUNDS	\$ 302,885,907
33			
34		TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)	
35		EMERGENCY CONTINGENCY FUNDS	
36			
37		Local Program Expenditures	
38			
39		Division of Social Services	
40			
41	01.	Work First County Block Grants	\$ 5,580,925
42			
43	02.	Work First Electing Counties	25,692
44			
45	03.	Subsidized Child Care	6,549,469
46			
47		TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)	
48		EMERGENCY CONTINGENCY FUNDS	\$ 12,156,086
49			
50		SOCIAL SERVICES BLOCK GRANT	
51			

1	Local Program Expenditures	
2		
3	Divisions of Social Services and Aging and Adult Services	
4		
5	01. County Departments of Social Services	
6	(Transfer from TANF \$4,148,001)	\$ 29,927,551
7		
8	02. Child Protective Services (Transfer from TANF)	5,040,000
9		
10	03. State In-Home Services Fund	1,977,379
11		
12	04. Adult Protective Services	1,266,778
13		
14	05. State Adult Day Care Fund	2,028,375
15		
16	06. Child Protective Services/CPS Investigative Services –	
17	Child Medical Evaluation Program	573,564
18		
19	07. Special Children Adoption Incentive Fund	470,555
20		
21	08. Child Protective Services – Child Welfare Training	
22	for Counties (Transfer from TANF)	1,300,000
23		
24	09. Home and Community Care Block Grant (HCCBG)	1,726,068
25		
26	10. Child Advocacy Centers	345,450
27		
28	11. Guardianship	4,046,773
29		
30	12. UNC Cares Contract	229,376
31		
32	13. Foster Care Services	1,408,971
33		
34	Division of Central Management and Support	
35		
36	14. DHHS Funding for Nonprofits	3,021,323
37		
38	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
39		
40	15. Mental Health Services – Adult and Child/Developmental	
41	Disabilities Program/Substance Abuse Services – Adult	4,100,043
42		
43	DHHS Program Expenditures	
44		
45	Division of Services for the Blind	
46		
47	16. Independent Living Program	3,419,125
48		
49	Division of Health Service Regulation	
50		
51	17. Adult Care Licensure Program	381,087

1		
2	18. Mental Health Licensure and Certification Program	190,284
3		
4	DHHS Administration	
5		
6	19. Division of Aging and Adult Services	577,745
7		
8	20. Division of Social Services	559,109
9		
10	21. Office of the Secretary/Controller's Office	127,731
11		
12	22. Division of Child Development	13,878
13		
14	23. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446
15		
16		
17	24. Division of Health Service Regulation	118,946
18		
19	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 62,877,557
20		
21	LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	
22		
23	Local Program Expenditures	
24		
25	Division of Social Services	
26		
27	01. Low-Income Energy Assistance Program (LIEAP)	\$ 50,876,440
28		
29	02. Crisis Intervention Program (CIP)	33,866,195
30		
31	Local Administration	
32		
33	Division of Social Services	
34		
35	03. County DSS Administration	6,757,731
36		
37	DHHS Administration	
38		
39	04. Office of the Secretary/DIRM	412,488
40		
41	05. Office of the Secretary/Controller's Office	18,378
42		
43	Transfers to Other State Agencies	
44		
45	Department of Environment and Natural Resources	
46		
47	06. Weatherization Program	14,947,789
48		
49	07. Heating Air Repair and Replacement Program (HARRP)	7,193,873
50		
51		

1	08.	Local Residential Energy Efficiency Service	
2		Providers – Weatherization	37,257
3			
4	09.	Local Residential Energy Efficiency Service	
5		Providers – HARRP	338,352
6			
7	10.	Department of Commerce Administration –	
8		Weatherization	37,257
9			
10	11.	Department of Commerce Administration –	
11		HARRP	338,352
12			
13		Department of Administration	
14			
15	12.	N.C. Commission on Indian Affairs	87,736
16			
17	TOTAL LOW-INCOME HOME ENERGY ASSISTANCE		
18	BLOCK GRANT		\$ 114,911,848
19			
20	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
21			
22	Local Program Expenditures		
23			
24	Division of Child Development		
25			
26	01.	Child Care Services	
27		(Smart Start \$7,000,000)	\$ 158,328,747
28			
29	02.	Electronic Tracking System	3,000,000
30			
31	03.	Transfer from TANF Block Grant	
32		for Child Care Subsidies	71,773,001
33			
34	04.	Quality and Availability Initiatives	
35		(TEACH Program \$3,800,000)	22,500,000
36			
37	DHHS Administration		
38			
39	Division of Child Development		
40			
41	05.	DCDEE Administrative Expenses	6,000,000
42			
43	06.	Local Subsidized Child Care Services Support	13,274,413
44			
45	Division of Central Administration		
46			
47	07.	DHHS Central Administration – DIRM	
48		Technical Services	775,000
49			
50	TOTAL CHILD CARE AND DEVELOPMENT FUND		
51	BLOCK GRANT		\$ 275,651,161

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	Mental Health Services – Adult	\$ 10,717,607
02.	Mental Health Services – Child	5,121,991
03.	Administration	200,000

TOTAL MENTAL HEALTH SERVICES BLOCK GRANT \$ 16,039,598**SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

Local Program Expenditures

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

01.	Substance Abuse Services – Adult	\$ 14,960,371
02.	Substance Abuse Treatment Alternative for Women	6,050,300
03.	Substance Abuse – HIV and IV Drug	3,919,723
04.	Substance Abuse Prevention – Child	7,186,857
05.	Substance Abuse Services – Child	4,190,500
06.	Administration	454,000

Division of Public Health

07.	Risk Reduction Projects	575,654
08.	Aid-to-Counties	190,295

TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT \$ 37,527,700**MATERNAL AND CHILD HEALTH BLOCK GRANT**

Local Program Expenditures

Division of Public Health

01.	Children's Health Services (Safe Sleep Campaign \$45,000)	\$ 8,042,531
02.	Women's Health (March of Dimes \$350,000; Teen Pregnancy	

1	Prevention Initiatives \$650,000; Perinatal	
2	Quality Collaborative \$250,000; 17P Project \$52,000;	
3	Maternity Homes \$925,085; Carolina Pregnancy Care	
4	Fellowship \$250,000; ECU High Risk Maternity Clinic \$325,000	
5	Nurse-Family Partnership \$1,184,018)	8,532,935
6		
7	03. Oral Health Preventive Services	44,901
8		
9	DHHS Program Expenditures	
10		
11	Division of Public Health	
12		
13	04. Children's Health Services	1,301,504
14		
15	05. Women's Health – Maternal Health	105,419
16		
17	06. State Center for Health Statistics	164,487
18		
19	07. Health Promotion – Injury and Violence Prevention	89,374
20		
21	DHHS Administration	
22		
23	Division of Public Health	
24		
25	08. Division of Public Health Administration	573,108
26		
27	TOTAL MATERNAL AND CHILD	
28	HEALTH BLOCK GRANT	\$ 18,854,259
29		
30	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
31		
32	Local Program Expenditures	
33		
34	Division of Public Health	
35		
36	01. Physical Activity and Prevention	\$ 1,331,961
37		
38	02. Injury and Violence Prevention (Services to Rape	
39	Victims – Set-Aside)	169,730
40		
41	DHHS Program Expenditures	
42		
43	Division of Public Health	
44		
45	03. HIV/STD Prevention and Community Planning	
46	(Transfer from Social Services Block Grant)	145,819
47		
48	04. Oral Health Preventive Services	46,302
49		
50	05. Laboratory Services – Testing, Training, and Consultation	10,980
51		

1	06.	Injury and Violence Prevention (Services to Rape	
2		Victims – Set-Aside)	199,634
3			
4	07.	Heart Disease and Stroke Prevention	162,249
5			
6	08.	Performance Improvement and Accountability	213,971
7			
8	09.	Physical Activity and Nutrition	38,000
9			
10	10.	State Center for Health Statistics	61,406
11			
12	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		\$ 2,380,052

COMMUNITY SERVICES BLOCK GRANT

13	Local Program Expenditures		
14	Office of Economic Opportunity		
15			
16	01.	Community Action Agencies	\$ 22,402,724
17			
18	02.	Limited Purpose Agencies	1,244,596
19			
20	DHHS Administration		
21			
22	03.	Office of Economic Opportunity	1,244,596
23			
24	TOTAL COMMUNITY SERVICES BLOCK GRANT		\$ 24,891,916

GENERAL PROVISIONS

SECTION 12J.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- 34 (1) A delineation of the proposed allocations by program or activity, including
- 35 State and federal match requirements.
- 36 (2) A delineation of the proposed State and local administrative expenditures.
- 37 (3) An identification of all new positions to be established through the Block
- 38 Grant, including permanent, temporary, and time-limited positions.
- 39 (4) A comparison of the proposed allocations by program or activity with two
- 40 prior years' program and activity budgets and two prior years' actual program
- 41 or activity expenditures.
- 42 (5) A projection of current year expenditures by program or activity.
- 43 (6) A projection of federal Block Grant funds available, including unspent
- 44 federal funds from the current and prior fiscal years.

SECTION 12J.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund

1 availability, the Office of State Budget and Management shall not approve funding for new
2 programs or activities not appropriated in this section.

3 If the Congress of the United States decreases the federal fund availability for any of
4 the Block Grants or contingency funds and other grants related to existing Block Grants
5 administered by the Department of Health and Human Services from the amounts appropriated
6 in this section, the Department shall develop a plan to adjust the block grants based on reduced
7 federal funding.

8 Notwithstanding the provisions of this subsection, for fiscal years 2013-2014 and
9 2014-2015, increases in the federal fund availability for the Temporary Assistance to Needy
10 Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy
11 Program to pay for child care in four- or five-star rated facilities for four-year-old children.

12 Prior to allocating the change in federal fund availability, the proposed allocation
13 must be approved by the Office of State Budget and Management. If the Department adjusts the
14 allocation of any Block Grant due to changes in federal fund availability, then a report shall be
15 made to the Joint Legislative Oversight Committee on Health and Human Services, the Joint
16 Legislative Commission on Governmental Operations, and the Fiscal Research Division.

17 **SECTION 12J.1.(d)** Except as otherwise provided, appropriations from federal
18 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2015,
19 according to the schedule enacted for State fiscal years 2013-2014 and 2014-2015 or until a
20 new schedule is enacted by the General Assembly.

21 **SECTION 12J.1.(e)** All changes to the budgeted allocations to the Block Grants or
22 contingency funds and other grants related to existing Block Grants administered by the
23 Department of Health and Human Services that are not specifically addressed in this section
24 shall be approved by the Office of State Budget and Management, and the Office of State
25 Budget and Management shall consult with the Joint Legislative Commission on Governmental
26 Operations for review prior to implementing the changes. The report shall include an itemized
27 listing of affected programs, including associated changes in budgeted allocations. All changes
28 to the budgeted allocations to the Block Grants shall be reported immediately to the Joint
29 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
30 Division. This subsection does not apply to Block Grant changes caused by legislative salary
31 increases and benefit adjustments.

32 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

33 **SECTION 12J.1.(f)** The sum of eighty-two million four hundred eighty-five
34 thousand four hundred ninety-five dollars (\$82,485,495) appropriated in this section in TANF
35 funds to the Department of Health and Human Services, Division of Social Services, for each
36 year of the 2013-2015 fiscal biennium shall be used for Work First County Block Grants. The
37 Division shall certify these funds in the appropriate State-level services based on prior year
38 actual expenditures. The Division has the authority to realign the authorized budget for these
39 funds among the State-level services based on current year actual expenditures.

40 **SECTION 12J.1.(g)** The sum of two million four hundred eighty-two thousand
41 two hundred sixty dollars (\$2,482,260) appropriated in this section in TANF funds to the
42 Department of Health and Human Services, Division of Social Services, for each year of the
43 2013-2015 fiscal biennium shall be used to support administration of TANF-funded programs.

44 **SECTION 12J.1.(h)** The sum of nine million four hundred twelve thousand three
45 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of
46 Health and Human Services, Division of Social Services, in TANF funds for each year of the
47 2013-2015 fiscal biennium for child welfare improvements shall be allocated to the county
48 departments of social services for hiring or contracting staff to investigate and provide services
49 in Child Protective Services cases; to provide foster care and support services; to recruit, train,
50

1 license, and support prospective foster and adoptive families; and to provide interstate and
2 post-adoption services for eligible families.

3 Counties shall maintain their level of expenditures in local funds for Child
4 Protective Services' workers. Of the block grant funds appropriated for Child Protective
5 Services' workers, the total expenditures from State and local funds for fiscal years 2013-2014
6 and 2014-2015 shall not be less than the total expended from State and local funds for the
7 2012-2013 fiscal year.

8 **SECTION 12J.1.(i)** The sum of two million twenty-six thousand eight hundred
9 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the
10 Department of Health and Human Services, Special Children Adoption Fund, for each year of
11 the 2013-2015 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division
12 of Social Services, in consultation with the North Carolina Association of County Directors of
13 Social Services and representatives of licensed private adoption agencies, shall develop
14 guidelines for the awarding of funds to licensed public and private adoption agencies upon the
15 adoption of children described in G.S. 108A-50 and in foster care. Payments received from the
16 Special Children Adoption Fund by participating agencies shall be used exclusively to enhance
17 the adoption services program. No local match shall be required as a condition for receipt of
18 these funds.

19 **SECTION 12J.1.(j)** The sum of six hundred thirty-two thousand four hundred
20 sixteen dollars (\$632,416) appropriated in this section to the Department of Health and Human
21 Services in TANF funds for each year of the 2013-2015 fiscal biennium shall be used to
22 continue support for the Child Welfare Collaborative.

23 24 **SOCIAL SERVICES BLOCK GRANT**

25 **SECTION 12J.1.(k)** The sum of twenty-nine million nine hundred twenty-seven
26 thousand five hundred fifty-one dollars (\$29,927,551) appropriated in this section in the Social
27 Services Block Grant to the Department of Health and Human Services, Division of Social
28 Services, for each year of the 2013-2015 fiscal biennium shall be used for County Block
29 Grants. The Division shall certify these funds in the appropriate State-level services based on
30 prior year actual expenditures. The Division has the authority to realign the authorized budget
31 for these funds among the State-level services based on current year actual expenditures.

32 **SECTION 12J.1.(l)** The sum of one million three hundred thousand dollars
33 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department
34 of Health and Human Services, Division of Social Services, for each year of the 2013-2015
35 fiscal biennium shall be used to support various child welfare training projects as follows:

- 36 (1) Provide a regional training center in southeastern North Carolina.
- 37 (2) Provide training for residential child caring facilities.
- 38 (3) Provide for various other child welfare training initiatives.

39 **SECTION 12J.1.(m)** The Department of Health and Human Services is
40 authorized, subject to the approval of the Office of State Budget and Management, to transfer
41 Social Services Block Grant funding allocated for departmental administration between
42 divisions that have received administrative allocations from the Social Services Block Grant.

43 **SECTION 12J.1.(n)** Social Services Block Grant funds appropriated for the
44 Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

45 **SECTION 12J.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)
46 appropriated in this section in the Social Services Block Grant for each year of the 2013-2015
47 fiscal biennium shall be allocated to the Department of Health and Human Services, Division
48 of Social Services. The Division shall allocate these funds to local departments of social
49 services to replace the loss of Child Protective Services State funds that are currently used by
50 county government to pay for Child Protective Services staff at the local level. These funds
51 shall be used to maintain the number of Child Protective Services workers throughout the State.

1 These Social Services Block Grant funds shall be used to pay for salaries and related expenses
2 only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five
3 percent (25%).

4 **SECTION 12J.1.(p)** The sum of three million twenty-one thousand three hundred
5 twenty-three dollars (\$3,021,323) appropriated in this section in the Social Services Block
6 Grant to the Department of Health and Human Services, Division of Central Management and
7 Support, shall be used for funding for nonprofits pursuant to Section 12A.2 of this act for each
8 year of the 2013-2015 fiscal biennium. These funds are exempt from the provisions of 10A
9 NCAC 71R .0201(3).

10 **SECTION 12J.1.(q)** The sum of three hundred forty-five thousand four hundred
11 fifty dollars (\$345,450) appropriated in this section in the Social Services Block Grant for each
12 year of the 2013-2015 fiscal biennium to the Department of Health and Human Services,
13 Division of Social Services, shall be used to continue support for the Child Advocacy Centers,
14 and these funds are exempt from the provisions of 10A NCAC 71R .0201(3).

15 **SECTION 12J.1.(r)** The sum of four million forty-six thousand seven hundred
16 seventy-three dollars (\$4,046,773) appropriated in this section in the Social Services Block
17 Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human
18 Services, Divisions of Social Services and Aging and Adult Services, shall be used for
19 guardianship services pursuant to Chapter 35A of the General Statutes. The Department may
20 expend funds appropriated in this section to support (i) existing corporate guardianship
21 contracts during the 2013-2014 and 2014-2015 fiscal years and (ii) guardianship contracts
22 transferred to the State from local management entities or managed care organizations during
23 the 2013-2014 and 2014-2015 fiscal years.

24 25 **LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

26 **SECTION 12J.1.(s)** Additional emergency contingency funds received may be
27 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
28 consultation with the Joint Legislative Commission on Governmental Operations. Additional
29 funds received shall be reported to the Joint Legislative Commission on Governmental
30 Operations and the Fiscal Research Division upon notification of the award. The Department of
31 Health and Human Services shall not allocate funds for any activities, including increasing
32 administration, other than assistance payments, without prior consultation with the Joint
33 Legislative Commission on Governmental Operations.

34 **SECTION 12J.1.(t)** The sum of fifty million eight hundred seventy-six thousand
35 four hundred forty dollars (\$50,876,440) appropriated in this section in the Low-Income Home
36 Energy Assistance Block Grant for each year of the 2013-2015 fiscal biennium to the
37 Department of Health and Human Services, Division of Social Services, shall be used for
38 energy assistance payments for the households of (i) elderly persons age 60 and above with
39 income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled
40 persons eligible for services funded through the Division of Aging and Adult Services. County
41 departments of social services shall submit to the Division of Social Services an outreach plan
42 for targeting households with 60 year-old household members no later than August 1 of each
43 year.

44 45 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

46 **SECTION 12J.1.(u)** Payment for subsidized child care services provided with
47 federal TANF funds shall comply with all regulations and policies issued by the Division of
48 Child Development for the subsidized child care program.

49 **SECTION 12J.1.(v)** If funds appropriated through the Child Care and
50 Development Fund Block Grant for any program cannot be obligated or spent in that program
51 within the obligation or liquidation periods allowed by the federal grants, the Department may

1 move funds to child care subsidies, unless otherwise prohibited by federal requirements of the
2 grant, in order to use the federal funds fully.
3

4 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

5 **SECTION 12J.1.(w)** If federal funds are received under the Maternal and Child
6 Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193
7 (42 U.S.C. § 710), for the 2013-2014 fiscal year or the 2014-2015 fiscal year, then those funds
8 shall be transferred to the State Board of Education to be administered by the Department of
9 Public Instruction. The Department of Public Instruction shall use the funds to establish an
10 abstinence until marriage education program and shall delegate to one or more persons the
11 responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department
12 of Public Instruction shall carefully and strictly follow federal guidelines in implementing and
13 administering the abstinence education grant funds.

14 **SECTION 12J.1.(x)** The Department of Health and Human Services shall ensure
15 that there will be follow-up testing in the Newborn Screening Program.
16

17 **PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

18 **INCREASE CERTAIN AGRONOMIC TESTING FEES**

19 **SECTION 13.1.(a)** G.S. 106-22 reads as rewritten:

20 **"§ 106-22. Joint duties of Commissioner and Board.**

21 The Commissioner of Agriculture, by and with the consent and advice of the Board of
22 Agriculture shall:
23

24 ...

- 25 (17) Agronomic Testing. – Provide agronomic testing services and charge
26 reasonable fees for plant analysis, nematode testing, in-State soil testing
27 during peak season, out-of-state soil testing, and expedited soil testing. The
28 Board shall charge at least four dollars (\$4.00) for plant analysis, at least two
29 dollars (\$2.00) for nematode testing, at least four dollars (\$4.00) for in-State
30 soil testing during peak season, at least five dollars (\$5.00) for out-of-state
31 soil testing, and at least ~~one hundred dollars (\$100.00)~~ two hundred dollars
32 (\$200.00) for expedited soil testing. As used in this subdivision, "peak
33 season" includes at a minimum the four-month period beginning no later
34 than December 1 of any year and extending until at least March 31 of the
35 following year. The Board may modify the meaning of peak season by
36 starting a peak season earlier in any year or ending it later the following year
37 or both.

38"

39 **SECTION 13.1.(b)** It is the intent of the General Assembly that receipts generated
40 from the new fee for in-State soil testing during peak season under G.S. 106-22(17), as
41 amended by this section, are to be used to alleviate testing delays in the peak testing season.
42 Any receipts generated as a result of the new fee for in-State soil testing during peak season are
43 appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal
44 year and for the 2014-2015 fiscal year and shall be available to the Department in addition to
45 any other existing funding sources.

46 **SECTION 13.1.(c)** This section becomes effective July 1, 2013, and applies to
47 submissions received by the Department for testing or analysis on or after that date.
48

49 **TVA SETTLEMENT FUNDS**

50 **SECTION 13.3.(a)** In each fiscal year of the 2013-2015 biennium, the Department
51 of Agriculture and Consumer Services shall apply for two million two hundred forty thousand

1 dollars (\$2,240,000) from the Tennessee Valley Authority Settlement Agreement in compliance
2 with the requirements of paragraphs 122 through 128 of the Consent Decree entered into by the
3 State in *State of Alabama et al. v. Tennessee Valley Authority*, Civil Action 3:11-cv-00170 in
4 the United States District Court for the Eastern District of Tennessee, and Appendix C to the
5 Compliance Agreement. The funds received by the State under this section shall be allocated as
6 follows:

- 7 (1) One million dollars (\$1,000,000) for each fiscal year of the 2013-2015
8 biennium to award grants for "Environmental Mitigation Projects" of the
9 types specified in paragraph 128 of the Consent Decree in the following
10 counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood,
11 Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain,
12 Transylvania, Watauga, Yancey.
- 13 (2) One million dollars (\$1,000,000) for each fiscal year of the 2013-2015
14 biennium to North Carolina Agricultural Development and Farmland
15 Preservation Trust Fund to be used, notwithstanding G.S. 106-744, to award
16 funds in the following counties: Avery, Buncombe, Burke, Cherokee, Clay,
17 Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell,
18 Mitchell, Swain, Transylvania, Watauga, Yancey.
- 19 (3) Two hundred forty thousand dollars (\$240,000) for each fiscal year of the
20 2013-2015 biennium to Appalachian Energy Center at Appalachian State
21 University.

22 **SECTION 13.3(b)** Funds allocated under subdivision (1) of subsection (a) of this
23 section shall not be used to acquire land.

24 25 **BOB MARTIN EASTERN AGRICULTURAL CENTER**

26 **SECTION 13.6.** If the Senator Bob Martin Eastern Agricultural Center is not at
27 least fifty percent (50%) receipt supported by the end of the 2014-2015 fiscal year, no
28 additional appropriations from the General Fund shall be provided to the Senator Bob Martin
29 Eastern Agricultural Center, and no funds shall be included for this purpose in the continuation
30 budget of the Department of Agriculture and Consumer Services.

31 32 **FUTURE FARMERS OF AMERICA PROGRAM FUNDS/REPORTING** 33 **REQUIREMENTS**

34 **SECTION 13.7.(a)** Up to forty thousand dollars (\$40,000) of the funds
35 appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal
36 year and up to one hundred forty thousand dollars (\$140,000) of the funds appropriated to the
37 Department of Agriculture and Consumer Services for the 2014-2015 fiscal year may be used
38 as a grant-in-aid to the North Carolina Agricultural Foundation, Inc., for the Future Farmers of
39 America program for each of these fiscal years.

40 **SECTION 13.7.(b)** North Carolina Agricultural Foundation – FFA Foundation
41 (hereinafter "FFA Foundation") shall do the following if the Department of Agriculture and
42 Consumer Services allocates funds to the entity:

- 43 (1) By September 1 of each year, and more frequently as requested, report to the
44 Joint Legislative Commission on Governmental Operations and the Fiscal
45 Research Division on prior State fiscal year program activities, objectives,
46 and accomplishments and prior State fiscal year itemized expenditures and
47 fund sources.
- 48 (2) Provide to the Fiscal Research Division a copy of the organization's annual
49 audited financial statement within 30 days of issuance of the statement.

50 51 **ALLOW BOARD TO ESTABLISH EXAMINATION FEE/SOIL SCIENTISTS**

1 **SECTION 13.8.** G.S. 89F-25 reads as rewritten:

2 "**§ 89F-25. Fees.**

3 (a) The Board shall determine fees for the following services that shall not exceed the
4 amounts specified in this section:

5 Application	\$ 50.00
6 Examination	125.00
7 License	85.00
8 Renewal	85.00
9 Restoration	110.00
10 Replacement license	50.00
11 Seal	30.00.

12 (b) The Board may charge the applicant the actual cost of preparation, administration,
13 and grading of examinations for soil scientists, in addition to its other fees."

14
15 **INCREASE CERTAIN COMMERCIAL FERTILIZER FEES FOR PACKAGES OF**
16 **FIVE POUNDS OR LESS**

17 **SECTION 13.9.(a)** G.S. 106-660(a) reads as rewritten:

18 (a) Each brand of commercial fertilizer for tobacco, specialty fertilizer, fertilizer
19 materials, manipulated manure and fortified mulch shall be registered by the person whose
20 name appears upon the label before being offered for sale, sold or distributed in this State,
21 except those brands expressly produced for experimental and demonstration purposes only.
22 Other fertilizers may be manufactured and sold without registration after obtaining a license as
23 required in G.S. 106-661(a). The application for registration shall be submitted in duplicate to
24 the Commissioner for his approval on forms furnished by the Commissioner, and shall include
25 a fee of five dollars (\$5.00) per brand and grade for all packages greater than five pounds. The
26 registration fee for packages of five pounds or less shall be ~~thirty dollars (\$30.00)~~ fifty-five
27 dollars (\$55.00). All approved registrations expire on June 30 of each year. The application
28 shall include such information as deemed necessary by the Board of Agriculture."

29 **SECTION 13.9.(b)** G.S. 106-671(a) reads as rewritten:

30 (a) For the purpose of defraying expenses on the inspection and of otherwise
31 determining the value of commercial fertilizers in this State, there shall be paid to the
32 Department of Agriculture and Consumer Services a charge of fifty cents (50¢) per ton on all
33 commercial fertilizers other than packages of five pounds or less. Inspection fees shall be paid
34 on all tonnage distributed into North Carolina to any person not having a valid reporting permit.
35 ~~On individual~~ Individual packages of five pounds or less ~~there shall be paid in lieu of the~~
36 ~~tonnage fee an annual registration fee of twenty-five dollars (\$25.00) for each brand offered for~~
37 ~~sale, sold, or distributed;~~ shall be exempt from the tonnage fee; provided that any per annum
38 (fiscal) tonnage of any brand sold in excess of one hundred tons ~~may~~ shall be subject to the
39 charge of fifty cents (50¢) per ton on any amount in excess of one hundred tons as provided
40 herein. Whenever any manufacturer of commercial fertilizer shall have paid the charges
41 required by this section his goods shall not be liable to further tax, whether by city, town, or
42 county; provided, this shall not exempt the commercial fertilizers from an ad valorem tax."

43
44 **PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

45
46 **DEVELOP PLAN FOR AQUARIUMS TO RAISE PRIVATE FUNDS FOR SUPPORT**
47 **ASSISTANCE**

48 **SECTION 14.1.** No later than April 1, 2014, the Division of North Carolina
49 Aquariums of the Department of Environment and Natural Resources shall develop a plan for
50 the North Carolina Aquariums established under Article 5C of Chapter 143B of the General
51 Statutes to increase the amount of private funds raised through the direct efforts of each North

- 1 (1) To acquire land for riparian buffers for the purposes of providing
2 environmental protection for surface waters and urban drinking water
3 supplies and establishing a network of riparian greenways for environmental,
4 educational, and recreational uses and to retire debt incurred for this purpose
5 under Article 9 of Chapter 142 of the General Statutes.
- 6 (2) To acquire conservation easements or other interests in real property for the
7 purpose of protecting and conserving surface waters and enhancing drinking
8 water supplies, including the development of water supply reservoirs, and to
9 retire debt incurred for this purpose under Article 9 of Chapter 142 of the
10 General Statutes.
- 11 (3) To coordinate with other public programs involved with lands adjoining
12 water bodies to gain the most public benefit while protecting and improving
13 water quality and to retire debt incurred for this purpose under Article 9 of
14 Chapter 142 of the General Statutes.
- 15 (4) To restore previously degraded lands to reestablish their ability to protect
16 water quality and to retire debt incurred for this purpose under Article 9 of
17 Chapter 142 of the General Statutes.
- 18 (5) To repair failing wastewater collection systems and wastewater treatment
19 works if the repair is a reasonable remedy for resolving an existing waste
20 treatment problem and the repair is not for the purpose of expanding the
21 system to accommodate future anticipated growth of a community.
- 22 (6) To repair and eliminate failing septic tank systems, to eliminate illegal
23 drainage connections, and to expand a wastewater collection system or
24 wastewater treatment works if the expansion eliminates failing septic tank
25 systems or illegal drainage connections.
- 26 (7) To finance stormwater quality projects.
- 27 (8) To facilitate planning that targets reductions in surface water pollution.
- 28 (8a) To finance innovative efforts, including pilot projects, to improve
29 stormwater management, to reduce pollutants entering the State's waterways,
30 to improve water quality, and to research alternative solutions to the State's
31 water quality problems.
- 32 (8b) To provide buffers around military bases or for State matching funds for the
33 Readiness and Environmental Protection Initiative, a federal funding
34 initiative that provides funds for military buffers.
- 35 (8c) To acquire land that represents the ecological diversity of North Carolina,
36 including natural features such as riverine, montane, coastal, and geologic
37 systems and other natural areas to ensure their preservation and conservation
38 for recreational, scientific, educational, cultural, and aesthetic purposes, and
39 to retire debt incurred for this purpose under Article 9 of Chapter 142 of the
40 General Statutes.
- 41 (8d) To acquire land that contributes to the development of a balanced State
42 program of historic properties.
- 43 (9) To fund operating expenses of the Board of Trustees and its staff.
- 44 (d) ~~Limit on Operating and Administrative Expenses. – No more than two percent (2%)~~
45 ~~of the annual balance of the Fund on 1 July or a total sum of one million two hundred fifty~~
46 ~~thousand dollars (\$1,250,000), whichever is greater, may be used each fiscal year for~~
47 ~~administrative and operating expenses of the Board of Trustees and its staff.~~
48 For the fiscal year
49 beginning July 1, 2013, the limit on operating and administrative expenses of the Board of
50 Trustees and its staff is one million five hundred thousand dollars (\$1,500,000). For fiscal years
beginning on or after July 1, 2014, the limit on operating and administrative expenses of the

1 Board of Trustees and its staff is the amount for the preceding year, adjusted to include any
2 change in the distribution of Statewide salary and benefits reserves."

3 **SECTION 14.3.(e)** G.S. 113A-254 is amended by adding a new subsection to read:

4 "(g) Limit on Land Acquisition Grants. – During any fiscal year, the total amount of
5 grants awarded under this Article for land acquisition shall not exceed the total amount of
6 revenue credited to the Fund during the previous fiscal year from the following sources:

7 (1) Special registration plates under G.S. 20-81.12.

8 (2) Other special registration plates under G.S. 20-79.7."

9 **SECTION 14.3.(f)** G.S. 113A-255 reads as rewritten:

10 "**§ 113A-255. Clean Water Management Trust Fund: Board of Trustees established;**
11 **membership qualifications; vacancies; meetings and meeting facilities.**

12 (a) Board of Trustees Established. – There is established the Clean Water Management
13 Trust Fund Board of Trustees. The Clean Water Management Trust Fund Board of Trustees
14 shall be administratively located within the Department of Environment and Natural Resources
15 but shall be independent of the Department. Resources.

16 ...

17 ~~(g) Meeting Facilities.—The Secretary of Environment and Natural Resources shall~~
18 ~~provide meeting facilities for the Board of Trustees and its staff as requested by the Chair."~~

19 **SECTION 14.3.(g)** G.S. 113A-256(j) reads as rewritten:

20 "(j) Debt. – Of the funds credited annually to the Fund, the Trustees may authorize
21 expenditure of a portion to reimburse the General Fund for debt service on special indebtedness
22 to be issued or incurred under Article 9 of Chapter 142 of the General Statutes for the purposes
23 ~~provided in G.S. 113A-253(e)(1) through (4). Statutes.~~ In order to authorize expenditure of
24 funds for debt service reimbursement, the Trustees must identify to the State Treasurer and the
25 Department of Administration the specific capital projects for which they would like special
26 indebtedness to be issued or incurred and the annual amount they intend to make available, and
27 request the State Treasurer to issue or incur the indebtedness. After special indebtedness has
28 been issued or incurred for a capital project requested by the Trustees, the Trustees must direct
29 the State Treasurer to credit to the General Fund each year the actual aggregate principal and
30 interest payments to be made in that year on the special indebtedness, as identified by the State
31 Treasurer."

32 **SECTION 14.3.(h)** G.S. 113A-258 reads as rewritten:

33 "**§ 113A-258. Clean Water Management Trust Fund: Executive Director and staff.**

34 ~~The Clean Water Management Trust Fund Board of Trustees, as soon as practicable after its~~
35 ~~organization, The Secretary of Environment and Natural Resources shall select and appoint a~~
36 competent person in accordance with this section as Executive Director of the Clean Water
37 Management Trust Fund Board of Trustees. The Executive Director shall be charged with the
38 supervision of all activities under the jurisdiction of the Trustees and shall serve as the chief
39 administrative officer of the Trustees. Subject to the approval of ~~the Trustees and the Director~~
40 ~~of the Budget, the Secretary of Environment and Natural Resources,~~ the Executive Director
41 may employ such clerical and other assistants as may be deemed necessary.

42 The person selected as Executive Director shall have had training and experience in
43 conservation, protection, and management of surface water resources. The salary of the
44 Executive Director shall be fixed by the ~~Trustees, Secretary of Environment and Natural~~
45 ~~Resources,~~ and the Executive Director shall be allowed travel and subsistence expenses in
46 accordance with G.S. 138 6. The Executive Director's salary and expenses shall be paid from
47 the Fund. The term of office of the Executive Director shall be at the pleasure of the
48 ~~Trustees, Secretary of Environment and Natural Resources.~~

49 These employees shall be exempt from the State Personnel Act, as provided in
50 G.S. 126-5(c1)."

51 **SECTION 14.3.(i)** G.S. 106-887(a) reads as rewritten:

1 "(a) DuPont State Forest is designated as a State Recreational Forest. The Department
2 shall manage DuPont State Recreational Forest: (i) primarily for natural resource preservation,
3 scenic enjoyment and recreational purposes, including horseback riding, hiking, bicycling,
4 hunting, and fishing; (ii) so as to provide an exemplary model of scientifically sound,
5 ecologically based natural resource management for the social and economic benefit of the
6 forest's diverse community of users; and (iii) consistent with the grant agreement ~~between the~~
7 ~~Natural Heritage Trust Fund and the Division of Forest Resources, which grant that~~ designates a
8 portion of the forest as a North Carolina Nature Preserve. In addition, the Department may use
9 the forest for the demonstration of different forest management and resource protection
10 techniques for local landowners, natural resource professionals, students, and other forest
11 visitors."

12 **SECTION 14.3.(j)** G.S. 120-123 reads as rewritten:

13 "**§ 120-123. Service by members of the General Assembly on certain boards and**
14 **commissions.**

15 No member of the General Assembly may serve on any of the following boards or
16 commissions:

17 ...

18 ~~(67) The Board of Trustees of the Natural Heritage Trust Fund, as established by~~
19 ~~G.S. 113-77.8.~~

20"

21 **SECTION 14.3.(k)** G.S. 143B-279.3(b)(18) and G.S. 143B-344.38(a)(8)d. are
22 repealed.

23 **SECTION 14.3.(l)** The Natural Heritage Trust Fund shall be closed and the
24 remaining fund balance in the Fund shall be transferred to the Clean Water Management Trust
25 Fund established in G.S. 113A-253 as provided in this subsection. It is the intent of the General
26 Assembly to honor the obligations from the Natural Heritage Trust Fund that were authorized
27 prior to the effective date of this section and to ensure that any tax proceeds credited to the
28 Natural Heritage Trust Fund are used for the purposes for which they were collected. Any
29 encumbered funds transferred from the Natural Heritage Trust Fund to the Clean Water
30 Management Trust Fund shall be used for the purpose for which the grant was awarded. The
31 funds transferred from the Natural Heritage Trust Fund to the Clean Water Management Trust
32 Fund that are unencumbered and any funds transferred from the Natural Heritage Trust Fund to
33 the Clean Water Management Trust Fund that were encumbered but become unencumbered
34 after the effective date of this section shall be used to acquire land under G.S. 113A-253(c)(8c)
35 or G.S. 113A-253(c)(8d), as amended by subsection (d) of this section, or shall be used for the
36 continued payment of debt service authorized before the effective date of this section to
37 reimburse the General Fund for debt service on special indebtedness issued or incurred under
38 Article 9 of Chapter 142 of the General Statutes for a natural heritage purpose.

39 **SECTION 14.3.(m)** Subsection (e) of this section applies to land acquired on or
40 after the effective date of this section.

41 **SECTION 14.3.(n)** The Revisor of Statutes may conform names and titles changed
42 by this section, and may correct statutory references as required by this section, throughout the
43 General Statutes. In making the changes authorized by this section, the Revisor may also adjust
44 subject and verb agreement and the placement of conjunctions.

45 **SPECIAL LICENSE PLATE REVENUE FOR FRIENDS OF STATE PARKS, INC.**

46 **SECTION 14.3A.** G.S. 20-81.12(b2)(5) reads as rewritten:

47 "(5) North Carolina State Parks. – ~~One half of the revenue derived from the~~
48 ~~special plate shall be transferred quarterly to Natural Heritage Trust Fund~~
49 ~~established under G.S. 113-77.7, and the remaining revenue shall be~~
50 ~~transferred quarterly to the Parks and Recreation Trust Fund established~~
51

1 ~~under G.S. 113-44.15.~~The revenue derived from the special plate shall be
2 transferred quarterly to Friends of State Parks, Inc., for its educational,
3 conservation, and other programs in support of the operations of the State
4 Parks System established in Article 2C of Chapter 113 of the General
5 Statutes."
6

7 **PORTRION OF DEED STAMP TAX PROCEEDS CREDITED TO CWMTF; PART F**
8 **TECHNICAL CHANGE**

9 **SECTION 14.4.(a)** G.S. 105-228.30(b) reads as rewritten:

10 "(b) The register of deeds of each county must remit the proceeds of the tax levied by
11 this section to the county finance officer. The finance officer of each county must credit
12 one-half of the proceeds to the county's general fund and remit the remaining one-half of the
13 proceeds, less taxes refunded and the county's allowance for administrative expenses, to the
14 Department of Revenue on a monthly basis. A county may retain two percent (2%) of the
15 amount of tax proceeds allocated for remittance to the Department of Revenue as compensation
16 for the county's cost in collecting and remitting the State's share of the tax. Of the funds
17 remitted to it pursuant to this section, the Department of Revenue must credit seventy-five
18 percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and
19 twenty-five percent (25%) to the ~~Natural Heritage Trust Fund established under~~
20 ~~G.S. 113-77.7.~~Clean Water Management Trust Fund established under G.S. 113A-253."

21 **SECTION 14.4.(b)** G.S. 113-44.15(a) reads as rewritten:

22 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State
23 Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund consisting of
24 gifts and grants to the Trust Fund, monies credited to the Trust Fund pursuant to
25 G.S. 105-228.30(b), revenue credited to the Trust Fund from the additional fee for special
26 registration plates under G.S. 20-79.7, and other monies appropriated to the Trust Fund by the
27 General Assembly. Investment earnings credited to the assets of the Fund shall become part of
28 the Fund."
29

30 **PARKS AND RECREATION AUTHORITY**

31 **SECTION 14.5.(a)** G.S. 143B-313.2 reads as rewritten:

32 "**§ 143B-313.2. North Carolina Parks and Recreation Authority; members; selection;**
33 **compensation; meetings.**

34 (a) Membership. – The North Carolina Parks and Recreation Authority shall consist of
35 ~~15~~nine members. The members shall include persons who are knowledgeable about park and
36 recreation issues in North Carolina or with expertise in finance. In making appointments, each
37 appointing authority shall specify under which subdivision of this subsection the person is
38 appointed. Members shall be appointed as follows:

39 (1) One member appointed by the Governor.

40 (2) One member appointed by the Governor.

41 (3) One member appointed by the Governor.

42 ~~(3a) One member appointed by the Governor.~~

43 ~~(3b) One member appointed by the Governor.~~

44 (4) One member appointed by the General Assembly upon the recommendation
45 of the Speaker of the House of Representatives, as provided in G.S. 120-121.

46 (5) One member appointed by the General Assembly upon the recommendation
47 of the Speaker of the House of Representatives, as provided in G.S. 120-121.

48 (6) One member appointed by the General Assembly upon the recommendation
49 of the Speaker of the House of Representatives, as provided in G.S. 120-121.

50 ~~(7) One member appointed by the General Assembly upon the recommendation~~
51 ~~of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~

- 1 ~~(7a)~~ One member appointed by the General Assembly upon the recommendation
2 of the Speaker of the House of Representatives, as provided in G.S. 120-121.
3 (8) One member appointed by the General Assembly upon the recommendation
4 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
5 (9) One member appointed by the General Assembly upon the recommendation
6 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
7 (10) One member appointed by the General Assembly upon the recommendation
8 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
9 ~~(11)~~ One member appointed by the General Assembly upon the recommendation
10 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
11 ~~(12)~~ One member appointed by the General Assembly upon the recommendation
12 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.

13 (b) Terms. – Members shall serve staggered terms of office of three years. Members
14 shall serve no more than two consecutive three-year terms. After serving two consecutive
15 three-year terms, a member is not eligible for appointment to the Authority for at least one year
16 after the expiration date of that member's most recent term. Upon the expiration of a three-year
17 term, a member may continue to serve until a successor is appointed and duly qualified as
18 provided by G.S. 128-7. The terms of members appointed under subdivision (1), ~~(3a)~~, (5), ~~(7)~~,
19 or (9) of subsection (a) of this section shall expire on July 1 of years that are evenly divisible by
20 three. The terms of members appointed under subdivision (2), ~~(3b)~~, (4), ~~(8)~~, or ~~(11)~~ or (8) of
21 subsection (a) of this section shall expire on July 1 of years that follow by one year those years
22 that are evenly divisible by three. The terms of members appointed under subdivision (3), (6),
23 ~~(7a)~~, ~~(10)~~, or ~~(12)~~ or (10) of subsection (a) of this section shall expire on July 1 of years that
24 precede by one year those years that are evenly divisible by three.

25 (c) Chair. – The Governor shall appoint one member of the North Carolina Parks and
26 Recreation Authority to serve as Chair.

27 (d) Vacancies. – A vacancy on the North Carolina Parks and Recreation Authority shall
28 be filled by the appointing authority responsible for making the appointment to that position as
29 provided in subsection (a) of this section. An appointment to fill a vacancy shall be for the
30 unexpired balance of the term.

31 (e) Removal. – The Governor may remove, as provided in Article 10 of Chapter 143C
32 of the General Statutes any member of the North Carolina Parks and Recreation Authority
33 appointed by the Governor for misfeasance, malfeasance, or nonfeasance. The General
34 Assembly may remove any member of the North Carolina Parks and Recreation Authority
35 appointed by the General Assembly for misfeasance, malfeasance, or nonfeasance.

36 (f) Compensation. – The members of the North Carolina Parks and Recreation
37 Authority shall receive per diem and necessary travel and subsistence expenses according to the
38 provisions of G.S. 138-5.

39 (g) Meetings. – The North Carolina Parks and Recreation Authority shall meet at least
40 quarterly at a time and place designated by the Chair.

41 (h) Quorum. – A majority of the North Carolina Parks and Recreation Authority shall
42 constitute a quorum for the transaction of business.

43 (i) Staff. – All clerical and other services required by the North Carolina Parks and
44 Recreation Authority shall be provided by the Secretary of Environment and Natural
45 Resources."

46 **SECTION 14.5.(b)** The terms of all members of the North Carolina Parks and
47 Recreation Authority shall expire on June 30, 2013. A new Authority consisting of nine
48 members shall be appointed as provided in G.S. 143B-313.2, as amended by subsection (a) of
49 this section. This subsection becomes effective on June 30, 2013.

50
51 **FISHERY RESOURCE GRANT PROGRAM REPEAL**

1 **SECTION 14.7.(a)** G.S. 113-200 is repealed.

2 **SECTION 14.7.(b)** G.S. 143B-289.54(c) reads as rewritten:

3 "(c) Additional Considerations. – In making appointments to the Commission, the
4 Governor shall provide for appropriate representation of women and minorities on the
5 Commission. ~~The Governor shall make appointments to the Commission consistent with the~~
6 ~~restrictions of G.S. 113-200(g).~~"

7
8 **MARINE FISHERIES LICENSE AND PERMIT FEES; LICENSE AND PERMIT**
9 **REQUIREMENTS; FEE INCREASES FUND DMF AT-SEA OBSERVER**
10 **PROGRAM**

11 **SECTION 14.8.(a)** G.S. 113-168.1(h) reads as rewritten:

12 "(h) Replacement Licenses and Endorsements. – The Division shall issue a replacement
13 license, including any endorsements, to a licensee for a license that has not been suspended or
14 revoked. A licensee may apply for a replacement license for a license that has been lost, stolen,
15 or destroyed and shall apply for a replacement license within 30 days of a change in the
16 licensee's name or address. A licensee may apply for a replacement license in person at any
17 office of the Division or by mail to the Morehead City office of the Division. A licensee may
18 use a copy of the application for a replacement license that has been filed with the Division as a
19 temporary license until the licensee receives the replacement license. The Commission may
20 establish a fee for each type of replacement license, not to exceed ~~ten dollars (\$10.00), twelve~~
21 ~~dollars and fifty cents (\$12.50),~~ that compensates the Division for the administrative costs
22 associated with issuing the replacement license."

23 **SECTION 14.8.(b)** G.S. 113-168.2 reads as rewritten:

24 "**§ 113-168.2. Standard Commercial Fishing License.**

25 (a) Requirement. – Except as otherwise provided in this Article, it is unlawful for any
26 person to engage in a commercial fishing operation in the coastal fishing waters without
27 holding a SCFL issued by the Division. A person who works as a member of the crew of a
28 vessel engaged in a commercial fishing operation under the direction of a person who holds a
29 valid SCFL is not required to hold a SCFL. A person who holds a SCFL is not authorized to
30 take shellfish unless the SCFL is endorsed as provided in ~~G.S. 113-168.5(d) or the person holds~~
31 ~~a shellfish license issued pursuant to G.S. 113-169.2.~~ G.S. 113-168.5.

32 (a1) Use of Vessels. – The holder of a SCFL is authorized to use only one vessel in a
33 commercial fishing operation at any given time. The Commission may adopt a rule to exempt
34 from this requirement a person in command of a vessel that is auxiliary to a vessel engaged in a
35 pound net operation, long-haul operation, beach seine operation, or menhaden operation. A
36 person who works as a member of the crew of a vessel engaged in a mechanical shellfish
37 operation under the direction of a person who holds a valid SCFL with a shellfish endorsement
38 is not required to hold a shellfish license.

39 (b) through (d) Repealed by Session Laws 1998-225, s. 4.11.

40 (e) Fees. – The annual SCFL fee for a resident of this State shall be ~~two hundred dollars~~
41 ~~(\$200.00)~~ two hundred fifty dollars (\$250.00). The annual SCFL fee for a person who is not a
42 resident of this State shall be ~~eight hundred dollars (\$800.00) or~~ the amount charged to a
43 resident of this State in the nonresident's ~~state, whichever is less.~~ state. In no event, however,
44 may the fee be less than ~~two hundred dollars (\$200.00)~~ two hundred fifty dollars (\$250.00). For
45 purposes of this subsection, a "resident of this State" is a person who is a resident within the
46 meaning of:

- 47 (1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State
48 income tax return as a resident of North Carolina for the previous calendar
49 or tax year, or
50 (2) G.S. 113-130(4)e.

1 (f) Assignment. – The holder of a SCFL may assign the SCFL to any individual who is
2 eligible to hold a SCFL under this Article. It is unlawful for the holder of an SCFL to assign a
3 shellfish endorsement of an SCFL to any individual who is not a resident of this State. The
4 assignment shall be in writing on a form provided by the Division and shall include the name of
5 the licensee, the license number, any endorsements, the assignee's name, mailing address,
6 physical or residence address, and the duration of the assignment. If a notarized copy of an
7 assignment is not filed with the Morehead City office of the Division within five days of the
8 date of the assignment, the assignment shall expire. It is unlawful for the assignee of a SCFL to
9 assign the SCFL. The assignment shall terminate:

- 10 (1) Upon written notification by the assignor to the assignee and the Division
11 that the assignment has been terminated.
- 12 (2) Upon written notification by the estate of the assignor to the assignee and the
13 Division that the assignment has been terminated.
- 14 (3) If the Division determines that the assignee is operating in violation of the
15 terms and conditions applicable to the assignment.
- 16 (4) If the assignee becomes ineligible to hold a license under this Article.
- 17 (5) Upon the death of the assignee.
- 18 (6) If the Division suspends or revokes the assigned SCFL.
- 19 (7) At the end of the license year.

20 (g) Transfer. – A SCFL may be transferred only by the Division. A SCFL may be
21 transferred pursuant to rules adopted by the Commission or upon the request of:

- 22 (1) A licensee, from the licensee to a member of the licensee's immediate family
23 who is eligible to hold a SCFL under this Article.
- 24 (2) The administrator or executor of the estate of a deceased licensee, to the
25 administrator or executor of the estate if a surviving member of the deceased
26 licensee's immediate family is eligible to hold a SCFL under this Article.
27 The administrator or executor must request a transfer under this subdivision
28 within six months after the administrator or executor qualifies under Chapter
29 28A of the General Statutes. An administrator or executor who holds a
30 SCFL under this subdivision may, for the benefit of the estate of the
31 deceased licensee:
 - 32 a. Engage in a commercial fishing operation under the SCFL if the
33 administrator or executor is eligible to hold a SCFL under this
34 Article.
 - 35 b. Assign the SCFL as provided in subsection (f) of this section.
 - 36 c. Renew the SCFL as provided in G.S. 113-168.1.
- 37 (3) An administrator or executor to whom a SCFL was transferred pursuant to
38 subdivision (2) of this subsection, to a surviving member of the deceased
39 licensee's immediate family who is eligible to hold a SCFL under this
40 Article.
- 41 (4) The surviving member of the deceased licensee's immediate family to whom
42 a SCFL was transferred pursuant to subdivision (3) of this subsection, to a
43 third-party purchaser of the deceased licensee's fishing vessel.
- 44 (5) A licensee who is retiring from commercial fishing, to a third-party
45 purchaser of the licensee's fishing vessel.

46 (h) Identification as Commercial Fisherman. – The receipt of a current and valid SCFL
47 or shellfish license issued by the Division shall serve as proper identification of the licensee as
48 a commercial fisherman.

49 (i) Record-Keeping Requirements. – The fish dealer shall record each transaction at the
50 time and place of landing on a form provided by the Division. The transaction form shall
51 include the information on the SCFL or shellfish license, the quantity of the fish, the identity of

1 the fish dealer, and other information as the Division deems necessary to accomplish the
2 purposes of this Subchapter. The person who records the transaction shall provide a completed
3 copy of the transaction form to the Division and to the other party of the transaction. The
4 Division's copy of each transaction form shall be transmitted to the Division by the fish dealer
5 on or before the tenth day of the month following the transaction."

6 **SECTION 14.8.(c)** G.S. 113-168.3(b) reads as rewritten:

7 "(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is
8 eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant
9 for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a
10 RSCFL for a resident of this State shall be ~~one hundred dollars (\$100.00)~~ one hundred
11 twenty-five dollars (\$125.00). The annual fee for a RSCFL for a person who is not a resident of
12 this State shall be ~~eight hundred dollars (\$800.00) or the amount charged to a resident of this~~
13 ~~State in the nonresident's state, whichever is less. In no event, however, shall the fee be less~~
14 ~~than one hundred dollars (\$100.00)~~ one hundred sixty-two dollars and fifty cents (\$162.50). For
15 purposes of this subsection, a "resident of this State" is a person who is a resident within the
16 meaning of:

- 17 (1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State
18 income tax return as a resident of North Carolina for the previous calendar
19 or tax year, or
20 (2) G.S. 113-130(4)e."

21 **SECTION 14.8.(d)** G.S. 113-168.4(c) reads as rewritten:

22 "(c) A person who organizes a recreational fishing tournament may sell fish taken in
23 connection with the tournament pursuant to a recreational fishing tournament license to sell
24 fish. A person who organizes a recreational fishing tournament may obtain a recreational
25 fishing tournament license to sell fish upon application to the Division and payment of a fee of
26 ~~one hundred dollars (\$100.00)~~ one hundred twenty-five dollars (\$125.00). It is unlawful for any
27 person licensed under this subsection to sell fish to any person other than a fish dealer licensed
28 under G.S. 113-169.3 unless the seller is also a licensed fish dealer. A recreational fishing
29 tournament is an organized fishing competition occurring within a specified time period not to
30 exceed one week and that is not a commercial fishing operation. Gross proceeds from the sale
31 of fish may be used only for charitable, religious, educational, civic, or conservation purposes
32 and shall not be used to pay tournament expenses."

33 **SECTION 14.8.(e)** G.S. 113-168.6 reads as rewritten:

34 "**§ 113-168.6. Commercial fishing vessel registration.**

35 (a) As used in this subsection, a North Carolina vessel is a vessel that has its primary
36 situs in the State. A vessel has its primary situs in the State if:

- 37 (1) A certificate of number has been issued for the vessel under Article 1 of
38 Chapter 75A of the General Statutes;
39 (2) A certificate of title has been issued for the vessel under Article 4 of Chapter
40 75A of the General Statutes; or
41 (3) A certification of documentation has been issued for the vessel that lists a
42 home port in the State under 46 U.S.C. § 12101, et seq., as amended.

43 (b) The owner of a vessel used in a commercial fishing operation in the coastal fishing
44 waters of the State or a North Carolina vessel used to land or sell fish in the State shall register
45 the vessel with the Division. It is unlawful to use a vessel that is not registered with the
46 Division in a commercial fishing operation or a for-hire operation in the coastal fishing waters
47 of the State. It is unlawful to use a North Carolina vessel that is not registered with the Division
48 to land or sell fish in the State. No registration is required for a vessel of any length that does
49 not have a motor if the vessel is used only in connection with another vessel that is properly
50 registered.

1 **(b)** The vessel owner at the time of application for registration under subsection (b) of
2 this section shall obtain either a commercial vessel endorsement if the vessel is intended to be
3 used primarily for the harvest of fish for sale, a for-hire endorsement if the vessel is intended to
4 be used primarily for for-hire activities, or both endorsements if the vessel is intended to be
5 engaged in both activities. The owner of a vessel applying for a commercial fishing vessel
6 registration with a for-hire endorsement must affirm liability coverage and knowledge of
7 applicable United States Coast Guard safety requirements.

8 **(c)** The annual fee for a commercial fishing vessel registration shall be determined by
9 the length of the vessel and shall be in addition to the fee for other licenses issued under this
10 Article. The length of a vessel shall be determined by measuring the distance between the ends
11 of the vessel along the deck and through the cabin, excluding the sheer. The annual fee for a
12 commercial fishing vessel registration is:

- 13 **(1)** ~~One dollar (\$1.00)~~ One dollar and twenty-five cents (\$1.25) per foot for a
14 vessel not over 18 feet in length.
- 15 **(2)** ~~One dollar and fifty cents (\$1.50)~~ One dollar and ninety cents (\$1.90) per
16 foot for a vessel over 18 feet but not over 38 feet in length.
- 17 **(3)** ~~Three dollars (\$3.00)~~ Three dollars and seventy-five cents (\$3.75) per foot
18 for a vessel over 38 feet but not over 50 feet in length.
- 19 **(4)** ~~Six dollars (\$6.00)~~ Seven dollars and fifty cents (\$7.50) per foot for a vessel
20 over 50 feet in length.

21 **(d)** A vessel may be registered at any office of the Division. A commercial fishing
22 vessel registration expires on the last day of the license year.

23 **(e)** Within 30 days of the date on which the owner of a registered vessel transfers
24 ownership of the vessel, the new owner of the vessel shall notify the Division of the change in
25 ownership and apply for a replacement commercial fishing vessel registration. An application
26 for a replacement commercial fishing vessel registration shall be accompanied by proof of the
27 transfer of the vessel. The provisions of G.S. 113-168.1(h) apply to a replacement commercial
28 fishing vessel registration."

29 **SECTION 14.8.(f)** G.S. 113-169.1 reads as rewritten:

30 **"§ 113-169.1. Permits for gear, equipment, and other specialized activities authorized.**

31 **(a)** The Commission may adopt rules to establish permits for gear, equipment, and
32 specialized activities, including commercial fishing operations that do not involve the use of a
33 vessel and transplanting oysters or clams. The Commission may establish a fee for each permit
34 established pursuant to this subsection in an amount that compensates the Division for the
35 administrative costs associated with the permit but that does not exceed one hundred dollars
36 (\$100.00) per permit.

37 **(b)** The Commission may adopt rules to establish gear specific permits to take striped
38 bass from the Atlantic Ocean and to limit the number and type of these permits that may be
39 issued to a person. The Commission may establish a fee for each permit established pursuant to
40 this subsection in an amount that compensates the Division for the administrative costs
41 associated with the permit but that does not exceed ~~ten dollars (\$10.00)~~ thirty dollars (\$30.00)
42 per permit.

43 **(c)** To ensure an orderly transition from one permit year to the next, the Division may
44 issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the
45 Division receives for the issuance of a permit prior to the beginning of a permit year shall not
46 revert at the end of the fiscal year in which the revenue is received and shall be credited and
47 available to the Division for the permit year in which the permit is valid."

48 **SECTION 14.8.(g)** G.S. 113-169.2 reads as rewritten:

49 **"§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.**

50 **(a)** License or Endorsement Necessary to Take or Sell ~~Shellfish~~ Shellfish Taken by
51 Hand Methods. – It is unlawful for an individual to take shellfish from the public or private

1 grounds of the State ~~by mechanical means or~~ as part of a commercial fishing operation by ~~any~~
2 ~~means~~ hand methods without holding either a shellfish license or a shellfish endorsement of a
3 SCFL. A North Carolina resident who seeks only to take shellfish by hand methods and sell
4 such shellfish shall be eligible to obtain a shellfish license without holding a SCFL. The
5 shellfish license authorizes the licensee to sell shellfish.

6 (a) License Necessary to Take or Sell Shellfish Taken by Mechanical Means. – Subject
7 to subsection (i) of this section, an individual who takes shellfish from the public or private
8 grounds of the State by mechanical means must obtain an SCFL under the provisions of
9 G.S. 113-168.2.

10 (b) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

11 (c) Fees. – Shellfish licenses issued under this section shall be issued annually upon
12 payment of a fee of ~~twenty-five dollars (\$25.00)~~ thirty-one dollars and twenty-five cents
13 (\$31.25) upon proof that the license applicant is a North Carolina resident.

14 (d) License Available for Inspection. – It is unlawful for any individual to take shellfish
15 as part of a commercial fishing operation from the public or private grounds of the State
16 without having ready at hand for inspection a current and valid shellfish license issued to the
17 licensee personally and bearing the licensee's correct name and address. It is unlawful for any
18 individual taking or possessing freshly taken shellfish to refuse to exhibit the individual's
19 license upon the request of an officer authorized to enforce the fishing laws.

20 (e) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

21 (f) Name or Address Change. – In the event of a change in name or address or upon
22 receipt of an erroneous shellfish license, the licensee shall, within 30 days, apply for a
23 replacement shellfish license bearing the correct name and address. Upon a showing by the
24 individual that the name or address change occurred within the past 30 days, the trial court or
25 prosecutor shall dismiss any charges brought pursuant to this subsection.

26 (g) Transfer Prohibited. – It is unlawful for an individual issued a shellfish license to
27 transfer or offer to transfer the license, either temporarily or permanently, to another. It is
28 unlawful for an individual to secure or attempt to secure a shellfish license from a source not
29 authorized by the Commission.

30 (h) Exemption. – Persons under 16 years of age are exempt from the license
31 requirements of this section if accompanied by a parent, grandparent, or guardian who is in
32 compliance with the requirements of this section or if in possession of a parent's, grandparent's
33 or guardian's shellfish license.

34 (i) Taking Shellfish Without a License for Personal Use. – Shellfish may be taken
35 without a license for personal use in quantities established by rules of the Marine Fisheries
36 Commission."

37 **SECTION 14.8.(h)** G.S. 113-169.3(e) reads as rewritten:

38 "(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license
39 shall pay a nonrefundable application fee of ~~fifty dollars (\$50.00)~~ sixty-two dollars and fifty
40 cents (\$62.50) in addition to the license category fees set forth in this section."

41 **SECTION 14.8.(i)** G.S. 113-169.3(f) reads as rewritten:

42 "(f) License Category Fees. – Every fish dealer subject to licensing requirements shall
43 secure an annual license at each established location for each of the following activities
44 transacted there, upon payment of the fee set out:

45 (1) Dealing in oysters: ~~\$50.00;~~ \$62.50.

46 (2) Dealing in scallops: ~~\$50.00;~~ \$62.50.

47 (3) Dealing in clams: ~~\$50.00;~~ \$62.50.

48 (4) Dealing in hard or soft crabs: ~~\$50.00;~~ \$62.50.

49 (5) Dealing in shrimp, including bait: ~~\$50.00;~~ \$62.50.

50 (6) Dealing in finfish, including bait: ~~\$50.00;~~ \$62.50.

1 (7) Operating menhaden or other fish-dehydrating or oil-extracting processing
2 plants: ~~\$50.00; or \$62.50.~~

3 (8) Consolidated license (all categories): ~~\$300.00; \$375.00."~~

4 **SECTION 14.8.(j)** G.S. 113-169.4 reads as rewritten:

5 "**§ 113-169.4. Licensing of ocean fishing piers; fees.**

6 (a) The owner or operator of an ocean fishing pier within the coastal fishing waters who
7 charges the public a fee to fish in any manner from the pier shall secure a current and valid pier
8 license from the Division. An application for a pier license shall disclose the names of all
9 parties involved in the pier operations, including the owner of the property, owner of the pier if
10 different, and all leasehold or other corporate arrangements, and all persons with a substantial
11 financial interest in the pier.

12 (b) Within 30 days following a change of ownership of a pier, or a change as to the
13 manager, the manager or new manager shall secure a replacement pier license as provided in
14 G.S. 113-168.1(h).

15 (c) Pier licenses are issued upon payment of ~~fifty cents (50¢)~~ four dollars and fifty cents
16 (\$4.50) per linear foot, to the nearest foot, that the pier extends into coastal fishing waters
17 beyond the mean high waterline. The length of the pier shall be measured to include all
18 extensions of the pier.

19 (d) The manager who secures the pier license shall be the individual with the duty of
20 executive-level supervision of pier operations.

21 (e) The pier license issued under this section authorizes any individual who does not
22 hold a Coastal Recreational Fishing License under Article 14B or Article 25A of this Chapter
23 to engage in recreational fishing while on the pier."

24 **SECTION 14.8.(k)** G.S. 113-169.5(b) reads as rewritten:

25 "(b) The fee for a land or sell license for a vessel not having its primary situs in North
26 Carolina is ~~two hundred dollars (\$200.00); two hundred fifty dollars (\$250.00),~~ or an amount
27 equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons
28 aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels
29 without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell
30 their catch in the State without complying with this section if the persons are in possession of a
31 valid license from their state of residence."

32 **SECTION 14.8.(l)** G.S. 113-171.1(b) reads as rewritten:

33 "(b) License. – Before an aircraft is used as a spotter plane in a commercial fishing
34 operation, the owner or operator of the aircraft must obtain a license for the aircraft from the
35 Division. The fee for a license for a spotter plane is ~~one hundred dollars (\$100.00); one hundred~~
36 twenty-five dollars (\$125.00). An applicant for a license for a spotter plane shall include in the
37 application the identity, either by boat or by company, of the specific commercial fishing
38 operations in which the spotter plane will be used during the license year. If, during the course
39 of the license year, the aircraft is used as a spotter plane in a commercial fishing operation that
40 is not identified in the original license application, the owner or operator of the aircraft shall
41 amend the license application to add the identity of the additional commercial fishing
42 operation."

43 **SECTION 14.8.(m)** G.S. 113-173(f) reads as rewritten:

44 "(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of
45 purchase. The fee for a RCGL for a North Carolina resident shall be ~~thirty-five dollars~~
46 (\$35.00); forty-three dollars and seventy-five cents (\$43.75). The fee for a RCGL for an
47 individual who is not a North Carolina resident shall be ~~two hundred fifty dollars~~
48 (\$250.00); three hundred twelve dollars and fifty cents (\$312.50)."

49 **SECTION 14.8.(n)** G.S. 113-174(2a) reads as rewritten:

50 "(2a) 'For Hire ~~Boat~~' Vessel means a charter boat, head boat, dive boat, or other
51 boat-vessel hired to allow individuals to engage in recreational fishing."

1 SECTION 14.8.(o) G.S. 113-174.3 reads as rewritten:

2 "§ 113-174.3. For Hire Blanket CRFL, For-Hire Licenses.

3 ~~(a) License.—A person who operates a for hire boat may purchase a For Hire Blanket~~
4 ~~CRFL issued by the Division for the for hire boat. A For Hire Blanket CRFL authorizes all~~
5 ~~individuals on the for hire boat who do not hold a license issued under this Article or Article~~
6 ~~25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint~~
7 ~~fishing waters. A For Hire Blanket CRFL does not authorize individuals to engage in~~
8 ~~recreational fishing in joint fishing waters or inland fishing waters. A For Hire Blanket CRFL is~~
9 ~~valid for a period of one year from the date of issuance. The fee for a For Hire Blanket CRFL~~
10 ~~is:~~

11 ~~(1) Two hundred fifty dollars (\$250.00) for a vessel that will carry six or fewer~~
12 ~~passengers.~~

13 ~~(2) Three hundred fifty dollars (\$350.00) for a vessel that will carry greater than~~
14 ~~six passengers.~~

15 ~~(b) Implementation.—Except as provided in this section and G.S. 113-174.2(d), each~~
16 ~~individual on board a for hire boat engaged in recreational fishing, other than crew members~~
17 ~~who do not engage in recreational fishing, must hold a license issued under this Article or~~
18 ~~Article 25A of this Chapter. An owner, operator, or crew member of a for hire boat is not~~
19 ~~responsible for the licensure of a customer fishing from the boat.~~

20 ~~(c) License. — It is unlawful for a person to engage in a for-hire operation without~~
21 ~~having obtained one of the following licenses issued by the Division:~~

22 ~~(1) Blanket For-Hire Captain's CRFL. — This license allows individuals properly~~
23 ~~licensed by the United States Coast Guard to carry passengers on any vessel~~
24 ~~with a commercial vessel registration with a for-hire endorsement. A~~
25 ~~Blanket For-Hire Captain's CRFL authorizes all individuals on the for-hire~~
26 ~~vessel who do not hold a license issued under this Article or Article 25A of~~
27 ~~this Chapter to engage in recreational fishing in coastal fishing waters that~~
28 ~~are not joint fishing waters. The resident fees for a Blanket For-Hire~~
29 ~~Captain's CRFL are two hundred fifty dollars (\$250.00) for a vessel carrying~~
30 ~~six or fewer passengers and three hundred fifty dollars (\$350.00) for a vessel~~
31 ~~carrying more than six passengers. The nonresident fees for a Blanket~~
32 ~~For-Hire Captain's CRFL are three hundred twelve dollars and fifty cents~~
33 ~~(\$312.50) for a vessel carrying six or fewer passengers and four hundred~~
34 ~~thirty-seven dollars and fifty cents (\$437.50) for a vessel carrying more than~~
35 ~~six passengers. Any vessel whose operator is licensed under this subdivision~~
36 ~~and that is engaged in for-hire fishing must obtain a Commercial Fishing~~
37 ~~Vessel Registration with a for-hire endorsement.~~

38 ~~(2) Blanket For-Hire Vessel CRFL. — This license allows any United States~~
39 ~~Coast Guard licensed operator to carry passengers aboard the licensed~~
40 ~~vessel. A Blanket For-Hire Vessel CRFL authorizes all individuals on the~~
41 ~~for-hire vessel who do not hold a license issued under this Article or Article~~
42 ~~25A of this Chapter to engage in recreational fishing in coastal fishing~~
43 ~~waters that are not joint fishing waters. The resident fees for a Blanket~~
44 ~~For-Hire Vessel CRFL are two hundred fifty dollars (\$250.00) for a vessel~~
45 ~~carrying six or fewer passengers and three hundred fifty dollars (\$350.00)~~
46 ~~for a vessel carrying more than six passengers. The nonresident fees for a~~
47 ~~Blanket For-Hire Vessel CRFL are three hundred twelve dollars and fifty~~
48 ~~cents (\$312.50) for a vessel carrying six or fewer passengers and four~~
49 ~~hundred thirty-seven dollars and fifty cents (\$437.50) for a vessel carrying~~
50 ~~more than six passengers. Any vessel whose operator is licensed under this~~

subdivision and that is engaged in for-hire fishing is not required to obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(3) Non-Blanket For-Hire Vessel License. – This license allows any United States Coast Guard licensed operator to carry passengers aboard the licensed vessel. This license does not authorize individuals aboard the vessel to engage in recreational fishing unless they hold an individual CRFL issued under this Article or Article 25A of this Chapter. The fee for the Non-Blanket For-Hire Vessel License is twenty-five dollars (\$25.00) for a vessel operated by a resident operator and thirty-seven dollars and fifty cents (\$37.50) for a vessel operated by a nonresident operator. Any vessel whose operator is licensed under this subdivision and that is engaged in for-hire fishing is not required to obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(d) A license issued under this section does not authorize individuals to engage in recreational fishing in joint fishing waters or inland fishing waters. All for-hire licenses expire on the last day of the license year.

(e) Each individual who obtains a for-hire license shall submit to the Division logbooks summarizing catch and effort statistical data to the Division. The Commission may adopt rules that determine the means and methods to satisfy the requirements of this subsection."

SECTION 14.8.(p) G.S. 113-174.4 is repealed.

SECTION 14.8.(q) G.S. 113–174.5(a) reads as rewritten:

"(a) The owner of a vessel that is 23 feet or more in length and that is either documented with the United States Coast Guard or registered with the Wildlife Resources Commission pursuant to G.S. 75A-4 may purchase a block of 10 Ten-Day CRFLs issued by the Division. A vessel owner who wishes to obtain a block of 10 Ten-Day CRFLs shall provide the Division with all information required by the Division, including information identifying the vessel on which the Ten-Day CRFLs will be used. Each individual Ten-Day CRFL shall identify the vessel for which the block of 10 Ten-Day CRFLs is issued. An individual Ten-Day CRFL issued as part of a block of 10 Ten-Day CRFLs may only be used on the vessel for which it was issued. An individual Ten-Day CRFL issued as part of a block of 10 Ten-Day CRFLs may not be used on a for hire ~~boat~~-vessel. A block of 10 Ten-Day CRFLs shall expire two years from the date of purchase."

SECTION 14.8.(r) G.S. 113–182.1(b) reads as rewritten:

"(b) The goal of the plans shall be to ensure the long-term viability of the State's commercially and recreationally significant species or fisheries. Each plan shall be designed to reflect fishing practices so that one plan may apply to a specific fishery, while other plans may be based on gear or geographic areas. Each plan shall:

...

(5) Specify a time period, not to exceed two years from the date of the adoption of the plan, for ending to end overfishing. This subdivision shall only apply to a plan for a fishery that is not producing a sustainable harvest. This subdivision shall not apply if the Fisheries Director determines that the biology of the fish, environmental conditions, or lack of sufficient data make implementing the requirements of this subdivision incompatible with professional standards for fisheries management.

...."

SECTION 14.8.(s) G.S. 113-203 is amended by adding two new subsections to read:

"(f) The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed one hundred dollars (\$100.00) per permit.

1 (g) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from
2 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year
3 for which the permit is valid. Revenue that the Division receives for the issuance of a permit
4 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the
5 revenue is received and shall be credited and available to the Division for the permit year in
6 which the permit is valid."

7 **SECTION 14.8.(t)** G.S. 113–210 is amended by adding two new subsections to
8 read:

9 "(l) Fees. – Under Dock Oyster Culture Permit shall be issued annually upon payment of
10 a fee of one hundred dollars (\$100.00).

11 (m) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from
12 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year
13 for which the permit is valid. Revenue that the Division receives for the issuance of a permit
14 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the
15 revenue is received and shall be credited and available to the Division for the permit year in
16 which the permit is valid."

17 **SECTION 14.8.(u)** G.S. 113–221.2 reads as rewritten:

18 **"§ 113-221.2. Additional rules to establish sanitation requirements for scallops, shellfish,**
19 **and crustacea; permits and permit fees authorized.**

20 (a) Authority to Adopt Certain Rules and Establish Permits. – For the protection of the
21 public health, the Marine Fisheries Commission shall adopt rules establishing sanitation
22 requirements for the harvesting, processing and handling of scallops, shellfish, and crustacea of
23 in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops,
24 shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce
25 the rules and may issue and revoke permits according to the rules. The Department is
26 authorized to establish a fee for each permit not to exceed one hundred dollars (\$100.00).

27 (b) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from
28 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year
29 for which the permit is valid. Revenue that the Division receives for the issuance of a permit
30 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the
31 revenue is received and shall be credited and available to the Division for the permit year in
32 which the permit is valid."

33 **SECTION 14.8.(v)** G.S. 143B-289.52(d1) reads as rewritten:

34 "(d1) The Commission may regulate participation in a fishery that is subject to a federal
35 fishery management plan if that plan imposes a quota on the State for the harvest or landing of
36 fish in the fishery. ~~If the Commission regulates participation in a fishery under this subsection,~~
37 ~~the Division may issue a license to participate in the fishery to a person who:~~

- 38 (1) ~~Held a valid license issued by the Division to harvest, land, or sell fish~~
39 ~~during at least two of the three license years immediately preceding the date~~
40 ~~adopted by the Commission to determine participation in the fishery; and~~
41 (2) ~~Participated in the fishery during at least two of those license years by~~
42 ~~landing in the State at least the minimum number of pounds of fish adopted~~
43 ~~by the Commission to determine participation in the fishery. The~~
44 ~~Commission may use any additional criteria aside from holding a Standard~~
45 ~~Commercial Fishing License to develop limited-entry fisheries. The~~
46 ~~Commission may establish a fee for each license established pursuant to this~~
47 ~~subsection in an amount that does not exceed five hundred dollars~~
48 ~~(\$500.00)."~~

49 **SECTION 14.8.(w)** G.S. 143B-289.52 is amended by adding a new subsection to
50 read:

1 "(d2) To ensure an orderly transition from one permit year to the next, the Division may
2 issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the
3 Division receives for the issuance of a permit prior to the beginning of a permit year shall not
4 revert at the end of the fiscal year in which the revenue is received and shall be credited and
5 available to the Division for the permit year in which the permit is valid."

6 **SECTION 14.8.(x)** The Division of Marine Fisheries of the Department of
7 Environment and Natural Resources shall seek the involvement of the commercial fishing
8 industry in North Carolina in the Division's development of a plan to determine a source of
9 funding necessary to support the Marine Fisheries At-Sea Observer Program that is in addition
10 to the fee increases under this section. As part of this effort, the Division of Marine Fisheries
11 shall conduct at least three public hearings in different coastal county locations to seek the
12 input of, and receive comments of potential additional recurring funding sources from, the
13 individuals involved in the commercial fishing industry. The Division shall receive written
14 comments at the public hearings and take minutes of the public hearings. The minutes shall be
15 made available to the public on the Department's Internet Web site.

16 **SECTION 14.8.(y)** Following the public hearings under subsection (x) of this
17 section and the Division's consideration of written and oral comments resulting from the public
18 hearings, the Division of Marine Fisheries shall submit its plan for an additional recurring
19 funding source to support the Marine Fisheries At-Sea Observer Program to the Marine
20 Fisheries Commission. The Marine Fisheries Commission shall vote on whether it endorses the
21 plan.

22 **SECTION 14.8.(z)** No later than March 1, 2014, the Marine Fisheries Commission
23 shall submit a report to the Senate Appropriations Committee on Natural and Economic
24 Resources, the House of Representatives Appropriations Subcommittee on Natural and
25 Economic Resources, and the Fiscal Research Division. This report shall include the results of
26 the Commission's vote under subsection (y) of this section and its findings and
27 recommendations for an additional source of funding necessary to support the Marine Fisheries
28 At-Sea Observer Program in the event the Commission votes against endorsing the plan.

29 **SECTION 14.8.(aa)** The Division of Marine Fisheries shall use the proceeds it
30 receives as a result of the fee increases under this section to provide support for the 2014-2015
31 fiscal year for the Marine Fisheries At-Sea Observer Program. In addition, the Division of
32 Marine Fisheries shall provide available funds for the 2014-2015 fiscal year to provide any
33 additional support that is needed to continue the Marine Fisheries At-Sea Observer Program.
34

35 **MARINE RESOURCES FUND AND MARINE RESOURCES ENDOWMENT FUND** 36 **DISBURSEMENTS**

37 **SECTION 14.9.(a)** G.S. 113-175.1(b) reads as rewritten:

38 "(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from
39 all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine
40 Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all
41 marine resources investment income shall be deposited to the credit of the Marine Resources
42 Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and
43 marine resources investment income only upon the written direction of ~~both~~ the Marine
44 Fisheries Commission ~~and the Wildlife Resources Commission.~~ Commission."

45 **SECTION 14.9.(b)** G.S. 113-175.1(c) reads as rewritten:

46 "(c) The Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ may
47 authorize the disbursement of the principal of the Marine Resources Fund and marine resources
48 investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance
49 the marine resources of the State. The Marine Fisheries Commission ~~and the Wildlife~~
50 ~~Resources Commission~~ are is encouraged to consider supporting the Oyster Sanctuary Program
51 managed by the Division of Marine Fisheries. The Marine Fisheries Commission ~~and the~~

1 ~~Wildlife Resources Commission~~ may not authorize the disbursement of the principal of the
2 Marine Resources Fund and marine resources investment income to establish positions without
3 specific authorization from the General Assembly. All proposals to the Marine Fisheries
4 Commission ~~and the Wildlife Resources Commission~~ for the disbursement of funds from the
5 Marine Resources Fund shall be made by and through the Fisheries Director. Prior to
6 authorizing disbursements from the Marine Resources Fund, the Marine Fisheries Commission
7 shall consult with the Wildlife Resources Commission about these proposals. Expenditure of
8 the assets of the Marine Resources Fund shall be made through the State budget accounts of the
9 Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act.
10 The Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article
11 5A of Chapter 147 of the General Statutes."

12 **SECTION 14.9.(c)** G.S. 113-175.5(b) reads as rewritten:

13 "(b) The State Treasurer shall hold the Endowment Fund separate and apart from all
14 other moneys, funds, and accounts. The State Treasurer shall invest the assets of the
15 Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The
16 State Treasurer shall disburse the endowment investment income only upon the written
17 direction of both the Marine Fisheries ~~Commission and the Wildlife Resources~~
18 ~~Commission.~~Commission."

19 **SECTION 14.9.(d)** G.S. 113-175.5(c) reads as rewritten:

20 "(c) Subject to the limitations set out in subsection (d) of this section, the Marine
21 Fisheries Commission ~~and the Wildlife Resources Commission~~ may authorize the disbursement
22 of endowment investment income only to manage, protect, restore, develop, cultivate,
23 conserve, and enhance the marine resources of the State. The Marine Fisheries Commission
24 ~~and the Wildlife Resources Commission~~ may not authorize the disbursement of endowment
25 investment income to establish positions without specific authorization from the General
26 Assembly. All proposals to the Marine Fisheries Commission ~~and the Wildlife Resources~~
27 ~~Commission~~ for the disbursement of funds from the Endowment Fund shall be made by and
28 through the Fisheries Director. Prior to authorizing disbursements from the Marine Resources
29 Endowment Fund, the Marine Fisheries Commission shall consult with the Wildlife Resources
30 Commission about these proposals."

31 32 **MARINE FISHERIES ENDOWMENT FUND REPEALED**

33 **SECTION 14.10.** G.S. 143B-289.58 is repealed.

34 35 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

36 **SECTION 14.14.** G.S. 87-98 reads as rewritten:

37 **"§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

38 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under
39 the control and direction of the Department. The Fund shall be a nonreverting, interest-bearing
40 fund consisting of monies appropriated by the General Assembly or made available to the Fund
41 from any other source and investment interest credited to the Fund.

42 (b) The Fund may be used to pay ~~for notification, for:~~

43 (1) Notification, to the extent practicable, of persons aged 18 and older who
44 reside in any dwelling unit, and the senior official in charge of any business,
45 at which drinking water is supplied from a private drinking water well or
46 improved spring that is located within 1,500 feet of, and at risk from, known
47 groundwater contamination. The senior official in charge of the business
48 shall take reasonable measures to notify all employees of the business of the
49 groundwater contamination, including posting a notice of the contamination
50 in a form and at a location that is readily accessible to the employees of the
51 business. ~~The Fund may also be used by the Department to pay the~~

1 (2) The costs of testing of private drinking water wells and improved springs for
2 suspected contamination up to once every three years upon request by a
3 person who uses the ~~well and for the well~~, or more frequent testing if the
4 concentration of one or more contaminants in a private drinking water well
5 is increasing over time and there is a significant risk that the concentration of
6 a contaminant will exceed the drinking water action levels set forth in
7 subsection (c) of this section within a three-year period.

8 (3) Additional testing to confirm the results of a previous test.

9 (4) The temporary or permanent provision of alternative drinking water supplies
10 to persons whose drinking water well or improved spring is contaminated.
11 Under this ~~subsection~~, section, an alternative drinking water supply includes
12 the repair, such as use of a filtration system, or replacement of a
13 contaminated well or the connection to a public water supply.

14 (5) Monitoring of filtration systems used in connection with temporary or
15 permanent alternative drinking water supplies provided pursuant to this
16 section.

17 (c) The Department shall disburse monies from the Fund based on financial need and
18 on the risk to public health posed by groundwater contamination and shall give priority to the
19 provision of services under this section to instances when an alternative source of funds is not
20 available. The Fund shall not be used to provide alternative water supply to households with
21 incomes greater than three hundred percent (300%) of the current federal poverty level. The
22 Fund may be used to provide alternative drinking water supplies if the Department determines
23 that the concentration of one or more contaminants in the private drinking water well or
24 improved spring exceeds the federal maximum contaminant level, or the federal drinking water
25 action level as defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July
26 2007) and 40 Code of Federal Regulations § 143.3 (1 July 2007). For a contaminant for which
27 a federal maximum contaminant level or drinking water action level has not been established,
28 the State groundwater standard established by the Environmental Management Commission for
29 the concentration of that contaminant shall be used to determine whether the Fund may be used
30 to provide alternative drinking water supplies. The Fund may also be used to provide
31 alternative drinking water supplies as provided in this section if the Department determines that
32 the concentration of one or more contaminants in a private drinking water well is increasing
33 over time and that there is a significant risk that the concentration of a contaminant will exceed
34 the federal maximum contaminant level or drinking water action level, or the State groundwater
35 standard. A determination of the concentration of a contaminant shall be based on a sample of
36 water collected from the private drinking water well within the past 12 months.

37 (c1) In disbursing monies from the Fund, the Department shall give preference to
38 provision of permanent replacement water supplies by connection to public water supplies and
39 repair or replacement of contaminated wells over the provision of temporary water supplies. In
40 providing alternative drinking water supplies, the Department shall give preference to
41 connection to a public water supply system or to construction of a new private drinking water
42 well over the use of a filtration system if the Department determines that the costs of periodic
43 required maintenance of the filtration system would be cost-prohibitive for users of the
44 alternative drinking water supply.

45 (c2) If the Department provides an alternative drinking water supply by extension of a
46 waterline, the Department may disburse from the Fund no more than ~~ten~~ fifty thousand dollars
47 ~~(\$10,000)~~ (\$50,000) per household or other service connection. For projects where more than 10
48 residences are eligible for alternative water supplies under this section, no ~~No~~ more than
49 one-third of the total cost of the project may be paid from the Fund. The Department may
50 combine monies from the Fund with monies from other sources in order to pay the total cost of
51 the project.

1 (c3) The Fund shall be used to provide alternative drinking water supplies only if the
2 Department determines that the person or persons who are responsible for the contamination of
3 the private drinking water well is or are not financially viable or cannot be identified or located
4 and if the Department determines that one of the following applies:

5 (1) The contamination of the private drinking water well is naturally occurring.

6 (2) The owner of the property on which the private drinking water well is
7 located did not cause or contribute to the contamination or control the source
8 of the contamination.

9 (3) The source of the contamination is the application or disposal of a hazardous
10 substance or pesticide that occurred without the consent of the owner of the
11 property on which the private drinking water well is located.

12 (c4) The Department may use up to one hundred thousand dollars (\$100,000) annually of
13 the monies in the Fund to pay the personnel and other direct costs associated with the
14 implementation of this section.

15 (c5) The Fund shall not be used for remediation of groundwater contamination.

16 (c6) Nothing in this section expands, contracts, or modifies the obligation of responsible
17 parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article
18 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or
19 soil contamination.

20 (c7) In disbursing monies from the Fund for replacement water supplies, the Department
21 shall give priority to circumstances in which a well is contaminated as the result of
22 nonnaturally occurring groundwater contamination in the area over circumstances in which a
23 well has naturally occurring contamination.

24 (d) The Department shall establish criteria by which the Department is to evaluate
25 applications and disburse monies from this Fund and may adopt any rules necessary to
26 implement this section.

27 (e) The Department, in consultation with the Commission for Public Health and local
28 health departments, shall report no later than ~~1 October~~October 1 of each year to the
29 Environmental Review Commission, the House of Representatives Appropriations
30 Subcommittee on Natural and Economic Resources, Senate Appropriations Committee on
31 Natural and Economic Resources, and the Fiscal Research Division on the implementation of
32 this section. The report shall include the purpose and amount of all expenditures from the Fund
33 during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of
34 the section, and may also include recommendations for any legislative action."
35

36 **NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK** 37 **CLEANUP FUND; DENR STUDY**

38 **SECTION 14.15.(a)** G.S. 143-215.94D(b1) reads as rewritten:

39 "(b1) The Noncommercial Fund shall be used for the payment of the costs of:

40 (1) ~~The~~For releases discovered or reported to the Department prior to July 1,
41 2013, the cleanup of environmental damage as required by
42 G.S. 143-215.94E(a).

43 (1a) For releases discovered or reported to the Department on or after July 1,
44 2013, the cleanup of environmental damage as required by
45 G.S.143-215.94E(a) in excess of two thousand dollars (\$2,000) or the sum of
46 the following amounts, whichever is less:

47 a. A deductible of one thousand dollars (\$1,000) per occurrence.

48 b. A co-payment equal to ten percent (10%) of the costs of the cleanup
49 of environmental damage, per occurrence.

50 (2) Compensation to third parties for bodily injury and property damage in
51 excess of one hundred thousand dollars (\$100,000) per occurrence.

- 1 (3) Reimbursing the State for damages or other costs incurred as a result of a
2 loan from the Loan Fund. The per occurrence limit does not apply to
3 reimbursements to the State under this subdivision.
4 (4) Recordation of residual petroleum as required by G.S. 143B-279.11 if the
5 Noncommercial Fund is responsible for the payment of costs under
6 subdivisions (1) through (3) of this subsection and subsection (b) of this
7 section."

8 **SECTION 14.15.(b)** The Department of Environment and Natural Resources
9 (Department) shall study the costs and benefits of the noncommercial underground storage tank
10 program and explore options for continued use of the Noncommercial Leaking Petroleum
11 Underground Storage Tank Cleanup Fund (Fund) and ways to improve the solvency of the
12 Fund. The study shall consider all of the following:

- 13 (1) The usual, average, historic costs of various phases of assessment and
14 cleanup of noncommercial UST releases in order to determine areas of
15 potential costs savings.
16 (2) The feasibility of determining levels of soil and groundwater contamination
17 at noncommercial UST releases earlier in the assessment and cleanup
18 process in order to identify lower risks sites and limit reimbursement of costs
19 of initial abatement actions.
20 (3) The feasibility of assigning risk to noncommercial UST releases earlier in
21 the assessment and cleanup process in order to limit reimbursement of costs
22 of initial abatement actions.
23 (4) The feasibility of partial cleanup at lower priority noncommercial UST
24 releases.
25 (5) The feasibility of issuing notices similar to the Notices of No Further Action
26 for partially cleaned up, stabilized, lower priority noncommercial UST sites
27 in order to facilitate property transfers.
28 (6) Methods to strengthen liability protections for buyers and lenders of
29 residential properties that have known noncommercial UST releases in order
30 to facilitate property transfers.
31 (7) Methods to employ land-use restrictions on residential properties where
32 petroleum contamination remains at lower risk sites in order to limit cleanup
33 at these sites, while still informing the public of risk, and facilitating
34 property transfers.
35 (8) Methods to increase the participation of noncommercial UST owners in the
36 costs of assessments and cleanups.
37 (9) Any other matter the Department deems relevant to improve the solvency of
38 the Fund.

39 **SECTION 14.15.(c)** The Department shall report its findings and
40 recommendations, including any legislative proposals, to the Environmental Review
41 Commission, the Senate Appropriations Committee on Natural and Economic Resources, the
42 House of Representatives Appropriations Subcommittee on Natural and Economic Resources,
43 and the Fiscal Research Division no later than April 1, 2014.
44

45 **DRINKING WATER STATE REVOLVING FUND**

46 **SECTION 14.20.** Notwithstanding G.S. 159G-22, the Department of Environment
47 and Natural Resources may transfer State funds from the Drinking Water Reserve to the
48 Drinking Water State Revolving Fund for the 2013-2014 fiscal year and shall use any such
49 funds to match maximum available federal grant monies authorized by section 1453 of the
50 federal Safe Drinking Water Act of 1996, 42 U.S.C. § 300j-12, as amended.
51

INCREASE FUNDING FOR DREDGING

SECTION 14.22.(a) G.S. 105-449.126 reads as rewritten:

"§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources Fund, Fund and Shallow Draft Navigation Channel Dredging Fund.

(a) The Secretary shall credit to the Wildlife Resources Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Wildlife Resources Fund under this section may be used only for the boating and water safety activities described in G.S. 75A-3(c). The Secretary must credit revenue to the Wildlife Resources Fund on an annual basis.

(b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging Fund under this section may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft Navigation Channel Dredging Fund on an annual basis.

SECTION 14.22.(b) Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part to read:

"Part 8B. Shallow Draft Navigation Channel Dredging Fund.

"§ 143-215.73F. Shallow Draft Navigation Channel Dredging Fund.

The Shallow Draft Navigation Channel Dredging Fund is established as a special revenue fund. The Fund consists of monies appropriated by the General Assembly or made available to the Fund from any other source. Revenue in the Fund may only be used to provide the State's share of the costs associated with any dredging project designed to keep a shallow draft navigation channel located in State waters navigable and safe. Any project funded by revenue from the Fund must be cost-shared with non-State dollars on a one-to-one basis. For purposes of this section, "shallow draft navigation channel" means (i) a waterway connection with a maximum depth of 16 feet between the Atlantic Ocean and a bay or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through which tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft navigation channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort Harbor, Bogue Inlet, Carolina Beach Inlet, the channel from Back Sound to Lookout Back, channels connected to federal navigation channels, Lockwoods Folly River, Manteo/Shallowbag Bay, including Oregon Inlet, Masonboro Inlet, New River, New Topsail Inlet, Rodanthe, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort Harbor."

SECTION 14.22.(c) This section authorizes a Long-Term Dredging Memorandum of Agreement with the U.S. Army Corps of Engineers which may last beyond the current fiscal biennium and which shall provide for all of the following:

- (1) Prioritization of projects through joint consultation with the State, applicable units of local government, and the U.S. Army Corps of Engineers.
- (2) Compliance with G.S. 143-215.73F. Funds in the Shallow Draft Navigation Channel Dredging Fund shall be used in accordance with that section.
- (3) Annual reporting by the Department on the use of funds provided to the U.S. Army Corps of Engineers under the Long-Term Dredging Memorandum of Agreement. These reports shall be made to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management and shall include all of the following:
 - a. A list of all projects commenced.
 - b. The estimated cost of each project.
 - c. The date that work on each project commenced or is expected to commence.

- 1 d. The date that work on each project was completed or is expected to
2 be completed.
3 e. The actual cost of each project.

4 **SECTION 14.22.(d)** The Department of Environment and Natural Resources may
5 use available funds for the 2013-2014 fiscal year and the 2014-2015 fiscal year in the Shallow
6 Draft Navigation Channel Dredging Fund established in G.S. 143-215.73F, as enacted by
7 subsection (a) of this section, to provide the State's share of costs associated with projects that
8 comply with that section. These funds are hereby appropriated for that purpose, but the
9 Department of Environment and Natural Resources shall approve a project before it is eligible
10 to receive any funds under this section.

11 **PART XV. DEPARTMENT OF COMMERCE**

12 **SET REGULATORY FEE FOR UTILITIES COMMISSION**

13
14 **SECTION 15.1.(a)** The percentage rate to be used in calculating the public utility
15 regulatory fee under G.S. 62-302(b)(2) is thirteen one-hundredths of one percent (0.13%) for
16 each public utility's North Carolina jurisdictional revenues earned during each quarter that
17 begins on or after July 1, 2013, and on or after July 1, 2014.

18
19 **SECTION 15.1.(b)** The electric membership corporation regulatory fee imposed
20 under G.S. 62-302(b1) for the 2013-2014 and the 2014-2015 fiscal year is two hundred
21 thousand dollars (\$200,000).

22 **REPEAL UWHARRIE REGIONAL RESOURCES ACT**

23 **SECTION 15.1A.** Chapter 153C of the General Statutes is repealed.

24 **INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT**

25
26 **SECTION 15.2.** For the 2013-2014 fiscal year and the 2014-2015 fiscal year, the
27 Industrial Commission may, in consultation with the State Chief Information Officer, use up to
28 one million eight hundred thousand dollars (\$1,800,000) of available funds in Budget Code
29 24611 to replace the Electronic Document Management System (EDMS).

30 **UNEMPLOYMENT INSURANCE FUND**

31
32 **SECTION 15.3.(a)** The Office of State Budget and Management, in conjunction
33 with the Office of the State Controller and the Department of Commerce, shall transfer and
34 allocate to the Unemployment Insurance Fund any unencumbered cash balance as of June 30,
35 2013, of each of the following special funds within the Department and then close each of these
36 special funds:

- 37
38 (1) Worker Training Trust Fund (Special Fund Code 64654-6400).
39 (2) Training and Employment Account (Special Fund Code 64655-6601).

40 **SECTION 15.3.(b)** There is appropriated from the Special Employment Security
41 Administration Fund to the Unemployment Insurance Fund the sum of ten million dollars
42 (\$10,000,000) for the 2013-2014 fiscal year to be used to make principal payments on advances
43 made by the federal government under Title XII of the Social Security Act to the
44 Unemployment Insurance Fund to pay unemployment compensation benefits.

45 **EMPLOYMENT SECURITY RESERVE FUND**

46
47 **SECTION 15.4.(a)** There is appropriated from the Employment Security Reserve
48 Fund to the Department of Commerce, Division of Employment Security, the amount needed
49 for the 2014-2015 fiscal year to fund the interest payment due to the federal government for the
50 debt owed to the U.S. Treasury for unemployment benefits.

1 **SECTION 15.4.(b)** Of the funds credited to and held in the State of North
2 Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the
3 United States pursuant to and in accordance with section 903 of the Social Security Act and
4 pursuant to Title II of Division B of P.L. 111-5, the Assistance for Unemployed Workers and
5 Struggling Families Act, the Department of Commerce, Division of Employment Security, may
6 expend the sum of two hundred five million sixty-three thousand five hundred fifty-two dollars
7 (\$205,063,552) to design and build the integrated unemployment insurance benefit and tax
8 accounting system.

9
10 **WORKFORCE INVESTMENT ACT FUNDS/TRANSFER OF FUNDS TO**
11 **DEPARTMENT OF LABOR**

12 **SECTION 15.5.** Of the Workforce Investment Act funds awarded to the
13 Department of Commerce by the United States Department of Labor, the sum of three hundred
14 fifty thousand dollars (\$350,000) shall be transferred to the Department of Labor for the
15 Apprenticeship Program on a recurring basis for the 2013-2015 biennium.

16
17 **SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION**
18 **GENERAL FUND APPROPRIATION**

19 **SECTION 15.6.(a)** The Office of State Budget and Management, in conjunction
20 with the Office of the State Controller and the Department of Commerce, shall transfer the
21 unencumbered cash balances in the following funds as of June 30, 2013, to Commerce
22 Administration (Budget Code 14600-1111):

- 23 (1) 24609-2537 – Energy Research Grants
24 (2) 24609-2535 – NC Green Business Fund

25 **SECTION 15.6.(b)** The Office of State Budget and Management, in conjunction
26 with the Office of the State Controller and the Department of Commerce, shall transfer the
27 unencumbered cash balance in the International Trade Show Special Fund (Budget Code
28 24610-2431) as of June 30, 2013, to Commerce Administration (Budget Code 14600-1111)
29 and, upon the transfer, close the Fund.

30 **SECTION 15.6.(c)** The transfers in subsections (a) and (b) of this section are to
31 offset General Fund appropriations to the Department of Commerce for administration.

32
33 **SECRETARY DESIGNATE SUPERVISOR OF BLNC EMPLOYEES**

34 **SECTION 15.7.** The Secretary of Commerce shall designate the person or persons
35 who shall supervise the employees in Business Link North Carolina (BLNC). The person or
36 persons designated under this section shall have the powers and duties authorized by the
37 Secretary.

38
39 **COMMERCE FLEXIBILITY TO REORGANIZE DEPARTMENT TO ESTABLISH**
40 **PUBLIC-PRIVATE PARTNERSHIP**

41 **SECTION 15.7A.(a)** Notwithstanding any other provision of law, and consistent
42 with the authority granted in G.S. 143B-10, the Secretary of the Department of Commerce may
43 reorganize positions and related operational costs within the Department to establish a public-
44 private partnership which includes cost containment measures. Actions under this section may
45 only be implemented after the Office of State Budget and Management has approved a proposal
46 submitted by the Department. Proposals under this section shall include, at a minimum, the
47 positions involved and strategies to achieve efficiencies.

48 **SECTION 15.7A.(b)** Not later than April 1, 2014, the Department shall report on
49 any actions under this section to the House of Representatives Appropriations Subcommittee on
50 Natural and Economic Resources, the Senate Appropriations Committee on Natural and
51 Economic Resources, and the Fiscal Research Division.

COMMON FOLLOW-UP/CONTINUATION REVIEW

SECTION 15.8.(a) The Department of Commerce, Labor and Economic Analysis Division (LEAD), shall conduct a continuation review of the Common Follow-Up Information Management System (hereinafter "Common Follow-Up") created pursuant to G.S. 96-32. LEAD shall report the preliminary findings of the continuation review to the Fiscal Research Division no later than December 1, 2013, and shall submit a final report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, and the House Appropriations Subcommittee on Natural and Economic Resources no later than March 1, 2014.

SECTION 15.8.(b) The continuation review report required by subsection (a) of this section shall include the following information:

- (1) A description of Common Follow-Up and the goals of the program.
- (2) The statutory objectives for Common Follow-Up and the problem or need addressed.
- (3) The extent to which the objectives of Common Follow-Up have been achieved.
- (4) Any functions or programs of Common Follow-Up performed without specific statutory authority.
- (5) The performance measures for Common Follow-Up and the process by which the performance measures determine efficiency and effectiveness.
- (6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
- (7) The consequences of discontinuing funding.
- (8) Recommendations for improving services or reducing costs or duplication.
- (9) The identification of policy issues that should be brought to the attention of the General Assembly.

LEAD/DEVELOP STANDARDIZED PERFORMANCE METRIC FOR NONPROFITS

SECTION 15.12. The Department of Commerce, Labor and Economic Analysis Division (LEAD), shall develop a standardized performance metric to evaluate whether a nonprofit allocated State funds by the Department in the 2013-2015 biennium has achieved its own goals or performance standards. The metric shall include standards for determining whether jobs were actually created, grants were awarded, or loans were made. The information obtained as a result of the metric shall be used by the General Assembly in determining whether to fund the nonprofits in future fiscal years. In order to be eligible to receive State funds, each nonprofit surveyed shall provide to LEAD any information requested to help develop the metric provided for in this section.

NER BLOCK GRANTS/2014 AND 2015 PROGRAM YEARS

SECTION 15.14.(a) Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2014, and June 30, 2015, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	\$ 1,275,000
02. Economic Development	10,737,500
03. Infrastructure	30,937,500

1 TOTAL COMMUNITY DEVELOPMENT**2 BLOCK GRANT – 2014 Program Year****\$ 42,950,000****3 2015 Program Year****\$ 42,950,000**

4 SECTION 15.14.(b) Decreases in Federal Fund Availability. – If federal funds are
5 reduced below the amounts specified above after the effective date of this act, then every
6 program in each of these federal block grants shall be reduced by the same percentage as the
7 reduction in federal funds.

8 SECTION 15.14.(c) Increases in Federal Fund Availability for Community
9 Development Block Grant. – Any block grant funds appropriated by the Congress of the United
10 States in addition to the funds specified in this section shall be expended as follows: each
11 program category under the Community Development Block Grant shall be increased by the
12 same percentage as the increase in federal funds.

13 SECTION 15.14.(d) Limitations on Community Development Block Grant Funds.
14 – Of the funds appropriated in this section for the Community Development Block Grant, the
15 following shall be allocated in each category for each program year: up to one million two
16 hundred seventy-five thousand dollars (\$1,275,000) may be used for State Administration; up
17 to ten million seven hundred thirty-seven thousand five hundred dollars (\$10,737,500) may be
18 used for Economic Development; and up to thirty million nine hundred thirty-seven thousand
19 five hundred dollars (\$30,937,500) may be used for Infrastructure. If federal block grant funds
20 are reduced or increased by the Congress of the United States after the effective date of this act,
21 then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of
22 this section, as applicable.

23 SECTION 15.14.(e) The Department of Commerce shall consult with the Joint
24 Legislative Commission on Governmental Operations prior to reallocating Community
25 Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever
26 the Director of the Budget finds that:

- 27** (1) A reallocation is required because of an emergency that poses an imminent
28 threat to public health or public safety, the Director of the Budget may
29 authorize the reallocation without consulting the Commission. The
30 Department of Commerce shall report to the Commission on the reallocation
31 no later than 30 days after it was authorized and shall identify in the report
32 the emergency, the type of action taken, and how it was related to the
33 emergency.
- 34** (2) The State will lose federal block grant funds or receive less federal block
35 grant funds in the next fiscal year unless a reallocation is made, the
36 Department of Commerce shall provide a written report to the Commission
37 on the proposed reallocation and shall identify the reason that failure to take
38 action will result in the loss of federal funds. If the Commission does not
39 hear the issue within 30 days of receipt of the report, the Department may
40 take the action without consulting the Commission.

41 SECTION 15.14.(f) By September 1, 2013, and September 1, 2014, the Division
42 of Community Assistance, Department of Commerce, shall report to the Joint Legislative
43 Commission on Governmental Operations and the Fiscal Research Division on the use of
44 Community Development Block Grant Funds appropriated in the prior fiscal year. The report
45 shall include the following:

- 46** (1) A discussion of each of the categories of funding and how the categories
47 were selected, including information on how a determination was made that
48 there was a statewide need in each of the categories.
- 49** (2) Information on the number of applications that were received in each
50 category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 15.14.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

NER BLOCK GRANTS/2013 PROGRAM YEAR

SECTION 15.15.(a) Section 14.1 of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142, reads as rewritten:

"**SECTION 14.1.(a)** Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	\$1,000,000	<u>\$1,275,000</u>
03. Scattered Site Housing		7,200,000
04. Economic Development	7,000,000	<u>10,625,000</u>
05. Small Business/Entrepreneurship		2,500,000
06. NC Catalyst		4,500,000
07. Infrastructure	20,300,000	<u>30,600,000</u>

TOTAL COMMUNITY DEVELOPMENT

BLOCK GRANT – 2013 Program Year \$42,500,000

"**SECTION 14.1.(b)** Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

"**SECTION 14.1.(c)** Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

"**SECTION 14.1.(d)** Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to ~~one million dollars (\$1,000,000)~~ one million two hundred seventy-five thousand dollars (\$1,275,000) may be used for State Administration; ~~up to seven million two hundred thousand dollars (\$7,200,000)~~ up to ten million six hundred twenty-five thousand dollars (\$10,625,000) may be used for Economic Development; ~~up to two million five hundred thousand dollars (\$2,500,000)~~ up to four million five hundred thousand dollars (\$4,500,000) may be used for Small Business/Entrepreneurship; ~~up to four million five hundred thousand dollars (\$4,500,000)~~ shall

1 ~~be used for NC Catalyst; and up to twenty million three hundred thousand dollars~~
2 ~~(\$20,300,000)~~ thirty million six hundred thousand dollars (\$30,600,000) may be used for
3 Infrastructure. If federal block grant funds are reduced or increased by the Congress of the
4 United States after the effective date of this act, then these reductions or increases shall be
5 allocated in accordance with subsection (b) or (c) of this section, as applicable.

6 **"SECTION 14.1.(e)** The Department of Commerce shall consult with the Joint Legislative
7 Commission on Governmental Operations prior to reallocating Community Development
8 Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director
9 of the Budget finds that:

10 (1) A reallocation is required because of an emergency that poses an imminent
11 threat to public health or public safety, the Director of the Budget may
12 authorize the reallocation without consulting the Commission. The
13 Department of Commerce shall report to the Commission on the reallocation
14 no later than 30 days after it was authorized and shall identify in the report
15 the emergency, the type of action taken, and how it was related to the
16 emergency.

17 (2) The State will lose federal block grant funds or receive less federal block
18 grant funds in the next fiscal year unless a reallocation is made, the
19 Department of Commerce shall provide a written report to the Commission
20 on the proposed reallocation and shall identify the reason that failure to take
21 action will result in the loss of federal funds. If the Commission does not
22 hear the issue within 30 days of receipt of the report, the Department may
23 take the action without consulting the Commission.

24 **"SECTION 14.1.(f)** By ~~September 1, 2012,~~ September 1, 2013, the Division of
25 Community Assistance, Department of Commerce, shall report to the Joint Legislative
26 Commission on Governmental Operations and the Fiscal Research Division on the use of
27 Community Development Block Grant Funds appropriated in the prior fiscal year. The report
28 shall include the following:

29 (1) A discussion of each of the categories of funding and how the categories
30 were selected, including information on how a determination was made that
31 there was a statewide need in each of the categories.

32 (2) Information on the number of applications that were received in each
33 category and the total dollar amount requested in each category.

34 (3) A list of grantees, including the grantee's name, county, category under
35 which the grant was funded, the amount awarded, and a narrative description
36 of the project.

37 **"SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of
38 Infrastructure in subsection (a) of this section are limited to the installation of public water or
39 sewer lines and improvements to water or sewer treatment plants that have specific problems
40 such as being under moratoriums or special orders of consent. Notwithstanding the provisions
41 of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a)
42 of this section shall not be reallocated to any other category."

43 **SECTION 15.15.(b)** This section becomes effective June 30, 2013.
44

45 **ONE NORTH CAROLINA FUND**

46 **SECTION 15.16.** Of the funds appropriated in this act to the One North Carolina
47 Fund for the 2013-2015 biennium, the Department of Commerce may use up to two hundred
48 fifty thousand dollars (\$250,000) in each year of the biennium to cover its expenses in
49 administering the One North Carolina Fund and other economic development incentive grant
50 programs. The Department of Commerce shall not use more than two hundred fifty thousand
51 dollars (\$250,000) for administrative costs in any one fiscal year.

1
2 **MODIFY ONE NC FUND AWARDS**

3 **SECTION 15.16A.** G.S. 143B-437.71(b1) reads as rewritten:

4 "(b1) Awards. – The amounts committed in Governor's Letters issued in a single fiscal
5 year—biennium may not exceed ~~fourteen~~—twenty-eight million dollars
6 (\$14,000,000)—(~~\$28,000,000~~)."

7
8 **MODIFY INDUSTRIAL DEVELOPMENT FUND AND UTILITY ACCOUNT**

9 **SECTION 15.18.(a)** G.S. 143B-437.01 reads as rewritten:

10 **"§ 143B-437.01. Industrial Development ~~Fund~~Fund Utility Account.**

11 (a) Creation and Purpose of Fund. – There is created in the Department of Commerce
12 ~~the Industrial Development Fund~~ a special account to be known as the Industrial Development
13 Fund Utility Account ("Utility Account") to provide funds to assist the local government units
14 of the most economically distressed counties in the State in creating ~~and retaining jobs in~~
15 ~~certain industries~~ jobs. The Department of Commerce shall adopt rules providing for the
16 administration of the program. Those rules shall include the following provisions, which shall
17 apply to each grant from the ~~fund~~ account:

18 (1) The funds shall be used for ~~(i) installation of or purchases of equipment for~~
19 ~~eligible industries, (ii) structural repairs, improvements, or renovations of~~
20 ~~existing buildings to be used for expansion of eligible industries, or~~
21 ~~(iii) construction of or improvements to new or existing water, sewer, gas,~~
22 ~~telecommunications, high-speed broadband, electrical utility distribution~~
23 ~~lines or equipment, or transportation infrastructure for existing or new or~~
24 ~~proposed industrial buildings to be used for eligible industries~~ buildings. To
25 be eligible for funding, the water, gas, telecommunications, high-speed
26 broadband, electrical utility lines or facilities, or transportation infrastructure
27 shall be located on the site of the building or, if not located on the site, shall
28 be directly related to the operation of the ~~specific eligible industrial~~ job
29 creation activity. To be eligible for funding, the sewer infrastructure shall be
30 located on the site of the building or, if not located on the site, shall be
31 directly related to the operation of the ~~specific eligible industrial~~ job
32 creation activity, even if the sewer infrastructure is located in a county other than the
33 county in which the building is located.

34 (1a) The funds shall be used for projects located in economically distressed
35 counties except that the Secretary of Commerce may use up to one hundred
36 thousand dollars (\$100,000) to provide emergency economic development
37 assistance in any county that is documented to be experiencing a major
38 economic dislocation.

39 (2) The funds shall be used by the city and county governments for projects that
40 ~~will directly~~ are reasonably anticipated to result in the creation ~~or retention~~ of
41 new jobs. ~~The funds shall be expended at a maximum rate of ten thousand~~
42 ~~dollars (\$10,000) per new job created or per job retained up to a maximum~~
43 ~~of five hundred thousand dollars (\$500,000) per project. There shall be no~~
44 maximum funding amount per new job to be created or per project.

45 (3) There shall be no local match requirement if the project is located in a
46 county that has one of the 25 highest rankings under ~~G.S. 143B-437.08~~ or
47 ~~that has a population of less than 50,000 and more than nineteen percent~~
48 ~~(19%) of its population below the federal poverty level according to the most~~
49 ~~recent federal decennial census.~~ G.S. 143B-437.08.

50 (4) The Department may authorize a local government that receives funds under
51 this section to use up to two percent (2%) of the funds, if necessary, to verify

- 1 that the funds are used only in accordance with law and to otherwise
2 administer the grant or loan.
- 3 (5) No project subject to the Environmental Policy Act, Article 1 of Chapter
4 113A of the General Statutes, shall be funded unless the Secretary of
5 Commerce finds that the proposed project will not have a significant adverse
6 effect on the environment. The Secretary of Commerce shall not make this
7 finding unless the Secretary has first received a certification from the
8 Department of Environment and Natural Resources that concludes, after
9 consideration of avoidance and mitigation measures, that the proposed
10 project will not have a significant adverse effect on the environment.
- 11 (6) The funds shall not be used for any nonmanufacturing project that does not
12 meet the wage standard set out in ~~G.S. 105-129.4(b)~~.G.S. 105-129.4(b) or for
13 any retail, entertainment, or sports projects.
- 14 (7) Priority for the use of funds shall be given to eligible industries.
- 15 (a1) Definitions. – The following definitions apply in this section:
- 16 (1) Air courier services. – ~~Defined in G.S. 105-129.81.~~The furnishing of air
17 delivery of individually addressed letters and packages for compensation, in
18 interstate commerce, except by the United States Postal Service.
- 19 (2) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.
- 20 (2a) Company headquarters. – ~~Defined in G.S. 105-129.81.~~A corporate,
21 subsidiary, or regional managing office, as defined by NAICS in United
22 States industry 551114, that is responsible for strategic or organizational
23 planning and decision making for the business on an international, national,
24 or multistate regional basis.
- 25 (3) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.
- 26 (4) Economically distressed county. – A county that ~~has one of the 65 highest~~
27 ~~rankings~~ is defined as a development tier one or two area under
28 G.S. 143B-437.08 after the adjustments of that section are applied.
- 29 (5) Eligible industry. – A company headquarters or a person engaged in the
30 business of air courier services, information technology and services,
31 manufacturing, or warehousing and wholesale trade.
- 32 (6) Information technology and services. – ~~Defined in G.S. 105-129.81.~~An
33 industry in one of the following, as defined by NAICS:
- 34 a. Data processing industry group 518.
35 b. Software publishers industry group 5112.
36 c. Computer systems design and related services industry group 5415.
37 d. An Internet activity included in industry group 519130.
- 38 (7) Major economic dislocation. – The actual or imminent loss of 500 or more
39 manufacturing jobs in the county or of a number of manufacturing jobs equal
40 to at least ten percent (10%) of the existing manufacturing workforce in the
41 county.
- 42 (8) Manufacturing. – ~~Defined in G.S. 105-129.81.~~An industry in manufacturing
43 sectors 31 through 33, as defined by NAICS, but not including quick
44 printing or retail bakeries.
- 45 (9) Reserved.
- 46 (10) Warehousing. – ~~Defined in G.S. 105-129.81.~~An industry in warehousing and
47 storage subsector 493 as defined by NAICS.
- 48 (11) Wholesale trade. – ~~Defined in G.S. 105-129.81.~~An industry in wholesale
49 trade sector 42 as defined by NAICS.
- 50 (b) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5.

1 ~~(b1) There is created within the Industrial Development Fund a special account to be~~
 2 ~~known as the Utility Account to provide funds to assist the local government units of the~~
 3 ~~counties that have one of the 65 highest rankings under G.S. 143B-437.08 after the adjustments~~
 4 ~~of that section are applied in creating jobs in eligible industries. The Department of Commerce~~
 5 ~~shall adopt rules providing for the administration of the program. Except as otherwise provided~~
 6 ~~in this subsection, those rules shall be consistent with the rules adopted with respect to the~~
 7 ~~Industrial Development Fund. The rules shall provide that the funds in the Utility Account may~~
 8 ~~be used only for construction of or improvements to new or existing water, sewer, gas,~~
 9 ~~telecommunications, high speed broadband, electrical utility distribution lines or equipment, or~~
 10 ~~transportation infrastructure for existing or new or proposed industrial buildings to be used for~~
 11 ~~eligible industrial operations. To be eligible for funding, the water, sewer, gas,~~
 12 ~~telecommunications, high speed broadband, electrical utility lines or facilities, or transportation~~
 13 ~~infrastructure shall be located on the site of the building or, if not located on the site, shall be~~
 14 ~~directly related to the operation of the specific industrial activity. There shall be no maximum~~
 15 ~~funding amount per new job to be created or per project.~~

16 (c), (c1) Repealed by Session Laws 2012-142, s. 13.4(c), effective July 1, 2012.

17 (d) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5."

18 **SECTION 15.18.(b)** G.S. 105-129.81 reads as rewritten:

19 "**§ 105-129.81. Definitions.**

20 The following definitions apply in this Article:

21 ...

22 (2) Air courier services. – ~~The furnishing of air delivery of individually~~
 23 ~~addressed letters and packages for compensation, in interstate commerce,~~
 24 ~~except by the United States Postal Service. Defined in G.S. 143B-437.01.~~

25 ...

26 (5) Company headquarters. – ~~A corporate, subsidiary, or regional managing~~
 27 ~~office, as defined by NAICS in United States industry 551114, that is~~
 28 ~~responsible for strategic or organizational planning and decision making for~~
 29 ~~the business on an international, national, or multistate regional~~
 30 ~~basis. Defined in G.S. 143B-437.01.~~

31 ...

32 (13) Information technology and services. – Defined in G.S. 143B-437.01. ~~An~~
 33 ~~industry in one of the following, as defined by NAICS:~~

34 a. Data processing industry group 518.

35 b. Software publishers industry group 5112.

36 c. Computer systems design and related services industry group 5415.

37 d. An Internet activity included in industry group 519130.

38 ...

39 (15) Manufacturing. – ~~An industry in manufacturing sectors 31 through 33, as~~
 40 ~~defined by NAICS, but not including quick printing or retail~~
 41 ~~bakeries. Defined in G.S. 143B-437.01.~~

42 ...

43 (25) Warehousing. – ~~An industry in warehousing and storage subsector 493 as~~
 44 ~~defined by NAICS. Defined in G.S. 143B-437.01.~~

45 (26) Wholesale trade. – ~~An industry in wholesale trade sector 42 as defined by~~
 46 ~~NAICS. Defined in G.S. 143B-437.01."~~

47 **SECTION 15.18.(c)** G.S. 143B-437.012(d) reads as rewritten:

48 "(d) Eligibility. – A business is eligible for consideration for a grant under this section if
 49 it satisfies the conditions of either subdivision (1) or (2) of this subsection and satisfies the
 50 conditions of both subdivisions (3) and (4) of this subsection:

51 ...

- (2) The business is a large manufacturing employer. A business is a large manufacturing employer if the business meets the following requirements:
- a. The business is in manufacturing, as defined in ~~G.S. 105-129.81~~, G.S. 143B-437.01, and is converting its manufacturing process to change the product it manufactures.
 - b. The Department certifies that the business has invested or intends to invest at least sixty-five million dollars (\$65,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a three-year period beginning with the time the investment commences.
 - c. The business employs at least 320 full-time employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 320 full-time employees at the project for the full term of the grant.

...."

SECTION 15.18.(d) G.S. 143B-435.1(d) reads as rewritten:

"(d) Report. – By April 1 and October 1 of each year, the Department of Commerce shall report to the Revenue Laws Study Committee, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division of the ~~General Assembly~~ Legislative Services Commission on (i) all clawbacks that have been triggered under the One North Carolina Fund established pursuant to G.S. 143B-437.71, the Job Development Investment Grant Program established pursuant to G.S. 143B-437.52, Job Maintenance and Capital Development Fund established pursuant to G.S. 143B-437.012, the ~~Industrial Development Fund~~ and Utility Account established pursuant to G.S. 143B-437.01, and the Site Infrastructure Fund established pursuant to G.S. 143B-437.02 and (ii) its progress on obtaining repayments. The report must include the name of each business, the event that triggered the clawback, and the amount forfeited or to be repaid."

SECTION 15.18.(e) G.S. 143B-437.07(c) reads as rewritten:

"(c) Economic Development Incentive. – An economic development incentive includes any grant from the following programs: Job Development Investment Grant Program; the Job Maintenance and Capital Development Fund; One North Carolina Fund; and the ~~Industrial Development Fund~~, ~~including the~~ Utility Account. The State also incents economic development through the use of tax expenditures in the form of tax credits and refunds. The Department of Revenue must report annually on these statutory economic development incentives, as required under G.S. 105-256."

SECTION 15.18.(f) G.S. 143B-437.55(c) reads as rewritten:

"(c) Annual Reports. – The Committee shall publish a report on the Job Development Investment Grant Program on or before April 30 of each year. The Committee shall submit the report electronically to the House of Representatives Finance Committee, the Senate Finance Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. The report shall include the following:

...

- (13) The total amount transferred to the Utility Account ~~of the Industrial Development Fund~~ under this Part during the preceding year."

SECTION 15.18.(g) G.S. 143B-437.61 reads as rewritten:

"§ **143B-437.61. Transfer to Industrial Development ~~Fund~~ Fund Utility Account.**

At the time the Department of Commerce remits a check to a business under G.S. 143B-437.60, the Department of Commerce shall transfer to the Utility Account ~~of the~~

1 ~~Industrial Development Fund~~-an amount equal to the amount certified by the Committee as the
2 difference between the amount of the grant and the amount of the grant for which the business
3 would be eligible without regard to G.S. 143B-437.56(d)."

4 **SECTION 15.18.(h)** The Department of Commerce, in conjunction with the Office
5 of the State Controller, shall close the Industrial Development Fund and the Utility Account
6 and shall transfer the remaining fund balances of each to the Industrial Development Fund
7 Utility Account.

8 **SECTION 15.18.(i)** This section becomes effective July 1, 2013, and applies to
9 projects for which funds are initially provided on or after that date.

10 11 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM MODIFICATIONS**

12 **SECTION 15.19.(a)** G.S. 143B-437.52 reads as rewritten:

13 "**§ 143B-437.52. Job Development Investment Grant Program.**

14 ...

15 (b) Priority. – In selecting between applicants, a project that is located in an
16 Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project
17 that is not located in a certified Eco-Industrial Park.

18 (c) Awards. – The maximum amount of total annual liability for grants awarded in any
19 single calendar year under this Part, including amounts transferred to the Utility Account
20 pursuant to G.S. 143B-437.61, is fifteen million dollars (\$15,000,000). No agreement may be
21 entered into that, when considered together with other existing agreements governing grants
22 awarded during a single calendar year, could cause the State's potential total annual liability for
23 grants awarded in a single calendar year to exceed this amount. The Department shall make
24 every effort to ensure that the average percentage of withholdings of eligible positions for
25 grants awarded under this Part does not exceed the average of the range provided in
26 G.S. 143B-437.56(a).

27"

28 **SECTION 15.19.(a1)** Notwithstanding G.S. 143B-437.52(c), for the 2013-2015
29 fiscal biennium, the maximum total liability for grants awarded, including amounts transferred
30 to the Utility Account pursuant to G.S. 143B-437.61, is twenty-two million five hundred
31 thousand dollars (\$22,500,000) and, for the period from July 1, 2015, to December 31, 2015,
32 the maximum total liability for grants awarded, including amounts transferred to the Utility
33 Account pursuant to G.S. 143B-437.61, is seven million five hundred thousand dollars
34 (\$7,500,000). No agreement may be entered into that, when considered together with other
35 existing agreements governing grants awarded during an applicable time period provided in this
36 subsection, could cause the State's potential total annual liability for grants awarded in that time
37 period to exceed the designated maximum amount.

38 **SECTION 15.19.(b)** G.S. 143B-437.55(b) reads as rewritten:

39 "(b) Application Fee. – When filing an application under this section, the business must
40 pay the Committee a fee of five thousand dollars (\$5,000). The fee is due at the time the
41 application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of
42 the Office of State Budget and Management shall determine the allocation of the fee imposed
43 by this section among their agencies. The proceeds of the fee are receipts of the agency to
44 which they are credited. Within 30 days of receipt of an application under this section but prior
45 to any award being made, the Department of Commerce shall notify each governing body of an
46 area where a submitted application proposes locating a project of the information listed in this
47 subsection, provided that the governing body agrees, in writing, to any confidentiality
48 requirements imposed by the Department under G.S. 132-6(d). The information required by
49 this subsection includes all of the following:

50 (1) The estimated amount of the grant anticipated to be awarded to the applicant
51 for the project.

1 (2) Any economic impact data submitted with the application or prepared by the
2 Department.

3 (3) Any economic impact estimated by the Department to result from the
4 project."

5 **SECTION 15.19.(c)** This section becomes effective July 1, 2013, and applies to
6 applications and awards made on or after that date.

7
8 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM APPLICATION FEE**
9 **INCREASE**

10 **SECTION 15.20.(a)** G.S. 143B-437.55(b) reads as rewritten:

11 "(b) Application Fee. – When filing an application under this section, the business must
12 pay the Committee a fee of ~~five thousand dollars (\$5,000)~~ ten thousand dollars (\$10,000). The
13 fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of
14 Revenue, and the Director of the Office of State Budget and Management shall determine the
15 allocation of the fee imposed by this section among their agencies. The proceeds of the fee are
16 receipts of the agency to which they are credited."

17 **SECTION 15.20.(b)** This section becomes effective July 1, 2013, and applies to
18 applications filed on or after that date.

19
20 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM REPORTING FEE**
21 **INCREASE**

22 **SECTION 15.21.(a)** G.S. 143B-437.58(a) reads as rewritten:

23 "(a) No later than March 1 of each year, for the preceding grant year, every business that
24 is awarded a grant under this Part shall submit to the Committee an annual payroll report
25 showing withholdings as a condition of its continuation in the grant program and identifying
26 eligible positions that have been created during the base period that remain filled at the end of
27 each year of the grant. Annual reports submitted to the Committee shall include social security
28 numbers of individual employees identified in the reports. Upon request of the Committee, the
29 business shall also submit a copy of its State and federal tax returns. Payroll and tax
30 information, including social security numbers of individual employees and State and federal
31 tax returns, submitted under this subsection is tax information subject to G.S. 105-259.
32 Aggregated payroll or withholding tax information submitted or derived under this subsection
33 is not tax information subject to G.S. 105-259. When making a submission under this section,
34 the business must pay the Committee a fee of ~~one thousand five hundred dollars (\$1,500)~~ the
35 greater of two thousand five hundred dollars (\$2,500) or three one-hundredths of one percent
36 (.03%) of an amount equal to the grant less the maximum amount to be transferred pursuant to
37 G.S. 143B-437.61. The fee is due at the time the submission is made. The Secretary of
38 Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and
39 Management shall determine the allocation of the fee imposed by this section among their
40 agencies. The proceeds of the fee are receipts of the agency to which they are credited."

41 **SECTION 15.21.(b)** This section becomes effective July 1, 2013, and applies to
42 fees submitted for awards granted on or after that date.

43
44 **TRANSFER STATE ENERGY OFFICE FROM COMMERCE TO DENR**

45
46 **GENERAL**

47 **SECTION 15.22.(a)** The State Energy Office is hereby transferred from the
48 Department of Commerce to the Department of Environment and Natural Resources. This
49 transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

50
51 **ENERGY LOAN FUND**

1 **SECTION 15.22.(b)** Part 2C of Article 10 of Chapter 143B of the General
2 Statutes, G.S. 143B-437.14 through G.S. 143B-437.16, is recodified as Part 32 of Article 7 of
3 Chapter 143B of the General Statutes, G.S. 143B-344.42 through G.S. 143B-344.44.

4 **SECTION 15.22.(c)** G.S. 143B-437.16, recodified as G.S. 143B-344.44 in
5 subsection (b) of this section, reads as rewritten:

6 "**§ 143B-344.44. Lead agency; powers and duties.**

7 (a) For the purposes of this Part, the Department of ~~Commerce~~Environment and
8 Natural Resources, State Energy Office, is designated as the lead State agency in matters
9 pertaining to energy efficiency.

10 "

11 **GUARANTEED ENERGY SAVINGS CONTRACTS**

12 **SECTION 15.22.(d)** G.S. 143-64.17F reads as rewritten:

13 "**§ 143-64.17F. State agencies to use contracts when feasible; rules; recommendations.**

14 ...

15 (b) The Department of Administration, in consultation with the Department of
16 ~~Commerce~~Environment and Natural Resources, through the State Energy Office, shall adopt
17 rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time
18 periods for consideration of guaranteed energy savings contracts by the Office of State Budget
19 and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting
20 measurements and verification criteria, including review, audit, and precertification. Prior to
21 adopting any rules pursuant to this section, the Department shall consult with and obtain
22 approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection
23 shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L.

24 (c) The Department of Administration, and the Department of ~~Commerce~~Environment
25 and Natural Resources through the State Energy Office, may provide to the Council of State its
26 recommendations concerning any energy savings contracts being considered."

27 **SECTION 15.22.(e)** G.S. 143-64.17G reads as rewritten:

28 "**§ 143-64.17G. Report on guaranteed energy savings contracts entered into by local**
29 **governmental units.**

30 A local governmental unit that enters into a guaranteed energy savings contract must report
31 the contract and the terms of the contract to the Local Government Commission and the State
32 Energy Office of the Department of ~~Administration~~Environment and Natural Resources. The
33 Commission shall compile the information and report it biennially to the Joint Commission on
34 Governmental Operations. In compiling the information, the Local Government Commission
35 shall include information on the energy savings expected to be realized from a contract and,
36 with the assistance of the Office of State Construction and the State Energy Office, shall
37 evaluate whether expected savings have in fact been realized."

38 **SECTION 15.22.(f)** G.S. 143-64.17H reads as rewritten:

39 "**§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State**
40 **governmental units.**

41 A State governmental unit that enters into a guaranteed energy savings contract or
42 implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i)
43 the contract and the terms of the contract or (ii) the implementation of the measure to the State
44 Energy Office of the Department of ~~Commerce~~Environment and Natural Resources within 30
45 days of the date the contract is entered into or the measure is implemented. In addition, within
46 60 days after each annual anniversary date of a guaranteed energy savings contract, the State
47 governmental unit must report the status of the contract to the State Energy Office, including
48 any details required by the State Energy Office. The State Energy Office shall compile the
49 information for each fiscal year and report it to the Joint Legislative Commission on
50 Governmental Operations and to the Local Government Commission annually by December 1.
51

1 In compiling the information, the State Energy Office shall include information on the energy
2 savings expected to be realized from a contract or implementation and shall evaluate whether
3 expected savings have in fact been realized."
4

5 ENERGY ASSISTANCE FOR LOW-INCOME PERSONS

6 **SECTION 15.22.(g)** The programs administered under the North Carolina Energy
7 Assistance Act for Low-Income Persons, being the Weatherization Assistance Program for
8 Low-Income Families and the Heating/Air Repair and Replacement Program, and any other
9 energy-related assistance program for the benefit of low-income persons in existing housing,
10 are transferred from the Department of Commerce to the State Energy Office in the Department
11 of Environment and Natural Resources. The transfer under this subsection shall have all of the
12 elements of a Type I transfer, as defined in G.S. 143A-6.

13 **SECTION 15.22.(h)** Part 9 of Article 2 of Chapter 108A of the General Statutes,
14 G.S. 108A-70.30, is recodified as Part 33 of Article 7 of Chapter 143B of the General Statutes,
15 G.S. 143B-344.46.

16 **SECTION 15.22.(i)** G.S. 108A-70.30, recodified as G.S. 143B-344.46 in
17 subsection (h) of this section, reads as rewritten:

18 "**§ 143B-344.46. Weatherization Assistance Program and Heating/Air Repair and**
19 **Replacement Program.**

20 The State Energy Office within the Department may administer the Weatherization
21 Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement
22 Program functions. Nothing in this Part shall be construed as obligating the General Assembly
23 to appropriate funds for the Program or as entitling any person to services under the Program."

24 **SECTION 15.22.(j)** Part 21 of Article 10 of Chapter 143B of the General Statutes,
25 G.S. 143B-472.121 through 143B-472.123, is recodified as Part 34 of Article 7 of Chapter
26 143B of the General Statutes, G.S. 143B-344.48 through G.S. 143B-344.50.

27 **SECTION 15.22.(k)** G.S. 143B-472.122, recodified as G.S. 143B-344.49 in
28 subsection (j) of this section, and G.S. 143B-472.123, recodified as G.S. 143B-344.50 in
29 subsection (j) of this section, read as rewritten:

30 "**§ 143B-344.49. Definitions.**

31 The following definitions apply to this Part:

32 ...

33 (2) Department. – The Department of ~~Commerce~~Environment and Natural
34 Resources.

35 (3) Secretary. – The Secretary of ~~Commerce~~the Department of Environment
36 and Natural Resources.

37

38 "**§ 143B-344.50. The ~~Office of Economic Opportunity~~State Energy Office designated**
39 **agency; powers and duties.**

40 (a) The ~~Office of Economic Opportunity of the Department~~State Energy Office in the
41 Department of Environment and Natural Resources shall administer the Weatherization
42 Assistance Program for Low-Income Families established by 42 U.S.C. § 6861, et seq., and 42
43 U.S.C. § 7101, et seq.; the Heating/Air Repair and Replacement Program established by the
44 Secretary under ~~G.S. 108A-70.30~~G.S. 143B-344.46; and any other energy-related assistance
45 program for the benefit of low-income persons in existing housing. The ~~Office of Economic~~
46 ~~Opportunity~~State Energy Office shall exercise the following powers and duties:

47 ...

48 (8) Create a Policy Advisory Council within the ~~Office of Economic~~
49 ~~Opportunity~~State Energy Office that shall advise the ~~Office of Economic~~
50 ~~Opportunity~~State Energy Office with respect to the development and
51 implementation of a Weatherization Program for Low-Income Families, the

1 Heating/Air Repair and Replacement Program, and any other energy-related
2 assistance program for the benefit of low-income persons in existing
3 housing.

4"

6 ENERGY POLICY COUNCIL

7 SECTION 15.22.(l) G.S. 113B-2 reads as rewritten:

8 "§ 113B-2. Creation of Energy Policy Council; purpose of Council.

9 (a) There is hereby created a council to advise and make recommendations on energy
10 policy to the Governor and the General Assembly to be known as the Energy Policy Council
11 which shall be located within the Department of ~~Commerce~~Environment and Natural
12 Resources.

13 (b) Except as otherwise provided in this Chapter, the powers, duties and functions of
14 the Energy Policy Council shall be as prescribed by the Secretary of ~~Commerce~~the Department
15 of Environment and Natural Resources.

16 (c) The Energy Policy Council shall serve as the central energy policy planning body of
17 the State and shall communicate and cooperate with federal, State, regional and local bodies
18 and agencies to the end of effecting a coordinated energy policy."

19 SECTION 15.22.(m) G.S. 113B-11 reads as rewritten:

20 "§ 113B-11. Powers and authority.

21 ...

22 (c) The Council shall have authority to apply for and utilize grants, contributions and
23 appropriations in order to carry out its duties as defined in Articles 1 and 2 of this Chapter,
24 provided, however, that all such applications and requests are made through and administered
25 by the Department of ~~Commerce~~Environment and Natural Resources.

26 ...

27 (e) The Department of ~~Commerce~~Environment and Natural Resources shall provide
28 the staffing capability to the Energy Policy Council so as to fully and effectively develop
29 recommendations for a comprehensive State energy policy as contained in the provisions of
30 this Article. The Utilities Commission is hereby authorized to make its staff available to the
31 Council to assist in the development of a State energy policy."

33 PURCHASES AND CONTRACTS

34 SECTION 15.22.(n) G.S. 143-58.4 reads as rewritten:

35 "§ 143-58.4. Energy credit banking and selling program.

36 (a) The following definitions apply in this section:

37 ...

38 (4) Department. – The Department of ~~Commerce~~The Department of
39 Environment and Natural Resources.

40 ...

41 (c) Adopt Rules. – The Secretary of ~~Commerce~~Environment and Natural Resources
42 shall adopt rules as necessary to implement this section."

44 ENERGY POLICY AND LIFE-CYCLE COST ANALYSIS

45 SECTION 15.22.(o) G.S. 143-64.11 reads as rewritten:

46 "§ 143-64.11. Definitions.

47 For purposes of this Article:

48 ...

49 (2a) "Energy Office" means the State Energy Office of the Department of
50 ~~Commerce~~Environment and Natural Resources.

51"

1 **SECTION 15.22.(p)** G.S. 143-64.12 reads as rewritten:
 2 "**§ 143-64.12. Authority and duties of the Department; State agencies and State**
 3 **institutions of higher learning.**

4 (a) The Department of ~~Commerce~~ Environment and Natural Resources through the
 5 State Energy Office shall develop a comprehensive program to manage energy, water, and
 6 other utility use for State agencies and State institutions of higher learning and shall update this
 7 program annually. Each State agency and State institution of higher learning shall develop and
 8 implement a management plan that is consistent with the State's comprehensive program under
 9 this subsection to manage energy, water, and other utility use, and that addresses any findings
 10 or recommendations resulting from the energy audit required by subsection (b1) of this section.
 11 The energy consumption per gross square foot for all State buildings in total shall be reduced
 12 by twenty percent (20%) by 2010 and thirty percent (30%) by 2015 based on energy
 13 consumption for the 2002-2003 fiscal year. Each State agency and State institution of higher
 14 learning shall update its management plan annually and include strategies for supporting the
 15 energy consumption reduction requirements under this subsection. Each community college
 16 shall submit to the State Energy Office an annual written report of utility consumption and
 17 costs. Management plans submitted annually by State institutions of higher learning shall
 18 include all of the following:

19 "

20 **SECTION 15.22.(q)** The Revisor of Statutes may conform names and titles
 21 changed by this section, and may correct statutory references as required by this section,
 22 throughout the General Statutes. In making the changes authorized by this section, the Revisor
 23 may also adjust subject and verb agreement and the placement of conjunctions.

24
 25 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

26 **SECTION 15.25.** High Point Furniture Market Authority, Johnson & Wales
 27 University, North Carolina's Eastern Region, North Carolina's Northeast Commission,
 28 Southeastern North Carolina Regional Economic Development Commission, Western North
 29 Carolina Regional Economic Development Commission, Charlotte Regional Partnership, Inc.,
 30 Piedmont Triad Partnership, RTI International, Research Triangle Regional Partnership, and
 31 The Support Center shall do the following:

- 32 (1) By September 1 of each year, and more frequently as requested, report to the
 33 Joint Legislative Commission on Governmental Operations and the Fiscal
 34 Research Division on prior State fiscal year program activities, objectives,
 35 and accomplishments and prior State fiscal year itemized expenditures and
 36 fund sources.
- 37 (2) Provide to the Fiscal Research Division a copy of the entity's annual audited
 38 financial statement within 30 days of issuance of the statement.

39
 40 **GRASSROOTS SCIENCE PROGRAM**

41 **SECTION 15.25A.(a)** Of the funds appropriated in this act to the Department of
 42 Commerce for State-Aid, the sum of two million three hundred forty-seven thousand seven
 43 hundred eighty-two dollars (\$2,347,782) for the 2013-2014 fiscal year and the sum of two
 44 million three hundred forty-seven thousand seven hundred eighty-two dollars (\$2,347,782) for
 45 the 2014-2015 fiscal year are allocated as grants-in-aid for each fiscal year as follows:

	2013-2014	2014-2015
47 Aurora Fossil Museum	\$61,821	\$61,821
48 Cape Fear Museum	\$85,248	\$85,248
49 Carolina Raptor Center	\$74,916	\$74,916
50 Catawba Science Center	\$93,041	\$93,041
51 Colburn Earth Science Museum, Inc.	\$62,547	\$62,547

1	Core Sound Waterfowl Museum	\$67,395	\$67,395
2	Discovery Place	\$261,617	\$261,617
3	Eastern NC Regional Science Center	\$59,587	\$59,587
4	Fascinate-U	\$65,616	\$65,616
5	Granville County Museum Commission,		
6	Inc.–Harris Gallery	\$60,651	\$60,651
7	Greensboro Children's Museum	\$83,575	\$83,575
8	The Health Adventure Museum of Pack		
9	Place Education, Arts and		
10	Science Center, Inc.	\$73,352	\$73,352
11	Highlands Nature Center	\$62,816	\$62,816
12	Imagination Station	\$67,588	\$67,588
13	The Iredell Museums, Inc.	\$61,013	\$61,013
14	Kidsenses	\$65,233	\$65,233
15	Museum of Coastal Carolina	\$65,454	\$65,454
16	The Natural Science Center		
17	of Greensboro, Inc.	\$116,532	\$116,532
18	North Carolina Estuarium	\$58,000	\$58,000
19	North Carolina Museum of Life		
20	and Science	\$203,545	\$203,545
21	Pisgah Astronomical Research Institute	\$74,925	\$74,925
22	Port Discover: Northeastern		
23	North Carolina's Center for		
24	Hands-On Science, Inc.	\$60,610	\$60,610
25	Rocky Mount Children's Museum	\$66,463	\$66,463
26	Schiele Museum of Natural History		
27	and Planetarium, Inc.	\$100,990	\$100,990
28	Sci Works Science Center and		
29	Environmental Park of Forsyth County	\$83,725	\$83,725
30	Sylvan Heights Waterfowl Park		
31	and Eco-Center	\$69,864	\$69,864
32	Western North Carolina Nature Center	\$74,973	\$74,973
33	Wilmington Children's Museum	\$66,684	\$66,684
34	Total	\$2,347,782	\$2,347,782

35 **SECTION 15.25A.(b)** No later than March 1, 2014, the Department of Commerce
36 shall report to the Fiscal Research Division all of the following information for each museum
37 that receives funds under this section:

- 38 (1) The actual operating budget for the 2012-2013 fiscal year.
- 39 (2) The proposed operating budget for the 2013-2014 fiscal year.
- 40 (3) The total attendance at the museum during the 2013 calendar year.

41 **SECTION 15.25A.(c)** No later than March 1, 2015, the Department of Commerce
42 shall report to the Fiscal Research Division all of the following information for each museum
43 that receives funds under this section:

- 44 (1) The actual operating budget for the 2013-2014 fiscal year.
- 45 (2) The proposed operating budget for the 2014-2015 fiscal year.
- 46 (3) The total attendance at the museum during the 2014 calendar year.

47 **SECTION 15.25A.(d)** As a condition for qualifying to receive funding under this
48 section, all of the following documentation shall, no later than November 1 of each year of the
49 2013-2015 fiscal biennium, be submitted for each museum under this section to the Department
50 of Commerce for the fiscal year that most recently ended, and only those costs that are properly

1 documented under this subsection are allowed by the Department in calculating the distribution
2 of funds under this section:

- 3 (1) Each museum under this section shall submit its IRS (Internal Revenue
4 Service) Form 990 to show its annual operating expenses, its annual report,
5 and a reconciliation that explains any differences between expenses as
6 shown on the IRS Form 990 and the annual report.
- 7 (2) Each friends association of a museum under this section shall submit its IRS
8 Form 990 to show its reported expenses for the museum, its annual report,
9 and a reconciliation that explains any differences between expenses as
10 shown on the IRS Form 990 and the annual report, unless the association
11 does not have both an IRS Form 990 and an annual report available; in
12 which case, it shall submit either an IRS Form 990 or an annual report.
- 13 (3) The chief financial officer of each county or municipal government that
14 provides funds for the benefit of the museum shall submit a detailed signed
15 statement of documented costs spent for the benefit of the museum that
16 includes documentation of the name, address, title, and telephone number of
17 the person making the assertion that the museum receives funds from the
18 county or municipality for the benefit of the museum.
- 19 (4) The chief financial officer of each county or municipal government or each
20 friends association that provides indirect or allocable costs that are not
21 directly charged to a museum under this section but that benefit the museum
22 shall submit in the form of a detailed statement enumerating each cost by
23 type and amount that is verified by the financial officer responsible for the
24 completion of the documentation and that includes the name, address, title,
25 and telephone number of the person making the assertion that the county,
26 municipality, or association provides indirect or allocable costs to the
27 museum.

28 **SECTION 15.25A.(e)** As used in subsection (d) of this section, "friends
29 association" means a nonprofit corporation established for the purpose of supporting and
30 assisting a museum that receives funding under this section.

31 **SECTION 15.25A.(f)** Each museum listed in subsection (a) of this section shall do
32 the following:

- 33 (1) By September 1 of each year, and more frequently as requested, report to the
34 Joint Legislative Commission on Governmental Operations and the Fiscal
35 Research Division on prior State fiscal year program activities, objectives,
36 and accomplishments and prior State fiscal year itemized expenditures and
37 fund sources.
- 38 (2) Provide to the Fiscal Research Division a copy of the organization's annual
39 audited financial statement within 30 days of issuance of the statement.
40

41 **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STATUTES CREATING** 42 **COMMISSIONS REPEALED EFFECTIVE JUNE 30, 2014**

43 **SECTION 15.28.(a)** Articles 2 and 4 of Chapter 158 of the General Statutes are
44 repealed.

45 **SECTION 15.28.(b)** Upon the dissolution of North Carolina's Eastern Region, the
46 North Carolina's Eastern Region Development Commission, the governing body of North
47 Carolina's Eastern Region, shall liquidate the assets of the Region to the extent possible and
48 distribute all Region assets to the counties of the Region in proportion to the amount of the
49 vehicle registration tax levied by the Commission and collected in each county. The assets of
50 the Region that exceed the amount of the vehicle registration tax collected by the counties and
51 are attributable to an appropriation made to the Region by the General Assembly shall revert to

1 the General Fund and may not be distributed to the counties. A county may use funds
 2 distributed to it pursuant to this subsection only for economic development projects and
 3 infrastructure construction projects. In calculating the amount to be refunded to each county,
 4 the Region shall first allocate amounts loaned and not yet repaid as follows:

- 5 (1) Amounts loaned for a project in a county will be allocated to that county to
 6 the extent of its beneficial ownership of the principal of the interest-bearing
 7 trust account in which the proceeds of the vehicle registration tax levied by
 8 the Commission were placed, and the county will become the owner of the
 9 right to repayment of the amount loaned to the extent of its beneficial
 10 ownership of the principal of the trust account.
- 11 (2) Amounts not allocated pursuant to subdivision (1) of this subsection shall be
 12 allocated among the remaining counties in proportion to the amount of the
 13 vehicle registration tax collected in each county, and the remaining counties
 14 shall become the owners of the right to repayment of the amounts loaned in
 15 proportion to the amount of the vehicle registration tax collected in each
 16 county.

17 Notes and other instruments representing the right to repayment shall, upon
 18 dissolution of the Region, be held and collected by the State Treasurer, who shall disburse the
 19 collections to the counties as provided in this subsection.

20 The Commission shall distribute those assets that it is unable to liquidate among the
 21 Region counties insofar as practical on an equitable basis, as determined by the Commission.
 22 Upon dissolution, the State of North Carolina shall succeed to any remaining rights,
 23 obligations, and liabilities of the Region not assigned to the Region counties.

24 **SECTION 15.28.(c)** G.S. 120-123 reads as rewritten:

25 "**§ 120-123. Service by members of the General Assembly on certain boards and**
 26 **commissions.**

27 No member of the General Assembly may serve on any of the following boards or
 28 commissions:

- 29 ...
 30 ~~(62) The North Carolina's Northeast Commission, as established by G.S. 158-8.2.~~
 31"

32 **SECTION 15.28.(d)** G.S. 143-215.42 reads as rewritten:

33 "**§ 143-215.42. Acquisition of lands.**

34 ...
 35 (h) This section shall not authorize acquisition by condemnation of interests in land
 36 within the boundaries of any project to be constructed by the Tennessee Valley Authority, its
 37 agents or subdivision or any project licensed by the Federal Power Commission or interests in
 38 land owned or held for use by a public utility, as defined in G.S. 62-3. ~~No commission created~~
 39 ~~pursuant to G.S. 158-8 shall condemn or acquire any property to be used by the Tennessee~~
 40 ~~Valley Authority, its agents or subdivision."~~

41 **SECTION 15.28.(e)** G.S. 153A-398 reads as rewritten:

42 "**§ 153A-398. Regional planning and economic development commissions.**

43 Two or more counties, cities, or counties and cities may create a regional planning and
 44 economic development commission by adopting identical concurrent resolutions to that effect.
 45 Such a commission has the powers granted by this ~~Article and the powers granted by Chapter~~
 46 ~~158, Article 2.~~ ~~Article.~~ If such a commission is created, it shall maintain separate books of
 47 account for appropriations and expenditures made pursuant to this ~~Article and for~~
 48 ~~appropriations and expenditures made pursuant to Chapter 158, Article 2.~~ ~~Article."~~

49 **SECTION 15.28.(f)** The Revisor of Statutes may conform names and titles
 50 changed by this section and may correct statutory references as required by this section

1 throughout the General Statutes. In making the changes authorized by this section, the Revisor
2 may also adjust subject and verb agreement and the placement of conjunctions.

3 **SECTION 15.28.(g)** This section becomes effective June 30, 2014.
4

5 **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/FUNDS FOR 2013-2014**
6 **FISCAL YEAR**

7 **SECTION 15.28A.(a)** Funds appropriated in this act to the Department of
8 Commerce for regional economic development commissions shall be allocated to the following
9 commissions in accordance with subsection (b) of this section: North Carolina's Eastern
10 Region, North Carolina's Northeast Commission, Southeastern North Carolina Regional
11 Economic Development Commission, Western North Carolina Regional Economic
12 Development Commission, Charlotte Regional Partnership, Inc., Piedmont Triad Partnership,
13 and Research Triangle Regional Partnership.

14 **SECTION 15.28A.(b)** Funds appropriated pursuant to subsection (a) of this section
15 shall be allocated to each regional economic development commission as follows:

16 (1) First, the Department shall establish each commission's allocation by
17 determining the sum of allocations to each county that is a member of that
18 commission. Each county's allocation shall be determined by dividing the
19 county's development factor by the sum of the development factors for
20 eligible counties and multiplying the resulting percentage by the amount of
21 the appropriation. As used in this subdivision, the term "development factor"
22 means a county's development factor as calculated under G.S. 143B-437.08;
23 and

24 (2) Next, the Department shall subtract from funds allocated to North Carolina's
25 Eastern Region the sum of one hundred thirty-four thousand four hundred
26 sixty-six dollars (\$134,466) in the 2013-2014 fiscal year, which sum
27 represents (i) the total interest earnings in the prior fiscal year on the
28 estimated balance of the seven million five hundred thousand dollars
29 (\$7,500,000) appropriated to the Global TransPark Development Zone in
30 Section 6 of Chapter 561 of the 1993 Session Laws and (ii) the total interest
31 earnings in the prior fiscal year on loans made from the seven million five
32 hundred thousand dollars (\$7,500,000) appropriated to the Global TransPark
33 Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws;
34 and

35 (3) Next, the Department shall redistribute the sum of one hundred thirty-four
36 thousand four hundred sixty-six dollars (\$134,466) in the 2013-2014 fiscal
37 year to the seven regional economic development commissions named in
38 subsection (a) of this section. Each commission's share of this redistribution
39 shall be determined according to the development factor formula set out in
40 subdivision (1) of this subsection. This redistribution shall be in addition to
41 each commission's allocation determined under subdivision (1) of this
42 subsection.

43 **SECTION 15.28A.(c)** The General Assembly finds that successful economic
44 development requires the collaboration of the State, regions of the State, counties, and
45 municipalities. Therefore, the regional economic development commissions are encouraged to
46 seek supplemental funding from their county and municipal partners to continue and enhance
47 their efforts to attract and retain business in the State.
48

49 **SOUTHEASTERN NORTH CAROLINA REGIONAL ECONOMIC DEVELOPMENT**
50 **COMMISSION/MEMBER COUNTIES AMENDED**

51 **SECTION 15.28B.** G.S. 158-8.3(a) reads as rewritten:

"(a) There is created the Southeastern North Carolina Regional Economic Development Commission to serve Anson, Bladen, Brunswick, Columbus, Cumberland, Hoke, Montgomery, New Hanover, Pender, Richmond, Robeson, Sampson, and Scotland Counties, and any other county assigned to the Commission by the Department of Commerce as authorized by law. The Commission shall be located administratively in the Department of Commerce but shall exercise its statutory powers and duties independently of the Department of Commerce. Funds appropriated for the Commission by the General Assembly shall be disbursed directly to the Commission at the beginning of each fiscal year."

HIGH POINT MARKET AUTHORITY/HOUSE COMMERCE ECONOMIC DEVELOPER POSITION

SECTION 15.29. To receive State funds, the High Point Market Authority shall provide suitable work space for a Department of Commerce economic developer position.

NC BIOTECHNOLOGY CENTER

SECTION 15.30.(a) Of the funds appropriated in this act to the North Carolina Biotechnology Center (hereinafter "Center"), the sum of seventeen million two hundred thousand six hundred seventy-six dollars (\$17,200,676) for each fiscal year in the 2013-2015 biennium shall be allocated as follows:

- (1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, and related activities – \$3,704,126;
- (2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – \$11,133,486; and
- (3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – \$2,363,064.

SECTION 15.30.(b) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 15.30.(c) The Center shall comply with the following reporting requirements:

- (1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
- (2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

NORTH CAROLINA BIOTECHNOLOGY CENTER/EXAMINE CENTER OPERATIONS

SECTION 15.32.(a) The Board of Directors (hereinafter "Board") of the North Carolina Biotechnology Center (hereinafter "Center") shall review and examine each aspect of the Center's operations to determine ways in which efficiencies and cost savings can be achieved. The review required by this section shall include evaluating:

- (1) The activities conducted at the Center's headquarters in Research Triangle Park to determine how each and every activity is necessary to achieve the goals for which State funds are appropriated. Any unnecessary or duplicative activities shall be reduced or eliminated.

- (2) The activities conducted at the Center's regional offices and how those activities can be consolidated and performed in fewer locations.
- (3) Staffing requirements at the Center's headquarters and at the regional offices to determine whether some staff positions are duplicated and, if so, whether those duplications can be reduced or eliminated.
- (4) Whether State funds would be better used to provide additional grants and loans rather than to support current staffing levels and whether reducing current staffing levels to increase the amount of funds available for grants and loans would provide a positive return on investment. The Center shall determine the appropriate percentage of State funds that should be disbursed for grants, loans, and staff to maximize the return on State funds appropriated to the Center.
- (5) The administration of grant and loan programs funded in any way with State funds to ensure that the programs are conducted in a cost-efficient manner.
- (6) Any and all cash balances on hand to determine ways in which those cash balances can be used quickly to make grants and loans.
- (7) The size of the Board and the overall governance of the Center to determine whether changes in either or both can be made to make the Center more cost-efficient and effective in providing grants or loans.

SECTION 15.32.(b) By March 1, 2014, the Center shall report the findings of the review required by subsection (a) of this section to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. The report shall include the steps taken by the Center to implement any changes made to the Center's operations as a result of the review and shall include the Center's anticipated funding requirements from the General Assembly.

SECTION 15.32.(c) Remaining allotments after March 1, 2014, shall not be released to the Center if it does not conduct the review and report its findings as provided in this section.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 15.33.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc., (Rural Center) the sum of two million two hundred four thousand six hundred ninety-seven dollars (\$2,204,697) for the 2013-2014 fiscal year and the sum of two million six hundred fifty-three thousand one hundred ninety-six dollars (\$2,653,196) for the 2014-2015 fiscal year shall be allocated as follows:

	2013-2014	2014-2015
Center Administration, Technical Assistance, Oversight, Rural Jobs Research, and Demonstration Grants	\$1,449,348	\$1,744,157
Microbusiness Loan & Entrepreneurship Development Program	212,917	256,226
Agricultural Advancement Consortium	96,623	116,313
Administration of Jobs Infrastructure Program	334,357	402,375
Administration of Critical Needs Infrastructure Program	111,452	134,125.

SECTION 15.33.(b) In awarding grants under this section, the Rural Center shall give preference to a project involving a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does

1 not. A grant to assist with water infrastructure needs is not subject to the provisions of
2 G.S. 143-355.4.

3 **SECTION 15.33.(c)** By September 1 of each year, and more frequently as
4 requested, the Rural Center shall report to the Joint Legislative Commission on Governmental
5 Operations and the Fiscal Research Division on prior State fiscal year program activities,
6 objectives, and accomplishments and prior State fiscal year itemized expenditures and fund
7 sources.

8
9 **RURAL ECONOMIC DEVELOPMENT CENTER/JOBS INFRASTRUCTURE**
10 **PROGRAM**

11 **SECTION 15.34.(a)** Of the funds appropriated in this act to the North Carolina
12 Rural Economic Development Center, Inc., (Rural Center), the sum of ten million eight
13 hundred ten thousand eight hundred seventy-two dollars (\$10,810,872) for the 2013-2014 fiscal
14 year and the sum of thirteen million ten thousand one hundred two dollars (\$13,010,102) for
15 the 2014-2015 fiscal year shall be used for the Jobs Infrastructure Program and shall be
16 allocated as follows:

- 17 (1) To provide matching grants or loans to local governments to construct
18 critical water and wastewater facilities or to provide other infrastructure
19 needs including, but not limited to, natural gas, broadband, and rail to sites
20 where these facilities will generate private job-creating investment. The
21 grants under this program shall not be subject to the provisions of
22 G.S. 143-355.4.
- 23 (2) To provide matching grants or loans to local governments in distressed areas
24 that will productively reuse vacant buildings and properties or construct or
25 expand rural health care facilities, with priority given to towns or
26 communities with populations of less than 5,000.
- 27 (3) To provide grants and technical assistance to reinvigorate the economies of
28 towns with populations of less than 7,500, to invest in economic innovation
29 that stimulates business and job growth in distressed areas, to provide
30 scholarships and technical assistance to emerging entrepreneurs, and to
31 provide grants and technical assistance to demand-driven workforce
32 development projects that are local or regional in nature.
- 33 (4) Recipients of grant funds appropriated under this section shall contribute a
34 cash match for the grant that is equivalent to at least five percent (5%) of the
35 grant amount. The cash match shall come from local resources and may not
36 be derived from other State or federal grant funds or from funds provided by
37 the Rural Center.

38 **SECTION 15.34.(b)** In awarding grants under this section, the Rural Center shall
39 give preference to a project involving a resident company. For purposes of this section, the
40 term "resident company" means a company that has paid unemployment taxes or income taxes
41 in this State and whose principal place of business is located in this State. An application for a
42 project that serves an economically distressed area shall have priority over a project that does
43 not. A grant to assist with water infrastructure needs is not subject to the provisions of
44 G.S. 143-355.4.

45 **SECTION 15.34.(c)** By September 1 of each year, and more frequently as
46 requested, the Rural Center shall report to the Joint Legislative Commission on Governmental
47 Operations and the Fiscal Research Division concerning the progress of the Jobs Infrastructure
48 Program in the prior State fiscal year.

49
50 **RURAL ECONOMIC DEVELOPMENT CENTER/CRITICAL NEEDS**
51 **INFRASTRUCTURE PROGRAM**

1 **SECTION 15.35.(a)** Appropriation. – Of the funds appropriated in this act to the
2 North Carolina Rural Economic Development Center, Inc., (Rural Center), the sum of three
3 million six hundred three thousand six hundred twenty-five dollars (\$3,603,625) for the
4 2013-2014 fiscal year and the sum of four million three hundred thirty-six thousand seven
5 hundred two dollars (\$4,336,702) for the 2014-2015 fiscal year shall be used for the Critical
6 Needs Infrastructure Program (Program). The purpose of the Program is to provide grants to
7 local government units for wastewater-related projects, public water system-related projects,
8 other critical needs infrastructure, and critical economic development needs as provided in this
9 section. Funds may also be used to provide emergency water and sewer grants or loans.

10 **SECTION 15.35.(b)** Definitions. – The definitions provided in G.S. 159G-20
11 apply in this section. In addition, the following definitions apply in this section, unless
12 otherwise provided:

13 (1) Economically distressed area. – An economically distressed county as
14 defined in G.S. 143B-437.01.

15 (2) Rural county. – Any of the 85 rural counties served by the Rural Center.

16 **SECTION 15.35.(c)** Eligible Applicants; Eligible Projects. – A local government
17 unit is eligible for a grant under this section if it meets the eligibility requirements provided in
18 subsection (e) of this section. The funds appropriated in this section may be used to provide a
19 supplemental grant or loan that meets the requirements of subsections (d) and (e) of this
20 section. The following projects are eligible for receiving a grant under this section:

21 (1) Wastewater collection system.

22 (2) Wastewater treatment works.

23 (3) Public water system.

24 (4) Other critical needs infrastructure.

25 (5) Critical economic development needs.

26 **SECTION 15.35.(d)** Supplemental Grants or Loans. – A supplemental grant or
27 loan is available to match other funds to be applied to the construction costs of an eligible
28 project and is not subject to the provisions of G.S. 143-355.4. Other funds include federal
29 funds, State funds, and local funds. The Rural Center shall adopt rules governing the award of
30 supplemental grants or loans under this subsection.

31 **SECTION 15.35.(e)** Criteria for Grants. – All projects must document a current
32 critical water, wastewater, or other infrastructure need affecting human health or the
33 environment or must document a critical economic development need. The criteria in
34 G.S. 159G-23, this section, and any other criteria established by the Board of Directors of the
35 Rural Center shall apply to a grant provided under this section. An application for a project that
36 serves an economically distressed area shall have priority over a project that does not. The
37 Board of Directors of the Rural Center may determine that a crisis need exists which merits
38 special consideration and may establish one or more subcategories of this Program to address
39 applications that will meet the needs identified.

40 **SECTION 15.35.(f)** Planning Grants. – The Board of Directors of the Rural Center
41 may set aside up to five percent (5%) of the funds appropriated for critical water, wastewater,
42 or other infrastructure needs and critical economic development needs grants to aid local
43 governments in meeting the costs for preliminary project planning needed for an application
44 addressing a critical need.

45 **SECTION 15.35.(g)** Grant Applications. – Any application for a grant under this
46 section shall be submitted by the local government unit to the Rural Center. An application
47 shall be submitted on a form prescribed by the Rural Center and shall contain the information
48 required by or subsequently requested by the Rural Center in order to make a determination on
49 the application. An application that does not contain information required for the application or
50 requested by the Rural Center is incomplete and is not eligible for consideration.

1 **SECTION 15.35.(h)** Disbursement of Grants. – A grant awarded under this section
2 shall be disbursed based upon the progress of the project for which the grant was awarded. To
3 obtain a payment, a grant recipient shall submit a request for payment to the Rural Center and
4 shall document the expenditures for which the payment is requested. The Rural Center shall
5 review the payment request for compliance with all grant conditions.

6 **SECTION 15.35.(i)** Withdrawal of Grants. – An award for a supplemental grant
7 for a project is withdrawn if the applicant fails to enter into a construction contract for the
8 project within 18 months after the date of the award, unless the Board of Directors of the Rural
9 Center finds that the applicant has good cause for the failure. If the Rural Center finds good
10 cause for an applicant's failure, the Rural Center shall set a date by which the applicant must
11 take action or forfeit the grant.

12 **SECTION 15.35.(j)** Reports. – By September 1 of each year, and more frequently
13 as requested, the Rural Center shall report to the Joint Legislative Commission on
14 Governmental Operations and the Fiscal Research Division concerning the progress of the
15 Critical Needs Infrastructure Program authorized by this section.

16 **PART XVI. DEPARTMENT OF PUBLIC SAFETY**

17 **SUBPART XVI-A. GENERAL PROVISIONS**

18 **GRANT REPORTING AND MATCHING FUNDS**

19 **SECTION 16A.1.(a)** The Department of Public Safety, the Department of Justice,
20 and the Judicial Department shall report by May 1 of each year to the Joint Legislative
21 Commission on Governmental Operations, the Chairs of the House of Representatives
22 Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations
23 Committee on Justice and Public Safety on grant funds received or preapproved for receipt by
24 those departments. The report shall include information on the amount of grant funds received
25 or preapproved for receipt by each department, the use of the funds, the State match expended
26 to receive the funds, and the period to be covered by each grant. If the department intends to
27 continue the program beyond the end of the grant period, the department shall report on the
28 proposed method for continuing the funding of the program at the end of the grant period. Each
29 department shall also report on any information it may have indicating that the State will be
30 requested to provide future funding for a program presently supported by a local grant.

31 **SECTION 16A.1.(b)** Notwithstanding the provisions of G.S. 143C-6-9, the
32 Department of Public Safety may use up to the sum of one million two hundred thousand
33 dollars (\$1,200,000) during the 2013-2014 fiscal year and up to the sum of one million two
34 hundred thousand dollars (\$1,200,000) during the 2014-2015 fiscal year from funds available to
35 the Department to provide the State match needed in order to receive grant funds. Prior to using
36 funds for this purpose, the Department shall report to the Chairs of the House of
37 Representatives Subcommittee on Justice and Public Safety, the Chairs of the Senate
38 Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission
39 on Governmental Operations on the grants to be matched using these funds.

40 **USE OF CLOSED FACILITIES**

41 **SECTION 16A.3.** In conjunction with the closing of prison facilities, youth
42 detention centers, and youth development centers, the Department of Public Safety shall
43 consult with the county or municipality in which the facility is located, with the elected State
44 and local officials, and with State and federal agencies about the possibility of converting that
45 facility to other use. The Department may also consult with any private for-profit or nonprofit
46 firm about the possibility of converting the facility to other use. In developing a proposal for
47 future use of each facility, the Department shall give priority to converting the facility to other
48
49
50
51

1 criminal justice use. Consistent with existing law and the future needs of the Department of
2 Public Safety, the State may provide for the transfer or the lease of any of these facilities to
3 counties, municipalities, State agencies, federal agencies, or private firms wishing to convert
4 them to other use. The Department of Public Safety may also consider converting some of the
5 facilities recommended for closing from one security custody level to another, where that
6 conversion would be cost-effective. A prison unit under lease to a county pursuant to the
7 provisions of this section for use as a jail is exempt for the period of the lease from any of the
8 minimum standards adopted by the Secretary of Health and Human Services pursuant to
9 G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater
10 standards than those required of a unit of the State prison system.

11 12 **LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS**

13 **SECTION 16A.4.** Notwithstanding any other provision of law, subject to the
14 approval of the Director of the Budget, the Secretary of the Department of Public Safety may
15 reclassify or eliminate existing administrative positions that are not specifically addressed in
16 this act as needed for the efficient operation of the Department. The Secretary of the
17 Department of Public Safety shall report any position reclassification undertaken pursuant to
18 this section to the Chairs of the House of Representatives Appropriations Subcommittee on
19 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and
20 Public Safety, and to the Fiscal Research Division, within 30 days of the reclassification. The
21 report shall include the position number, original title, original fund code, original budgeted
22 salary, new title, new fund code, and new budgeted salary for each reclassified position.

23 24 **SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT**

25 26 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW** 27 **ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

28 **SECTION 16B.1.(a)** Assets transferred to the Department of Justice or to the
29 Department of Public Safety during the 2013-2015 fiscal biennium pursuant to applicable
30 federal law shall be credited to the budgets of the respective departments and shall result in an
31 increase of law enforcement resources for those departments. The Departments of Justice and
32 Public Safety shall report to the Joint Legislative Commission on Governmental Operations,
33 the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public
34 Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety
35 upon receipt of the assets and, before using the assets, shall report on the intended use of the
36 assets and the departmental priorities on which the assets may be expended.

37 **SECTION 16B.1.(b)** The General Assembly finds that the use of assets transferred
38 pursuant to federal law for new personnel positions, new projects, acquisition of real property,
39 repair of buildings where the repair includes structural change, and construction of or additions
40 to buildings may result in additional expenses for the State in future fiscal periods. Therefore,
41 the Department of Justice and the Department of Public Safety are prohibited from using these
42 assets for such purposes without the prior approval of the General Assembly.

43 **SECTION 16B.1.(c)** Nothing in this section prohibits North Carolina law
44 enforcement agencies from receiving funds from the United States Department of Justice, the
45 United States Department of the Treasury, and the United States Department of Health and
46 Human Services.

47 48 **ELIMINATE BUTNER PUBLIC SAFETY AUTHORITY**

49 **SECTION 16B.4.(a)** The Butner Public Safety Authority is abolished effective
50 11:59:59 p.m. on June 30, 2013. All of the assets of the Authority, real, personal, and mixed,
51 shall be distributed to and become vested in the Town of Butner. The town attorney for the

1 Town of Butner shall file a notice of dissolution with the Secretary of State. Following the
2 dissolution of the Authority, the chair of the Authority shall have such power and authority
3 necessary to transfer any of the assets of the Authority to the Town of Butner and to otherwise
4 wind up the affairs of the Authority.

5 **SECTION 16B.4.(b)** G.S. 122C-408 reads as rewritten:

6 "**§ 122C-408. Former Butner Public Safety Authority; jurisdiction; fire and police**
7 **district, protection.**

8 (a) ~~Authority Established.~~— There is hereby created an authority known as the Butner
9 Public Safety Authority, which is a body politic and corporate, to provide fire and police
10 protection for the territory of the Camp Butner Reservation and the corporate limits of the
11 Town of Butner.

12 (a1) ~~Membership.~~— The authority shall consist of seven voting members, three
13 appointed by the Town of Butner, three appointed by the Secretary of Public Safety, and one
14 appointed by the Granville County Board of Commissioners. The members shall be appointed
15 within 30 days after the establishment of the authority. The initial Director of the authority shall
16 be the Chief of the Butner Public Safety Division of the Department of Public Safety who is
17 serving in that capacity on the day the authority is established. The Director shall be an ex
18 officio, nonvoting member of the authority. No active member of the fire or police forces
19 providing services to the authority may serve as a voting member of the authority. When the
20 officers are elected as herein provided, the secretary of the authority shall certify to the
21 Secretary of State the names and addresses of the officers as well as the address of the principal
22 office of the authority, and such certification shall be filed by the Secretary of State in the same
23 manner as articles of incorporation.

24 (a2) ~~Term of Membership.~~— One member appointed by the Town of Butner, one
25 member appointed by the Secretary of Public Safety, and the member appointed by the
26 Granville County Board of Commissioners shall serve an initial term of two years. The
27 remaining members shall serve an initial term of four years. The beginning date of each initial
28 term for purposes of reappointment is September 1, 2011. Thereafter, each member shall serve
29 a term of four years.

30 (a3) ~~Transfer of Property.~~— Within 30 days after the establishment of the authority, the
31 State shall transfer all real, personal, and mixed assets assigned to or used by the Butner Public
32 Safety Division of the Department of Public Safety to the authority in fee simple absolute.

33 (a4) ~~Duties and Responsibilities.~~— The authority shall have the following duties and
34 responsibilities:

- 35 (1) ~~To adopt bylaws for the regulation of its affairs and the conduct of its~~
36 ~~business.~~
- 37 (2) ~~To elect officers from among its members in accordance with its bylaws.~~
- 38 (3) ~~To adopt an official seal and alter the same.~~
- 39 (4) ~~To maintain an office at such place or places as it may designate.~~
- 40 (5) ~~To sue and be sued in its own name, plead and be impleaded.~~
- 41 (6) ~~To acquire, lease as lessee or lessor, construct, reconstruct, improve, extend,~~
42 ~~enlarge, equip, repair, maintain, or operate any property necessary for and~~
43 ~~incidental to the operation of a fire and police force.~~
- 44 (7) ~~To make and enter into all contracts and agreements necessary or incidental~~
45 ~~to the performance of its duties and the execution of its powers under this~~
46 ~~section and to employ such employees and agents as may, in the judgment of~~
47 ~~the authority, be deemed necessary, and to fix their compensation; provided,~~
48 ~~however, that all such expenses shall be payable solely from funds made~~
49 ~~available under the provisions of this section.~~
- 50 (8) ~~To contract with any department of State government or any unit of local~~
51 ~~government to provide services to the authority.~~

- 1 (9) ~~To enter into contracts with the government of the United States or any~~
2 ~~agency or instrumentality thereof, or with any political subdivision, private~~
3 ~~corporation, copartnership, association, or individual providing for the~~
4 ~~provision of fire and police services within the Camp Butner Reservation.~~
5 (10) ~~To receive and accept from any federal, State, or other public agency and~~
6 ~~any private agency, person, or other entity, donations, loans, grants, aid or~~
7 ~~contributions of any money, property, labor or other things of value for the~~
8 ~~operation of the authority and to agree to apply and use the same in~~
9 ~~accordance with the terms and conditions under which the same are provided~~
10 ~~if the same are otherwise lawful.~~
11 (11) ~~To provide for the defense of civil and criminal actions and payment of civil~~
12 ~~judgments against employees and officers or former employees and officers~~
13 ~~and members or former members of the governing body, as authorized by~~
14 ~~G.S. 160A-167.~~
15 (12) ~~To periodically review and recommend changes to the operational policy for~~
16 ~~the authority.~~
17 (13) ~~To develop and adopt an annual budget for the authority which it shall~~
18 ~~request to be funded by the State and the Town of Butner as set out in this~~
19 ~~section and to revise the annual budget based on funding actually received~~
20 ~~and the needs of the authority.~~
21 (14) ~~To do all acts and things necessary or convenient to carry out the powers~~
22 ~~granted by this section.~~
23 (15) ~~To purchase real or personal property, as provided by G.S. 160A-20 or this~~
24 ~~Article.~~

25 (a5) Police and Fire Protection. – ~~Subject to the provisions of subsection (d) of this~~
26 ~~section, the authority shall employ or contract~~ The Town of Butner may contract with a State
27 ~~agency or unit of local government with the State of North Carolina or any state agency for the~~
28 ~~provision of special police officers or fire protection or both to any State or federal institution~~
29 ~~or lands within for the territory of the Camp Butner Reservation. The territorial jurisdiction of~~
30 ~~these officers shall consist of the property shown on a map produced May 20, 2003, by the~~
31 ~~Information Systems Division of the North Carolina General Assembly and kept on file in the~~
32 ~~office of the Butner Town Manager and in the office of the Director of the authority and such~~
33 ~~additional areas which are within the incorporated limits of the Town of Butner as shown on a~~
34 ~~map to be kept in the office of the Butner Town Manager and in the office of the~~
35 ~~Director of the authority. The special police officers assigned to the authority shall be~~
36 ~~organized into a public safety department for that territory.~~

37 (b) Authority of Special Police Officers. – In order to assist the Town of Butner in
38 ~~providing contractual services to State agencies and facilities within the territorial jurisdiction~~
39 ~~set out in subsection (a5) of this section, the officers providing police services to the Town of~~
40 ~~Butner shall have the additional authority set out in this subsection. After taking the oath of~~
41 ~~office required for law-enforcement officers, the special police officers authorized by this~~
42 ~~section shall have the authority of deputy sheriffs of Durham and Granville Counties in those~~
43 ~~counties respectively. Within the territorial jurisdiction stated in subsection (a5) of this section,~~
44 ~~the special police officers have the primary responsibility authority to enforce the laws of North~~
45 ~~Carolina, the ordinances of the Town of Butner, and any rule applicable to the Camp Butner~~
46 ~~Reservation adopted under authority of this Part or under G.S. 143-116.6 or G.S. 143-116.7 or~~
47 ~~under the authority granted any other agency of the State and also have the powers set forth for~~
48 ~~firemen in Articles 80, 82, and 83 of Chapter 58 of the General Statutes. Notwithstanding the~~
49 ~~foregoing, the Town of Butner has no obligation or responsibility to provide law enforcement~~
50 ~~or fire protection services outside of the corporate limits of the Town of Butner except pursuant~~
51 ~~to a contract with a State agency or facility, a federal entity, or a private person or entity. In the~~

1 ~~event that any State agency contracts with the Town of Butner for police services at any facility~~
2 ~~within the territorial jurisdiction described in subsection (a5) of this section. Any any civil or~~
3 ~~criminal process to be served on any individual confined at any such State facility within the~~
4 ~~territorial jurisdiction described in subsection (a5) of this section shall may be forwarded by the~~
5 ~~sheriff of the county in which the process originated to the director or chief of the Town of~~
6 ~~Butner's law enforcement department or that officer's designee. Director of the authority.~~
7 ~~Special police officers authorized by this section shall be assigned to transport any individual~~
8 ~~transferred to or from any State facility within the territorial jurisdiction described in subsection~~
9 ~~(a5) of this section to or from the psychiatric service of the University of North Carolina~~
10 ~~Hospitals at Chapel Hill.~~

11 ~~(c) Funding.—The authority shall contract with the State to provide fire and police~~
12 ~~protection to those portions of the Camp Butner Reservation outside of the corporate limits of~~
13 ~~the Town of Butner. The authority shall also contract with the Town of Butner to provide fire~~
14 ~~and police protection within the corporate limits of the Town of Butner. The contracts shall~~
15 ~~provide for the following:~~

16 ~~(1) To fund the operations of the authority for the fiscal year beginning July 1,~~
17 ~~2011, the State shall pay to the authority the sum of one million eight~~
18 ~~hundred eighty five thousand one hundred eighty one dollars (\$1,885,181)~~
19 ~~and the Town of Butner shall pay to the authority the sum of one million~~
20 ~~seven hundred eighty two thousand nine hundred ninety five dollars~~
21 ~~(\$1,782,995). The authority shall keep detailed time records tracking the~~
22 ~~amount of time spent providing fire and police protection both within and~~
23 ~~outside the corporate limits of the Town of Butner. Funding provided by the~~
24 ~~State pursuant to the contract in subsequent fiscal years shall be a percentage~~
25 ~~of the total budget set by the authority members determined by multiplying~~
26 ~~the total budget set by the authority by a fraction, the numerator of which~~
27 ~~shall be the hours spent by the authority providing services outside of the~~
28 ~~corporate limits of the Town of Butner and the denominator of which shall~~
29 ~~be the total hours the authority provided services both within the corporate~~
30 ~~limits of the Town of Butner and outside the corporate limits of the Town of~~
31 ~~Butner. The authority may also contract with any department of State~~
32 ~~government to provide services within the Camp Butner Reservation to that~~
33 ~~department; provided, however, the contract with such department shall~~
34 ~~provide enough revenue to fully cover the costs of providing such services,~~
35 ~~and any receipts or expenditures pursuant to such a contract shall not be~~
36 ~~considered in setting each party's contribution percentage. The foregoing~~
37 ~~notwithstanding, neither party's contribution percentage shall increase or~~
38 ~~decrease more than ten percent (10%) per fiscal year.~~

39 ~~(2) The State and the Town of Butner each shall pay to the authority, on or~~
40 ~~before July 1 of each year, an amount equal to its funding percentage as~~
41 ~~described in subdivision (1) of this subsection.~~

42 ~~(3) Repealed by Session Laws 2011-260, s. 1, effective June 23, 2011.~~

43 ~~(4) Repealed by Session Laws 2011-260, s. 1, effective June 23, 2011.~~

44 ~~(d) Provision of Services.—The authority may contract with the Secretary of Public~~
45 ~~Safety to provide fire and police protection to the Camp Butner Reservation and the corporate~~
46 ~~limits of the Town of Butner on such terms and conditions as the parties may agree. In such~~
47 ~~event, the employees of the Department of Public Safety shall remain employees of the State.~~
48 ~~While the contract between the Secretary of Public Safety and the Town of Butner is in effect,~~
49 ~~the Secretary of Public Safety shall consult with the voting members of the authority~~
50 ~~concerning the Department's hiring of the Director of the authority. The consultation shall~~
51 ~~include, but not be limited to, the voting members of the authority reviewing and providing~~

1 their comments to the Secretary of Public Safety on the credentials of the applicants for said
 2 position. In performing its functions under this subsection, the voting members of the authority
 3 shall have the same access to the applicants' personnel records pursuant to Article 7 of Chapter
 4 126 of the General Statutes as the Secretary of Public Safety and are subject to the same
 5 restraints concerning the personnel information as set out in that Article. After consultation
 6 with the authority, the Secretary of Public Safety shall select and hire the Director of the
 7 authority.

8 (e) ~~Dissolution.—In the event that either the Town of Butner or the State fails to pay~~
 9 ~~the authority its percentage share of the authority's budget as described in this section, the~~
 10 ~~nonpaying party shall cease to be a participant in the authority at the expiration of the fiscal~~
 11 ~~year for which it has last paid its percentage share of the budget for the authority. The~~
 12 ~~remaining participant may file a notice with the Secretary of State indicating that it is the sole~~
 13 ~~remaining participant in the authority. All of the property of the authority shall remain with the~~
 14 ~~authority. At the expiration of the fiscal year for which the nonpaying party last paid its~~
 15 ~~percentage share of the budget for the authority or at any time thereafter, the remaining~~
 16 ~~participant in the authority also may file articles of dissolution dissolving the authority with the~~
 17 ~~Secretary of State. In the case of such dissolution, the property of the authority shall be~~
 18 ~~distributed to the remaining party filing the articles of dissolution."~~

19 **SECTION 16B.4.(c)** G.S. 143-341(8)(i)(3) reads as rewritten:

20 "**§ 143-341. Powers and duties of Department.**

21 The Department of Administration has the following powers and duties:

22 ...
 23 (8) General Services:

24 ...
 25 i. To establish and operate a central motor pool and such subsidiary
 26 related facilities as the Secretary may deem necessary, and to that
 27 end:

28 ...
 29 3. To require on a schedule determined by the Department all
 30 State agencies to transfer ownership, custody or control of
 31 any or all passenger motor vehicles within the ownership,
 32 custody or control of that agency to the Department, except
 33 those motor vehicles under the ownership, custody or control
 34 of the Highway Patrol, the State Bureau of Investigation, or
 35 the constituent institutions of The University of North
 36 Carolina which are used primarily for law-enforcement
 37 purposes, and except those motor vehicles under the
 38 ownership, custody or control of the Department of Public
 39 Safety for Butner Public Safety which are used primarily for
 40 law enforcement, fire, or emergency purposes. purposes."

41 **SECTION 16B.4.(d)** G.S. 160A-288(d) reads as rewritten:

42 "(d) For purposes of this section, the following shall be considered the equivalent of a
 43 municipal police department:

- 44 (1) Campus law-enforcement agencies established pursuant to
 45 G.S. 115D-21.1(a) or G.S. 116-40.5(a).
 46 (2) Colleges or universities which are licensed, or exempted from licensure, by
 47 G.S. 116-15 and which employ company police officers commissioned by
 48 the Attorney General pursuant to Chapter 74E or Chapter 74G of the General
 49 Statutes.
 50 (3) Law enforcement agencies operated or eligible to be operated by a
 51 municipality pursuant to G.S. 63-53(2).

1 ~~(4) Butner Public Safety Authority.~~

2 (5) A Company Police agency of the Department of Agriculture and Consumer
3 Services commissioned by the Attorney General pursuant to Chapter 74E of
4 the General Statutes."

5 **SECTION 16B.4.(e)** G.S. 160A-288.2(d) reads as rewritten:

6 "(d) For the purposes of this section, the following shall be considered the equivalent of
7 a municipal police department:

8 (1) Campus law-enforcement agencies established pursuant to G.S. 116-40.5(a).

9 (2) Colleges or universities which are licensed, or exempted from licensure, by
10 G.S. 116-15 and which employ company police officers commissioned by
11 the Attorney General pursuant to Chapter 74E or Chapter 74G of the General
12 Statutes.

13 ~~(3) Butner Public Safety Authority."~~

14
15 **VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER)**
16 **SYSTEM**

17 **SECTION 16B.5.(a)** It is the intent of the General Assembly to continue to support
18 development and implementation of the State's Voice Interoperability Plan for Emergency
19 Response (VIPER) system in subsequent fiscal years. The Department is hereby authorized to
20 spend up to five million dollars (\$5,000,000) during the 2013-2014 fiscal year and ten million
21 dollars (\$10,000,000) during the 2014-2015 fiscal year to continue development and
22 implementation of the State's VIPER system by constructing towers that will facilitate system
23 expansion. Notwithstanding any other provision of law, State agencies, offices, commissions,
24 and non-State entities shall not spend more than the amount of State funds authorized in this
25 section for this purpose during the 2013-2015 fiscal biennium. This prohibition shall not be
26 construed to prevent the expenditure of federal funds. This section does not impair or authorize
27 the breach of any contract and instead affects the availability of appropriated funds within the
28 meaning of G.S. 143C-6-8 and the terms of the North Carolina Information Technology
29 Procurement Office General Terms and Conditions for Goods and Related Services related to
30 availability of funds as specified in the applicable contract or contract extension.

31 **SECTION 16B.5.(b)** The Department of Public Safety shall report to the Chairs of
32 the Joint Legislative Oversight Committee on Justice and Public Safety on a quarterly basis on
33 the progress of the State's VIPER system.

34
35 **STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS**

36 **SECTION 16B.6.** The State Capitol Police may contract with State agencies for
37 the creation of receipt-supported positions to provide security services to the buildings
38 occupied by those agencies.

39
40 **SUBPART XVI-C. DIVISION OF ADULT CORRECTION**

41
42 **LIMIT USE OF OPERATIONAL FUNDS**

43 **SECTION 16C.1.** Funds appropriated in this act to the Department of Public
44 Safety for operational costs for additional facilities shall be used for personnel and operating
45 expenses set forth in the budget approved by the General Assembly. These funds shall not be
46 expended for any other purpose, except as provided for in this act, and shall not be expended
47 for additional prison personnel positions until the new facilities are within 120 days of
48 projected completion, except that the Department may establish critical positions prior to 120
49 days of completion representing no more than twenty percent (20%) of the total estimated
50 number of positions.

1 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL**
2 **COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES**
3 **AWAITING TRANSFER TO STATE PRISON SYSTEM**

4 **SECTION 16C.2.** Notwithstanding G.S. 143C-6-9, the Department of Public
5 Safety may use funds available to the Department for the 2013-2015 fiscal biennium to pay the
6 sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost of housing
7 convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison
8 system, as provided in G.S. 148-29. The Department shall report quarterly to the Chairs of the
9 Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the
10 House of Representatives Appropriations Subcommittee on Justice and Public Safety and
11 Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to
12 reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail
13 backlog.

14
15 **CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

16 **SECTION 16C.3.** The Department of Public Safety may continue to contract with
17 The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison
18 beds for minimum security female inmates during the 2013-2015 fiscal biennium. The Center
19 for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the
20 House of Representatives Appropriations Subcommittee on Justice and Public Safety and the
21 Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate
22 and the average daily inmate population compared to bed capacity using the same methodology
23 as that used by the Department of Public Safety.

24
25 **INMATE MEDICAL COSTS**

26 **SECTION 16C.4.(a)** The Department of Public Safety shall reimburse those
27 providers and facilities providing approved inmate medical services outside the correctional
28 facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current
29 prevailing charge or two times the then-current Medicaid rate for any given service. The
30 Department shall have the right to audit any given provider to determine the actual prevailing
31 charge to ensure compliance with this provision.

32 This section does apply to vendors providing services that are not billed on a
33 fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the
34 Department from contracting with a provider for services at rates that provide greater
35 documentable cost avoidance for the State than do the rates contained in this section or at rates
36 that are less favorable to the State but that will ensure the continued access to care.

37 **SECTION 16C.4.(b)** The Department of Public Safety shall make every effort to
38 contain inmate medical costs by making use of its own hospital and health care facilities to
39 provide health care services to inmates. To the extent that the Department of Public Safety must
40 utilize other facilities and services to provide health care services to inmates, the Department
41 shall make reasonable efforts to make use of hospitals or other providers with which it has a
42 contract or, if none is reasonably available, hospitals with available capacity or other health
43 care facilities in a region to accomplish that goal. The Department shall make reasonable
44 efforts to equitably distribute inmates among all hospitals or other appropriate health care
45 facilities.

46 **SECTION 16C.4.(c)** The Department of Public Safety shall report to the Joint
47 Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of
48 Representative Appropriations Subcommittee on Justice and Public Safety and the Senate
49 Appropriations Committee on Justice and Public Safety no later than November 1, 2013, and
50 quarterly thereafter on:

- 1 (1) The percentage of the total inmates requiring hospitalization or hospital
2 services who receive that treatment at each hospital.
- 3 (2) The volume of services provided by community medical providers that can
4 be scheduled in advance and, of that volume, the percentage of those
5 services that are provided by contracted providers.
- 6 (3) The volume of services provided by community medical providers that
7 cannot be scheduled in advance and, of that volume, the percentage of those
8 services that are provided by contracted providers.
- 9 (4) The volume of services provided by community medical providers that are
10 emergent cases requiring hospital admissions and emergent cases not
11 requiring hospital admissions.
- 12 (5) The volume of inpatient medical services provided to Medicaid-eligible
13 inmates, the cost of treatment, and the estimated savings of paying the
14 nonfederal portion of Medicaid for the services.
- 15 (6) The status of the Division's efforts to contract with hospitals to provide
16 secure wards in each of the State's five prison regions.
17

18 ANNUAL REPORT ON SAFEKEEPERS

19 **SECTION 16C.5.** The Department of Public Safety shall report by October 1 of
20 each year to the Chairs of the House of Representatives Appropriations Subcommittee on
21 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and
22 Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and
23 Public Safety on county prisoners housed in the State prison system pursuant to safekeeping
24 orders under G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or
25 inadequate county facilities. The report shall include:

- 26 (1) The number of safekeepers currently housed by the Department.
- 27 (2) A list of the facilities where safekeepers are housed and the population of
28 safekeepers by facility.
- 29 (3) The average length of stay by a safekeeper in one of those facilities.
- 30 (4) The amount paid by counties for housing and extraordinary medical care of
31 safekeepers.
- 32 (5) A list of the counties in arrears for safekeeper payments owed to the
33 Department at the end of the fiscal year.
34

35 STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM

36 **SECTION 16C.6.(a)** G.S. 148-10.4(e) reads as rewritten:

37 "(e) Operating and Administrative Expenses. – ~~Ten percent (10%)~~ Five percent (5%) of
38 the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund
39 shall be transferred on a monthly basis to the Sheriffs' Association to be used to support the
40 Program and for administrative and operating expenses of the Association and its staff. One
41 percent (1%) of the monthly receipts collected and credited to the Statewide Misdemeanant
42 Confinement Fund shall be transferred on a monthly basis to the General Fund to be allocated
43 to the Division of Adult Correction for its administrative and operating expenses for the
44 Program."

45 **SECTION 16C.6.(b)** The North Carolina Sheriffs' Association shall report by
46 October 1 of each year to the Chairs of the House of Representatives Appropriations
47 Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee
48 on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and
49 Public Safety on the Statewide Misdemeanant Confinement Program. The report shall include
50 the following with respect to the prior fiscal year:

- 51 (1) Revenue collected by the Statewide Misdemeanant Confinement Program.

- (2) The cost of housing prisoners by county under the Program.
- (3) The cost of transporting prisoners by county under the Program.
- (4) Personnel costs by county.
- (5) Inmate medical care costs by county.
- (6) The number of counties that volunteer to house inmates under the Program.
- (7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

INMATE CONSTRUCTION PROGRAM

SECTION 16C.7. Notwithstanding G.S. 66-58 or any other provision of law, during the 2013-2015 fiscal biennium, the State Construction Office may, wherever feasible, utilize inmates in the custody of the Division of Adult Correction of the Department of Public Safety through the Inmate Construction Program for repair and renovation projects on State-owned facilities, with priority given to Department of Public Safety construction projects.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 16C.10. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-707.1. Report on probation and parole caseloads.

(a) The Department of Public Safety shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on caseload averages for probation and parole officers. The report shall include:

- (1) Data on current caseload averages and district averages for probation/parole officer positions.
- (2) Data on current span of control for chief probation officers.
- (3) An analysis of the optimal caseloads for these officer classifications.
- (4) The number and role of paraprofessionals in supervising low-risk caseloads.
- (5) The process of assigning offenders to an appropriate supervision level based on a risk/needs assessment.
- (6) Data on cases supervised solely for the collection of court-ordered payments.

(b) The Department of Public Safety shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the following:

- (1) The number of sex offenders enrolled on active and passive GPS monitoring.
- (2) The caseloads of probation officers assigned to GPS-monitored sex offenders.
- (3) The number of violations.
- (4) The number of absconders.
- (5) The projected number of offenders to be enrolled by the end of the fiscal year."

PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM

SECTION 16C.11.(a) The Post-Release Supervision and Parole Commission shall, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the Department of Public Safety, analyze the amount of time each inmate who is eligible for parole on or before July 1, 2014, has served compared to the time served by offenders under Structured Sentencing for comparable crimes. The Commission shall determine if the person has served more time in custody than the person would have served if sentenced to the

1 maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes.
2 The "maximum sentence," for the purposes of this section, shall be calculated as set forth in
3 subsection (b) of this section.

4 **SECTION 16C.11.(b)** For the purposes of this section, the following rules apply
5 for the calculation of the maximum sentence:

- 6 (1) The offense upon which the person was convicted shall be classified as the
7 same felony class as the offense would have been classified if committed
8 after the effective date of Article 81B of Chapter 15A of the General
9 Statutes.
- 10 (2) The minimum sentence shall be the maximum number of months in the
11 presumptive range of minimum durations in Prior Record Level VI of
12 G.S. 15A-1340.17(c) for the felony class determined under subdivision (1)
13 of this subsection. The maximum sentence shall be calculated using
14 G.S. 15A-1340.17(d), (e), or (e1).
- 15 (3) If a person is serving sentences for two or more offenses that are concurrent
16 in any respect, then the offense with the greater classification shall be used
17 to determine a single maximum sentence for the concurrent offenses. The
18 fact that the person has been convicted of multiple offenses may be
19 considered by the Commission in making its determinations under
20 subsection (a) of this section.

21 **SECTION 16C.11.(c)** The Post-Release Supervision and Parole Commission shall
22 report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety,
23 the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public
24 Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety by
25 April 1, 2014. The report shall include the following: the class of the offense for which each
26 parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions.
27 The Commission shall reinstate the parole review process for each offender who has served
28 more time than that person would have under Structured Sentencing as provided by subsections
29 (a) and (b) of this section.

30 The Commission shall also report on the number of parole-eligible inmates
31 reconsidered in compliance with this section and the number who were actually paroled.

32 **SECTION 16C.11.(d)** Article 13 of Chapter 143B of the General Statutes is
33 amended by adding a new section to read:

34 **"§ 143B-707.2. Mutual agreement parole program report; medical release program**
35 **report.**

36 (a) The Department of Correction and the Post-Release Supervision and Parole
37 Commission shall report by March 1 of each year to the Chairs of the House of Representatives
38 and Senate Appropriations Subcommittees on Justice and Public Safety and to the Chairs of the
39 Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates
40 enrolled in the mutual agreement parole program, the number completing the program and
41 being paroled, and the number who enrolled but were terminated from the program. The
42 information should be based on the previous calendar year.

43 (b) The Department of Public Safety and the Post-Release Supervision and Parole
44 Commission shall report by March 1 of each year to the Chairs of the House of Representatives
45 Appropriations Subcommittee on Justice and Public Safety, to the Chairs of the Senate
46 Appropriations Committee on Justice and Public Safety, and to the Chairs of the Joint
47 Legislative Oversight Committee on Justice and Public Safety on the number of inmates
48 proposed for release, considered for release, and granted release under Chapter 84B of Chapter
49 15A of the General Statutes, providing for the medical release of inmates who are either
50 permanently and totally disabled, terminally ill, or geriatric."

REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION

SECTION 16C.12. The Division of Community Corrections shall report by March 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the Treatment for Effective Community Supervision (TECS) program. The report shall include the following information:

- (1) The amount of funds carried over from the prior fiscal year.
- (2) The dollar amount and purpose of contracts awarded to vendors for the current fiscal year.
- (3) An update on efforts to ensure that all counties make use of the electronic reporting system, including the number of counties submitting offender participation via the system.
- (4) An analysis of offender participation data received, including data on each program's utilization, capacity, and completion rates.
- (5) The number of offenders served by each contracted vendor.
- (6) The outcome measures for program participants, including the rates of recidivism, employment status, and educational progress of participants.

JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY VACANT POSITIONS

SECTION 16C.13.(a) Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of Public Safety may reclassify vacant positions within the Department to create up to 30 new field services specialist or chief probation/parole officer positions in order to meet the increasing caseloads resulting from the implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

SECTION 16C.13.(b) The Department of Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and Public Safety and the House Appropriations Subcommittee on Justice and Public Safety by March 1, 2014, on the following:

- (1) The position number, position type, salary, and position location of each new position created under the authority of this section.
- (2) The position number, position type, fund code, and position location of each vacant position used to create new positions under the authority of this section.

REPORT ON USE OF BROADEN ACCESS FOR COMMUNITY TREATMENT PROGRAM FUNDS

SECTION 16C.14. The Division of Community Corrections shall report by September 1, 2015, and September 1, 2016, to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and to the Chairs of the Senate Appropriations Committee on Justice and Public Safety on the status of the Broaden Access for Community Treatment Program. The report shall include the following information:

- (1) The amount of funds carried over from the prior fiscal year.
- (2) The dollar amount and purpose of contracts awarded to vendors for the current fiscal year.
- (3) An analysis of offender participation data received, including data on each program's utilization, capacity, and completion rates.
- (4) The number of offenders served by each contracted vendor.
- (5) The outcome measures for program participants, including the rates of recidivism, employment status, and educational progress of participants.

1 **REQUIRE THAT ALL INMATES IN THE CUSTODY OF THE DIVISION OF ADULT**
2 **CORRECTION OF THE DEPARTMENT OF PUBLIC SAFETY BE TESTED FOR**
3 **HIV INFECTION**

4 **SECTION 16C.15.(a)** Article 2 of Chapter 148 of the General Statutes is amended
5 by adding a new section to read:

6 **"§ 148-19.2. Mandatory HIV testing.**

7 Each person sentenced to imprisonment and committed to the custody of the Division of
8 Adult Correction of the Department of Public Safety shall be tested to determine whether the
9 person is HIV positive.

10 Each inmate who has not previously tested positive for HIV shall also be tested:

11 (1) Not less than once every four years from the date of that inmate's initial
12 testing.

13 (2) Prior to the inmate's release from the custody of the Division of Adult
14 Correction, except that testing is not mandatory prior to the release of an
15 inmate who has been tested within one year of the inmate's release date.

16 In each case, the results of the test shall be reported to the inmate. If an inmate tests positive
17 for HIV, that inmate shall be referred to public health officials for counseling."

18 **SECTION 16C.15.(b)** This section becomes effective July 1, 2013. All inmates in
19 the custody of the Division of Adult Correction on July 1, 2013, who have not previously been
20 tested for HIV shall be tested by October 1, 2013.

21
22 **SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**

23
24 **ANNUAL EVALUATION OF COMMUNITY PROGRAMS AND MULTIPLE**
25 **PURPOSE GROUP HOMES**

26 **SECTION 16D.1.** Subpart B of Part 3 of Article 13 of Chapter 143B of the
27 General Statutes is amended by adding a new section to read:

28 **"§ 143B-811. Annual evaluation of community programs and multiple purpose group**
29 **homes.**

30 The Department of Public Safety shall conduct an annual evaluation of the community
31 programs and of multipurpose group homes. In conducting the evaluation of each of these, the
32 Department shall consider whether participation in each program results in a reduction of court
33 involvement among juveniles. The Department shall also determine whether the programs are
34 achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202.

35 The Department shall report the results of the evaluation to the Chairs of the Joint
36 Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and
37 House of Representatives Appropriations Subcommittees on Justice and Public Safety by
38 March 1 of each year."

39
40 **JUVENILE CRIME PREVENTION COUNCIL FUNDS**

41 **SECTION 16D.2.(a)** Subpart F of Part 3 of Article 13 of Chapter 143B of the
42 General Statutes is amended by adding a new section to read:

43 **"§ 143B-852. Department of Public Safety to report on Juvenile Crime Prevention**
44 **Council grants.**

45 (a) On or before February 1 of each year, the Department of Public Safety shall submit
46 to the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs
47 of the Senate and House of Representatives Appropriations Subcommittees on Justice and
48 Public Safety a list of the recipients of the grants awarded, or preapproved for award, from
49 funds appropriated to the Department for local Juvenile Crime Prevention Council (JCPC)
50 grants, including the following information:

51 (1) The amount of the grant awarded.

- 1 (2) The membership of the local committee or council administering the award
2 funds on the local level.
- 3 (3) The type of program funded.
- 4 (4) A short description of the local services, programs, or projects that will
5 receive funds.
- 6 (5) Identification of any programs that received grant funds at one time but for
7 which funding has been eliminated by the Department.
- 8 (6) The number of at-risk, diverted, and adjudicated juveniles served by each
9 county.
- 10 (7) The Department's actions to ensure that county JCPCs prioritize funding for
11 dispositions of intermediate and community-level sanctions for
12 court-adjudicated juveniles under minimum standards adopted by the
13 Department.
- 14 (8) The total cost for each funded program, including the cost per juvenile and
15 the essential elements of the program.
- 16 (b) On or before February 1 of each year, the Department of Public Safety shall send to
17 the Fiscal Research Division of the Legislative Services Commission an electronic copy of the
18 list and information required under subsection (a) of this section."

19 **SECTION 16D.2.(b)** Of the funds appropriated by this act for the 2013-2015 fiscal
20 biennium to the Department of Public Safety for Juvenile Crime Prevention Council grants, the
21 sum of one hundred twenty-one thousand six hundred dollars (\$121,600) for the 2013-2014
22 fiscal year and the sum of one hundred twenty-one thousand six hundred dollars (\$121,600) for
23 the 2014-2015 fiscal year shall be transferred to Project Challenge North Carolina, Inc., to be
24 used for the continued support of Project Challenge programs throughout the State.

25 **YOUTH DEVELOPMENT CENTER ANNUAL REPORT**

26 **SECTION 16D.3.** Subpart B of Part 3 of Article 13 of Chapter 143B of the
27 General Statutes is amended by adding a new section to read:

28 "§ 143B-810. Youth Development Center annual report.

29 The Department of Public Safety shall report by October 1 of each year to the Chairs of the
30 House of Representatives and Senate Appropriations Subcommittees on Justice and Public
31 Safety, the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety,
32 and the Fiscal Research Division of the Legislative Services Commission on the Youth
33 Development Center (YDC) population, staffing, and capacity in the preceding fiscal year.
34 Specifically, the report shall include all of the following:

- 35 (1) The on-campus population of each YDC, including the county the juveniles
36 are from.
- 37 (2) The housing capacity of each YDC.
- 38 (3) A breakdown of staffing for each YDC, including number, type of position,
39 position title, and position description.
- 40 (4) The per-bed and average daily population cost for each facility.
- 41 (5) The operating cost for each facility, including personnel and nonpersonnel
42 items.
- 43 (6) A brief summary of the treatment model, education, services, and plans for
44 reintegration into the community offered at each facility.
- 45 (7) The average length of stay in the YDCs.
- 46 (8) The number of incidents of assaults and attacks on staff at each facility."

47 **JUVENILE FACILITY MONTHLY COMMITMENT REPORT**

48 **SECTION 16D.4.** Subpart C of Part 3 of Article 13 of Chapter 143B of the
49 General Statutes is amended by adding a new section to read:

1 **"§ 143B-822. Juvenile facility monthly commitment report.**

2 The Department of Public Safety shall report electronically on the first day of each month
3 to the Fiscal Research Division regarding each juvenile correctional facility and the average
4 daily population for the previous month. The report shall include (i) the average daily
5 population for each detention center and (ii) the monthly summary of the Committed Youth
6 Report."

7
8 **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

9 **SECTION 16D.5.(a)** Funds appropriated in this act to the Department of Public
10 Safety for the 2013-2015 fiscal biennium for community program contracts that are not
11 required for or used for community program contracts shall only be used for the following:

- 12 (1) Other statewide residential programs that provide Level 2 intermediate
13 dispositional alternatives for juveniles.
- 14 (2) Statewide community programs that provide Level 2 intermediate
15 dispositional alternatives for juveniles.
- 16 (3) Regional programs that are collaboratives of two or more Juvenile Crime
17 Prevention Councils which provide Level 2 intermediate dispositional
18 alternatives for juveniles.
- 19 (4) The Juvenile Crime Prevention Council grants fund to be used for the Level
20 2 intermediate dispositional alternatives for juveniles listed in
21 G.S. 7B-2506(13) through (23).

22 **SECTION 16D.5.(b)** Under no circumstances shall funds appropriated by this act
23 to the Department of Public Safety for the 2013-2015 fiscal biennium for community programs
24 be used for staffing, operations, maintenance, or any other expenses of youth development
25 centers or detention facilities.

26 **SECTION 16D.5.(c)** The Department of Public Safety shall submit an electronic
27 report by October 1, 2013, and a second electronic report by October 1, 2014, on all
28 expenditures made from the miscellaneous contract line in Fund Code 1230 to the Chairs of the
29 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the
30 Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Fiscal
31 Research Division. The report shall include all of the following: an itemized list of the contracts
32 that have been executed, the amount of each contract, the date the contract was executed, the
33 purpose of the contract, the number of juveniles that will be served and the manner in which
34 they will be served, the amount of money transferred to the Juvenile Crime Prevention Council
35 fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime
36 Prevention Council fund.

37
38 **MULTIPURPOSE GROUP HOME**

39 **SECTION 16D.6.** Of the funds appropriated in this act to the Department of Public
40 Safety for the Division of Juvenile Justice for the 2013-2015 fiscal biennium, the sum of five
41 hundred fifty thousand dollars (\$550,000) for the 2013-2014 fiscal year and the sum of five
42 hundred fifty thousand dollars (\$550,000) for the 2014-2015 fiscal year shall be used to
43 continue operating a multipurpose group home in Craven County.

44
45 **ADMINISTRATION OF JUVENILE JUSTICE DIVISION**

46 **SECTION 16D.7.(a)** G.S. 143B-600 reads as rewritten:

47 **"§ 143B-600. Organization.**

48 (a) There is established the Department of Public Safety. The head of the Department of
49 Public Safety is the Secretary of Public Safety, who shall be known as the Secretary. ~~The~~
50 ~~Department shall consist of six divisions and an Office of External Affairs as follows:~~

- 1 (1) ~~The Division of Adult Correction, which shall consist of the former~~
2 ~~Department of Correction. The head of the Division of Adult Correction~~
3 ~~shall be a chief deputy secretary, who shall be responsible for prisons,~~
4 ~~community corrections, correction enterprises, alcoholism and chemical~~
5 ~~dependency treatment, offender records management, and extradition.~~
- 6 (2) ~~The Division of Juvenile Justice, which shall consist of the former~~
7 ~~Department of Juvenile Justice and Delinquency Prevention. The head of the~~
8 ~~Division of Juvenile Justice shall be a chief deputy secretary, who shall be~~
9 ~~responsible for youth detention centers, court services, community~~
10 ~~programs, and youth development centers.~~
- 11 (3) ~~The Division of Law Enforcement, which shall consist of the following~~
12 ~~former divisions of the Department of Crime Control and Public Safety: the~~
13 ~~State Highway Patrol, the Alcohol Law Enforcement Division, and the State~~
14 ~~Capitol Police Division. The head of the Division of Law Enforcement shall~~
15 ~~be a chief deputy secretary.~~
- 16 (4) ~~The Division of Emergency Management, which shall consist of the former~~
17 ~~Division of Emergency Management of the Department of Crime Control~~
18 ~~and Public Safety and the Civil Air Patrol.~~
- 19 (5) ~~The North Carolina National Guard.~~
- 20 (6) ~~The Division of Administration, the head of which shall be a chief deputy~~
21 ~~secretary responsible for all administrative functions, including fiscal,~~
22 ~~auditing, information technology, purchasing, human resources, training,~~
23 ~~engineering, and facility management functions for the Department. Within~~
24 ~~the Division, there is established a Grants Management Section, which shall~~
25 ~~consist of the Governor's Crime Commission and the Juvenile Crime~~
26 ~~Prevention Council Fund. There is also established within the Division a~~
27 ~~Research and Planning Section responsible for statistics, research, and~~
28 ~~planning to facilitate regular improvement in the structure, administration,~~
29 ~~and programs of the Department of Public Safety. The Research and~~
30 ~~Planning Section may cooperate with and seek the cooperation of public and~~
31 ~~private agencies, institutions, officials, and individuals in the development~~
32 ~~and conduct of programs to compile and analyze statistics and to conduct~~
33 ~~research in criminology and correction. The Research and Planning Section~~
34 ~~shall be the single State agency responsible for the coordination and~~
35 ~~implementation of ex-offender reentry initiatives.~~
- 36 (7) ~~The Office of External Affairs, which shall be responsible for federal and~~
37 ~~State liaison activities, victim services, the Victim Services Warehouse and~~
38 ~~the storage and management of evidence and other contents housed in the~~
39 ~~warehouse, and public affairs.~~
- 40 (b) ~~The powers and duties of the deputy secretaries—secretaries, commissioners,~~
41 ~~directors, and the respective divisions of the Department shall be subject to the direction and~~
42 ~~control of the Secretary of Public Safety."~~

43 **SECTION 16D.7.(b)** G.S. 143B-806 reads as rewritten:

44 "**§ 143B-806. Duties and powers of the Division of Juvenile Justice of the Department of**
45 **Public Safety.**

46 (a) ~~The head of the Division is a Chief Deputy Secretary appointed by the Secretary of~~
47 ~~Public Safety. The Chief Deputy Secretary shall have the powers and duties conferred by this~~
48 ~~Chapter, delegated by the Secretary of Public Safety or the Governor, and conferred by the~~
49 ~~Constitution and laws of this State. The Secretary of Public Safety shall be responsible for~~
50 ~~effectively and efficiently organizing the Division to promote the policy of the State as set forth~~

1 in this Part and to promote public safety and to prevent the commission of delinquent acts by
2 juveniles.

3 (b) The ~~Chief Deputy~~ Secretary shall have the following powers and ~~duties~~ duties and
4 may delegate those powers and duties to the appropriate deputy secretary, commissioner, or
5 director within the Department of Public Safety.

6"

7 **SECTION 16D.7.(c)** G.S. 153A-221.1 reads as rewritten:

8 "**§ 153A-221.1. Standards and inspections.**

9 The legal responsibility of the ~~Chief Deputy Secretary of~~ Division of Juvenile Justice of the
10 Department of Public Safety for State services to county juvenile detention homes under this
11 Article is hereby confirmed and shall include the following: development of State standards
12 under the prescribed procedures; inspection; consultation; technical assistance; and training.

13 The Secretary of Health and Human Services, in consultation with the ~~Chief Deputy~~
14 ~~Secretary of Juvenile Justice of the Department~~ Secretary of Public Safety, shall also develop
15 standards under which a local jail may be approved as a holdover facility for not more than five
16 calendar days pending placement in a juvenile detention home which meets State standards,
17 providing the local jail is so arranged that any child placed in the holdover facility cannot
18 converse with, see, or be seen by the adult population of the jail while in the holdover facility.
19 The personnel responsible for the administration of a jail with an approved holdover facility
20 shall provide close supervision of any child placed in the holdover facility for the protection of
21 the child."
22

23 STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

24 **SECTION 16D.8.** Funds appropriated in this act to the Department of Public
25 Safety for each fiscal year of the 2013-2015 fiscal biennium may be used as matching funds for
26 the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile
27 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State
28 Budget and Management and the Governor's Crime Commission shall consult with the
29 Department of Public Safety regarding the criteria for awarding federal funds. The Office of
30 State Budget and Management, the Governor's Crime Commission, and the Department of
31 Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and
32 Public Safety, the House of Representatives Appropriations Subcommittee on Justice and
33 Public Safety, and the Joint Legislative Commission on Governmental Operations prior to
34 allocation of the federal funds. The report shall identify the amount of funds to be received for
35 the 2013-2014 fiscal year, the amount of funds anticipated for the 2014-2015 fiscal year, and
36 the allocation of funds by program and purpose.
37

38 DOBBS YOUTH DEVELOPMENT CENTER KITCHEN REPAIRS

39 **SECTION 16D.9.** The Department of Public Safety shall ensure that the kitchen
40 facility at the Dobbs Youth Development Center is operational by October 1, 2013.
41

42 PART XVII. DEPARTMENT OF JUSTICE

43 BIENNIAL REPORTING ON ATTORNEY ACTIVITY

44 **SECTION 17.1.(a)** Beginning on August 1, 2013, and every six months thereafter,
45 the Attorney General shall report on the work of Department of Justice attorneys during the
46 previous two quarters. The reports required by this section shall be filed with the Chairs of the
47 House of Representatives Appropriations Subcommittee on Justice and Public Safety, with the
48 Chairs of the Senate Appropriations Committee on Justice and Public Safety, with the Chairs of
49 the Joint Legislative Oversight Committee on Justice and Public Safety, and with the Fiscal
50 Research Division as follows:
51

- 1 (1) Agency-specific work. – A report on the work of Department of Justice
2 attorneys for State agencies. This report shall include at least all of the
3 following information:
4 a. The amount of time spent working for each State department and
5 agency.
6 b. The amount of time spent on each case for each State department and
7 agency.
8 c. The amount billed to each State agency for the legal services
9 provided.
- 10 (2) Other work. – A report on the work of Department of Justice attorneys that
11 is not on behalf of a particular State agency. The report required by this
12 subdivision shall include all of the information required by subdivision (1)
13 of this section and all of the following information:
14 a. The amount of time spent by each unit of the Department of Justice.
15 b. The amount of time spent on each particular matter for each unit of
16 the Department of Justice.

17 **SECTION 17.1.(b)** Reports required by this section shall not include detailed
18 information about the work of individual attorneys but shall instead include only summary
19 information about Department of Justice attorney activity during the relevant period, which
20 shall (i) be set forth using commonly employed measures of central tendency and (ii) which
21 shall highlight and explain extreme deviations from applicable norms.
22

23 ANNUAL CRIME LAB REPORT

24 **SECTION 17.2.** Beginning on October 1, 2013, and yearly thereafter, the Attorney
25 General shall report on the work of the North Carolina State Crime Laboratory during the
26 previous fiscal year. The reports required by this section shall be filed with the Chairs of the
27 Joint Legislative Oversight Committee on Justice and Public Safety and with the Fiscal
28 Research Division. Each report shall include at least the following:

- 29 (1) Information about the workload of the Laboratory during the previous fiscal
30 year, including the number of submissions, identified by forensic discipline,
31 received at each location of the Laboratory.
32 (2) Information about the number of cases completed in the previous fiscal year,
33 identified by forensic discipline, at each location of the Laboratory.
34 (3) A breakdown by county of the number of submissions received by the
35 Laboratory in the previous fiscal year.
36

37 DEVELOPMENT OF TRAINING PROGRAM ON PROPER PROCEDURES FOR 38 SUBMISSION OF EVIDENCE TO THE CRIME LAB

39 **SECTION 17.3.(a)** The North Carolina State Crime Laboratory, in conjunction
40 with the University of North Carolina School of Government and the Conference of District
41 Attorneys, shall develop a training curriculum for district attorneys that shall include, but not be
42 limited to, instruction on fundamentals of Laboratory forensic science disciplines, the
43 Laboratory's electronic information system, and the Laboratory's case management guidelines.
44 In order to ensure that it will be practicable to require all district attorneys in the State to
45 receive the training in the future, the program shall be (i) designed with the time and resource
46 constraints of district attorneys in mind and (ii) designed in a way that makes the program
47 suitable for regional distribution and distribution through distance learning facilities at
48 community colleges.

49 **SECTION 17.3.(b)** No later than October 1, 2013, the North Carolina State Crime
50 Laboratory shall report its progress on developing the training program to the Chairs of the
51 House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the

1 Senate Appropriations Committee on Justice and Public Safety, to the Chairs of the Joint
2 Legislative Oversight Committee on Justice and Public Safety, and to the Fiscal Research
3 Division.
4

5 **NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE**
6 **CRIME LABORATORY**

7 **SECTION 17.5.** The Department of Justice shall not hire sworn personnel to fill
8 vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be
9 construed to require the termination of sworn personnel, but as vacant positions in the State
10 Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this section
11 shall be construed to affect North Carolina State Crime Laboratory personnel who are sworn
12 and employed by the Laboratory as of the effective date of this section and who continue to
13 meet the sworn status retention standards mandated by the NC Criminal Justice Education and
14 Standards Commission.
15

16 **REMOVE THE NORTH CAROLINA STATE CRIME LABORATORY FROM THE**
17 **STATE BUREAU OF INVESTIGATION**

18 **SECTION 17.6.(a)** The North Carolina State Crime Laboratory and the State DNA
19 Database and Databank are hereby transferred from the State Bureau of Investigation and shall
20 be relocated elsewhere within the Department of Justice, as determined by the Attorney
21 General.

22 **SECTION 17.6.(b)** No later than July 1, 2014, the Department of Justice shall
23 begin budgeting the North Carolina State Crime Laboratory in a fund code that is separate from
24 the remainder of the Department of Justice.

25 **SECTION 17.6.(c)** Chapter 114 of the General Statutes is amended by adding a
26 new Article to read:

27 "Article 9.

28 North Carolina State Crime Laboratory."

29 **SECTION 17.6.(d)** G.S. 114-16 through G.S. 114-16.2 are recodified as
30 G.S. 114-60 through G.S. 114-62 under Article 9 of Chapter 114 of the General Statutes, as
31 created by subsection (c) of this section.

32 **SECTION 17.6.(e)** The following statutes are amended by deleting "SBI"
33 wherever it appears and substituting "North Carolina State Crime Laboratory": G.S. 15A-146
34 and G.S. 15A-148.

35 **SECTION 17.6.(f)** The following statutes are amended by deleting "SBI" wherever
36 it appears and substituting "Crime Laboratory": G.S. 15A-266.3, 15A-266.3A, 15A-266.5,
37 15A-266.6, 15A-266.7, 15A-266.8, 15A-266.9, 15A-266.12, 15A-267, and 15A-268.

38 **SECTION 17.6.(g)** G.S. 7A-304(a) reads as rewritten:

39 "(a) In every criminal case in the superior or district court, wherein the defendant is
40 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the
41 prosecuting witness, the following costs shall be assessed and collected. No costs may be
42 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of
43 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs
44 assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8)
45 of this section.
46

47 ...

48 (7) For the services of the North Carolina State Crime Laboratory facilities, the
49 district or superior court judge shall, upon conviction, order payment of the
50 sum of six hundred dollars (\$600.00) to be remitted to the Department of
51 Justice for support of the ~~State Bureau of Investigation Laboratory~~. This cost
shall be assessed only in cases in which, as part of the investigation leading

1 to the defendant's conviction, the laboratories have performed DNA analysis
 2 of the crime, tests of bodily fluids of the defendant for the presence of
 3 alcohol or controlled substances, or analysis of any controlled substance
 4 possessed by the defendant or the defendant's agent.

5 (8) For the services of any crime laboratory facility operated by a local
 6 government or group of local governments, the district or superior court
 7 judge shall, upon conviction, order payment of the sum of six hundred
 8 dollars (\$600.00) to be remitted to the general fund of the local
 9 governmental unit that operates the laboratory to be used for law
 10 enforcement purposes. The cost shall be assessed only in cases in which, as
 11 part of the investigation leading to the defendant's conviction, the laboratory
 12 has performed DNA analysis of the crime, test of bodily fluids of the
 13 defendant for the presence of alcohol or controlled substances, or analysis of
 14 any controlled substance possessed by the defendant or the defendant's
 15 agent. The costs shall be assessed only if the court finds that the work
 16 performed at the local government's laboratory is the equivalent of the same
 17 kind of work performed by the ~~State Bureau of Investigation~~ North Carolina
 18 State Crime Laboratory under subdivision (7) of this subsection.

19 (9) For the support and services of the ~~State Bureau of Investigation~~ State DNA
 20 Database and DNA Databank, the sum of two dollars (\$2.00). This amount
 21 is annually appropriated to the Department of Justice for this purpose.
 22 Notwithstanding the provisions of subsection (e) of this section, this cost
 23 does not apply to infractions.

24"

25 **SECTION 17.6.(h)** G.S. 14-269.1(5) reads as rewritten:

26 "(5) By ordering such weapon turned over to the North Carolina State Crime
 27 Laboratory's weapons reference library for official use by that agency. The
 28 ~~State Bureau of Investigation~~ Laboratory shall maintain a record and
 29 inventory of all such weapons received."

30 **SECTION 17.6.(i)** G.S. 15A-266.2 reads as rewritten:

31 **"§ 15A-266.2. Definitions.**

32 As used in this Article, unless another meaning is specified or the context clearly requires
 33 otherwise, the following terms have the meanings specified:

34 ...

35 (1e) Crime Laboratory. – The North Carolina State Crime Laboratory of the
 36 Department of Justice.

37 ...

38 (6) ~~"SBI" means the State Bureau of Investigation. The SBI is responsible for~~
 39 ~~the policy, management, and administration of the State DNA identification~~
 40 ~~record system to support law enforcement and other criminal justice~~
 41 ~~agencies.~~

42 ...

43 (8) "State DNA Database" means the ~~SBI's~~ Crime Laboratory's DNA
 44 identification record system to support law enforcement. It is administered
 45 by the ~~SBI~~ Crime Laboratory and provides DNA records to the FBI for
 46 storage and maintenance in CODIS. The ~~SBI's~~ Crime Laboratory's DNA
 47 Database system is the collective capability provided by computer software
 48 and procedures administered by the ~~SBI~~ Crime Laboratory to store and
 49 maintain DNA records related to: forensic casework; convicted offenders
 50 and arrestees required to provide a DNA sample under this Article; persons
 51 required to register as sex offenders under G.S. 14-208.7; unidentified

1 persons or body parts; missing persons; relatives of missing persons; and
2 anonymous DNA profiles used for forensic validation, forensic protocol
3 development, or quality control purposes or establishment of a population
4 statistics database for use by criminal justice agencies."

5 **SECTION 17.6.(j)** G.S. 15A-266.3A(h) reads as rewritten:

6 "(h) ~~The State Bureau of Investigation~~Crime Laboratory shall remove a person's DNA
7 record, and destroy any DNA biological samples that may have been retained, from the State
8 DNA Database and DNA Databank if both of the following are determined pursuant to
9 subsection (i) of this section:

10 "...."

11 **SECTION 17.6.(k)** G.S. 15A-269(b1) reads as rewritten:

12 "(b1) If the court orders DNA testing, such testing shall be conducted by ~~an SBI-approved~~
13 a Crime Laboratory-approved testing facility, mutually agreed upon by the petitioner and the
14 State and approved by the court. If the parties cannot agree, the court shall designate the testing
15 facility and provide the parties with reasonable opportunity to be heard on the issue."

16 **SECTION 17.6.(l)** G.S. 114-12 reads as rewritten:

17 **"§ 114-12. Bureau of Investigation created; powers and duties.**

18 In order to secure a more effective administration of the criminal laws of the State, to
19 prevent crime, and to procure the speedy apprehension of criminals, the Attorney General shall
20 set up in the Department of Justice a division to be designated as the State Bureau of
21 Investigation. The Division shall have charge of and administer the agencies and activities
22 herein set up for the identification of criminals, for their apprehension, ~~for the scientific~~
23 ~~analysis of evidence of crime,~~ and investigation and preparation of evidence to be used in
24 criminal courts; and the said Bureau shall have charge of investigation of criminal matters
25 herein especially mentioned, and of such other crimes and criminal procedure as the Governor
26 may direct.

27 In the personnel of the Bureau shall be included a sufficient number of persons of training
28 and skill in the investigation of crime and in the preparation of evidence as to be of service to
29 local enforcement officers, under the direction of the Governor, in criminal matters of major
30 importance.

31 The State radio system shall be made available to the Bureau Laboratory for use in its
32 work."

33 **SECTION 17.6.(m)** G.S. 114-16, as recodified by subsection (d) of this section,
34 reads as rewritten:

35 **"§ 114-60. Laboratory and clinical facilities; employment of criminologists; services of**
36 **scientists, etc., employed by State; radio system.**

37 In the ~~said Bureau~~Department of Justice there shall be provided laboratory facilities for the
38 analysis of evidences of crime, including the determination of presence, quantity and character
39 of poisons, the character of bloodstains, microscopic and other examination material associated
40 with the commission of crime, examination and analysis of projectiles of ballistic imprints and
41 records which might lead to the determination or identification of criminals, the examination
42 and identification of fingerprints, and other evidence leading to the identification,
43 apprehension, or conviction of criminals. A sufficient number of persons skilled in such matters
44 shall be employed to render a reasonable service to the public through the criminal justice
45 system and to the criminal justice system in the discharge of their duties. ~~In the personnel of the~~
46 ~~Bureau shall be included a sufficient number of persons of training and skill in the investigation~~
47 ~~of crime and in the preparation of evidence as to be of service to local enforcement officers,~~
48 ~~under the direction of the Governor, in criminal matters of major importance.~~

49 The laboratory and clinical facilities of the institutions of the State, both educational and
50 departmental, shall be made available to the ~~Bureau,~~Laboratory, and scientists and doctors now
51 working for the State through its institutions and departments may be called upon by the

1 Governor to aid the ~~Bureau~~ Laboratory in the evaluation, preparation, and preservation of
2 evidence in which scientific methods are employed, and a reasonable fee may be allowed by
3 the Governor for such service.

4 ~~The State radio system shall be made available to the Bureau for use in its work."~~

5 **SECTION 17.6.(n)** G.S. 114-16.2, as recodified by subsection (d) of this section,
6 reads as rewritten:

7 **"§ 114-62. North Carolina State Crime Laboratory Ombudsman.**

8 The position of ombudsman is created in the North Carolina State Crime Laboratory within
9 the North Carolina Department of Justice. The primary purpose of this position shall be to work
10 with defense counsel, prosecutorial agencies, criminal justice system stakeholders, law
11 enforcement officials, and the general public to ensure all processes, procedures, practices, and
12 protocols at the State Crime Laboratory are consistent with State and federal law, best forensic
13 law practices, and in the best interests of justice in this State. The ombudsman shall mediate
14 complaints brought to the attention of the ombudsman between the ~~SBI~~ Crime Laboratory and
15 defense counsel, prosecutorial agencies, law enforcement agencies, and the general public. The
16 ombudsman shall ensure all criminal justice stakeholders and the general public are aware of
17 the availability, responsibilities, and role of the ombudsman and shall regularly attend meetings
18 of the Conferences of the District Attorneys, District and Superior Court Judges, Public
19 Defenders, the Advocates for Justice, and Bar Criminal Law Sections. The ombudsman shall
20 make recommendations on a regular basis to the Director of the State Crime ~~Laboratory,~~
21 ~~Director of the SBI, Laboratory~~ and the Attorney General of North Carolina as to policies,
22 procedures, practices, and training of employees needed at the Laboratory to ensure compliance
23 with State and federal law, best forensic law practices, and to resolve any meritorious systemic
24 complaints received by the ombudsman."
25

26 **OPERATING EFFICIENCIES REDUCTION**

27 **SECTION 17.7.(a)** Funds appropriated or allocated to the North Carolina State
28 Crime Laboratory shall not be reduced in order to meet any portion of the operating efficiencies
29 reduction set forth in this act.

30 **SECTION 17.7.(b)** No later than October 1, 2013, the Department of Justice shall
31 report to the Fiscal Research Division on the reductions that were made to meet the operating
32 efficiencies reduction to the Department of Justice set forth in this act. The report shall include
33 an itemized list of any position eliminations, including the position numbers, titles, and
34 budgeted salaries of each eliminated position.
35

36 **PART XVIII. JUDICIAL DEPARTMENT**

37
38 **SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES**

39
40 **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

41 **SECTION 18A.1.** The Office of Indigent Defense Services shall report to the
42 Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, the House of
43 Representatives Appropriations Subcommittee on Justice and Public Safety, and the Senate
44 Appropriations Committee on Justice and Public Safety by March 1 of each year on:

- 45 (1) The volume and cost of cases handled in each district by assigned counsel or
46 public defenders;
- 47 (2) Actions taken by the Office to improve the cost-effectiveness and quality of
48 indigent defense, including the capital case program;
- 49 (3) Plans for changes in rules, standards, or regulations in the upcoming year;
50 and

- 1 (4) Any recommended changes in law or funding procedures that would assist
2 the Office in improving the management of funds expended for indigent
3 defense services, including any recommendations concerning the feasibility
4 and desirability of establishing regional public defender offices.
5

6 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

7 **SECTION 18A.2.** The Judicial Department, Office of Indigent Defense Services,
8 may use up to the sum of four million dollars (\$4,000,000) in appropriated funds during the
9 2013-2015 fiscal biennium for the expansion of existing offices currently providing legal
10 services to the indigent population under the oversight of the Office of Indigent Defense
11 Services, for the creation of new public defender offices within existing public defender
12 programs, or for the establishment of regional public defender programs. Notwithstanding the
13 defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may
14 use a portion of these funds to create positions within existing public defender programs to
15 handle cases in adjacent counties or districts. These funds may be used to create up to 50 new
16 attorney positions and 25 new support staff positions during the 2013-2015 fiscal biennium and
17 for the salaries, benefits, equipment, and related expenses for these new positions in both years
18 of the biennium. Positions creation will be staggered across the two years of the biennium.
19 Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the
20 Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public
21 Safety and the Senate Appropriations Committee on Justice and Public Safety on the proposed
22 expansion.
23

24 **OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

25 **SECTION 18A.3.** Notwithstanding G.S. 143C-6-9, during the 2013-2015 fiscal
26 biennium, the Office of Indigent Defense Services may use the sum of up to fifty thousand
27 dollars (\$50,000) from funds available to provide the State matching funds needed to receive
28 grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the
29 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the
30 Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative
31 Commission on Governmental Operations on the grants to be matched using these funds.
32

33 **SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS**

34 **GRANT FUNDS**

35 **SECTION 18B.1.** Notwithstanding G.S. 143C-6-9, the Administrative Office of
36 the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000)
37 from funds available to the Department to provide the State match needed in order to receive
38 grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of
39 the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the
40 Senate Appropriations Committee on Justice and Public Safety, and to the Joint Legislative
41 Commission on Governmental Operations on the grants to be matched using these funds.
42
43

44 **COLLECTION OF WORTHLESS CHECK FUNDS**

45 **SECTION 18B.2.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial
46 Department may use any balance remaining in the Collection of Worthless Checks Fund on
47 June 30, 2013, for the purchase or repair of office or information technology equipment during
48 the 2013-2014 fiscal year. Prior to using any funds under this section, the Judicial Department
49 shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the
50 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the
51 Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Office of

1 State Budget and Management on the equipment to be purchased or repaired and the reasons
2 for the purchases.
3

4 CONFERENCE OF DISTRICT ATTORNEYS PILOT PROGRAMS

5 SECTION 18B.4. Of the funds appropriated in this act to the Judicial Department,
6 the sum of five hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year shall be
7 allocated to the Conference of District Attorneys and shall be used to establish pilot programs
8 in Prosecutorial Districts 17A (Rockingham County) and 19D (Moore County) to provide the
9 district attorneys in those districts with the resources to obtain toxicology analysis from local
10 hospitals on persons charged with driving while impaired whose conduct did not result in
11 serious injury or death to others. The Conference of District Attorneys shall report on the
12 results of the pilot programs to the Chairs of the Joint Legislative Oversight Committee on
13 Justice and Public Safety by February 1, 2014.
14

15 MODIFY LEGAL AID DOMESTIC VIOLENCE REPORT

16 SECTION 18B.5. G.S. 7A-474.20 reads as rewritten:

17 "§ 7A-474.20. Records and reports.

18 The established legal services programs shall keep appropriate records and make periodic
19 reports, as requested, to the North Carolina State Bar. The North Carolina State Bar shall report
20 annually to the ~~General Assembly Chairs~~ Chairs of the Joint Legislative Oversight Committee on
21 Justice and Public Safety on the amount of the funds disbursed and the use of the funds by each
22 legal services program receiving funds. The report to the ~~General Assembly Chairs of the Joint~~
23 Legislative Oversight Committee on Justice and Public Safety shall be made by January 15 of
24 each year beginning January 15, 2006."
25

26 FAMILY COURT PROGRAMS

27 SECTION 18B.6. The Administrative Office of the Courts shall provide direction
28 and oversight to the existing family court programs in order to ensure that each district with a
29 family court program is utilizing best practices and is working effectively and efficiently in the
30 disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report
31 on its efforts in this regard and the results of those efforts to the Chairs of the House of
32 Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate
33 Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight
34 Committee on Justice and Public Safety by March 1, 2014.
35

36 MAGISTRATE DISTRIBUTION FORMULA

37 SECTION 18B.7. The Administrative Office of the Courts, in consultation with
38 the National Center for State Courts, shall study its current formula for the distribution of
39 magistrates across the State and consider revisions to that formula designed to take into account
40 regional differences, travel considerations, and the potential for regionalizing magistrates. The
41 Administrative Office of the Courts shall report its findings and recommendations to the Chairs
42 of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.
43

44 JUDICIAL FORMS SHALL CONFORM TO JUSTICE REINVESTMENT CHANGES

45 SECTION 18B.9. The Administrative Office of the Courts shall ensure that all
46 judicial forms being used in the General Court of Justice conform to all of the changes made in
47 the law with the enactment of the Justice Reinvestment Act of 2011, S.L. 2011-192, as
48 amended.
49

50 CRIMINAL CASE INFORMATION SYSTEM FOR PUBLIC DEFENDERS

1 **SECTION 18B.10.** The Administrative Office of the Courts, in consultation with
 2 the Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand
 3 dollars (\$350,000) in funds available to the Administrative Office of the Courts for the
 4 2013-2015 fiscal biennium and the sum of three hundred fifty thousand dollars (\$350,000) in
 5 funds available to the Office of Indigent Defense Services for the 2013-2015 fiscal biennium
 6 to develop or acquire and to implement a component of the Department's criminal case
 7 information system for use by public defenders no later than February 1, 2015. The
 8 Administrative Office of the Courts shall make an interim report on the development and
 9 implementation of this system by February 1, 2014, and a final report on the completed
 10 implementation of the system by March 1, 2015.

11
 12 **CLERKS' ACCEPTANCE OF CREDIT CARDS**

13 **SECTION 18B.11.** The Judicial Department shall begin implementation of a
 14 cost-effective system for the acceptance of credit card payments for court costs to clerks of
 15 superior court as provided under this subsection. The Judicial Department shall select at least
 16 five counties that do not currently accept credit card payments, representing a balance of the
 17 urban and rural areas of the State, and shall implement the system in those counties by January
 18 1, 2015. The Department shall report on this implementation and on its plans for implementing
 19 the system in the remaining counties to the Chairs of the Joint Legislative Oversight Committee
 20 on Justice and Public Safety by February 1, 2015.

21
 22 **AMEND CLASS 3 MISDEMEANOR SENTENCES**

23 **SECTION 18B.13.(a)** G.S. 15A-1340.23 reads as rewritten:

24 **"§ 15A-1340.23. Punishment limits for each class of offense and prior conviction level.**

25 (a) Offense Classification; Default Classifications. – The offense classification is as
 26 specified in the offense for which the sentence is being imposed. If the offense is a
 27 misdemeanor for which there is no classification, it is as classified in G.S. 14-3.

28 (b) Fines. – Any judgment that includes a sentence of imprisonment may also include a
 29 fine. Additionally, when the defendant is other than an individual, the judgment may consist of
 30 a fine only. If a community punishment is authorized, the judgment may consist of a fine only.
 31 Unless otherwise provided for a specific offense, the maximum fine that may be imposed is two
 32 hundred dollars (\$200.00) for a Class 3 misdemeanor and one thousand dollars (\$1,000) for a
 33 Class 2 misdemeanor. The amount of the fine for a Class 1 misdemeanor and a Class A1
 34 misdemeanor is in the discretion of the court.

35 (c) Punishment for Each Class of Offense and Prior Conviction Level; Punishment
 36 Chart Described. – Unless otherwise provided for a specific offense, the authorized punishment
 37 for each class of offense and prior conviction level is as specified in the chart below. Prior
 38 conviction levels are indicated by the Roman numerals placed horizontally on the top of the
 39 chart. Classes of offenses are indicated by the Arabic numbers placed vertically on the left side
 40 of the chart. Each grid on the chart contains the following components:

- 41 (1) A sentence disposition or dispositions: "C" indicates that a community
 42 punishment is authorized; "I" indicates that an intermediate punishment is
 43 authorized; and "A" indicates that an active punishment is authorized; and
 44 (2) A range of durations for the sentence of imprisonment: any sentence within
 45 the duration specified is permitted.

46
 47 **PRIOR CONVICTION LEVELS**

48 MISDEMEANOR			
49 OFFENSE	<u>LEVEL I</u>	<u>LEVEL II</u>	<u>LEVEL III</u>
50 CLASS	No Prior	One to Four Prior	Five or More
51	Convictions	Convictions	Prior Convictions

1				
2	A1	1-60 days C/I/A	1-75 days C/I/A	1-150 days C/I/A
3	1	1-45 days C	1-45 days C/I/A	1-120 days C/I/A
4	2	1-30 days C	1-45 days C/I	1-60 days C/I/A
5	3	1-10 days C	1-15 days C/I	1-20 days C/I/A.
6			<u>1-15 days C</u>	
7			<u>if one to three prior convictions</u>	
8			<u>1-15 days C/I if four prior convictions</u>	

(d) Fine Only for Certain Class 3 Misdemeanors. – Unless otherwise provided for a specific offense, the judgment for a person convicted of a Class 3 misdemeanor who has no more than three prior convictions shall consist only of a fine."

SECTION 18B.13.(b) This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

RECLASSIFICATION OF CERTAIN CLASS 1 AND CLASS 2 MISDEMEANORS AS CLASS 3 MISDEMEANORS

SECTION 18B.14.(a) G.S. 14-106 reads as rewritten:

"§ 14-106. Obtaining property in return for worthless check, draft or order.

Every person who, with intent to cheat and defraud another, shall obtain money, credit, goods, wares or any other thing of value by means of a check, draft or order of any kind upon any bank, person, firm or corporation, not indebted to the drawer, or where he has not provided for the payment or acceptance of the same, and the same be not paid upon presentation, shall be guilty of a ~~Class 2 misdemeanor~~Class 3 misdemeanor. The giving of the aforesaid worthless check, draft, or order shall be prima facie evidence of an intent to cheat and defraud."

SECTION 18B.14.(b) G.S. 14-107(d) reads as rewritten:

"(d) A violation of this section is a Class I felony if the amount of the check or draft is more than two thousand dollars (\$2,000). If the amount of the check or draft is two thousand dollars (\$2,000) or less, a violation of this section is a misdemeanor punishable as follows:

- (1) Except as provided in subdivision (3) or (4) of this subsection, the person is guilty of a ~~Class 2 misdemeanor~~Class 3 misdemeanor. Provided, however, if the person has been convicted three times of violating this section, the person shall on the fourth and all subsequent convictions (i) be punished as for a Class 1 misdemeanor and (ii) be ordered, as a condition of probation, to refrain from maintaining a checking account or making or uttering a check for three years.
- (2) Repealed by Session Laws 1999-408, s. 1.
- (3) If the check or draft is drawn upon a nonexistent account, the person is guilty of a Class 1 misdemeanor.
- (4) If the check or draft is drawn upon an account that has been closed by the drawer, or that the drawer knows to have been closed by the bank or depository, prior to time the check is drawn, the person is guilty of a Class 1 misdemeanor."

SECTION 18B.14.(c) G.S. 14-167 reads as rewritten:

"§ 14-167. Failure to return hired property.

Any person who shall rent or hire, any horse, mule or other like animal, or any buggy, wagon, truck, automobile, or other vehicle, aircraft, motor, trailer, appliance, equipment, tool, or other thing of value, and who shall willfully fail to return the same to the possession of the person, firm or corporation from whom such property has been rented or hired at the expiration

1 of the time for which such property has been rented or hired, shall be guilty of a ~~Class 2~~
2 ~~misdemeanor.~~ Class 3 misdemeanor.

3 If the value at the time of the rental or hiring of the truck, automobile, or other motor
4 vehicle that is not returned is in excess of four thousand dollars (\$4,000), the person who rented
5 or hired it and failed to return it shall be guilty of a Class H felony."

6 **SECTION 18B.14.(d)** G.S. 14-168.1 reads as rewritten:

7 "**§ 14-168.1. Conversion by bailee, lessee, tenant or attorney-in-fact.**

8 Every person entrusted with any property as bailee, lessee, tenant or lodger, or with any
9 power of attorney for the sale or transfer thereof, who fraudulently converts the same, or the
10 proceeds thereof, to his own use, or secretes it with a fraudulent intent to convert it to his own
11 use, shall be guilty of a ~~Class 1 misdemeanor.~~ Class 3 misdemeanor.

12 If, however, the value of the property converted or secreted, or the proceeds thereof, is in
13 excess of four hundred dollars (\$400.00), every person so converting or secreting it is guilty of
14 a Class H felony. In all cases of doubt the jury shall, in the verdict, fix the value of the property
15 converted or secreted."

16 **SECTION 18B.14.(e)** G.S. 14-168.4(a) reads as rewritten:

17 "(a) It shall be a ~~Class 2 misdemeanor~~ Class 3 misdemeanor for any person to fail to
18 return rented property with intent to defeat the rights of the owner, which is rented pursuant to a
19 written rental agreement in which there is an option to purchase the property, after the date of
20 termination provided in the agreement has occurred or, if the termination date is the occurrence
21 of a specified event, then that such event has in fact occurred."

22 **SECTION 18B.14.(f)** G.S. 20-28(a) reads as rewritten:

23 "(a) Driving While License Revoked. – Except as provided in subsection (a1) of this
24 section, any person whose drivers license has been revoked who drives any motor vehicle upon
25 the highways of the State while the license is revoked is guilty of a Class 3 misdemeanor unless
26 the person's license was originally revoked for an impaired driving revocation, in which case
27 the person is guilty of a Class 1 misdemeanor. Upon conviction, the person's license shall be
28 revoked for an additional period of one year for the first offense, two years for the second
29 offense, and permanently for a third or subsequent offense.

30 If the person's license was originally revoked for an impaired driving revocation, the court
31 may order as a condition of probation that the offender abstain from alcohol consumption and
32 verify compliance by use of a continuous alcohol monitoring system, of a type approved by the
33 Division of Adult Correction of the Department of Public Safety, for a minimum period of 90
34 days.

35 The restoree of a revoked drivers license who operates a motor vehicle upon the highways
36 of the State without maintaining financial responsibility as provided by law shall be punished
37 as for driving without a license."

38 **SECTION 18B.14.(g)** G.S. 20-35 reads as rewritten:

39 "**§ 20-35. Penalties for violating Article; defense to driving without a license.**

40 (a) Penalty. – ~~A~~ Except as otherwise provided in subsection (a1) of this section, a
41 violation of this Article is a Class 2 misdemeanor unless a statute in the Article sets a different
42 punishment for the violation. If a statute in this Article sets a different punishment for a
43 violation of the Article, the different punishment applies.

44 (a1) The following offenses are Class 3 misdemeanors:

- 45 (1) Failure to obtain a license before driving a motor vehicle, in violation of
46 G.S. 20-7(a).
- 47 (2) Failure to carry a valid license while driving a motor vehicle, in violation of
48 G.S. 20-7(a).
- 49 (3) Failure to comply with license restrictions, in violation of G.S. 20-7(e).
- 50 (4) Operation of a motor vehicle with an expired license, in violation of
51 G.S. 20-7(f).

1 (5) Failure to notify the Division of Motor Vehicles of an address change for a
2 drivers license within 60 days after the change occurs, in violation of
3 G.S. 20-7.1.

4 (6) Permitting a motor vehicle owned by the person to be operated by an
5 unlicensed person, in violation of G.S. 20-34.

6 "

7 **SECTION 18B.14.(h)** G.S. 20-176 reads as rewritten:

8 "**§ 20-176. Penalty for misdemeanor or infraction.**

9 (a) Violation of a provision of Part 9, 10, 10A, or 11 of this Article is an infraction
10 unless the violation is specifically declared by law to be a misdemeanor or felony. Violation of
11 the remaining Parts of this Article is a misdemeanor unless the violation is specifically declared
12 by law to be an infraction or a felony.

13 (b) Unless a specific penalty is otherwise provided by law, a person found responsible
14 for an infraction contained in this Article may be ordered to pay a penalty of not more than one
15 hundred dollars (\$100.00).

16 (c) ~~Unless~~Except as otherwise provided in subsection (c2) of this section, and unless
17 specific penalty is otherwise provided by law, a person convicted of a misdemeanor contained
18 in this Article is guilty of a Class 2 misdemeanor. A punishment is specific for purposes of this
19 subsection if it contains a quantitative limit on the term of imprisonment or the amount of fine a
20 judge can impose.

21 (c1) Notwithstanding any other provision of law, no person convicted of a misdemeanor
22 for the violation of any provision of this Chapter except G.S. 20-28(a) and (b), G.S. 20-141(j),
23 G.S. 20-141.3(b) and (c), G.S. 20-141.4, or a second or subsequent conviction of G.S. 20-138.1
24 shall be imprisoned in the State prison system unless the person previously has been
25 imprisoned in a local confinement facility, as defined by G.S. 153A-217(5), for a violation of
26 this Chapter.

27 (c2) A person who does any of the following is guilty of a Class 3 misdemeanor:

28 (1) Fails to carry the registration card in the vehicle, in violation of
29 G.S. 20-57(c).

30 (2) Fails to sign the vehicle registration card, in violation of G.S. 20-57(c).

31 (3) Fails to notify the Division of Motor Vehicles of an address change for a
32 vehicle registration card within 60 days after the change occurs, in violation
33 of G.S. 20-67.

34 (d) For purposes of determining whether a violation of an offense contained in this
35 Chapter constitutes negligence per se, crimes and infractions shall be treated identically."

36 **SECTION 18B.14.(i)** G.S. 20-111 reads as rewritten:

37 "**§ 20-111. Violation of registration provisions.**

38 It shall be unlawful for any person to commit any of the following acts:

39 (1) To drive a vehicle on a highway, or knowingly permit a vehicle owned by
40 that person to be driven on a highway, when the vehicle is not registered
41 with the Division in accordance with this Article or does not display a
42 current registration plate. Violation of this subdivision is a Class 3
43 misdemeanor.

44 (2) To display or cause or permit to be displayed or to have in possession any
45 registration card, certificate of title or registration number plate knowing the
46 same to be fictitious or to have been canceled, revoked, suspended or
47 altered, or to willfully display an expired license or registration plate on a
48 vehicle knowing the same to be expired. Violation of this subdivision is a
49 Class 3 misdemeanor.

50 (3) The giving, lending, or borrowing of a license plate for the purpose of using
51 same on some motor vehicle other than that for which issued shall make the

1 giver, lender, or borrower guilty of a Class 3 misdemeanor. Where license
2 plate is found being improperly used, such plate or plates shall be revoked or
3 canceled, and new license plates must be purchased before further operation
4 of the motor vehicle.

5 (4) To fail or refuse to surrender to the Division, upon demand, any title
6 certificate, registration card or registration number plate which has been
7 suspended, canceled or revoked as in this Article provided. Service of the
8 demand shall be in accordance with G.S. 20-48.

9 (5) To use a false or fictitious name or address in any application for the
10 registration of any vehicle or for a certificate of title or for any renewal or
11 duplicate thereof, or knowingly to make a false statement or knowingly to
12 conceal a material fact or otherwise commit a fraud in any such application.
13 A violation of this subdivision shall constitute a Class 1 misdemeanor.

14 (6) To give, lend, sell or obtain a certificate of title for the purpose of such
15 certificate being used for any purpose other than the registration, sale, or
16 other use in connection with the vehicle for which the certificate was issued.
17 Any person violating the provisions of this subdivision shall be guilty of a
18 Class 2 misdemeanor."

19 **SECTION 18B.14.(j)** G.S. 20-127(d) reads as rewritten:

20 "(d) Violations. – A person who does any of the following commits a ~~misdemeanor of~~
21 ~~the class set in G.S. 20-176: Class 3 misdemeanor:~~

22 (1) Applies tinting to the window of a vehicle that is subject to a safety
23 inspection in this State and the resulting tinted window does not meet the
24 window tinting restrictions set in this section.

25 (2) Drives on a highway or a public vehicular area a vehicle that has a window
26 that does not meet the window tinting restrictions set in this section."

27 **SECTION 18B.14.(k)** G.S. 20-141(j1) reads as rewritten:

28 "(j1) A person who drives a vehicle on a highway at a speed that is either more than 15
29 miles per hour more than the speed limit established by law for the highway where the offense
30 occurred or over 80 miles per hour is guilty of a ~~Class 2 misdemeanor. Class 3 misdemeanor.~~"

31 **SECTION 18B.14.(l)** G.S. 20-313(a) reads as rewritten:

32 "(a) On or after July 1, 1963, any owner of a motor vehicle registered or required to be
33 registered in this State who shall operate or permit such motor vehicle to be operated in this
34 State without having in full force and effect the financial responsibility required by this Article
35 shall be guilty of a ~~Class 1 misdemeanor. Class 3 misdemeanor.~~"

36 **SECTION 18B.14.(m)** G.S. 113-135(a) reads as rewritten:

37 "(a) Any person who violates any provision of this Subchapter or any rule adopted by
38 the Marine Fisheries Commission or the Wildlife Resources Commission, as appropriate,
39 pursuant to the authority of this Subchapter, is guilty of a misdemeanor except that punishment
40 for violation of the rules of the Wildlife Resources Commission is limited as set forth in
41 G.S. 113-135.1. Unless Fishing without a license in violation of G.S. 113-174.1(a) or
42 G.S. 113-270.1B(a) is punishable as a Class 3 misdemeanor. Otherwise, unless a different level
43 of punishment is elsewhere set out, anyone convicted of a misdemeanor under this section is
44 punishable as follows:

45 (1) For a first conviction, as a Class 3 misdemeanor.

46 (2) For a second or subsequent conviction within three years, as a Class 2
47 misdemeanor."

48 **SECTION 18B.14.(n)** This section becomes effective December 1, 2013.

49 Prosecutions for offenses committed before the effective date of this section are not abated or
50 affected by this section, and the statutes that would be applicable but for this section remain
51 applicable to those prosecutions.

1
2 **RECLASSIFY CERTAIN VIOLATIONS OF THE BOATING SAFETY ACT FROM**
3 **CLASS 3 MISDEMEANORS TO INFRACTIONS**

4 **SECTION 18B.15.(a)** G.S. 75A-6.1 reads as rewritten:

5 "(c) Violation of the navigation rules specified in subsection (a) of this section shall
6 constitute a ~~Class 3 misdemeanor and is punishable only by a fine not to exceed one hundred~~
7 ~~dollars (\$100.00)-an infraction as provided in G.S. 14-3.1."~~

8 **SECTION 18B.15.(b)** G.S. 75A-13.1 reads as rewritten:

9 **"§ 75A-13.1. Skin and scuba divers.**

10 (a) No person shall engage in skin diving or scuba diving in the waters of this State that
11 are open to boating, or assist in such diving, without displaying a diver's flag from a mast,
12 buoy, or other structure at the place of diving; and no person shall display such flag except
13 when diving operations are under way or in preparation.

14 (b) The diver's flag shall be square, not less than 12 inches on a side, and shall be of red
15 background with a diagonal white stripe, of a width equal to one fifth of the flag's height,
16 running from the upper corner adjacent to the mast downward to the opposite outside corner.

17 (c) No operator of a vessel under way in the waters of this State shall permit the vessel
18 to approach closer than 50 feet to any structure from which a diver's flag is then being
19 displayed, except where the flag is so positioned as to constitute an unreasonable obstruction to
20 navigation; and no person shall engage in skin diving or scuba diving or display a diver's flag in
21 any locality that will unreasonably obstruct vessels from making legitimate navigational use of
22 the water.

23 (d) A person who violates a provision of this section is ~~guilty of a Class 3 misdemeanor~~
24 ~~and shall only be subject to a fine not to exceed twenty-five dollars (\$25.00)-~~responsible for an
25 infraction as provided in G.S. 14-3.1."

26 **SECTION 18B.15.(c)** G.S. 75A-13.3(c3) reads as rewritten:

27 "(c3) A vessel livery shall provide the operator of a leased personal watercraft with basic
28 safety instruction prior to allowing the operation of the leased personal watercraft. "Basic safety
29 instruction" shall include direction on how to safely operate the personal watercraft and a
30 review of the safety provisions of this section. A vessel livery that fails to provide basic safety
31 instruction is ~~guilty of a Class 3 misdemeanor-responsible for an infraction as provided in~~
32 G.S. 14-3.1."

33 **SECTION 18B.15.(d)** G.S. 75A-17(f) reads as rewritten:

34 "(f) Vessels operated on the waters of this State shall slow to a no-wake speed when
35 passing within 100 feet of a law enforcement vessel that is displaying a flashing blue light
36 unless the vessel is in a narrow channel. Vessels operated on the waters of this State in a
37 narrow channel shall slow to a no-wake speed when passing within 50 feet of a law
38 enforcement vessel that is displaying a flashing blue light. A person who violates this
39 subsection is ~~guilty of a Class 3 misdemeanor-responsible for an infraction as provided in~~
40 G.S. 14-3.1."

41 **SECTION 18B.15.(e)** G.S. 75A-18(a) reads as rewritten:

42 "(a) Except as otherwise provided, a person who violates a provision of this Article or
43 who violates a rule adopted under authority of this Chapter is ~~guilty of a Class 3 misdemeanor~~
44 ~~and shall only be subject to a fine not to exceed two hundred and fifty dollars (\$250.00) for~~
45 ~~each violation-responsible for an infraction as provided in G.S. 14-3.1.~~ This limitation shall not
46 apply in a case where a more severe penalty is prescribed in this Chapter."

47 **SECTION 18B.15.(f)** This section becomes effective December 1, 2013.
48 Prosecutions for offenses committed before the effective date of this section are not abated or
49 affected by this section, and the statutes that would be applicable but for this section remain
50 applicable to those prosecutions.
51

EXPUNCTION FEES

SECTION 18B.16.(a) G.S. 15A-145(e) reads as rewritten:

"(e) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of ~~one hundred twenty five dollars (\$125.00)~~ one hundred seventy-five dollars (\$175.00) at the time the petition is filed. Fees collected under this subsection ~~shall be deposited in the General Fund.~~ are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(b) G.S. 15A-145.1 is amended by adding a new subsection to read:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars (\$175.00) at the time the petition is filed. Fees collected under this subsection are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(c) G.S. 15A-145.2(d) reads as rewritten:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of ~~sixty five dollars (\$65.00)~~ one hundred seventy-five dollars (\$175.00) at the time the petition is filed. Fees collected under this subsection ~~shall be deposited in the General Fund.~~ are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(d) G.S. 15A-145.3 is amended by adding a new subsection to read:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars (\$175.00) at the time the petition is filed. Fees collected under this subsection are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(e) G.S. 15A-145.4 is amended by adding a new subsection to read:

1 "(j) A person who files a petition for expunction of a criminal record under this section
2 must pay the clerk of superior court a fee of one hundred seventy-five dollars (\$175.00) at the
3 time the petition is filed. Fees collected under this subsection are payable to the Administrative
4 Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars
5 and fifty cents (\$122.50) of each fee to the North Carolina Department of Justice for the costs
6 of criminal record checks performed in connection with processing petitions for expunctions
7 under this section. The remaining fifty-two dollars and fifty cents (\$52.50) of each fee shall be
8 retained by the Administrative Office of the Courts and used to pay the costs of processing
9 petitions for expunctions under this section. This subsection does not apply to petitions filed by
10 an indigent."

11 **SECTION 18B.16.(f)** G.S. 15A-146 is amended by adding a new subsection to
12 read:

13 "(d) A person charged with a crime that is dismissed pursuant to compliance with a
14 deferred prosecution agreement and who files a petition for expunction of a criminal record
15 under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars
16 (\$175.00) at the time the petition is filed. Fees collected under this subsection are payable to the
17 Administrative Office of the Courts. The clerk of superior court shall remit one hundred
18 twenty-two dollars and fifty cents (\$122.50) of each fee to the North Carolina Department of
19 Justice for the costs of criminal record checks performed in connection with processing
20 petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents
21 (\$52.50) of each fee shall be retained by the Administrative Office of the Courts and used to
22 pay the costs of processing petitions for expunctions under this section. This subsection does
23 not apply to petitions filed by an indigent."

24 **SECTION 18B.16.(g)** The receipts generated by the fees imposed under this
25 section are appropriated to the Administrative Office of the Courts and the Department of
26 Justice for the 2013-2014 fiscal year and for the 2014-2015 fiscal year and may be used to
27 assist with the cost of processing petitions for expunctions and conducting the criminal
28 background checks required for expunctions. The Department of Justice may also use up to one
29 million four hundred thousand dollars (\$1,400,000) of the revenue generated by the fees
30 appropriated to the Department of Justice under this section to create and support up to five
31 new staff positions to help process petitions for expunction and conduct criminal record checks
32 required for those petitions.

33 **SECTION 18B.16.(h)** Subsections (a) through (f) of this section become effective
34 December 1, 2013, and apply to petitions for expunction filed on or after that date.

35 36 **AMEND MOTION FEES**

37 **SECTION 18B.17.(a)** G.S. 7A-305(f) reads as rewritten:

38 "(f) For the support of the General Court of Justice, the sum of twenty dollars (\$20.00)
39 shall accompany any filing ~~containing one or more motions of a notice of hearing on a motion~~
40 not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of
41 hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys'
42 fees. No more than one fee shall be assessed for any motion for which a notice of hearing is
43 filed, regardless of whether the hearing is continued, rescheduled, or otherwise delayed."

44 **SECTION 18B.17.(b)** G.S. 7A-306(g) reads as rewritten:

45 "(g) For the support of the General Court of Justice, the sum of twenty dollars (\$20.00)
46 shall accompany any filing ~~containing one or more motions of a notice of hearing on a motion~~
47 not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of
48 hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys'
49 fees. No more than one fee shall be assessed for any motion for which a notice of hearing is
50 filed, regardless of whether the hearing is continued, rescheduled, or otherwise delayed."

51 **SECTION 18B.17.(c)** G.S. 7A-307(a)(4) reads as rewritten:

1 "(4) For the support of the General Court of Justice, the sum of twenty dollars
2 (\$20.00) shall accompany any filing ~~requiring a notice of hearing and~~
3 ~~containing one or more motions of a notice of hearing on a motion~~ not listed
4 in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a
5 notice of hearing on a motion containing as a sole claim for relief the taxing
6 of costs, including attorneys' fees. No more than one fee shall be assessed for
7 any motion for which a notice of hearing is filed, regardless of whether the
8 hearing is continued, rescheduled, or otherwise delayed."

9 **SECTION 18B.17.(d)** This section becomes effective August 1, 2013, and applies
10 to notices of hearing on a motion not listed in G.S. 7A-308 filed on or after that date.

11 **CRIMINAL JUSTICE EDUCATION AND STANDARDS COMMISSION COURT FEE**

12 **SECTION 18B.18.(a)** G.S. 7A-304(a) reads as rewritten:

13 "(a) In every criminal case in the superior or district court, wherein the defendant is
14 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the
15 prosecuting witness, the following costs shall be assessed and collected. No costs may be
16 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of
17 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs
18 assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8)
19 of this section.

20 ...

21 (3b) For the services, staffing, and operations of the Criminal Justice Education
22 and Standards ~~Commission and the Sheriffs' Education and Training~~
23 ~~Standards~~Commission, the sum of two dollars (\$2.00) to be remitted to the
24 Department of Justice. ~~One dollar and thirty cents (\$1.30) of this sum shall~~
25 ~~be used exclusively for the Criminal Justice Education and Standards~~
26 ~~Commission, and seventy cents (70¢) shall be used exclusively for the~~
27 ~~Sheriffs' Education and Training Standards Commission.~~

28 "

29 **SECTION 18B.18.(b)** This section becomes effective July 1, 2013, and applies to
30 all costs assessed or collected on or after that date.

31 **COURT COSTS FOR SERVICES OF EXPERT WITNESS PROVIDING TESTIMONY** 32 **ABOUT A CHEMICAL OR FORENSIC ANALYSIS AT TRIAL**

33 **SECTION 18B.19.(a)** G.S. 7A-304(a) reads as rewritten:

34 "(a) In every criminal case in the superior or district court, wherein the defendant is
35 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the
36 prosecuting witness, the following costs shall be assessed and collected. No costs may be
37 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of
38 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs
39 assessed under this section or (ii) waive or reduce costs assessed under ~~subdivisions (7) or~~
40 (8) subdivision (7), (8), (11), or (12) of this section.

41 ...

42 (11) For the services of an expert witness employed by the North Carolina State
43 Crime Laboratory who completes a chemical analysis pursuant to
44 G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides
45 testimony about that analysis in a defendant's trial, the district or superior
46 court judge shall, upon conviction of the defendant, order payment of the
47 sum of six hundred dollars (\$600.00) to be remitted to the Department of
48 Justice for support of the State Crime Laboratory. This cost shall be assessed
49 only in cases in which the expert witness provides testimony about the
50 analysis.

chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (7) of this subsection.

(12) For the services of an expert witness employed by a crime laboratory operated by a local government or group of local governments who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars (\$600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for local law enforcement. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8) of this subsection."

SECTION 18B.19.(b) This section becomes effective July 1, 2013, and applies to fees assessed or collected on or after that date.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 18B.20. Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2013-2015 fiscal biennium, may elect to establish a per-mile reimbursement rate for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service.

STUDY USE AND COMPENSATION OF COURT REPORTERS

SECTION 18B.21. The Administrative Office of the Courts, in consultation with the National Center for State Courts, shall study the most effective and efficient deployment of court reporters to produce timely records of court proceedings and the most appropriate and effective compensation for court reporters. The Administrative Office of the Courts shall report its findings and recommendations to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.

CONSOLIDATE SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 6A AND 6B/RESTRUCTURE SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 16A, 19B, AND 20A

SECTION 18B.22.(a) G.S. 7A-41(a) reads as rewritten:

"(a) The counties of the State are organized into judicial divisions and superior court districts, and each superior court district has the counties, and the number of regular resident superior court judges set forth in the following table, and for districts of less than a whole county, as set out in subsection (b) of this section:

Judicial Division	Superior Court District	Counties	No. of Resident Judges
First	1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	2
First	2	Beaufort, Hyde, Martin,	1

1			Tyrrell, Washington	
2	First	3A	Pitt	2
3	Second	3B	Carteret, Craven,	3
4			Pamlico	
5	Second	4A	Duplin, Jones,	1
6			Sampson	
7	Second	4B	Onslow	1
8	Second	5A	(part of New Hanover,	1
9			part of Pender	
10			see subsection (b))	
11		5B	(part of New Hanover,	1
12			part of Pender	
13			see subsection (b))	
14		5C	(part of New Hanover,	1
15			see subsection (b))	
16	First	6A	Halifax	1
17	First	6B	Bertie, Hertford,	1
18			Northampton	
19	First	7A	Nash	1
20	First	7B	(part of Wilson,	1
21			part of Edgecombe,	
22			see subsection (b))	
23	First	7C	(part of Wilson,	1
24			part of Edgecombe,	
25			see subsection (b))	
26	Second	8A	Lenoir and Greene	1
27	Second	8B	Wayne	1
28	Third	9	Franklin, Granville,	2
29			Vance, Warren	
30	Third	9A	Person, Caswell	1
31	Third	10A	(part of Wake,	1
32			see subsection (b))	
33	Third	10B	(part of Wake,	1
34			see subsection (b))	
35	Third	10C	(part of Wake,	1
36			see subsection (b))	
37	Third	10D	(part of Wake,	1
38			see subsection (b))	
39	Third`	10E	(part of Wake,	1
40			see subsection (b))	
41	Third	10F	(part of Wake,	1
42			see subsection (b))	
43	Fourth	11A	Harnett,	1
44			Lee	
45	Fourth	11B	Johnston	1
46	Fourth	12A	(part of Cumberland,	1
47			see subsection (b))	
48	Fourth	12B	(part of Cumberland,	1
49			see subsection (b))	
50	Fourth	12C	(part of Cumberland,	2
51			see subsection (b))	

1	Fourth	13A	Bladen, Columbus	1
2	Fourth	13B	Brunswick	1
3	Third	14A	(part of Durham,	1
4			see subsection (b))	
5	Third	14B	(part of Durham,	3
6			see subsection (b))	
7	Third	15A	Alamance	2
8	Third	15B	Orange, Chatham	2
9	Fourth	16A	<u>Anson, Richmond,</u>	
10			Scotland, Hoke	1 2
11	Fourth	16B	Robeson	2
12	Fifth	17A	Rockingham	2
13	Fifth	17B	Stokes, Surry	2
14	Fifth	18A	(part of Guilford,	1
15			see subsection (b))	
16	Fifth	18B	(part of Guilford,	1
17			see subsection (b))	
18	Fifth	18C	(part of Guilford,	1
19			see subsection (b))	
20	Fifth	18D	(part of Guilford,	1
21			see subsection (b))	
22	Fifth	18E	(part of Guilford,	1
23			see subsection (b))	
24	Sixth	19A	Cabarrus	1
25	Fifth	19B	Montgomery, Randolph	1
26	Sixth	19C	Rowan	1
27	Fifth Fourth	19D	Moore	1
28	Sixth	20A	Anson, Richmond,	2 1
29			<u>Montgomery, Stanley</u> Stanly	
30	Sixth	20B	Union	2
31	Fifth	21A	(part of Forsyth,	1
32			see subsection (b))	
33	Fifth	21B	(part of Forsyth,	1
34			see subsection (b))	
35	Fifth	21C	(part of Forsyth,	1
36			see subsection (b))	
37	Fifth	21D	(part of Forsyth,	1
38			see subsection (b))	
39	Sixth	22A	Alexander, Iredell	2
40	Sixth	22B	Davidson, Davie	2
41	Fifth	23	Alleghany, Ashe,	1
42			Wilkes, Yadkin	
43	Eighth	24	Avery, Madison,	2
44			Mitchell,	
45			Watauga, Yancey	
46	Seventh	25A	Burke, Caldwell	2
47	Seventh	25B	Catawba	2
48	Seventh	26A	(part of Mecklenburg,	2
49			see subsection (b))	
50	Seventh	26B	(part of Mecklenburg,	3
51			see subsection (b))	

1	Seventh	26C	(part of Mecklenburg,	2
2			see subsection (b))	
3	Seventh	27A	Gaston	2
4	Seventh	27B	Cleveland, Lincoln	2
5	Eighth	28	Buncombe	2
6	Eighth	29A	McDowell,	1
7			Rutherford	
8	Eighth	29B	Henderson, Polk,	1
9			Transylvania	
10	Eighth	30A	Cherokee, Clay,	1
11			Graham, Macon,	
12			Swain	
13	Eighth	30B	Haywood, Jackson	1."

14 **SECTION 18B.22.(c)** The two superior court judgeships established for Superior
 15 Court District 16A by subsection (a) of this section shall be filled by the superior court judge
 16 currently serving Superior Court District 16A who resides in Scotland County and by the
 17 superior court judge currently serving Superior Court District 20A who resides in Richmond
 18 County. The terms of those judges expire December 31, 2016, and successors shall be elected
 19 in the 2016 general election for eight-year terms commencing January 1, 2017.

20 **SECTION 18B.22.(d)** The superior court judgeship for Superior Court District
 21 19B shall be filled by election in the 2014 general election for an eight-year term commencing
 22 January 1, 2015.

23 **SECTION 18B.22.(e)** The superior court judgeship established for Superior Court
 24 District 20A by subsection (a) of this section shall be filled by the superior court judge
 25 currently serving Superior Court District 20A who resides in Stanly County. The term of that
 26 judge expires December 31, 2016, and a successor shall be elected in the 2016 general election
 27 for an eight-year term commencing January 1, 2017.

28 **SECTION 18B.22.(f)** G.S. 7A-133(a) reads as rewritten:

29 "(a) Each district court district shall have the numbers of judges as set forth in the
 30 following table:

31	District	Judges	County
32			<hr/>
33	1	5	Camden
34			Chowan
35			Currituck
36			Dare
37			Gates
38			Pasquotank
39			Perquimans
40	2	4	Martin
41			Beaufort
42			Tyrrell
43			Hyde
44			Washington
45	3A	5	Pitt
46	3B	6	Craven
47			Pamlico
48			Carteret
49	4	8	Sampson
50			Duplin
51			Jones

1			Onslow
2	5	9	New Hanover
3			Pender
4	6A	3	Halifax
5	6B6	34	Northampton
6			Bertie
7			Hertford
8			<u>Halifax</u>
9	7	7	Nash
10			Edgecombe
11			Wilson
12	8	6	Wayne
13			Greene
14			Lenoir
15	9	4	Granville
16			(part of Vance
17			see subsection (b))
18			Franklin
19	9A	2	Person
20			Caswell
21	9B	2	Warren
22			(part of Vance
23			see subsection (b))
24	10	19	Wake
25	11	11	Harnett
26			Johnston
27			Lee
28	12	10	Cumberland
29	13	6	Bladen
30			Brunswick
31			Columbus
32	14	7	Durham
33	15A	4	Alamance
34	15B	5	Orange
35			Chatham
36	16A	36	Scotland
37			Hoke
38			<u>Anson</u>
39			<u>Richmond</u>
40	16B	5	Robeson
41	17A	3	Rockingham
42	17B	4	Stokes
43			Surry
44	18	14	Guilford
45	19A	4	Cabarrus
46	19B	7	Montgomery
47			Moore
48			Randolph
49	19C	5	Rowan
50	20A	43	Stanly
51			<u>Montgomery</u>

1			Anson
2			Richmond
3	20B	1	(part of Union
4			see subsection (b))
5	20C	2	(part of Union
6			see subsection (b))
7	20D	1	Union
8	21	10	Forsyth
9	22A	5	Alexander
10			Iredell
11	22B	6	Davidson
12			Davie
13	23	4	Alleghany
14			Ashe
15			Wilkes
16			Yadkin
17	24	4	Avery
18			Madison
19			Mitchell
20			Watauga
21			Yancey
22	25	9	Burke
23			Caldwell
24			Catawba
25	26	21	Mecklenburg
26	27A	7	Gaston
27	27B	5	Cleveland
28			Lincoln
29	28	7	Buncombe
30	29A	3	McDowell
31			Rutherford
32	29B	4	Henderson
33			Polk
34			Transylvania
35	30	6	Cherokee
36			Clay
37			Graham
38			Haywood
39			Jackson
40			Macon
41			Swain."

SECTION 18B.22.(g) The four district judgeships established for District Court District 6 by subsection (f) of this section shall be filled by:

- (1) The three district court judges currently serving District Court District 6A who reside in Halifax County whose terms expire December 31, 2016. Successors shall be elected in the 2016 general election for four-year terms commencing January 1, 2017.
- (2) The district court judge currently serving District Court District 6B who resides in Northampton County whose term expires December 31, 2016. A successor shall be elected in the 2016 general election for a four-year term commencing January 1, 2017.

1 **SECTION 18B.22.(h)** The six district court judgeships established for District
 2 Court District 16A by subsection (f) of this section shall be filled by:

- 3 (1) The district court judge currently serving District Court District 16A who
- 4 resides in Scotland County whose term expires December 31, 2016.
- 5 (2) The district court judge currently serving District Court District 20A who
- 6 resides in Richmond County whose term expires December 31, 2016.
- 7 (3) The district court judge currently serving District Court District 20A who
- 8 resides in Anson County whose term expires December 31, 2016.
- 9 (4) Election of three judges in the 2014 general election for four-year terms
- 10 commencing January 1, 2015.

11 **SECTION 18B.22.(i)** The seven district court judgeships for District Court District
 12 19B shall be the seven judges currently serving District Court District 19B who reside in
 13 Moore and Randolph Counties.

14 **SECTION 18B.22.(j)** The three district court judgeships established for District
 15 Court District 20A by subsection (f) of this section shall be filled by election of three district
 16 court judges in the 2014 general election for four-year terms commencing January 1, 2015.

17 **SECTION 18B.22.(k)** G.S. 7A-60(a1) reads as rewritten:
 18 "**§ 7A-60. District attorneys and prosecutorial districts.**

19 (a) The State shall be divided into prosecutorial districts, as shown in subsection (a1) of
 20 this section. There shall be a district attorney for each prosecutorial district, as provided in
 21 subsections (b) and (c) of this section who shall be a resident of the prosecutorial district for
 22 which elected. A vacancy in the office of district attorney shall be filled as provided in Article
 23 IV, Sec. 19 of the Constitution.

24 (a1) The counties of the State are organized into prosecutorial districts, and each district
 25 has the counties and the number of full-time assistant district attorneys set forth in the
 26 following table:

Prosecutorial		No. of Full-Time
District	Counties	Asst. District
		Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11
2	Beaufort, Hyde, Martin, Tyrrell, Washington	8
3A	Pitt	11
3B	Carteret, Craven, Pamlico	12
4	Duplin, Jones, Onslow, Sampson	18
5	New Hanover, Pender	18
6A	Halifax	5
6B <u>6</u>	Bertie, <u>Halifax</u> , Hertford, Northampton	<u>5</u> <u>11</u>
7	Edgecombe, Nash, Wilson	18
8	Greene, Lenoir, Wayne	14
9	Franklin, Granville, Vance, Warren	10
9A	Person, Caswell	6
10	Wake	41
11A	Harnett, Lee	9
11B	Johnston	10
12	Cumberland	23

1	13	Bladen, Brunswick, Columbus	13
2	14	Durham	18
3	15A	Alamance	11
4	15B	Orange, Chatham	10
5	16A	<u>Anson, Richmond,</u>	
6		Scotland, Hoke	<u>714</u>
7	16B	Robeson	12
8	17A	Rockingham	7
9	17B	Stokes, Surry	8
10	18	Guilford	32
11	19A	Cabarrus	9
12	19B	Montgomery , Randolph	9
13	19C	Rowan	8
14	19D	Moore	5
15	20A	Anson, Richmond,	<u>415</u>
16		<u>Montgomery</u> , Stanly	
17	20B	Union	10
18	21	Forsyth	25
19	22A	Alexander, Iredell	11
20	22B	Davidson, Davie	11
21	23	Alleghany, Ashe, Wilkes,	8
22		Yadkin	
23	24	Avery, Madison, Mitchell,	7
24		Watauga, Yancey	
25	25	Burke, Caldwell, Catawba	18
26	26	Mecklenburg	58
27	27A	Gaston	14
28	27B	Cleveland,	11
29		Lincoln	
30	28	Buncombe	14
31	29A	McDowell, Rutherford	7
32	29B	Henderson, Polk, Transylvania	8
33	30	Cherokee, Clay, Graham,	10
34		Haywood, Jackson, Macon,	
35		Swain.	
36"		

37 **SECTION 18B.22.(l)** The district attorney position established for Prosecutorial
38 District 6 by subsection (k) of this section shall be filled by election in the 2014 general
39 election for a four-year term commencing January 1, 2015. The district attorney positions for
40 current Prosecutorial Districts 6A and 6B shall expire December 31, 2014.

41 **SECTION 18B.22.(m)** The district attorney position established for Prosecutorial
42 District 16A by subsection (k) of this act shall be filled by the district attorney currently serving
43 Prosecutorial District 16A who resides in Hoke County. That district attorney's successor shall
44 be elected in the 2016 general election for a four-year term commencing January 1, 2017.

45 **SECTION 18B.22.(n)** The district attorney position established for Prosecutorial
46 District 20A by subsection (k) of this section shall be filled by election in the 2014 general
47 election for a four-year term commencing January 1, 2015.

48 **SECTION 18B.22.(o)** The district attorney position established for Prosecutorial
49 District 19B by subsection (k) of this section shall be filled by the district attorney currently
50 serving District 19B who resides in Randolph County. That district attorney's successor shall be
51 elected in the 2016 general election for a four-year term commencing January 1, 2017.

1 **SECTION 18B.22.(p)** This section becomes effective January 1, 2015, or, if
2 preclearance is required under Section 5 of the Voting Rights Act of 1965, the later of January
3 1, 2015, or the date of preclearance.

4
5 **PART XIX. DEPARTMENT OF CULTURAL RESOURCES**

6
7 **CULTURAL RESOURCES TO FIND ALTERNATIVE FUNDING FOR STATE**
8 **HISTORIC SITES**

9 **SECTION 19.1.** In an effort to reduce funding of the State's 27 Historic Sites, the
10 Department of Cultural Resources shall find alternative funding sources to support these sites
11 by actively seeking support from the following: (i) the local governments where these Historic
12 Sites are located, (ii) the nonprofit groups associated with these Historic Sites, and (iii) other
13 private sources.

14
15 **ALLOW MUSEUMS AND HISTORIC SITES TO GENERATE REVENUE FROM**
16 **VENDOR SERVICES AND TO SELL CERTAIN MERCHANDISE**

17 **SECTION 19.3.(a)** Article 3 of Chapter 111 of the General Statutes is amended by
18 adding a new section to read:

19 **"§ 111-47.2. Food service at museums and historic sites operated by the Department of**
20 **Cultural Resources.**

21 Notwithstanding Article 3 of Chapter 111 of the General Statutes, the North Carolina
22 Department of Cultural Resources may operate or contract for the operation of food or vending
23 services at museums and historic sites operated by the Department. Notwithstanding
24 G.S. 111-43, the net proceeds of revenue generated by food and vending services provided at
25 museums and historic sites operated by the Department or a vendor with whom the Department
26 has contracted shall be credited to the appropriate fund of the museum or historic site where the
27 funds were generated and shall be used for the operation of that museum or historic site."

28 **SECTION 19.3.(b)** G.S. 111-47.2, as enacted by subsection (a) of this section,
29 shall not be construed to alter any contract for food or vending services at any museum or
30 historic site operated by the Department that is in force at the time this section becomes law.

31 **SECTION 19.3.(c)** G.S. 66-58(b) is amended by adding a new subdivision to read:

32 "(b) The provisions of subsection (a) of this section shall not apply to:

33 ...

34 (9b) The Department of Cultural Resources for the sale of food pursuant to
35 G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related
36 items at historic sites and museums administered by the Department.

37 "

38
39 **EXECUTIVE MANSION EXCESS PROPERTY**

40 **SECTION 19.8.(a)** G.S. 143B-79 reads as rewritten:

41 **"§ 143B-79. Executive Mansion Fine Arts Committee – creation, powers and duties.**

42 There is hereby created the Executive Mansion Fine Arts Committee. The Executive
43 Mansion Fine Arts Committee shall have the following functions and duties:

44 ...

45 (7) The Committee may dispose of property held in the Executive Mansion after
46 consultation with a review committee comprised of one person from the
47 Executive Mansion Fine Arts Committee, appointed by its chairman; one
48 person from the Department of Administration appointed by the Secretary of
49 Administration; and two qualified professionals from the Department of
50 Cultural Resources, Division of Archives and History, appointed by the
51 Secretary of Cultural Resources. Upon request of the Executive Mansion

1 Fine Arts Committee, the review committee will view proposed items for
2 disposition and make a recommendation to the North Carolina Historical
3 Commission who will make a final decision. The Historical Commission
4 must consider whether the disposition is in the best interest of the State of
5 North Carolina. If ~~such any~~ property is sold, ~~(i) if the records with regard to~~
6 ~~the property reflect that it was acquired by the State by gift or devise~~ the net
7 proceeds of each ~~such~~ sale shall be deposited in the State Treasury to the
8 credit of the Executive Mansion, Special Fund, and shall be used only for the
9 purchase, conservation, restoration or repair of other property for use in the
10 Executive Mansion and; ~~(ii) if the records with regard to the property reflect~~
11 ~~that the property was acquired by the State by purchase with appropriated~~
12 ~~funds or do not show the manner of acquisition, the net proceeds of such sale~~
13 ~~shall be deposited in the General Fund.~~ Mansion."

14 **SECTION 19.8.(b)** Notwithstanding G.S. 143B-79(7) or any other law pertaining
15 to surplus State property, the Executive Mansion Fine Arts Committee shall obtain an appraisal
16 of all items held in the Executive Mansion proposed for disposition. If House Bill 153 of the
17 2013 General Assembly becomes law, the Committee shall, prior to the sale of any item, report
18 to the Joint Legislative Oversight Committee on General Government on the items inventoried
19 and their value. If House Bill 153 of the 2013 General Assembly does not become law, the
20 Committee shall, prior to the sale of any item, report to the Chairs of the House Appropriations
21 Subcommittee on General Government, the Senate Appropriations Committee on General
22 Government and Information Technology, and to the Fiscal Research Division.

23

24 **ROANOKE ISLAND FUNDING/FRIENDS OF ELIZABETH II SUPPORT**

25 **SECTION 19.9.** The Roanoke Island Commission shall request financial support
26 from the Friends of Elizabeth II, Inc., in the amount of three hundred twenty-five thousand
27 dollars (\$325,000) or a sum equal to the average of the last three consecutive years of the
28 Friends' investment earnings, whichever is greater, for each fiscal year of the 2013-2015
29 biennium and for each subsequent fiscal year. These funds shall be used pursuant to
30 G.S. 143B-131.2.

31

32 **PART XX. DEPARTMENT OF INSURANCE**

33

34 **CONSUMER PROTECTION FUND RETAINED AMOUNT**

35 **SECTION 20.1.** G.S. 58-2-215 reads as rewritten:
36 "**§ 58-2-215. Consumer Protection Fund.**

37 ...
38 (c) Moneys appropriated by the General Assembly shall be deposited in the Fund and
39 shall become a part of the continuation budget of the Department of Insurance. Such
40 continuation budget amount shall equal the actual expenditures drawn from the Fund during the
41 prior fiscal year plus the official inflation rate designated by the Director of the Budget in the
42 preparation of the State Budget for each ensuing fiscal year; provided that if interest income on
43 the Fund exceeds the amount yielded by the application of the official inflation rate, such
44 continuation budget amount shall be the actual expenditures drawn from the Fund. In the event
45 the amount in the Fund exceeds ~~five hundred thousand dollars (\$500,000)~~ two hundred fifty
46 thousand dollars (\$250,000) at the end of any fiscal year, such excess shall revert to the General
47 Fund."

48

49 **WORKERS' COMPENSATION FUND/ALLOCATION FOR VOLUNTEER SAFETY**

50 **WORKERS**

51 **SECTION 20.2.(a)** G.S. 105-228.5(d)(3) reads as rewritten:

"(d) Tax Rates; Disposition. –

(3) Additional Rate on Property Coverage Contracts. – An additional tax at the rate of seventy-four hundredths percent (0.74%) applies to gross premiums on insurance contracts for property coverage. The tax is imposed on ten percent (10%) of the gross premiums from insurance contracts for automobile physical damage coverage and on one hundred percent (100%) of the gross premiums from all other contracts for property coverage. ~~Thirty percent (30%)~~ Twenty-five percent (25%) of the net proceeds of this additional tax must be credited to the Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes. ~~Twenty-five percent (25%)~~ Twenty percent (20%) of the net proceeds must be credited to the Department of Insurance for disbursement pursuant to G.S. 58-84-25. ~~The remaining net proceeds must be credited to the General Fund. Up to twenty percent (20%), as determined in accordance with G.S. 58-87-10(f), must be credited to the Workers' Compensation Fund. The remaining net proceeds must be credited to the General Fund.~~

The following definitions apply in this subdivision:

- a. Automobile physical damage. – The following lines of business identified by the NAIC: private passenger automobile physical damage and commercial automobile physical damage.
- b. Property coverage. – The following lines of business identified by the NAIC: fire, farm owners multiple peril, homeowners multiple peril, nonliability portion of commercial multiple peril, ocean marine, inland marine, earthquake, private passenger automobile physical damage, commercial automobile physical damage, aircraft, and boiler and machinery. The term also includes insurance contracts for wind damage.
- c. NAIC. – National Association of Insurance Commissioners."

SECTION 20.2.(b) G.S. 58-87-1 reads as rewritten:

"§ 58-87-1. Volunteer Fire Department Fund.

(a) Fund. – The Volunteer Fire Department Fund is created as an interest-bearing, nonreverting fund in the Department to provide matching grants to volunteer fire departments to purchase equipment and make capital improvements. The Commissioner shall administer the Fund. Up to ~~two percent (2%)~~ one percent (1%) of the Fund may be used for additional staff and resources to administer the Fund in each fiscal year.

...."

SECTION 20.2.(c) G.S. 58-84-25 reads as rewritten:

"§ 58-84-25. Disbursement of funds by Insurance Commissioner.

(a) Distribution. – The Insurance Commissioner shall deduct the sum of three percent (3%) from the tax proceeds credited to the Department pursuant to G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's Association for general purposes. The Insurance Commissioner shall deduct the sum of ~~two percent (2%)~~ one percent (1%) from the tax proceeds and retain the same in the budget of the Department of Insurance for the purpose of administering the disbursement of funds by the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by nonmember fire districts to the North Carolina State Firemen's Association. The Insurance Commissioner shall distribute the remaining tax proceeds to the treasurer of each fire district as provided in subsections (b) and (c) of this section.

...."

SECTION 20.2.(d) G.S. 58-87-10 reads as rewritten:

1 **"§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

2 (a) Definition. – As used in this section, the term "eligible unit" means a volunteer fire
3 department or volunteer rescue/EMS unit that is not part of a unit of local government and is
4 exempt from State income tax under G.S. 105-130.11.

5 (b) Creation. – The Workers' Compensation Fund is created in the Department of
6 Insurance as an expendable trust fund. Accordingly, interest and other investment income
7 earned by the Fund accrues to it, and revenue in the Fund at the end of a fiscal year remains in
8 the Fund and does not revert.

9 (c) Use. – Revenue in the Workers' Compensation Fund shall be used to provide
10 workers' compensation benefits to members of eligible units. Chapter 97 of the General Statutes
11 governs the payment of benefits from the Fund. Benefits are payable for compensable injuries
12 or deaths that occur on or after July 1, 1996.

13 (d) Administration. – The State Fire and Rescue Commission, established under
14 G.S. 58-78-1, shall administer the Workers' Compensation Fund and shall perform this duty by
15 contracting with a third-party administrator. The contracting procedure is not subject to Article
16 3C of Chapter 143 of the General Statutes. The reasonable and necessary expenses incurred by
17 the Commission in administering the Fund shall be paid out of the Fund by the State Treasurer.
18 The Commission may adopt rules to implement this section.

19 (e) Revenue Source. – Revenue is credited to the Workers' Compensation Fund from
20 ~~appropriations made to the Department of Insurance for this purpose.~~ a portion of the proceeds
21 of the tax levied under G.S. 105-228.5(d)(3). In addition, every eligible unit that elects to
22 participate shall pay into the Fund an amount set annually by the State Fire and Rescue
23 Commission to ensure that the Fund will be able to meet its payment obligations under this
24 section. The amount shall be set as a per capita fixed dollar amount for each member of the
25 roster of the eligible unit.

26 The payment shall be made to the State Fire and Rescue Commission on or before July 1 of
27 each year. The Commission shall remit the payments it receives to the State Treasurer, who
28 shall credit the payments to the Fund.

29 (f) The amount of the tax imposed by G.S. 105 228.5(d)(3) credited to the Workers'
30 Compensation Fund shall be the maximum allowed under that statute."

31 **SECTION 20.2.(e)** G.S. 58-87-10, as amended by subsection (d) of this section,
32 reads as rewritten:

33 **"§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

34 ...

35 ~~(f) The amount of the tax imposed by G.S. 105 228.5(d)(3) credited to the Workes'~~
36 ~~Compensation Fund shall be the maximum allowed under that statute.~~ Funding Study. – The
37 Department of Insurance shall conduct a periodic actuarial study to calculate the amount
38 required to meet the needs of the Fund. The study shall be based on a revenue amount that is
39 the greater of the amount paid by members of the Fund as determined under subsection (e) of
40 this section for the fiscal year to which the study applies or the amount paid by members of the
41 Fund as determined under subsection (e) of this section for fiscal year 2012-2013. The study
42 shall be reviewed by the Office of State Budget and Management. On or before March 1 of
43 each year, the Office of State Budget and Management, in consultation with the Department of
44 Insurance, must notify the Secretary of Revenue of the amount required to meet the needs of
45 the Fund, as determined by the study, for the upcoming fiscal year. The Secretary of Revenue
46 shall remit that amount, subject to the twenty percent (20%) limitation in G.S. 105-228.5(d)(3),
47 to the Fund.

48 (g) Treatment of Shortfall. – If the amount remitted to the Fund by the Secretary of
49 Revenue under subsection (f) of this section is insufficient to meet the needs of the Fund, the
50 State Fire and Rescue Commission may collect the remaining amount by (i) increasing the
51 amount collected from eligible units under subsection (e) of this section, or (ii) through an

1 assessment on local governments as set forth in this subsection. The Commission may collect
2 an assessment from units of local government by multiplying the remaining amount needed by
3 a fraction, the numerator of which is the number of residents in the unit of government served
4 by an eligible unit and the denominator of which is the number of residents in the State served
5 by all eligible units. The Commission shall provide written notification to the units of local
6 government of the amount of the assessment no later than April 1 of each year, and the unit of
7 local government shall have 90 days to remit the assessment to the Department for deposit into
8 the Fund."

9 **SECTION 20.2.(f)** Subsection (e) of this section becomes effective April 1, 2016.

11 **SET INSURANCE REGULATORY CHARGE**

12 **SECTION 20.3.(a)** The percentage rate to be used in calculating the insurance
13 regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2013 and 2014 calendar years.

14 **SECTION 20.3.(b)** This section is effective when it becomes law.

16 **PART XXI. STATE BOARD OF ELECTIONS**

18 **ELIMINATE NORTH CAROLINA PUBLIC CAMPAIGN FUND**

19 **SECTION 21.1.(a)** Article 22D of Chapter 163 of the General Statutes is repealed,
20 except that G.S. 163-278.69 is repealed effective upon exhaustion of the funds for publication
21 of the Judicial Voter Guide.

22 **SECTION 21.1.(b)** G.S. 84-34 reads as rewritten:

23 **"§ 84-34. Membership fees and list of members.**

24 Every active member of the North Carolina State Bar shall, prior to the first day of July of
25 each year, pay to the secretary-treasurer an annual membership fee in an amount determined by
26 the Council but not to exceed three hundred dollars (\$300.00), ~~plus a surcharge of fifty dollars~~
27 ~~(\$50.00) for the implementation of Article 22D of Chapter 163 of the General Statutes,~~ and
28 every member shall notify the secretary-treasurer of the member's correct mailing address. Any
29 member who fails to pay the required dues by the last day of June of each year shall be subject
30 to a late fee in an amount determined by the Council but not to exceed thirty dollars (\$30.00).
31 All dues for prior years shall be as were set forth in the General Statutes then in effect. The
32 membership fee shall be regarded as a service charge for the maintenance of the several
33 services authorized by this Article, and shall be in addition to all fees required in connection
34 with admissions to practice, and in addition to all license taxes required by law. The fee shall
35 not be prorated: Provided, that no fee shall be required of an attorney licensed after this Article
36 shall have gone into effect until the first day of January of the calendar year following that in
37 which the attorney was licensed; but this proviso shall not apply to attorneys from other states
38 admitted on certificate. The fees shall be disbursed by the secretary-treasurer on the order of the
39 Council. ~~The fifty dollar (\$50.00) surcharge shall be sent on a monthly schedule to the State~~
40 ~~Board of Elections.~~ The secretary-treasurer shall annually, at a time and in a law magazine or
41 daily newspaper to be prescribed by the Council, publish an account of the financial
42 transactions of the Council in a form to be prescribed by it. The secretary-treasurer shall
43 compile and keep currently correct from the names and mailing addresses forwarded to the
44 secretary-treasurer and from any other available sources of information a list of members of the
45 North Carolina State Bar and furnish to the clerk of the superior court in each county, not later
46 than the first day of October in each year, a list showing the name and address of each attorney
47 for that county who has not complied with the provisions of this Article. The name of each of
48 the active members who are in arrears in the payment of membership fees shall be furnished to
49 the presiding judge at the next term of the superior court after the first day of October of each
50 year, by the clerk of the superior court of each county wherein the member or members reside,
51 and the court shall thereupon take action that is necessary and proper. The names and addresses

1 of attorneys so certified shall be kept available to the public. The Secretary of Revenue is
2 hereby directed to supply the secretary-treasurer, from records of license tax payments, with
3 any information for which the secretary-treasurer may call in order to enable the
4 secretary-treasurer to comply with this requirement.

5 The list submitted to several clerks of the superior court shall also be submitted to the
6 Council at its October meeting of each year and it shall take the action thereon that is necessary
7 and proper."

8 **SECTION 21.1.(c)** G.S. 105-159.2 is repealed.

9 **SECTION 21.1.(d)** G.S. 163-278.5 reads as rewritten:

10 **"§ 163-278.5. Scope of Article; severability.**

11 The provisions of this Article apply to primaries and elections for North Carolina offices
12 and to North Carolina referenda and do not apply to primaries and elections for federal offices
13 or offices in other States or to non-North Carolina referenda. Any provision in this Article that
14 regulates a non-North Carolina entity does so only to the extent that the entity's actions affect
15 elections for North Carolina offices or North Carolina referenda.

16 The provisions of this Article are severable. If any provision is held invalid by a court of
17 competent jurisdiction, the invalidity does not affect other provisions of the Article that can be
18 given effect without the invalid provision.

19 This section applies to Articles 22B, ~~22D, 22E, 22F, 22G~~, 22H, 22J, and 22M of the
20 General Statutes to the same extent that it applies to this Article."

21 **SECTION 21.1.(e)** G.S. 163-278.13(e) reads as rewritten:

22 "(e) Except as provided in subsections ~~(e2), (e3), (e3)~~ and (e4) of this section, this section
23 shall not apply to any national, State, district or county executive committee of any political
24 party. For the purposes of this section only, the term "political party" means only those political
25 parties officially recognized under G.S. 163-96."

26 **SECTION 21.1.(f)** G.S. 163-278.13(e2) is repealed.

27 **SECTION 21.1.(g)** G.S. 163-278.23 reads as rewritten:

28 **"§ 163-278.23. Duties of Executive Director of Board.**

29 ...

30 This section applies to Articles 22B, ~~22D, 22E, 22F, 22G~~, 22H, and 22M of the General
31 Statutes to the same extent that it applies to this Article."

32 **SECTION 21.1.(h)** G.S. 163-278.97 reads as rewritten:

33 **"§ 163-278.97. Voter-Owned Elections Fund established; sources of funding.**

34 ...

35 (c) Evaluation and Determination of Fund Amount. – By January 1, 2011, and every
36 four years thereafter, the ~~Board, in conjunction with the Advisory Council established under~~
37 ~~G.S. 163-278.68(b),~~ Board shall prepare and provide to the Joint Legislative Commission on
38 Governmental Operations of the General Assembly a report documenting, evaluating, and
39 making recommendations relating to the administration, implementation, and enforcement of
40 this Article. In its report, the Board shall set out the funds received to date and the expected
41 needs of the Fund during the next election cycle and make recommendations about the
42 feasibility of expanding its provisions to include other candidates for State office based on the
43 experience of this Article and the experience of similar programs in North Carolina and other
44 states. The Board shall also evaluate and make recommendations regarding how to address
45 activities that could undermine the purpose of this Article, including spending that appears to
46 target candidates but is not reached by regulation."

47 **SECTION 21.1.(i)** G.S. 163-278.99E(d) is repealed effective upon exhaustion of
48 the funds for publication of the Judicial Voter Guide in G.S. 163-278.69.

49 **SECTION 21.1.(j)** The State Board of Elections shall use the money in the North
50 Carolina Public Campaign Fund to only publish Judicial Voter Guides as described in
51 G.S. 163-278.69 until the funds have been exhausted.

1 **SECTION 21.1.(k)** The secretary-treasurer of the North Carolina State Bar shall
2 remit any payments of the fifty-dollar (\$50.00) surcharge payable for the taxable year January
3 1, 2013, to the State Board of Elections, and the State Board of Elections must credit the funds
4 received to the North Carolina Public Campaign Fund.

5 **SECTION 21.1.(l)** The State Board of Elections shall notify the Revisor of Statutes
6 when the funds have been exhausted for publication of the Judicial Voter Guide.

7 **SECTION 21.1.(m)** Subsection (c) of this section is effective for taxable years
8 beginning on or after January 1, 2013. The remainder of this section becomes effective July 1,
9 2013.

10 11 **PART XXII. GENERAL ASSEMBLY**

12 13 **DAILY BULLETIN**

14 **SECTION 22.1.** For the 2013-2015 fiscal biennium, the interagency agreement
15 between the North Carolina General Assembly and the UNC School of Government for the
16 production of the Daily Bulletin shall be no more than eighty-seven thousand eight hundred
17 fifteen dollars (\$87,815) for each fiscal year.

18 19 **FOOD SERVICES**

20 **SECTION 22.2.(a)** The Legislative Services Commission shall issue a Request for
21 Information (RFI) to identify vendors that are interested in providing food services within the
22 General Assembly's buildings. The RFI shall include the following:

- 23 (1) Require that the vendor take over the operations of the General Assembly's
24 food services in the 2014-2015 fiscal year.
- 25 (2) Make available all existing restaurant wares to the vendor. All new
26 equipment costs and repairs would be borne by the vendor.
- 27 (3) Require a plan for services and service levels, including days and hours of
28 operations and number of food service outlets to be operational. The
29 proposal of interest by the vendor shall identify any additional cost that must
30 be covered by the General Assembly and any revenue sharing that may
31 benefit the General Assembly's budget.
- 32 (4) Provide the menu items that would be offered at the food service outlets,
33 including pricing.

34 The Legislative Services Commission shall review the proposals, hold interviews
35 with the vendors, and collect all of the necessary information to make a comprehensive report
36 to the General Assembly. If House Bill 153 of the 2013 General Assembly becomes law, the
37 Legislative Services Commission shall report the results of the RFI to the Joint Legislative
38 Oversight Committee on General Government by November 1, 2013.

39 **SECTION 22.2.(b)** The Food Services Section of the Administrative Division of
40 the General Assembly may submit a proposal under subsection (a) of this section, and the
41 proposal shall be reviewed and evaluated in the same manner as proposals submitted by other
42 vendors.

43 44 **MEDICAID ADVISORY GROUP MATCHING FUNDS**

45 **SECTION 22.5.** Of the funds appropriated to Budget Code 21000 in the General
46 Assembly, the sum of thirty-seven thousand five hundred dollars (\$37,500) for the 2013-2014
47 fiscal year shall be transferred to the Department of Health and Human Services to provide
48 matching funds for the activities of the Medicaid Advisory Group established in Section
49 12H.1(e) of this act.

50 51 **PED/STUDY LICENSURE FEES**

1 **SECTION 22.6.(a)** The Joint Legislative Program Evaluation Oversight
2 Committee shall include in the 2013-2014 Work Plan for the Program Evaluation Division of
3 the General Assembly a study to review the licensure fees for occupations regulated by the
4 Department of Insurance which are not directly associated with the insurance industry. The
5 Program Evaluation Division (PED) shall include the following within this study:

- 6 (1) Determining the applicant's actual expenditure for licensure, excluding
7 education, training, and certification costs.
- 8 (2) Determining the advantages and disadvantages of the Department of
9 Insurance using a vendor to process applications for licensure and renewals.
- 10 (3) Determining the appropriate licensure fees an applicant should be assessed if
11 the Department of Insurance determines the use of a vendor is the most cost
12 efficient method for licensing applicants.
- 13 (4) Determining the appropriate method for reimbursing a vendor of an amount
14 greater than the licensure fees authorized by Chapter 58 of the General
15 Statutes.
- 16 (5) Determining whether any redundancy exists with a vendor and the
17 Department of Insurance in processing applications for licensure or renewal.
- 18 (6) Any other issues PED discovers while performing the study.

19 **SECTION 22.6.(b)** The Program Evaluation Division shall submit its findings and
20 recommendations from subsection (b) of this section to the Joint Legislative Program
21 Evaluation Oversight Committee and to Chairs of the House of Representatives Appropriations
22 Subcommittee on General Government and the Senate Appropriations Committee on General
23 Government and Information Technology.

24 **PART XXIII. OFFICE OF THE GOVERNOR**

25 **RESERVED**

26 **SECTION 23.0.** This section is reserved.

27 **PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT**

28 **SYMPHONY CHALLENGE GRANT**

29 **SECTION 24.1.(a)** Of the funds appropriated in this act to the Office of State
30 Budget and Management-Special Appropriations, the sum of one million five hundred thousand
31 dollars (\$1,500,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of one
32 million five hundred thousand dollars (\$1,500,000) in nonrecurring funds for the 2014-2015
33 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It
34 is the intent of the General Assembly that the North Carolina Symphony raise at least eight
35 million dollars (\$8,000,000) in non-State funds for the 2013-2014 fiscal year and at least eight
36 million dollars (\$8,000,000) in non-State funds for the 2014-2015 fiscal year. The NC
37 Symphony cannot use funds transferred from the organization's endowment to its operating
38 budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

39 **SECTION 24.1.(b)** For the 2013-2014 fiscal year, the North Carolina Symphony
40 shall receive allocations from the Office of State Budget and Management as follows:

- 41 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
42 funding, the NC Symphony shall receive the sum of five hundred thousand
43 dollars (\$500,000).
 - 44 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
45 non-State funding for a total amount of six million dollars (\$6,000,000) in
46 non-State funds, the NC Symphony shall receive the sum of five hundred
47 thousand dollars (\$500,000).
- 48
49
50
51

- 1 (3) Upon raising an additional sum of two million dollars (\$2,000,000) in
2 non-State funding for a total sum of eight million dollars (\$8,000,000) in
3 non-State funds, the NC Symphony shall receive the final sum of five
4 hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year.

5 **SECTION 24.1.(c)** For the 2014-2015 fiscal year, the North Carolina Symphony
6 shall receive allocations from the Office of State Budget and Management as follows:

- 7 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
8 funding, the NC Symphony shall receive the sum of five hundred thousand
9 dollars (\$500,000).
10 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
11 non-State funding for a total amount of six million dollars (\$6,000,000) in
12 non-State funds, the NC Symphony shall receive the sum of five hundred
13 thousand dollars (\$500,000).
14 (3) Upon raising an additional sum of two million dollars (\$2,000,000) in
15 non-State funding for a total sum of eight million dollars (\$8,000,000) in
16 non-State funds, the NC Symphony shall receive the final sum of five
17 hundred thousand dollars (\$500,000) in the 2014-2015 fiscal year.

18
19 **PART XXV. OFFICE OF THE STATE AUDITOR**

20
21 **RESERVED**

22 **SECTION 25.0.** This section is reserved.

23
24 **PART XXVI. DEPARTMENT OF REVENUE**

25
26 **RESERVED**

27 **SECTION 26.0.** This section is reserved.

28
29 **PART XXVII. DEPARTMENT OF THE SECRETARY OF STATE**

30
31 **INCREASE REGISTRATION FEE FOR LOBBYIST & LOBBYIST**
32 **PRINCIPAL/ELECTRONIC SUBMISSION OF ALL DOCUMENTS, REPORTS,**
33 **AND PAYMENTS BY LOBBYISTS**

34 **SECTION 27.1.(a)** G.S. 120C-201 reads as rewritten:

35 **"§ 120C-201. Lobbyist's registration fee.**

36 (a) ~~Except as provided for in subsection (b) of this section, a~~ fee of ~~one hundred~~
37 ~~dollars (\$100.00)~~ two hundred fifty dollars (\$250.00) is due and payable to the Secretary of
38 State at the time of each lobbyist registration. Fees so collected shall be deposited in the
39 General Fund of the State. The Secretary of State shall allow fees required under this section to
40 be paid electronically but shall not require the fees to be paid electronically.

41 (b) ~~The Secretary of State shall adopt rules providing for a waiver or reduction of the~~
42 ~~fees required by this section for lobbyists registering to represent persons who have been~~
43 ~~granted nonprofit status under 26 U.S.C. § 501(c)(3)."~~

44 **SECTION 27.1.(b)** G.S. 120C-207 reads as rewritten:

45 **"§ 120C-207. Lobbyist principal's fees.**

46 (a) ~~Except as provided for in subsection (b) of this section, a~~ fee of ~~one hundred~~
47 ~~dollars (\$100.00)~~ two hundred fifty dollars (\$250.00) is due and payable to the Secretary of
48 State at the time the principal's first authorization statement is filed each calendar year for a
49 lobbyist. Fees so collected shall be deposited in the General Fund of the State. The Secretary of
50 State shall allow fees required under this section to be paid electronically but shall not require
51 the fees to be paid electronically.

1 (b) ~~The Secretary of State shall adopt rules providing for a waiver or reduction of the~~
2 ~~fees required by this section for lobbyist principals that have been granted nonprofit status~~
3 ~~under 26 U.S.C. § 501(c)(3)."~~

4 **SECTION 27.1.(c)** G.S. 120C-200 reads as rewritten:

5 **"§ 120C-200. Lobbyist registration procedure.**

6 ...

7 (b) The form of the registration shall be prescribed by the Secretary of ~~State~~State, be
8 filed electronically, and shall include the registrant's full name, firm, complete address, and
9 telephone number; the registrant's place of business; the full name, complete address, and
10 telephone number of each principal the lobbyist represents; and a general description of the
11 matters on which the registrant expects to act as a lobbyist.

12 (c) Each lobbyist shall electronically file an amended registration form with the
13 Secretary of State no later than 10 business days after any change in the information supplied in
14 the lobbyist's last registration under subsection (b) of this section. Each supplementary
15 registration shall include a complete statement of the information that has changed.

16"

17 **SECTION 27.1.(d)** G.S. 120C-201(a), as amended by subsection (a) of this
18 section, reads as rewritten:

19 "(a) A fee of two hundred fifty dollars (\$250.00) is due and payable to the Secretary of
20 State at the time of each lobbyist registration. Fees so collected shall be deposited in the
21 General Fund of the State. ~~The Secretary of State shall allow fees required under this section~~
22 ~~to~~shall be paid electronically ~~but shall not require the fees to be paid~~
23 ~~electronically.~~electronically."

24 **SECTION 27.1.(e)** G.S. 120C-206 reads as rewritten:

25 **"§ 120C-206. Lobbyist principal's authorization.**

26 ...

27 (b) The form of the written authorization shall be prescribed by the Secretary of
28 ~~State~~State, be filed electronically, and shall include the lobbyist principal's full name, complete
29 address, and telephone number, name and title of any official authorized to sign for the lobbyist
30 principal, and the name of each lobbyist registered to represent that principal.

31 (c) An amended authorization shall be electronically filed with the Secretary of State no
32 later than 10 business days after any change in the information on the principal's authorization.
33 Each supplementary authorization shall include a complete statement of the information that
34 has changed."

35 **SECTION 27.1.(f)** G.S. 120C-207(a), as amended by subsection (b) of this section,
36 reads as rewritten:

37 "(a) A fee of two hundred fifty dollars (\$250.00) is due and payable to the Secretary of
38 State at the time the principal's first authorization statement is filed each calendar year for a
39 lobbyist. Fees so collected shall be deposited in the General Fund of the State. ~~The Secretary of~~
40 ~~State shall allow fees required under this section~~ toshall be paid electronically ~~but shall not~~
41 ~~require the fees to be paid electronically.~~electronically."

42 **SECTION 27.1.(g)** G.S. 120C-401(d) reads as rewritten:

43 "(d) Each report required by this Article shall be in the form prescribed by the Secretary
44 of ~~State, which may include electronic reports.~~State and filed electronically."

45 **SECTION 27.1.(h)** G.S. 120C-800(f) reads as rewritten:

46 "(f) Within 15 business days after the end of the quarter in which the reportable
47 expenditure was made, reports required by this section shall be filed electronically with the
48 Secretary of State in a mannerform prescribed by the Secretary of ~~State, which may include~~
49 ~~electronic reports.~~State. If the designated individual is required to file a statement of economic
50 interest under G.S. 138A-24, then that designated individual may opt to report any information
51 required by this section in the statement of economic interest."

1 **SECTION 27.1.(i)** Subsections (a) and (b) of this section become effective July 1,
2 2013. This remainder of this section becomes effective October 1, 2013, and applies to all
3 filings, payments due, and registrations, on or after that date.
4

5 **PART XXVIII. OFFICE OF THE LIEUTENANT GOVERNOR**

6
7 **RESERVED**

8 **SECTION 28.0.** This section is reserved.
9

10 **PART XXIX. OFFICE OF THE STATE CONTROLLER**

11
12 **OVERPAYMENTS AUDIT**

13 **SECTION 29.1.(a)** During the 2013-2015 fiscal biennium, receipts generated by
14 the collection of inadvertent overpayments by State agencies to vendors as a result of pricing
15 errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds,
16 erroneously paid excise taxes, and related errors are to be deposited in Special Reserve Account
17 24172 as required by G.S. 147-86.22(c).

18 **SECTION 29.1.(b)** For each year of the 2013-2015 fiscal biennium, five hundred
19 thousand dollars (\$500,000) of the funds in the Special Reserve Account 24172 shall be used
20 by the Office of the State Controller for data processing, debt collection, or e-commerce costs
21 and are hereby appropriated for that purpose.

22 **SECTION 29.1.(c)** All funds available in Special Reserve Account 24172 on June
23 30 of each year of the 2013-2015 fiscal biennium shall revert to the General Fund on that date.

24 **SECTION 29.1.(d)** The State Controller shall report quarterly to the Joint
25 Legislative Commission on Governmental Operations and the Fiscal Research Division on the
26 revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.
27

28 **PART XXX. DEPARTMENT OF ADMINISTRATION**

29
30 **REQUIRE CONTINUATION REVIEW OF THE YOUTH ADVOCACY AND**
31 **INVOLVEMENT OFFICE**

32 **SECTION 30.1.(a)** A continuation review of the Youth Advocacy and
33 Involvement Office shall be prepared by the Department of Administration. The review shall be
34 submitted to the House of Representatives Appropriations Subcommittee on General
35 Government and the Senate Appropriations Committee on General Government and
36 Information Technology no later than March 31, 2014. The written report shall include the
37 information listed in subsection (b) of this section.

38 **SECTION 30.1.(b)** The continuation review required by this section shall include
39 all of the following information:

- 40 (1) A description of the services provided by the Youth Advocacy and
41 Involvement Office and its mission, goals, and objectives.
- 42 (2) The statutory objectives of the Office and the problem or need addressed.
- 43 (3) The extent to which the objectives of the Office have been achieved.
- 44 (4) The functions or programs performed by the Office without specific
45 statutory authority.
- 46 (5) The performance measures and the process by which the performance
47 measures determine efficiency and effectiveness.
- 48 (6) Recommendations for statutory, budgetary, or administrative changes
49 needed to improve efficiency and effectiveness of services delivered to the
50 public.
- 51 (7) The consequences of discontinuing funding.

- 1 (8) Recommendations for improving services or reducing costs or duplication.
2 (9) The identification of policy issues that should be brought to the attention of
3 the General Assembly.
4 (10) Any other information necessary to fully support this continuation review
5 requirement.
6

7 **ELIMINATE DISPLACED HOMEMAKERS PROGRAM/FUND**

8 **SECTION 30.2.(a)** G.S. 7A-305(a2) reads as rewritten:

9 "(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five
10 dollars (\$75.00) shall be assessed against the person filing the divorce action. Costs collected
11 by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall
12 deposit ~~fifty five dollars (\$55.00)~~thirty-five dollars (\$35.00) to the North Carolina Fund for
13 Displaced Homemakers established under G.S. 143B-394.10 and ~~twenty dollars (\$20.00)~~forty
14 dollars (\$40.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs
15 assessed under this subsection shall be in addition to any other costs assessed under this
16 section."

17 **SECTION 30.2.(a1)** G.S. 7A-305(a2), as amended by subsection (a) of this
18 section, reads as rewritten:

19 "(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five
20 dollars (\$75.00) shall be assessed against the person filing the divorce action. Costs collected
21 by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall
22 deposit ~~thirty five dollars (\$35.00) to the North Carolina Fund for Displaced Homemakers~~
23 ~~established under G.S. 143B-394.10 and forty dollars (\$40.00)~~seventy-five dollars (\$75.00)
24 to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this
25 subsection shall be in addition to any other costs assessed under this section."

26 **SECTION 30.2.(b)** G.S. 143B-393 reads as rewritten:

27 **"§ 143B-393. North Carolina Council for Women – creation; powers and duties.**

28 There is hereby created the North Carolina Council for Women of the Department of
29 Administration. The North Carolina Council for Women shall have the following functions and
30 duties:

- 31 (1) To advise the Governor, the principal State departments, and the State
32 legislature concerning the education and employment of women in the State
33 of North ~~Carolina; and~~Carolina.
34 (2) To advise the Secretary of Administration upon any matter the Secretary
35 may refer to ~~it; and~~the Council.
36 (3) ~~To establish programs for the assistance of displaced homemakers as set~~
37 ~~forth in Part 10B of this Article."~~

38 **SECTION 30.2.(c)** Part 10B of Article 9 of Chapter 143B of the General Statutes
39 is repealed.

40 **SECTION 30.2.(d)** All unencumbered funds as of June 30, 2014, in the North
41 Carolina Fund for Displaced Homemakers shall be transferred to the Domestic Violence Center
42 Fund established under G.S. 50B-9.

43 **SECTION 30.2.(e)** Subsection (a1) of this section becomes effective July 1, 2014.
44

45 **OSP/FICA SAVINGS**

46 **SECTION 30.2A.** Notwithstanding the provisions of Article 6 of Chapter 143C of
47 the General Statutes, G.S. 126-95, or any other law to the contrary, the State Controller shall
48 transfer the sum of six million dollars (\$6,000,000) in savings from the NC FICA Account to
49 the Office of State Personnel for the 2013-2014 fiscal year.
50

51 **USE OF E-COMMERCE FUNDS**

1 **SECTION 30.5.(a)** Notwithstanding the provisions of G.S. 66-58.12(c), the sum of
2 one million two hundred eighteen thousand six hundred fifty-nine dollars (\$1,218,659) for the
3 2013-2014 fiscal year and the sum of one million four hundred seventy-six thousand five
4 hundred forty-three dollars (\$1,476,543) for the 2014-2015 fiscal year shall be transferred from
5 the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to
6 be used for each year of the 2013-2015 biennium, on a recurring basis, to pay the operating
7 expenses of the Division of Purchase and Contract.

8 **SECTION 30.5.(b)** Notwithstanding the provisions of G.S. 66-58.12(c), the sum of
9 four million dollars (\$4,000,000) for the 2013-2014 fiscal year and the sum of six million
10 dollars (\$6,000,000) for the 2014-2015 fiscal year shall be transferred from the E-Commerce
11 Fund in the Department of Administration Budget Code 24100, Fund 2514, to be used to
12 support operations at the Department of Administration on a nonrecurring basis.

13 **SECTION 30.5.(c)** Notwithstanding the provisions of G.S. 66-58.12(c), the sum of
14 one million one hundred eleven thousand five hundred eighty-five dollars (\$1,111,585) for the
15 2013-2014 fiscal year shall be transferred from the E-Commerce Fund in the Department of
16 Administration Budget Code 24100, Fund 2514, to the Department of the State Treasurer to
17 fund the Core Banking System Upgrade.

18 **STUDY/E-PROCUREMENT FEE**

19 **SECTION 30.6.** The Department of Administration shall study the feasibility of
20 reducing or eliminating the e-commerce fee authorized under G.S. 66-58.12(b). The
21 e-commerce fee supports the E-Procurement System operated by the Department. By February
22 1, 2014, the Department shall report its findings to the Senate Appropriations Committee on
23 General Government and Information Technology, House of Representatives Appropriations
24 Subcommittee on General Government, Joint Legislative Committee on Information
25 Technology, and Office of State Budget and Management. The report shall include the
26 following:
27

- 28 (1) The current rate of the fee and how it was calculated.
- 29 (2) The current revenue generated from the fee by departmental users.
- 30 (3) The current break-even point for the operation of the E-Procurement System.
- 31 (4) The requirements for the operation and administration of the E-Procurement
32 System, including the term of any contract with an outside vendor for the
33 management of the E-Procurement System.
- 34 (5) Total payments to vendors since the initiation of the E-Procurement System.
- 35 (6) Total State receipts since the initiation of the E-Procurement System.
- 36 (7) Information on e-procurement systems currently in operation in other states
37 and within North Carolina, including an analysis of the advantages and
38 disadvantages of each.
- 39 (8) The feasibility and cost of utilizing e-procurement systems under
40 management by any State institution.
- 41 (9) The feasibility of eliminating the fee supporting the E-Procurement System,
42 E-Commerce Fund (2514), and moving the administration of the
43 E-Procurement System to General Fund Support, including any cost-savings
44 to agencies as a result of vendors not assessing the fee on goods purchased
45 through the System.
- 46 (10) The feasibility of reducing the fee by assessing the fee on goods and services
47 only.
- 48 (11) The potential for savings from training State employees to operate and
49 maintain the System.
50

1 **ELIMINATE AUTHORITY FOR STATE CONTRIBUTION TO COUNTY VETERANS**
2 **SERVICE PROGRAMS**

3 **SECTION 30.7.** G.S. 165-6(9) is repealed.
4

5 **PART XXXI. HOUSING FINANCE AGENCY**

6
7 **RESERVED**

8 **SECTION 31.0.** This section is reserved.
9

10 **PART XXXII. OFFICE OF ADMINISTRATIVE HEARINGS**

11
12 **STUDY STAFFING REQUIREMENTS OF RULES REVIEW COMMISSION**

13 **SECTION 32.1.** If House Bill 74 of the 2013 Regular Session of the General
14 Assembly is enacted, the Office of Administrative Hearings shall study whether the
15 requirements of that bill regarding periodic review of existing rules necessitates additional
16 staffing for the Rules Review Commission. The Office of Administrative Hearings shall report
17 by March 1, 2014, on its findings. The report shall include the number of rules that have been
18 reviewed by the Rules Review Commission, broken down by agency, Rules Review legal staff,
19 and the number of rules that have been overturned or reauthorized for the 2013-2014 fiscal
20 year. If House Bill 153 of the 2013 Regular Session of the General Assembly is enacted, the
21 report shall be to the Joint Legislative Oversight Committee on General Government, if that
22 committee is created as a result of the enactment. Otherwise, the report shall be to the Chairs of
23 the House Appropriations Subcommittee on General Government and the Senate
24 Appropriations Committee on General Government and Information Technology and to the
25 Fiscal Research Division.
26

27 **PART XXXIII. DEPARTMENT OF THE STATE TREASURER**

28
29 **RESERVED**

30 **SECTION 33.0.** This section is reserved.
31

32 **PART XXXIV. DEPARTMENT OF TRANSPORTATION**

33
34 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION**

35 **SECTION 34.1.(a)** The General Assembly authorizes and certifies anticipated
36 revenues for the Highway Fund as follows:

37	For Fiscal Year 2015-2016	\$1,946.7 million
38	For Fiscal Year 2016-2017	\$2,027.6 million
39	For Fiscal Year 2017-2018	\$2,103.3 million
40	For Fiscal Year 2018-2019	\$2,140.4 million

41 **SECTION 34.1.(b)** The General Assembly authorizes and certifies anticipated
42 revenues for the Highway Trust Fund as follows:

43	For Fiscal Year 2015-2016	\$1,160.3 million
44	For Fiscal Year 2016-2017	\$1,215.2 million
45	For Fiscal Year 2017-2018	\$1,256 million
46	For Fiscal Year 2018-2019	\$1,283.7 million

47

48 **INCREASE DOT PRIVATIZATION**

49 **SECTION 34.2.(a)** The Department of Transportation shall seek to increase the
50 use of contracts to further privatize preconstruction work where practical, economical, and

likely to lead to increased efficiency. In doing so, the Department shall meet each of the following privatization requirements:

- (1) Increase the outsourcing of all activities performed by the Department's Preconstruction and Technical Services units to sixty-five percent (65%) of the total cost of activities performed by those units in fiscal year 2013-2014 and to seventy percent (70%) of the total cost of activities performed by those units in fiscal year 2014-2015, excluding the cost of activities performed by the Turnpike Authority, the Structures Design and Management unit, and the Bridge Program.
- (2) Increase the total cost of outsourced activity in the Roadway Design, Right-of-Way, and Project Development and Environmental Analysis units by seven and one-half percent (7.5%) in fiscal year 2013-2014 and by an additional seven and one-half percent (7.5%) in fiscal year 2014-2015 from a baseline of fiscal year 2012-2013 actual expenditures for those units.
- (3) The Department of Transportation shall eliminate a minimum of 15 filled positions on July 1 of each year of the 2013-2015 biennium to comply with the requirement to increase outsourcing in the Preconstruction and Technical Services units, with an emphasis on reducing staffing in the Right-of-Way, Project Development and Environmental Analysis, and Roadway Design units. The Department is authorized to eliminate additional positions if necessary to meet the requirements of subdivisions (1) and (2) of this section.

SECTION 34.2.(b) The Department of Transportation shall increase contracts for construction of transportation projects on a design-build basis awarded under the provisions of G.S. 136-28.11 by five percent (5%) in each year of the 2013-2015 biennium, based on the total cost of construction projects.

SECTION 34.2.(c) G.S. 136-28.11(d) is repealed.

SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES

SECTION 34.3. The funds allocated to the system preservation program (fund center 1500/157839) for fiscal years 2013-2014 and 2014-2015 shall be used for improvements to structurally deficient and functionally obsolete bridges. All projects funded under this section, with the exception of pre-engineering and contract preparation and planning activities, shall be outsourced to private contractors.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 34.4.(a) Of the funds appropriated in this act to the Department of Transportation:

- (1) Seven million dollars (\$7,000,000) shall be allocated in each fiscal year for small construction projects recommended by the Chief Engineer in consultation with the Chief Operating Officer and approved by the Secretary of the Department of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.
- (2) Twelve million dollars (\$12,000,000) shall be allocated statewide in each fiscal year for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be approved by the Secretary of Transportation.

1 None of these funds used for secondary road improvements during the 2013-2014
2 fiscal year are subject to the county allocation formulas in G.S. 136-44.5(b).

3 **SECTION 34.4.(b)** The Department of Transportation shall report to the members
4 of the General Assembly on projects funded pursuant to this section in each member's district
5 prior to construction. The Department shall make a quarterly comprehensive report on the use
6 of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal
7 Research Division.

8 **SECTION 34.4.(c)** The sum of twenty-seven million sixty thousand eighty-three
9 dollars (\$27,060,083) of the unallotted and unexpended balance of funds within the
10 Contingency Fund (fund center 1500/157818) shall be transferred to the Highway Fund as
11 appropriated and allocated by this act.

12 **SECTION 34.4.(d)** The sum of twenty-one million nine hundred fourteen thousand
13 four hundred ten dollars (\$21,914,410) of the unallotted and unexpended balance of funds
14 within the Division Small Urban Construction Program (fund center 1500/157837) shall be
15 transferred to the Highway Fund as appropriated and allocated by this act.

16 17 **ACCESS AND PUBLIC SERVICE ROAD FUNDS**

18 **SECTION 34.6.** The sum of four million eight hundred forty-three thousand four
19 hundred forty-one dollars (\$4,843,441) of the unallotted and unexpended balance of funds
20 within the Access and Public Service Road program (fund center 1500/157814) shall be
21 transferred to the Highway Fund as appropriated and allocated by this act.

22 23 **ECONOMIC DEVELOPMENT PROGRAM FUNDS**

24 **SECTION 34.7.(a)** The sum of three million three hundred forty-six thousand two
25 hundred fifteen dollars (\$3,346,215) of the unallotted and unexpended balance of funds within
26 the Economic Development fund (fund center 1500/157838) shall be transferred to the
27 Highway Fund as appropriated and allocated by this act.

28 **SECTION 34.7.(b)** Of the funds appropriated to the Economic Development fund,
29 the sum of three million three hundred forty-six thousand two hundred fifteen dollars
30 (\$3,346,215) in fiscal year 2013-2014 and four million thirty-six thousand one hundred
31 seventy-one dollars (\$4,036,171) in fiscal year 2014-2015 shall be used for prioritized
32 transportation improvements and infrastructure that expedite commercial growth as well as
33 either job creation or job retention. Projects funded under this section shall be jointly approved
34 by the Secretary of Transportation and the Secretary of Commerce.

35 **SECTION 34.7.(c)** Of the funds appropriated to the Economic Development fund,
36 the sum of three million dollars (\$3,000,000) is allocated for airport infrastructure
37 improvements to the Piedmont Triad International Airport, and the sum of three million five
38 hundred thousand dollars (\$3,500,000) is allocated for program operations and airport
39 infrastructure improvements to the Hyde County Airport.

40 **SECTION 34.7.(d)** Funds allocated under subsection (c) of this section for the
41 2013-2014 fiscal year may be used during both years of the biennium. Funds unexpended and
42 unallotted on June 30, 2015, shall revert to the Highway Fund.

43 44 **CONGESTION AND MOBILITY REPORTING**

45 **SECTION 34.8.** G.S. 136-44.3 reads as rewritten:

46 **"§ 136-44.3. Maintenance program.**

47 The Department shall establish performance standards for the maintenance and operation of
48 the State highway system. In each even-numbered year, the Department of Transportation shall
49 survey the condition of the State highway system and shall prepare a report of the findings of
50 the survey. The report shall provide both quantitative and qualitative descriptions of the
51 condition of the system and shall provide estimates of the following:

- 1 (1) The annual cost to meet and sustain the established performance standards
2 for the primary and secondary highway system, to include: (i) routine
3 maintenance and operations, (ii) system preservation, and (iii) pavement and
4 bridge rehabilitation.
- 5 (2) Projected system condition and corresponding optimal funding requirements
6 for a seven-year plan to sustain established performance standards.
- 7 (3) Any significant variations in system conditions among highway divisions.
- 8 (4) An assessment of the level of congestion throughout the primary highway
9 system based on traffic data, and a ranking of the most congested areas
10 based on travel time reliability and the average number of congested hours,
11 together with the Department's recommendations for congestion reduction
12 and mobility improvement.

13 On the basis of the report and from funds available, the Department of Transportation shall
14 develop a statewide annual maintenance program for the State highway system, which shall be
15 subject to the approval of the Board of Transportation and is consistent with performance
16 standards.

17 The report on the condition of the State highway system and maintenance funding needs
18 shall be presented to the Joint Legislative Transportation Oversight Committee by December
19 31 of each even-numbered year, and copies shall be made available to any member of the
20 General Assembly upon request."
21

22 **REPEAL INTERMODAL CONTINUING APPROPRIATIONS**

23 **SECTION 34.9.** The following statutes are repealed:

- 24 (1) G.S. 136-16.4.
 - 25 (2) G.S. 136-16.5.
 - 26 (3) G.S. 136-16.7.
 - 27 (4) G.S. 136-16.8.
 - 28 (5) G.S. 136-16.9.
- 29

30 **FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL AND** 31 **HUMAN SERVICE PUBLIC TRANSPORTATION**

32 **SECTION 34.10.** In order to ensure maximum funding and to facilitate the use of
33 funds available to the Department, the Department of Transportation, Public Transportation
34 Division, shall have the flexibility to redistribute funding from the "rural capital" grant program
35 and within the "urban technology, human service transportation management, and rural general
36 public" grant program in order to leverage all eligible federal funds for operating assistance to
37 rural and human service transportation systems. The distribution of funds to these systems shall
38 be based on assessed system needs. This section applies only to the 2013-2015 fiscal biennium.
39

40 **MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING** 41 **AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS**

42 **SECTION 34.11.** The Department of Transportation, Public Transportation
43 Division, shall provide local public transportation systems with maximum flexibility to use
44 State operating funds from the "urban and regional maintenance" and "urban technology,
45 human service transportation management, and rural general public" grant programs to leverage
46 all eligible federal transit operating assistance funds. This section applies only to the 2013-2015
47 fiscal biennium.
48

49 **FERRY TOLLING ALTERNATIVES**

50 **SECTION 34.13.** G.S. 136-82 reads as rewritten:

51 **"§ 136-82. Department of Transportation to establish and maintain ferries.**

1 (a) Powers of Department. – The Department of Transportation is vested with authority
 2 to provide for the establishment and maintenance of ferries connecting the parts of the State
 3 highway system, whenever in its discretion the public good may so ~~require, and shall collect~~
 4 ~~tolls, as established by the Board of Transportation, on the ferry routes. The Board of~~
 5 ~~Transportation shall establish tolls for all ferry routes, except for the Ocracoke/Hatteras Ferry~~
 6 ~~and the Knotts Island Ferry.~~ require. For purposes of this Article, the "ferry system" shall be
 7 defined as the ferry vessels and all associated equipment, land-based facilities, and personnel
 8 required to operate the vessels on routes established by the Board of Transportation.

9 To accomplish the purpose of this section said Department of Transportation is authorized
 10 to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or
 11 other facilities required for the proper operation of ~~such ferries~~ the ferry system or to enter into
 12 contracts with persons, firms or corporations for the operation ~~thereof~~ of the ferry system and to
 13 pay ~~therefor~~ such reasonable sums ~~as may~~ that in the opinion of said Department of
 14 Transportation represent the fair value of the public service rendered.

15 (b) Authority to Generate Certain Receipts. – The Department of Transportation,
 16 notwithstanding any other provision of law, may ~~operate,~~ operate or contract for the following
 17 receipt-generating activities and use the proceeds to promote, improve, repair, maintain, or
 18 operate the ferry system:

19 (1) ~~operation~~ Operation of, concessions on the ferries and at ferry facilities to
 20 provide to passengers on the ferries food, drink, and other refreshments,
 21 personal comfort items, Internet access, and souvenirs publicizing the ferry
 22 system.

23 (2) The sale of naming rights to any ferry vessel, ferry route, or ferry facility.

24 (3) Advertising on or within any ferry vessel, including display advertising and
 25 advertising delivered to passengers through the use of video monitors, public
 26 address systems installed in passenger areas, and other electronic media.

27 (4) Any other receipt-generating activity not otherwise forbidden by applicable
 28 law pertaining to public health or safety.

29 (c) Nothing in this section shall affect the authority of the Department to collect tolls in
 30 accordance with the fare and rate structure established in 19A NCAC 02D .0532 and in effect
 31 as of May 1, 2013."

33 NORTH CAROLINA RAILROAD COMPANY REPORTING AND DIVIDENDS

34 **SECTION 34.14.(a)** Reporting and Oversight. – G.S. 124-1 reads as rewritten:

35 "**§ 124-1. Control of internal improvements.**

36 The Governor and Council of State shall have charge of all the State's interest in all
 37 railroads, canals and other works of internal improvements. The Board of Directors of a
 38 State-owned railroad company shall be responsible for managing its affairs and for reporting as
 39 set forth in ~~G.S. 124-3~~ G.S. 124-17."

40 **SECTION 34.14.(b)** Article 2 of Chapter 124 of the General Statutes is amended
 41 by adding a new section, G.S. 124-15. G.S. 124-6(b), as amended by Section 3.3(a) of S.L.
 42 1999-431, is recodified as G.S. 124-15(a). G.S. 124-5(b) is recodified as G.S. 124-15(b).
 43 G.S. 124-15, as enacted and amended by this subsection, reads as rewritten:

44 "**§ 124-15. Board of directors; appointment and approval of encumbrances.**

45 (a) Notwithstanding subsection (a) of ~~this section~~ G.S. 124-6, for any State-owned
 46 railroad company ~~organized as a corporation in which the State is the owner of all the voting~~
 47 ~~stock and which~~ that has trackage in more than two counties, seven of the members of the Board
 48 of Directors shall be appointed by the Governor, three of the members of the Board of
 49 Directors shall be appointed by the General Assembly upon the recommendation of the Speaker
 50 of the House of Representatives in accordance with G.S. 120-121, and three of the members of
 51 the Board of Directors shall be appointed by the General Assembly upon the recommendation

1 of the President Pro Tempore of the Senate in accordance with G.S. 120-121. The Board of
2 Directors shall consist of 13 members. Of the Governor's seven appointments, one shall be
3 from the appointees to the Board of Transportation, and one shall be the Secretary of
4 Commerce or the Secretary's designee. Of the initial members appointed by the Governor, three
5 shall be appointed for terms of four years and four shall be appointed for terms of two years. Of
6 the initial members recommended to the General Assembly by the Speaker of the House of
7 Representatives, two shall be appointed for terms of four years and one shall be appointed for a
8 term of two years. Of the initial members recommended to the General Assembly by the
9 President Pro Tempore of the Senate, two shall be appointed for terms of four years and one
10 shall be appointed for a term of two years. Thereafter all Board members shall serve four-year
11 terms. The Board shall elect the chairman from among its membership.

12 (b) No State-owned railroad company shall sell, lease, mortgage, or otherwise
13 encumber its franchise, right-of-way, or other property, except by and with the approval and
14 consent of the Board of Directors of that corporation. The president or other chief officer of the
15 State-owned railroad company shall report any acquisitions and dispositions in accordance with
16 G.S. 124-3(10)."

17 **SECTION 34.14.(c)** Article 2 of Chapter 124 of the General Statutes is amended
18 by adding a new section to read as follows:

19 **"§ 124-16. Strategic plan and capital investment plan required of State-owned railroad**
20 **company; performance management system.**

21 (a) Any State-owned railroad company shall prepare and maintain a comprehensive
22 strategic plan and a capital investment plan. The strategic plan shall include a mission
23 statement describing the purpose of the company and clear goals that address the strategic
24 issues facing the company.

25 (b) Any State-owned railroad company shall develop and implement a formalized
26 performance management system based on its strategic plan. The performance management
27 system shall measure and monitor progress toward achieving strategic objectives. When
28 performance fails to achieve strategic objectives within the time period established in the plan,
29 a State-owned railroad company shall take corrective action."

30 **SECTION 34.14.(d)** Article 2 of Chapter 124 of the General Statutes is amended
31 by adding a new section, G.S. 124-17. G.S. 124-3(b) is recodified as G.S. 124-17(b).
32 G.S. 124-3(c) is recodified as G.S. 124-17(c). G.S. 124-17, as enacted and amended by this
33 subsection, reads as rewritten:

34 **"§ 124-17. Enhanced annual report of State-owned railroad company; additional**
35 **reporting requirements to Governor and General Assembly.**

36 (a) A State-owned railroad company shall submit an annual report to the Joint
37 Legislative Commission on Governmental Operations and the Joint Legislative Transportation
38 Oversight Committee. The report shall include the following:

- 39 (1) The information required under G.S. 124-3.
- 40 (2) A copy of the strategic plan and the capital investment plan required under
41 G.S. 124-16.
- 42 (3) Any failures to meet strategic objectives and what corrective actions were
43 taken under G.S. 124-16(b).
- 44 (4) Anticipated dividends for the next three fiscal years.
- 45 (5) A description of the State-owned railroad company's business, subsidiaries,
46 and markets in which it operates.
- 47 (6) A list of the properties owned by the State-owned railroad company.
- 48 (7) A list of the directors and executive officers of the State-owned railroad
49 company and a description of the background and experience of each.
- 50 (8) A description of the State-owned railroad company's code of ethics and
51 conflicts of interest policy.

- 1 (9) A summary of the fees paid to an accounting firm during the year.
 2 (10) A list of the compensation paid to directors and officers of the State-owned
 3 railroad company.
 4 (11) A description of the State-owned railroad company's disagreements with its
 5 accountants if there has been a change in accountants.
 6 (12) A description of any transactions between the State-owned railroad company
 7 and its directors, officers, and their family members.

8 (b) Upon the request of the Governor or any committee of the General Assembly, a
 9 State-owned railroad company shall provide all additional information and data within its
 10 possession or ascertainable from its records. The State-owned railroad company shall not be
 11 deemed to have waived any attorney-client privilege when complying with this subsection. At
 12 the time a State-owned railroad company provides information under this section, it shall
 13 indicate whether the information is confidential. Confidential information shall be subject to
 14 subsection (c) of this section.

15 (c) Confidential information includes (i) information related to a proposed specific
 16 business transaction where inspection, examination, or copying of the records would frustrate
 17 the purpose for which the records were created, or (ii) information that is subject to
 18 confidentiality obligations of a railroad company. Confidential information is exempt from
 19 Chapter 132 of the General Statutes and shall not be subject to a request under G.S. 132-6(a)."

20 **SECTION 34.14.(e)** The Freight Rail & Rail Crossing Safety Improvement Fund is
 21 established within the Highway Fund.

22 **SECTION 34.14.(f)** One-time Cash Dividend. – Notwithstanding G.S. 124-5.1,
 23 any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more
 24 than two counties shall issue a cash dividend in the amount of fifteen million five hundred
 25 thousand dollars (\$15,500,000), which shall be deposited into the Freight Rail & Rail Crossing
 26 Safety Improvement Fund no later than January 15, 2014.

27 **SECTION 34.14.(g)** Annual Cash Dividend. – G.S. 124-5.1 reads as rewritten:

28 "**§ 124-5.1. State use of North Carolina Railroad Company dividends.**~~dividends deposited~~
 29 **to Highway Fund.**

30 (a) ~~Notwithstanding the provisions of G.S. 136-16.6, in order to increase the capital of~~
 31 ~~the North Carolina Railroad Company, any dividends of the North Carolina Railroad Company~~
 32 ~~received by the State shall be applied to reduce the obligations described in subsection (e) of~~
 33 ~~Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L.~~
 34 ~~1999-237. Any dividends of the North Carolina Railroad Company received by the State shall~~
 35 ~~be used by the Department of Transportation for the improvement of the property of the North~~
 36 ~~Carolina Railroad Company as recommended and approved by the Board of Directors of the~~
 37 ~~North Carolina Railroad Company. The improvements may include the following project~~
 38 ~~types:~~deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the
 39 Highway Fund and administered by the Rail Division of the Department of Transportation. The
 40 Fund shall be used for the enhancement of freight rail service and railroad-roadway crossing
 41 safety, which may include the following project types:

- 42 (1) ~~Railroad and industrial track rehabilitation.~~Track and associated
 43 infrastructure improvements for freight service.
 44 (2) ~~Railroad signal and grade crossing protection.~~Grade crossing protection,
 45 elimination, and hazard removal.
 46 (3) ~~Bridge improvements.~~Signalization improvements.
 47 (4) ~~Corridor protection.~~Assistance for projects to improve rail access to
 48 industrial, port, and military facilities and for freight intermodal facility
 49 improvements, provided that funding assistance under this subdivision shall
 50 be subject to the same limits as that for short-line railroads under
 51 G.S. 136-44.39.

(5) Industrial site acquisition.

The Fund may also be used to supplement funds allocated for freight rail or railroad-roadway crossing safety projects approved as part of the Transportation Improvement Program.

The Department of Transportation shall use the Fund to supplement funds allocated for projects approved as part of the Transportation Improvement Program.

(b) ~~Effective January 1, 2000, interest shall not be accrued or otherwise charged on the remaining balance of the obligations described in subsection (c) of Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237. Interest accrued on those obligations relating to periods prior to January 1, 2000, shall be deemed paid and contributed by the State to the capital of the North Carolina Railroad Company."~~

SECTION 34.14.(h) Article 2 of Chapter 124 of the General Statutes is amended by adding the following new section:

§ 124-18. Dividends required of State-owned railroad company.

Any State-owned railroad company that has trackage in more than two counties shall issue an annual cash dividend to the State. The amount of the annual dividend is twenty-five percent (25%) of the company's income from the prior year's trackage rights agreements. The dividend is due by January 15 of each year, and interest shall accrue at the annual rate of prime plus one percent (1%) if the payment is not paid by the due date. The Directors of any State-owned railroad company who vote for or assent to the dividend required under this section shall not be held liable under G.S. 55-8-33."

SECTION 34.14.(i) G.S. 136-16.6 is repealed.

SECTION 34.14.(j) Assess Certain Real Properties. – Any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall assess the company's noncorridor real property that is among the following parcels:

Property Description	County	Nearest Town	Parcel ID
Burke Street Lot	Alamance	Gibsonville	107493
Bridges Street Lot	Carteret	Morehead	638620911461000
Newport Lot	Carteret	Newport	634814246231000
Wye Property Extension	Carteret	Morehead	637616924807000
Wye Property	Carteret	Morehead	637620923019000
Clarks Lot	Craven	Clarks	8-221-035
Tiffany & Bright Sts. Property	Lenoir	Kinston	11185 & 26555
Morrisville Former Depot	Wake	Morrisville	0755-14-6475
Waynesboro Lot	Wayne	Goldsboro	2599119118

The assessment shall identify potential environmental issues; title, encroachment and other legal property issues; and any other characteristic of the property that would significantly impact the value of the parcels to a prospective purchaser. Any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall report no later than April 1, 2014, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division. The report shall include the findings of the assessment required by this subsection, an estimate of the costs to mitigate any environmental issues to meet applicable federal or State standards, the estimated value of the parcels taking into account mitigation costs, and potential alternate State uses for the parcels.

SECTION 34.14.(j1) One-Time Real Property Dividend. – Any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall issue a dividend consisting of any of the company's noncorridor real property that is among the following parcels:

Property Description	County	Nearest Town	Parcel ID
4th Street Lot	Carteret	Morehead	638620808907000
Station & Former Industrial Lot	Carteret	Morehead	638620718127000

1	Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 &
2				638620709868000
3	N. Craven St. Lot	Craven	New Bern	8-003-241-A

4 The dividend required by this subsection shall be issued no later than June 30, 2014,
 5 except as to the N Craven St Lot no later than August 1, 2013, and shall be in the form of a
 6 transfer of the property to the Department of Administration. Any State-owned railroad making
 7 a dividend under this subsection may deduct any tax liabilities under the Internal Revenue Code
 8 triggered by this dividend from the amount of the dividend required under subsection (f) of this
 9 section.

10 **SECTION 34.14.(j2)** The Department of Administration, in collaboration with the
 11 Department of Transportation and the North Carolina State Ports Authority (NCSPA), will
 12 evaluate the value of the parcels listed in subsection (j1) of this section that are located in
 13 Carteret County. The evaluation shall compare the value of the parcels for alternate
 14 transportation uses by the Department of Transportation or the NCSPA to the potential
 15 proceeds from sale of these properties to a non-State third party. The Departments of
 16 Administration and Transportation shall report the results of the evaluation, including
 17 recommended alternate uses, to the Joint Legislative Transportation Oversight Committee by
 18 April 1, 2014. The Department of Administration shall not sell or transfer the parcels described
 19 in this subsection until authorized to do so by an act of the General Assembly.

20 **SECTION 34.14.(j3)** Notwithstanding Articles 2 and 7 of Chapter 146 of the
 21 General Statutes and G.S. 124-5.1, the Department of Administration shall sell any parcels
 22 listed in subsection (j1) of this section that are located in Craven County and deposit the
 23 proceeds of the sales into the Freight Rail & Rail Crossing Safety Improvement Fund of the
 24 Highway Fund. Notwithstanding any other provision of law, the Department of Administration
 25 may deduct the costs of selling the property from the proceeds of the sales.

26 **SECTION 34.14.(k)** Subsections (g), (h), and (i) of this section become effective
 27 January 1, 2014.

28
 29 **ELIMINATE TELECOMMUNICATIONS AND INSPECTIONS PROGRAM**
 30 **ACCOUNTS**

31 **SECTION 34.15.(a)** The sum of ten million five hundred thousand dollars
 32 (\$10,500,000) of the unallotted and unexpended balance of funds within the Inspection
 33 Program Account shall be transferred to the Highway Fund as appropriated and allocated by
 34 this act. The Inspection Program Account shall be eliminated after all funds allotted as of June
 35 30, 2013, have been expended. The remaining unallotted and unexpended balance of funds
 36 shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

37 **SECTION 34.15.(b)** Effective June 30, 2014, G.S. 20-183.7(d1) is repealed, and
 38 the unallotted and unexpended balance of funds in the Telecommunications Account on that
 39 date shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

40 **SECTION 34.15.(c)** G.S. 20-183.7 reads as rewritten:
 41 "**§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection**
 42 **authorization to a vehicle; use of civil penalties.**

43 ...
 44 (c) Fee Distribution. – Fees collected for electronic inspection authorizations are
 45 payable to the Division of Motor Vehicles. The amount of each fee listed in the table below
 46 shall be credited to the Highway Fund, ~~the Inspection Program Account established in~~
 47 ~~subsection (d) of this section, the Telecommunications Account established in subsection (d1)~~
 48 ~~of this section, the Volunteer Rescue/EMS Fund established in G.S. 58-87-5, the Rescue Squad~~
 49 ~~Workers' Relief Fund established in G.S. 58-88-5, and the Division of Air Quality of the~~
 50 Department of Environment and Natural Resources:

51 <u>Recipient</u>	<u>Safety Only</u>	<u>Emissions and</u>
---------------------	--------------------	----------------------

	<u>Electronic Authorization</u>	<u>Safety Electronic Authorization</u>
Highway Fund	.55	.555.30
Inspection Program Account	.00	3.00
Telecommunications Account	.00	1.75
Volunteer Rescue/EMS Fund	.18	.18
Rescue Squad Workers' Relief Fund	.12	.12
Division of Air Quality	.00	.65.

10 (d) ~~Inspection Program Account. The Inspection Program Account is created as a~~
 11 ~~nonreverting account within the Highway Fund. The Division shall administer the Account.~~
 12 ~~Revenue in the Account may be used only to fund the vehicle inspection and maintenance~~
 13 ~~program and to fund replacement of the State Titling and Registration System and the State~~
 14 ~~Automated Driver License System.~~
 15"

17 **DIVISION OF MOTOR VEHICLES TECHNOLOGY IMPROVEMENT ACCOUNT**

18 **SECTION 34.16.(a)** The Division of Motor Vehicles Technology Improvement
 19 Account shall be eliminated after all funds allotted as of June 30, 2013, have been expended.
 20 The unallotted and unexpended balance of funds in the Account shall be transferred to the
 21 Highway Fund as appropriated and allocated by this act.

22 **SECTION 34.16.(b)** G.S. 20-85 reads as rewritten:

23 **"§ 20-85 Schedule of fees.**

24 ...
 25 (a1) One dollar (\$1.00) of the fee imposed for any transaction assessed a fee under
 26 subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the
 27 North Carolina Highway Fund. ~~The Division shall use the fees derived from transactions with~~
 28 ~~the Division for technology improvements.~~ The Division shall use the fees derived from
 29 transactions with commission contract agents for the payment of compensation to commission
 30 contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed
 31 a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal
 32 Account in the Department of Environment and Natural Resources. An additional fifty cents
 33 (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this
 34 section shall be credited as follows:

- 35 (1) The first four hundred thousand dollars (\$400,000) collected shall be
- 36 credited to the Reserve for Visitor Centers in the Highway Fund.
- 37 (2) Any additional funds collected shall be credited to the Highway Trust Fund
- 38 and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban
- 39 loop projects.

40"

42 **DEPARTMENT OF TRANSPORTATION CONTRACTED SERVICES**

43 **SECTION 34.17.** The Department of Transportation, Business and Contractual
 44 Services Unit, shall, in collaboration with the Division of Motor Vehicles, evaluate current
 45 contractual models and compensation for the provision of registration, title, tax collection, and
 46 other vehicle service transactions by branch agents contracting with the Division of Motor
 47 Vehicles. As part of this evaluation, the Department shall conduct an analysis of transaction
 48 trends, completion and error rates, and service times by transaction type and branch agent type,
 49 and shall assess the appropriateness of the current basis for contractor compensation and rates
 50 relative to documented service requirements.

1 Based on its findings, the Department shall recommend alternatives to the current
2 contractual models for branch agents to standardize contract types, enhance performance, and
3 strengthen contract administration, taking into account citizen accessibility to service centers.
4 In addition, the Department shall submit detailed proposals for alternate options for contractor
5 compensation, including, at a minimum, competitive bidding of branch agent contracts. The
6 Department shall identify anticipated programmatic and fiscal impacts, and include
7 implementation plans for each alternative.

8 The Department shall report its findings and recommendations to the Joint
9 Legislative Transportation Oversight Committee, Joint Legislative Program Evaluation
10 Oversight Committee, and Fiscal Research Division no later than March 1, 2014.

11 12 VISITOR CENTERS FUNDING

13 **SECTION 34.22.** G.S. 20-79.7(c)(2) reads as rewritten:

14 "(c) Use of Funds in Special Registration Plate Account. –

15 ...

16 (2) From the funds remaining in the Special Registration Plate Account after the
17 deductions in accordance with subdivision (1) of this subsection, there is
18 annually appropriated from the Special Registration Plate Account the sum
19 of one million three hundred thousand dollars (\$1,300,000) to provide
20 operating assistance for the Visitor Centers:

- 21 a. on U.S. Highway 17 in Camden County, ~~(\$100,000)~~ ninety-two
22 thousand eight hundred fifty-seven dollars (\$92,857);
- 23 b. on U.S. Highway 17 in Brunswick County, ~~(\$100,000)~~ ninety-two
24 thousand eight hundred fifty-seven dollars (\$92,857);
- 25 c. on U.S. Highway 441 in Macon County, ~~(\$100,000)~~ ninety-two
26 thousand eight hundred fifty-seven dollars (\$92,857);
- 27 d. in the Town of Boone, Watauga County, ~~(\$100,000)~~ ninety-two
28 thousand eight hundred fifty-seven dollars (\$92,857);
- 29 e. on U.S. Highway 29 in Caswell County, ~~(\$100,000)~~ ninety-two
30 thousand eight hundred fifty-seven dollars (\$92,857);
- 31 f. on U.S. Highway 70 in Carteret County, ~~(\$100,000)~~ ninety-two
32 thousand eight hundred fifty-seven dollars (\$92,857);
- 33 g. on U.S. Highway 64 in Tyrrell County, ~~(\$100,000)~~ ninety-two
34 thousand eight hundred fifty-seven dollars (\$92,857);
- 35 h. at the intersection of U.S. Highway 701 and N.C. 904 in Columbus
36 County, ~~(\$100,000)~~ ninety-two thousand eight hundred fifty-seven
37 dollars (\$92,857);
- 38 i. on U.S. Highway 221 in McDowell County, ~~(\$100,000)~~ ninety-two
39 thousand eight hundred fifty-seven dollars (\$92,857);
- 40 j. on Staton Road in Transylvania County, ~~(\$100,000)~~ ninety-two
41 thousand eight hundred fifty-seven dollars (\$92,857);
- 42 k. in the Town of Fair Bluff, Columbus County, near the intersection of
43 U.S. Highway 76 and N.C. 904, ~~(\$100,000)~~ ninety-two thousand
44 eight hundred fifty-seven dollars (\$92,857);
- 45 l. on U.S. Highway 421 in Wilkes County, ~~(\$100,000)~~ ninety-two
46 thousand eight hundred fifty-seven dollars (\$92,857); and
- 47 m. at the intersection of Interstate 73 and Interstate 74 in Randolph
48 County, ~~(\$100,000)~~ ninety-two thousand eight hundred fifty-seven
49 dollars (\$92,858) each, for two centers."

50 51 STUDY GLOBAL TRANSPARK INFRASTRUCTURE AND RAIL ACCESS

1 **SECTION 34.23.** The Department of Transportation, in collaboration with the
2 Department of Commerce and the Department of Agriculture and Consumer Services, shall
3 study the feasibility of infrastructure and access improvements for the Global TransPark and
4 the North Carolina State Port Authority. As part of its study, the Department shall undertake
5 the following:

- 6 (1) Evaluate infrastructure improvements which will promote job creation and
7 commerce and advance development of the Global TransPark as an inland
8 terminal, including, at a minimum, specialized transloading equipment,
9 refrigerated and dry storage facilities, and site improvements in support of
10 co-located manufacturing facilities on property owned by the Global
11 TransPark Authority.
- 12 (2) Perform financial feasibility analyses for each infrastructure improvement
13 evaluated under subdivision (1) of this section, including the following
14 components:
- 15 a. Project scope and development time line.
 - 16 b. Assessment of technical feasibility.
 - 17 c. Estimates of preconstruction, construction, maintenance, and
18 operating costs.
 - 19 d. Market scenarios, including identification of target industries and
20 commodities and assessments of market demand, impacts on cargo
21 throughput, utilization of Authority facilities, and other associated
22 outputs.
 - 23 e. Return on investment, including direct financial return to the
24 Authority or State as well as local and regional economic impact
25 attributable to each project.
 - 26 f. Alternatives for project financing.
- 27 (3) Assess highway and rail infrastructure improvements or service scenarios
28 that improve access and throughput to the Global TransPark and North
29 Carolina State Port Authority Morehead City Terminal, addressing at a
30 minimum, the relative benefits and costs of each highway or rail project, as
31 well as the impacts on freight movements for the highway system and
32 connecting rail corridors. As part of this assessment, the Department shall, in
33 collaboration with the North Carolina Railroad Company, evaluate alternate
34 routes to improve rail capacity and access to the Morehead City Terminal
35 and Radio Island site.
- 36 (4) In addition, the Department shall perform a financial feasibility analysis of
37 the Wallace to Castle Hayne and Wilmington track restoration project that
38 includes the following components:
- 39 a. Project scope and development time line.
 - 40 b. Assessment of technical feasibility, including traffic flow analysis
41 and railroad capacity modeling.
 - 42 c. Service models addressing operating scenarios over the line segment
43 and connections to other rail lines, as well as rate implications.
 - 44 d. Preliminary engineering, construction, maintenance, and operating
45 cost.
 - 46 e. Service and market demand for rail service, identifying projected
47 utilization by industry and impacts to alternate rail routes.
 - 48 f. Strategic value assessment, including return on investment, direct
49 financial return to the State, and State, regional, and local economic
50 impact.

- 1 g. Strategic value of the corridor to military installations and as a
- 2 connection to national and regional railroad corridors.
- 3 h. Inventory of commercial and industrial sites or terminals benefitting
- 4 from restored rail service or improved connectivity.
- 5 i. Alternatives for project financing.

6 The Department shall provide a preliminary report of its findings to the Joint
7 Legislative Transportation Oversight Committee no later than March 1, 2014, and a final
8 report, including any recommended legislation, no later than January 1, 2015.

9 10 **LIFE CYCLE COST ANALYSIS**

11 **SECTION 34.25.** The Department of Transportation shall perform a life cycle cost
12 analysis based on the Department's "Procedure for Life Cycle Cost Analysis" for all highway
13 projects constructed on a new location in accordance with the following schedule:

- 14 (1) Ninety percent (90%) of applicable projects in fiscal year 2013-2014.
- 15 (2) Ninety-five percent (95%) of applicable projects in fiscal year 2014-2015.
- 16 (3) All applicable projects for fiscal years beginning after June 30, 2015.

17 The Department shall adopt and provide a detailed report on the life cycle cost
18 analysis methodology and component factors used to comply with the requirement of this
19 section to the Fiscal Research Division and the Joint Legislative Transportation Oversight
20 Committee no later than September 1, 2013.

21 22 **COUNTIES MAY USE SALES TAX REVENUE FOR ROADS**

23 **SECTION 34.26.(a)** Article 12 of Chapter 153A of the General Statutes is
24 amended by adding a new section to read:

25 **"§ 153A-239.2 Use of local government sales and use tax revenue for public roads.**

26 Counties may use the proceeds of the tax levied under Article 46 of Chapter 105 of the
27 General Statutes to participate in the cost of rights-of-way, construction, reconstruction,
28 improvement, or maintenance of any road on the State highway system as set forth in
29 G.S. 136-51. This section does not authorize any referendum regarding the levy of property
30 taxes for right-of-way acquisition or road construction, reconstruction, improvement, or
31 maintenance under G.S. 153A-149(d)."

32 **SECTION 34.26.(b)** G.S. 153A-239.2, as enacted by subsection (a) of this section,
33 reads as rewritten:

34 **"§ 153A-239.2 Use of local government sales and use tax revenue for public roads.**

35 Counties may use the proceeds of the tax levied under Article 46 of Chapter 105 of the
36 General Statutes to participate in the cost of rights-of-way, construction, reconstruction,
37 improvement, or maintenance of any road on the State highway system as set forth in
38 ~~G.S. 136-51.~~ G.S. 136-51, or to qualify for a bonus allocation under G.S. 136-189.11(f). This
39 section does not authorize any referendum regarding the levy of property taxes for right-of-way
40 acquisition or road construction, reconstruction, improvement, or maintenance under
41 G.S. 153A-149(d)."

42 **SECTION 34.26.(c)** G.S. 136-51 reads as rewritten:

43 **"§ 136-51. Maintenance of county public roads vested in Department of Transportation.**

44 From and after July 1, 1931, the exclusive control and management and responsibility for
45 all public roads in the several counties shall be vested in the Department of Transportation as
46 hereinafter provided, and all county, district, and township highway or road commissioners, by
47 whatever name designated, and whether created under public, public-local, or private acts, shall
48 be abolished:

49 Provided, that for the purpose of providing for the payment of any bonded or other
50 indebtedness, and for the interest thereon, that may be outstanding as an obligation of any
51 county, district, or township commission herein abolished, the boards of county commissioners

1 of the respective counties are hereby constituted fiscal agents, and are vested with authority and
2 it shall be their duty to levy such taxes on the taxable property or persons within the respective
3 county, district, or township by or for which said bonds or other indebtedness were issued or
4 incurred and as are now authorized by law to the extent that the same may be necessary to
5 provide for the payment of such obligations; and the respective commissions herein abolished
6 shall on or before July 1, 1931, turn over to said boards of county commissioners any moneys
7 on hand or evidences of indebtedness properly applicable to the discharge of any such
8 indebtedness (except such moneys as are mentioned in paragraph (a) above); and all
9 uncollected special road taxes shall be payable to said boards of county commissioners, and the
10 portion of said taxes applicable to indebtedness shall be applied by said commissioners to said
11 indebtedness, or invested in a sinking fund according to law. All that portion of said taxes or
12 other funds coming into the hands of said county commissioners and properly applicable to the
13 maintenance or improvement of the public roads of the county shall be held by them as a
14 special road fund and disbursed upon proper orders of the Department of Transportation.

15 Provided, further, that in order to fully carry out the provisions of this section the respective
16 boards of county commissioners are vested with full authority to prosecute all suitable legal
17 actions.

18 Nothing in this section shall prevent a county from participating in the cost of
19 rights-of-way, construction, reconstruction, improvement, or maintenance of a road on the State
20 highway system under agreement with the Department of Transportation. A county is
21 authorized and empowered to acquire land by dedication and acceptance, purchase, or eminent
22 domain and make improvements to portions of the State highway system lying within or
23 outside the county limits utilizing local funds that have been authorized for that
24 ~~purpose.~~ purpose or the proceeds of a tax levied under Article 46 of Chapter 105 of the General
25 Statutes. The provisions of G.S. 153A-15 apply to any county attempting to acquire property
26 outside its limits. All improvements to the State highway system shall be done in accordance
27 with the specifications and requirements of the Department of Transportation."

28 **SECTION 34.26.(d)** Subsection (b) of this section is effective only if House Bill
29 817, 2013 Regular Session, becomes law and, as enacted, includes G.S. 136-189.11(f),
30 "Incentives for Local Funding and Highway Tolling."
31

32 **OUTSIDE LEGAL COUNSEL/DEPARTMENT OF TRANSPORTATION**

33 **SECTION 34.27.** The Department of Transportation may engage the services of
34 private counsel with the pertinent expertise to timely defend or otherwise resolve legal
35 challenges to transportation projects undertaken by the Department. The Department of
36 Transportation shall supervise and manage the private counsel engaged under this section and
37 shall not be required to obtain written permission from the Attorney General under
38 G.S. 114-2.3.
39

40 **LEGISLATIVE OVERSIGHT/DMV LICENSE & THEFT TRANSFERS**

41 **SECTION 34.28.(a)** The Department of Transportation and the Department of
42 Public Safety shall jointly study the potential consolidation and transfer of the License & Theft
43 Bureau of the Department of Transportation, Division of Motor Vehicles, to the Department of
44 Public Safety. The study shall address, at a minimum, the following:

- 45 (1) Core functions performed by each agency, including indicators of baseline
46 performance for each affected organizational unit.
- 47 (2) Operational impacts resulting from the consolidation and transfer.
- 48 (3) Modifications to agency organizational structure.
- 49 (4) Allocation of resources between agencies, addressing affected personnel,
50 projected cost-savings or efficiencies, and the proposed distribution of funds
51 by funding source.

- 1 (5) Administrative requirements for supporting information technology systems
2 and applications, including cost allocation methodologies for system or
3 application development, support, and maintenance.

4 The Departments shall jointly report the findings of the study to the Fiscal Research
5 Division, the Joint Legislative Transportation Oversight Committee, and the Joint Legislative
6 Oversight Committee on Justice and Public Safety no later than April 1, 2014. The joint report
7 shall include a transition plan for any proposed consolidation or transfer which addresses
8 requisite statutory modifications, implementation milestones, and recommended funding
9 allocations.

10 **SECTION 34.28.(b)** The Department of Transportation and the Department of
11 Public Safety shall not transfer any personnel or functions of the License & Theft Bureau of the
12 Department of Transportation's Division of Motor Vehicles or enter into any agreement
13 regarding transfer of personnel or functions of the License & Theft Bureau until passage of an
14 act of the General Assembly authorizing the transfer.

15 16 **NCRR STOCK/ASSETS DISPOSITION**

17 **SECTION 34.29.(a)** Part of the Charter of the North Carolina Railroad (Section 54
18 of Chapter 82 of the Laws of 1848-49, as added by Chapter 1046 of the 1951 Session Laws,
19 and as rewritten by S.L. 1997-443, Section 32.30(d)) states:

20 "No stock owned by the State of North Carolina in the North Carolina Railroad Company
21 shall be sold or transferred except with the prior consent of the General Assembly, except as
22 part of a transaction or series of transactions relating to a plan of merger or consolidation of
23 that company with another company, and where the State will be the owner of all of the voting
24 stock in the merged or consolidated corporation."

25 **SECTION 34.29.(b)** The Department of Transportation and the Office of State
26 Budget and Management may entertain offers to purchase the stock owned by the State in the
27 North Carolina Railroad and may recommend to the General Assembly a course of action with
28 respect to such offers. Any recommendation shall be made as a report to the House and Senate
29 Appropriations Committees, or, if the General Assembly is not in session, the Joint Legislative
30 Commission on Governmental Operations, and shall include, at a minimum, the identity of the
31 potential purchasers, the number of offers received, and the range of offered values. As
32 provided by the Charter of the North Carolina Railroad Company, as set forth in subsection (a)
33 of this section, no sale of stock shall be executed without prior approval through an act of the
34 General Assembly.

35 **SECTION 34.29.(c)** Any State-owned railroad company as defined in Article 2 of
36 Chapter 124 of the General Statutes shall cooperate in providing information and access to its
37 records and facilities to third parties to conduct due diligence in evaluating the railroad as part
38 of a process to evaluate a sale of the stock by the State. Information or records disclosed to
39 third parties under this subsection and protected from public disclosure by the customary terms
40 of a confidentiality and nondisclosure agreement shall not be considered a public record under
41 Chapter 132 of the General Statutes because the Office of State Budget and Management
42 receives or facilitates the transmission to third parties of the information or records.

43 44 **PART XXXV. SALARIES AND BENEFITS**

45 46 **GOVERNOR AND COUNCIL OF STATE**

47 **SECTION 35.1.(a)** Effective for the 2013-2015 fiscal biennium, the annual salary
48 of the Governor set by G.S. 147-11(a) shall remain unchanged at the amount of one hundred
49 forty-one thousand two hundred sixty-five dollars (\$141,265).

1 **SECTION 35.1.(b)** Effective for the 2013-2015 fiscal biennium, the annual
2 salaries for members of the Council of State, payable monthly, shall remain unchanged as
3 follows:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$124,676
Attorney General	124,676
Secretary of State	124,676
State Treasurer	124,676
State Auditor	124,676
Superintendent of Public Instruction	124,676
Agriculture Commissioner	124,676
Insurance Commissioner	124,676
Labor Commissioner	124,676

15 **CERTAIN EXECUTIVE BRANCH OFFICIALS**

16 **SECTION 35.2.** Effective for the 2013-2015 fiscal biennium, the annual salaries,
17 payable monthly, for the following executive branch officials shall remain unchanged as
18 follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$110,868
State Controller	155,159
Commissioner of Banks	124,676
Chair, Board of Review, Division of Employment Security	122,255
Members, Board of Review, Division of Employment Security	120,737
Chairman, Parole Commission	101,235
Members of the Parole Commission	93,464
Chairman, Utilities Commission	138,849
Members of the Utilities Commission	124,676
Executive Director, North Carolina Agricultural Finance Authority	107,915

32 **JUDICIAL BRANCH**

33 **SECTION 35.3.(a)** Effective for the 2013-2015 fiscal biennium, the annual
34 salaries, payable monthly, for specified judicial branch officials shall remain unchanged as
35 follows:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$142,623
Associate Justice, Supreme Court	138,896
Chief Judge, Court of Appeals	136,682
Judge, Court of Appeals	133,109
Judge, Senior Regular Resident Superior Court	129,492
Judge, Superior Court	125,875
Chief Judge, District Court	114,301
Judge, District Court	110,684
District Attorney	120,737
Administrative Officer of the Courts	128,259
Assistant Administrative Officer of the Courts	117,152
Public Defender	120,737
Director of Indigent Defense Services	124,498

50 **SECTION 35.3.(b)** Effective for the 2013-2015 fiscal biennium, the annual
51 salaries of employees of the Judicial Department shall remain unchanged as follows:

- (1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.
- (2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.
- (3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged.
- (4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.

LEGISLATIVE BRANCH

SECTION 35.4. For the 2013-2015 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly. Effective for the 2013-2015 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:

- (1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.
- (2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.
- (3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.

COMMUNITY COLLEGES PERSONNEL

SECTION 35.5.(a) The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall remain unchanged for the 2013-2015 fiscal biennium.

SECTION 35.5.(b) For the 2013-2015 fiscal biennium, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged as follows:

<u>Education Level</u>	<u>Minimum Salary</u>
Vocational Diploma/Certificate or Less	\$34,314
Associate Degree or Equivalent	34,819
Bachelor's Degree	37,009
Masters Degree or Education Specialist	38,952
Doctoral Degree	41,753

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 35.6.(a) The annual compensation of all University of North Carolina EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Mathematics shall remain unchanged for the 2013-2015 fiscal biennium.

SECTION 35.6.(b) The annual compensation of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the 2013-2015 fiscal biennium.

MOST STATE EMPLOYEES

SECTION 35.7. For the 2013-2015 fiscal biennium, the salaries in effect June 30, 2013, for the following employees shall remain unchanged, effective July 1, 2013:

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

SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES/NO AUTOMATIC INCREASES/AUTHORIZED SALARY ADJUSTMENT FUND ACTIONS NOT PROHIBITED

SECTION 35.8.(a) The annual compensation of all employees subject to or exempt from the State Personnel Act, including employees of local boards of education, community colleges, and The University of North Carolina, for the 2013-2015 fiscal biennium shall remain unchanged from that authorized on June 30, 2013, or the last date in pay status during the 2011-2013 fiscal biennium, if earlier, unless an increase is authorized by this section or under the Salary Adjustment Fund established by this act.

SECTION 35.8.(b) Salary increases may be awarded during the 2013-2015 fiscal biennium under this section only for the following special circumstances:

- (1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze otherwise provided by this Part. All other salary increases are prohibited.
- (1a) For employees of the North Carolina Community College System, notwithstanding subdivision (1) of this subsection, salaries may be increased if the increase is funded from local funding sources.
- (2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources.
- (3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection for each fiscal year during the 2013-2015 fiscal biennium may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 35.8.(c) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2013-2015 fiscal biennium.

SECTION 35.8.(d) The salary increase provisions of G.S. 20-187.3 are suspended for the 2013-2015 fiscal biennium.

1 **SECTION 35.8.(e)** During the 2013-2015 fiscal biennium, notwithstanding
2 G.S. 53C-2-3(c), employees of the Office of the Commissioner of Banks shall not be awarded
3 (i) compensation increases unless allowed under subdivision (1) of subsection (b) of this
4 section or (ii) compensation bonuses.

5 **SECTION 35.8.(f)** Employees of the Lottery Commission shall not receive
6 compensation bonuses during the 2013-2015 fiscal biennium.

7 8 **MONITOR MOST SALARY INCREASES**

9 **SECTION 35.9.(a)** The Office of State Budget and Management and the Office of
10 State Personnel shall monitor jointly the compliance of the following units of government with
11 the provisions of Section 35.8 of this act and shall submit quarterly reports of their monitoring
12 activities to the President Pro Tempore of the Senate, the Speaker of the House of
13 Representatives, and the Fiscal Research Division: (i) State agencies, departments, and
14 institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii)
15 The University of North Carolina and its constituent institutions.

16 The quarterly reports required by this section shall include the following
17 information:

- 18 (1) For agencies reporting through the BEACON HR/Payroll system, (i) a
19 breakdown by action type (including, but not limited to, promotion,
20 reallocation, career progression, salary adjustment, and any similar actions
21 increasing employee pay) of the number and annual amount of those
22 increases and (ii) a breakdown by action reason (including in-range higher
23 level, acting pay, trainee adjustment, and other similar action reasons) of the
24 number and annual amount of those action types coded as salary adjustment.
- 25 (2) For The University of North Carolina and its constituent institutions, a
26 breakdown of the number and annual amount of those increases categorized
27 by the University as promotions, changes in job duties or responsibilities,
28 Distinguished Professorships, retention pay, career progression, and any
29 other similar actions increasing employee pay.
- 30 (3) A summary of actions taken by the Office of State Budget and Management
31 and the Office of State Personnel with respect to unauthorized salary
32 increases.

33 **SECTION 35.9.(b)** The Legislative Services Officer shall report quarterly to the
34 President Pro Tempore of the Senate and the Speaker of the House of Representatives on
35 compliance with Section 35.8 this act.

36 37 **ESTABLISH SEVERANCE EXPENDITURE RESERVE**

38 **SECTION 35.10.(a)** There are established in the Office of State Budget and
39 Management General Fund and Highway Fund reserve budget codes for the purpose of funding
40 severance-related obligations to State employees subject to the State Personnel Act, and
41 employees exempt from the State Personnel Act, who are separated from service due to a
42 reduction-in-force action. Severance-related expenditures from these reserves shall include
43 obligations to fund:

- 44 (1) A State employee's severance salary continuation with an age adjustment
45 factor as authorized by G.S. 126-8.5, including employer-related
46 contributions for social security, and
- 47 (2) Noncontributory health premiums for up to 12 months as authorized by
48 G.S. 135-48.40(b)(8) for employees of employing units as defined by
49 G.S. 135-48.1(11).

50 **SECTION 35.10.(b)** The Director of the Budget shall allocate funds appropriated
51 in Sections 2.1 and 3.1 of this act to the Severance Expenditure Reserve to public agencies to

1 fund severance-related obligations incurred by the agencies as a result of reduction-in-force
2 actions that cause State-supported public employees to be terminated from public employment.
3 Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety
4 before funds appropriated to a public agency for State-supported personal services expenditures
5 may be used to fund any severance-related obligations.

6 Funds appropriated to the Severance Expenditure Reserve may be allocated to
7 public agencies for positions that are funded by the General Fund or Highway Fund. Funds
8 appropriated to the Severance Expenditure Reserve may also be allocated to public agencies for
9 positions that are funded partially from the General Fund or Highway Fund and partially from
10 sources other than the General Fund or Highway Fund but only to the extent of the
11 proportionate part of the salaries paid from the General Fund or Highway Fund.

12 For the purposes of this subsection, the term "public employee" means an employee
13 of a State agency, department, or institution; The University of North Carolina; the North
14 Carolina Community College System; or a local school administrative unit.

15 16 **DHHS FLEXIBILITY FOR SALARY DETERMINATIONS FOR THE INITIAL** 17 **EMPLOYMENT OF CERTAIN LICENSED PROFESSIONAL EMPLOYEES**

18 **SECTION 35.10A.** The Department of Health and Human Services (Department)
19 shall have flexibility to make salary determinations for the initial employment of facility
20 directors and licensed physicians, dentists, nurses, and other allied health professionals within
21 the State facilities under the jurisdiction of the Secretary of Health and Human Services
22 pursuant to G.S. 122C-181. The Department shall exercise this flexibility within its existing
23 resources and shall not make any salary determinations that exceed the maximum of the
24 applicable salary range established by the Office of State Personnel (OSP) under the authority
25 of Chapter 126 of the General Statutes. Beginning September 1, 2013, and then quarterly
26 thereafter, the Department and the OSP shall report jointly to the Joint Legislative Commission
27 on Governmental Operations and to the Fiscal Research Division on the salary actions taken
28 under this section.

29 30 **SALARY ADJUSTMENT FUND**

31 **SECTION 35.10B.(a)** The Salary Adjustment Fund is established to make funding
32 available for salary increases in the executive, legislative, and judicial branches for specified
33 purposes only as authorized in this section. Funds appropriated to the Salary Adjustment Fund
34 by this act, or any other provision of law, shall only be used to fund agency requests for the
35 following purposes in order to provide competitive salary rates: (i) to compensate employees
36 for more difficult duties and (ii) for affected job classifications and groups in response to labor
37 market rates:

- 38 (1) Reallocation of positions to higher level job classifications.
- 39 (2) In-range adjustments for job change.
- 40 (3) Career progression adjustments for demonstrated competencies.
- 41 (4) Salary range revisions.
- 42 (5) Geographic site differential adjustments.
- 43 (6) In-range adjustments for labor market.
- 44 (7) In-range adjustments for equity issues.
- 45 (8) Any other adjustments related to an increase in job duties or responsibilities
46 or labor market changes.

47 These adjustments must be documented through data collection and analysis according to
48 accepted human resource professional practices and standards. Further, funds may only be used
49 for salary adjustments for the stated purposes that are in compliance with State Personnel
50 Commission policies and other provisions of the Act. Funding shall be first provided to the

oldest pending adjustments approved by the State Personnel Commission or the Office of State Personnel and shall not be used for any other purposes.

SECTION 35.10B.(b) Employees subject to the State Personnel Act in The University of North Carolina System are eligible for funding authorized in this section. Employees of local school boards and community colleges are not eligible for funding authorized in this section.

SECTION 35.10B.(c) The Director of the Budget may transfer to General Fund budget codes from the Salary Adjustment Fund amounts required to support salary adjustments authorized by this section with the oldest of the pending adjustments to be funded first. The Director of the Budget shall consult with the Joint Legislative Commission on Governmental Operations prior to transferring any salary adjustment funds pursuant to this section.

SECTION 35.10B.(d) For employees of the Department of Transportation or whose salaries are funded by the Highway Fund, the sum of up to three million dollars (\$3,000,000) of funds available to the Department of Transportation for 2013-2015 fiscal biennium may be used for salary increases consistent with this section. Salary increases awarded under this subsection are special circumstances adjustments under Section 35.8 of this act.

SPECIAL ANNUAL LEAVE BONUS

SECTION 35.10C. Any person (i) who was on July 1, 2013, a full-time permanent employee of the State, a community college institution, or a local board of education, or was under contract on July 1, 2013, to be employed for the 2013-2014 school year in such a position, and (ii) who is eligible to earn annual leave, shall have a one-time additional five days of annual leave credited on July 1, 2013. The additional leave shall be accounted for either separately or together with the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, and by Section 29.14A of S.L. 2005-276 and shall remain available until used, notwithstanding any other limitation on the total number of days of annual leave that may be carried forward. Part-time permanent employees shall receive a pro rata amount of the five days.

TEACHER SALARY SCHEDULES

SECTION 35.11.(a) The following monthly salary schedules shall apply for the 2013-2014 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 37 steps, with each step corresponding to one year of teaching experience. Public school employees paid according to this salary schedule and receiving NBPTS certification or obtaining a masters degree shall not be prohibited from receiving the appropriate increase in salary. Provided, however, teachers employed during the 2012-2013 school year who did not work the required number of months to acquire an additional year of experience shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2013-2014 Monthly Salary Schedule

Years of Experience	"A" Teachers	NBPTS Certification
0-2	\$3,080	N/A
3-5	\$3,080	\$3,450
6	\$3,122	\$3,497
7	\$3,167	\$3,547
8	\$3,303	\$3,699
9	\$3,445	\$3,858
10	\$3,580	\$4,010

1	11	\$3,711	\$4,156
2	12	\$3,816	\$4,274
3	13	\$3,865	\$4,329
4	14	\$3,914	\$4,384
5	15	\$3,965	\$4,441
6	16	\$4,015	\$4,497
7	17	\$4,066	\$4,554
8	18	\$4,118	\$4,612
9	19	\$4,171	\$4,672
10	20	\$4,226	\$4,733
11	21	\$4,282	\$4,796
12	22	\$4,337	\$4,857
13	23	\$4,397	\$4,925
14	24	\$4,456	\$4,991
15	25	\$4,515	\$5,057
16	26	\$4,577	\$5,126
17	27	\$4,639	\$5,196
18	28	\$4,706	\$5,271
19	29	\$4,771	\$5,344
20	30	\$4,836	\$5,416
21	31	\$4,903	\$5,491
22	32	\$4,972	\$5,569
23	33	\$5,044	\$5,649
24	34	\$5,116	\$5,730
25	35	\$5,215	\$5,841
26	36+	\$5,318	\$5,956

2013-2014 Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0-2	\$3,388	N/A
3-5	\$3,388	\$3,795
6	\$3,434	\$3,846
7	\$3,484	\$3,902
8	\$3,633	\$4,069
9	\$3,790	\$4,245
10	\$3,938	\$4,411
11	\$4,082	\$4,572
12	\$4,198	\$4,702
13	\$4,252	\$4,762
14	\$4,305	\$4,822
15	\$4,362	\$4,885
16	\$4,417	\$4,947
17	\$4,473	\$5,010
18	\$4,530	\$5,074
19	\$4,588	\$5,139
20	\$4,649	\$5,207
21	\$4,710	\$5,275
22	\$4,771	\$5,344
23	\$4,837	\$5,417
24	\$4,902	\$5,490

1	25	\$4,967	\$5,563
2	26	\$5,035	\$5,639
3	27	\$5,103	\$5,715
4	28	\$5,177	\$5,798
5	29	\$5,248	\$5,878
6	30	\$5,320	\$5,958
7	31	\$5,393	\$6,040
8	32	\$5,469	\$6,125
9	33	\$5,548	\$6,214
10	34	\$5,628	\$6,303
11	35	\$5,737	\$6,425
12	36+	\$5,850	\$6,552

SECTION 35.11.(b) Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

SECTION 35.11.(c) Certified public schoolteachers with certification 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 compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification 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 compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 35.11.(d) The first step of the salary schedule for school psychologists shall be equivalent to Step 10, corresponding to 10 years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

Certified psychologists with certification 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 compensation provided for certified psychologists. Certified psychologists with certification 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 compensation provided for certified psychologists.

SECTION 35.11.(e) Speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

Speech pathologists and audiologists with certification 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 compensation provided for speech pathologists and audiologists. Speech pathologists and audiologists with certification 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 compensation provided for speech pathologists and audiologists.

SECTION 35.11.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

1	40	-	-	-	\$6,654	\$6,787
2	41	-	-	-	\$6,787	\$6,923
3	42	-	-	-	-	\$7,061

2013-2014 Principal and Assistant Principal Salary Schedules

Classification

7	Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
9	0-19	\$4,885	-	-	-
10	20	\$4,951	-	-	-
11	21	\$5,017	\$5,085	-	-
12	22	\$5,085	\$5,154	\$5,300	-
13	23	\$5,154	\$5,229	\$5,373	\$5,447
14	24	\$5,229	\$5,300	\$5,447	\$5,524
15	25	\$5,300	\$5,373	\$5,524	\$5,603
16	26	\$5,373	\$5,447	\$5,603	\$5,684
17	27	\$5,447	\$5,524	\$5,684	\$5,794
18	28	\$5,524	\$5,603	\$5,794	\$5,909
19	29	\$5,603	\$5,684	\$5,909	\$6,027
20	30	\$5,684	\$5,794	\$6,027	\$6,148
21	31	\$5,794	\$5,909	\$6,148	\$6,271
22	32	\$5,909	\$6,027	\$6,271	\$6,396
23	33	\$6,027	\$6,148	\$6,396	\$6,524
24	34	\$6,148	\$6,271	\$6,524	\$6,654
25	35	\$6,271	\$6,396	\$6,654	\$6,787
26	36	\$6,396	\$6,524	\$6,787	\$6,923
27	37	\$6,524	\$6,654	\$6,923	\$7,061
28	38	\$6,654	\$6,787	\$7,061	\$7,202
29	39	\$6,787	\$6,923	\$7,202	\$7,346
30	40	\$6,923	\$7,061	\$7,346	\$7,493
31	41	\$7,061	\$7,202	\$7,493	\$7,643
32	42	\$7,202	\$7,346	\$7,643	\$7,796
33	43	\$7,346	\$7,493	\$7,796	\$7,952
34	44	-	\$7,643	\$7,952	\$8,111
35	45	-	\$7,796	\$8,111	\$8,273
36	46+	-	-	\$8,273	\$8,438

37 **SECTION 35.12.(b)** The appropriate classification for placement of principals and
 38 assistant principals on the salary schedule, except for principals in alternative schools and in
 39 cooperative innovative high schools, shall be determined in accordance with the following
 40 schedule:

41	Classification	Number of Teachers Supervised
42	Assistant Principal	
43	Principal I	Fewer than 11 Teachers
44	Principal II	11-21 Teachers
45	Principal III	22-32 Teachers
46	Principal IV	33-43 Teachers
47	Principal V	44-54 Teachers
48	Principal VI	55-65 Teachers
49	Principal VII	66-100 Teachers
50	Principal VIII	More than 100 Teachers

1
2 The number of teachers supervised includes teachers and assistant principals paid
3 from State funds only; it does not include teachers or assistant principals paid from non-State
4 funds or the principal or teacher assistants.

5 The beginning classification for principals in alternative schools and in cooperative
6 innovative high school programs shall be the Principal III level. Principals in alternative
7 schools who supervise 33 or more teachers shall be classified according to the number of
8 teachers supervised.

9 **SECTION 35.12.(c)** A principal shall be placed on the step on the salary schedule
10 that reflects total number of years of experience as a certificated employee of the public schools
11 and an additional step for every three years of experience as a principal. Provided, however, a
12 principal who acquires an additional step for the 2013-2014 or 2014-2015 fiscal years shall not
13 receive a corresponding increase in salary during the 2013-2015 fiscal biennium. A principal or
14 assistant principal shall also continue to receive any additional State-funded percentage
15 increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement
16 in student performance or maintaining a safe and orderly school.

17 **SECTION 35.12.(d)** Principals and assistant principals with certification based on
18 academic preparation at the six-year degree level shall be paid a salary supplement of one
19 hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a
20 salary supplement of two hundred fifty-three dollars (\$253.00) per month.

21 **SECTION 35.12.(e)** Longevity pay for principals and assistant principals shall be
22 as provided for State employees under the State Personnel Act.

23 **SECTION 35.12.(f)** If a principal is reassigned to a higher job classification
24 because the principal is transferred to a school within a local school administrative unit with a
25 larger number of State-allotted teachers, the principal shall be placed on the salary schedule as
26 if the principal had served the principal's entire career as a principal at the higher job
27 classification.

28 If a principal is reassigned to a lower job classification because the principal is
29 transferred to a school within a local school administrative unit with a smaller number of
30 State-allotted teachers, the principal shall be placed on the salary schedule as if the principal
31 had served the principal's entire career as a principal at the lower job classification.

32 This subsection applies to all transfers on or after the effective date of this section,
33 except transfers in school systems that have been created, or will be created, by merging two or
34 more school systems. Transfers in these merged systems are exempt from the provisions of this
35 subsection for one calendar year following the date of the merger.

36 **SECTION 35.12.(g)** Participants in an approved full-time masters in-school
37 administration program shall receive up to a 10-month stipend at the beginning salary of an
38 assistant principal during the internship period of the masters program. The stipend shall not
39 exceed the difference between the beginning salary of an assistant principal plus the cost of
40 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,
41 including awards of the Principal Fellows Program. The Principal Fellows Program or the
42 school of education where the intern participates in a full-time masters in-school administration
43 program shall supply the Department of Public Instruction with certification of eligible
44 full-time interns.

45 **SECTION 35.12.(h)** During the 2013-2015 fiscal biennium, the placement on the
46 salary schedule of an administrator with a one-year provisional assistant principal's certificate
47 shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher
48 salary schedule, whichever is higher.

49 **SECTION 35.12.(i)** Public school employees and State agency employees paid on
50 the school based administrator salary schedule shall not move up on salary schedules or receive

1 automatic step increases, or other increments during the 2014-2015 Fiscal Year unless
2 authorized by the General Assembly.

4 **CENTRAL OFFICE SALARIES**

5 **SECTION 35.13.(a)** The monthly salary ranges that follow, which apply to
6 assistant superintendents, associate superintendents, directors/coordinators, supervisors, and
7 finance officers, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1,
8 2013.

9	School Administrator I	\$3,349	\$6,281
10	School Administrator II	\$3,550	\$6,662
11	School Administrator III	\$3,769	\$7,068
12	School Administrator IV	\$3,920	\$7,349
13	School Administrator V	\$4,078	\$7,647
14	School Administrator VI	\$4,326	\$8,109
15	School Administrator VII	\$4,500	\$8,436

16 The local board of education shall determine the appropriate category and
17 placement for each assistant superintendent, associate superintendent, director/coordinator,
18 supervisor, or finance officer within the salary ranges and within funds appropriated by the
19 General Assembly for central office administrators and superintendents. The category in which
20 an employee is placed shall be included in the contract of any employee.

21 **SECTION 35.13.(b)** The monthly salary ranges that follow, which apply to public
22 school superintendents, shall remain unchanged for the 2013-2015 fiscal biennium, beginning
23 July 1, 2013.

24	Superintendent I	\$4,777	\$8,949
25	Superintendent II	\$5,071	\$9,490
26	Superintendent III	\$5,380	\$10,067
27	Superintendent IV	\$5,710	\$10,679
28	Superintendent V	\$6,060	\$11,330

29 The local board of education shall determine the appropriate category and
30 placement for the superintendent based on the average daily membership of the local school
31 administrative unit and within funds appropriated by the General Assembly for central office
32 administrators and superintendents.

33 **SECTION 35.13.(c)** Longevity pay for superintendents, assistant superintendents,
34 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as
35 provided for State employees under the State Personnel Act.

36 **SECTION 35.13.(d)** Superintendents, assistant superintendents, associate
37 superintendents, directors/coordinators, supervisors, and finance officers with certification
38 based on academic preparation at the six-year degree level shall receive a salary supplement of
39 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
40 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
41 directors/coordinators, supervisors, and finance officers with certification based on academic
42 preparation at the doctoral degree level shall receive a salary supplement of two hundred
43 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this
44 section.

45 **SECTION 35.13.(e)** The State Board of Education shall not permit local school
46 administrative units to transfer State funds from other funding categories for salaries for public
47 school central office administrators.

48 **SECTION 35.13.(f)** The salaries of all permanent, full-time personnel paid from
49 the Central Office Allotment shall remain unchanged for the 2013-2015 fiscal biennium.

51 **NONCERTIFIED PERSONNEL SALARIES**

1 **SECTION 35.14.** The annual salary for permanent, full-time and part-time
2 noncertified public school employees whose salaries are supported from the State's General
3 Fund shall be remain unchanged for the 2013-2015 fiscal biennium.
4

5 **SALARY-RELATED CONTRIBUTIONS**

6 **SECTION 35.15.(a)** Effective for the 2013-2015 fiscal biennium, required
7 employer salary-related contributions for employees whose salaries are paid from department,
8 office, institution, or agency receipts shall be paid from the same source as the source of the
9 employee's salary. If an employee's salary is paid in part from the General Fund or Highway
10 Fund and in part from department, office, institution, or agency receipts, required employer
11 salary-related contributions may be paid from the General Fund or Highway Fund only to the
12 extent of the proportionate part paid from the General Fund or Highway Fund in support of the
13 salary of the employee, and the remainder of the employer's requirements shall be paid from the
14 source that supplies the remainder of the employee's salary. The requirements of this section as
15 to source of payment are also applicable to payments on behalf of the employee for hospital
16 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'
17 compensation, severance pay, separation allowances, and applicable disability income benefits.

18 Notwithstanding any other provision of law, an employing unit, as defined in
19 G.S. 135-48.1, that hires or has hired as an employee a retiree that is in receipt of monthly
20 retirement benefits from any retirement system supported in whole or in part by contributions
21 of the State shall enroll the retiree in the active group and pay the cost for the hospital medical
22 benefits if that retiree is employed in a position that would require the employer to pay hospital
23 medical benefits if the individual had not been retired.

24 **SECTION 35.15.(b)** Effective July 1, 2013, the State's employer contribution rates
25 budgeted for retirement and related benefits as a percentage of covered salaries for the
26 2013-2015 fiscal biennium are (i) fourteen and sixty-nine hundredths percent (14.69%) –
27 Teachers and State Employees; (ii) nineteen and sixty-nine hundredths percent (19.69%) – Law
28 Enforcement Officers; (iii) fourteen and twenty-nine hundredths percent (14.29%) – Law
29 Enforcement Officers with the Department of Public Safety or the State Bureau of
30 Investigation; (iv) twelve and sixty-eight hundredths percent (12.68%) – University Employees'
31 Optional Retirement System; (v) twelve and sixty-eight hundredths percent (12.68%) –
32 Community College Optional Retirement Program; (vi) thirty-three and forty-one hundredths
33 percent (33.41%) – Consolidated Judicial Retirement System; and (vii) five and forty
34 hundredths percent (5.40%) – Legislative Retirement System. Each of the foregoing
35 contribution rates includes five and forty hundredths percent (5.40%) for hospital and medical
36 benefits except for the law enforcement officers with the Department of Public Safety or the
37 State Bureau of Investigation. The rate for Teachers and State Employees, State Law
38 Enforcement Officers, Law Enforcement Officers with the Department of Public Safety or the
39 State Bureau of Investigation, Community College Optional Retirement Program, and the
40 University Employees' Optional Retirement Program includes forty-four hundredths percent
41 (0.44%) for the Disability Income Plan. The rates for Teachers and State Employees, State Law
42 Enforcement Officers, and Law Enforcement Officers with the Department of Public Safety or
43 the State Bureau of Investigation include sixteen hundredths percent (0.16%) for the Death
44 Benefits Plan. The rate for State Law Enforcement Officers and Law Enforcement Officers
45 with the Department of Public Safety or the State Bureau of Investigation includes five percent
46 (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees, State
47 Law Enforcement Officers, and Law Enforcement Officers with the Department of Public
48 Safety or the State Bureau of Investigation includes one hundredths percent (0.01%) for the
49 Qualified Excess Benefit Arrangement.

50 **SECTION 35.15.(c)** Effective July 1, 2013, the maximum annual employer
51 contributions, payable monthly, by the State for each covered employee or retiree for the

1 2013-2014 fiscal year to the State Health Plan for Teachers and State Employees are (i)
2 Medicare eligible employees and retirees – four thousand one hundred eight dollars (\$4,108)
3 and (ii) non-Medicare eligible employees and retirees – five thousand two hundred eighty-six
4 dollars (\$5,286).

5 **SECTION 35.15.(d)** Effective July 1, 2014, the maximum annual employer
6 contributions, payable monthly, by the State for each covered employee or retiree for the
7 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i)
8 Medicare eligible employees and retirees – four thousand two hundred fifty-six dollars (\$4,256)
9 and (ii) non-Medicare eligible employees and retirees – five thousand four hundred seventy-six
10 dollars (\$5,476).

11
12 **SEPARATE INSURANCE BENEFITS PLAN ASSETS/PAYMENT OF HEALTH**
13 **INSURANCE PREMIUMS FOR LAW ENFORCEMENT OFFICERS**

14 **SECTION 35.17.(a)** G.S. 143-166.60 is amended by adding a new subsection to
15 read:

16 "(d1) In addition to the benefits provided under subsection (d) of this section, the assets of
17 the Plan may be used to pay the employer health insurance contributions and contribution rates
18 on behalf of law enforcement officers, as defined in G.S. 135-1(11c), employed by the State
19 and former law enforcement officers receiving a retirement allowance from the Teachers' and
20 State Employees' Retirement System."

21 **SECTION 35.17.(b)** During the 2013-2015 fiscal biennium, the Department of
22 Public Safety shall report monthly to the State Health Plan for Teachers and State Employees
23 the total amount of employer premiums due on behalf of sworn law enforcement officers
24 employed by the Department. The Plan shall reduce the total premiums the Department of
25 Public Safety owes by this amount, and the Department of State Treasurer shall transfer the
26 same amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to
27 the Plan.

28 **SECTION 35.17.(c)** During the 2013-2015 fiscal biennium, the Department of
29 Justice shall report monthly to the State Health Plan for Teachers and State Employees the total
30 amount of employer premiums due on behalf of sworn law enforcement officers employed in
31 the State Bureau of Investigation (SBI). The Plan shall reduce the total premiums the
32 Department of Justice owes by this amount, and the Department of State Treasurer shall
33 transfer the same amount from the Separate Insurance Benefit Plan established under
34 G.S. 143-166.60 to the Plan.

35 **SECTION 35.17.(d)** For each fiscal year of the 2013-2015 fiscal biennium, the
36 Department of State Treasurer shall calculate the total compensation for which the Department
37 of Public Safety has paid retirement contributions on behalf of sworn law enforcement officers.
38 The Department of State Treasurer shall multiply this total compensation by five and forty
39 hundredths percent (5.40%) for months during the 2013-2014 fiscal year and five and fifty-nine
40 hundredths percent (5.59%) for months during the 2014-2015 fiscal year and shall transfer the
41 resulting amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60
42 to the Retiree Health Benefit Fund established under G.S. 135-7(f).

43 **SECTION 35.17.(e)** For each fiscal year of the 2013-2015 fiscal biennium, the
44 Department of State Treasurer shall calculate the total compensation for which the Department
45 of Justice has paid retirement contributions on behalf of sworn law enforcement officers
46 employed in the State Bureau of Investigation (SBI). The Department of State Treasurer may
47 use an alternative calculation in which it multiplies the total contributions on behalf of all
48 sworn law enforcement officers in the Department of Justice by a reasonable estimate of the
49 fraction of those officers employed in the SBI. The Department of State Treasurer shall
50 multiply this total compensation by five and forty hundredths percent (5.40%) for months
51 during the 2013-2014 fiscal year and five and fifty-nine hundredths percent (5.59%) for months

1 during the 2014-2015 fiscal year and shall transfer the resulting amount from the Separate
 2 Insurance Benefit Plan established under G.S. 143-166.60 to the Retiree Health Benefit Fund
 3 established under G.S. 135-7(f).
 4

5 **STATE HEALTH PLAN BOARD TO CONTROL GROWTH OF EMPLOYER**
 6 **PREMIUM**

7 **SECTION 35.18.** The Board of Trustees of the State Health Plan for Teachers and
 8 State Employees shall adopt new plan changes, beyond those already approved as of June 1,
 9 2013, that are expected to reduce the average annual rate of increase in employer premiums
 10 needed over the next four years by at least one percent (1%). The plan changes may include one
 11 or more of the following: changes to out-of-pocket requirements, changes to employee or
 12 retiree premiums, new plan options, changes in the services and products covered, changes to
 13 the provider network structure, changes to provider rates or payment methodology, incentives
 14 to Plan members to adopt or maintain healthy behaviors, incentives to Plan members to control
 15 utilization, any type of integrated health management program, fraud detection, utilization
 16 management, or changes in plan administration.
 17

18 **PART XXXVI. CAPITAL APPROPRIATIONS**

19
 20 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

21 **SECTION 36.1.** The appropriations made by the 2013 General Assembly for
 22 capital improvements are for constructing, repairing, or renovating State buildings, utilities, and
 23 other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings
 24 and land for State government purposes.
 25

26 **CAPITAL APPROPRIATIONS/GENERAL FUND**

27 **SECTION 36.2.(a)** There is appropriated from the General Fund for the 2013-2015
 28 fiscal biennium the following amounts for capital improvements:

29 Capital Improvements – General Fund	2013-2014	2014-2015
30 Department of Administration		
31 Sandhills State Veterans Facility – Committal		
32 Enclosure	\$ 125,000	-
33 Department of Environment and Natural Resources		
34 Water Resources Development Projects	13,522,000	-
35 Department of Public Safety		
36 National Guard Projects	5,000,000	3,250,000
37 Samarkand Training Facility	5,250,000	5,173,000
38 The University of North Carolina System		
39 Appalachian State University – Health Sciences		
40 Building Advance Planning	2,000,000	2,000,000
41 University of North Carolina Asheville – Land Purchases	2,000,000	-

42 **TOTAL CAPITAL IMPROVEMENTS –**

43 **GENERAL FUND** **\$ 27,897,000** **\$ 10,423,000**

44 **SECTION 36.2.(b)** Funds appropriated in subsection (a) of this section for the
 45 Sandhills State Veterans Facility – Committal Enclosure shall be used to match non-State
 46 funds. The total project cost authorized is three hundred thousand dollars (\$300,000).

47 **SECTION 36.2.(c)** Funds appropriated in subsection (a) of this section for the
 48 Samarkand Training Facility shall be used to convert the former Samarkand Youth
 49 Development Center property and facilities into an overnight Department of Public Safety
 50 training facility that shall include a firing range.
 51

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.3.(a) The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated thirty-nine million five hundred forty-eight thousand dollars (\$39,548,000) in federal funds.

Name of Project	2013-2014
(1) B. Everett Jordan Lake Water Supply Storage A	\$ 200,000
(2) Wilmington Harbor Deepening (75/25)	2,266,000
(3) Morehead City Harbor Maintenance	-
(4) Wilmington Harbor Maintenance (Disposal Area 8 & 10)	2,000,000
(5) 2012 Long-Term Dredging Memorandum of Agreement with USACE	2,000,000
(6) Wilmington Harbor Improvements Feasibility (50/50)	503,000
(7) Planning Assistance to Communities (50/50)	25,000
(8) Manteo Old House Channel Cap Sec. 204 (65/35)	2,219,000
(9) Natural Resources Conservation Service EQIP Project (75/25)	1,500,000
(10) Wrightsville Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,077,000
(11) Ocean Isle Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,481,000
(12) Carolina Beach Coastal Storm Damage Reduction Project (65/35)(40% project)	727,000
(13) Kure Beach Coastal Storm Damage Reduction Project (65/35)(40% project)	808,000
(14) Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000
(15) Concord Streams, NC Sec 206 (65/35)	1,023,000
(16) Aquatic Plant Control, Statewide and Lake Gaston (50/50)	200,000
TOTALS	\$ 16,066,000

SECTION 36.3.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the thirteen million five hundred twenty-two thousand dollars (\$13,522,000) appropriated for water resources development projects in Section 36.2(a) of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

Name of Project	Amount Carried Forward
(1) Wilmington Harbor Maintenance (Disposal Area 8 & 10)	\$ 1,200,000
(2) Wilmington Harbor Improvements Feasibility (50/50)	57,000
(3) Manteo Old House Channel Cap Sec. 204 (65/35)	1,250,000
(4) Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000
TOTALS	\$ 2,544,000

1 **SECTION 36.3.(c)** Where the actual costs are different from the estimated costs
 2 under subsection (a) of this section, the Department may adjust the allocations among projects
 3 as needed. If any projects funded under subsection (a) of this section are delayed and the
 4 budgeted State funds cannot be used during the 2013-2014 fiscal year or if the projects funded
 5 under subsection (a) of this section are accomplished at a lower cost, the Department may use
 6 the resulting fund availability to fund any of the following:

- 7 (1) U.S. Army Corps of Engineers project feasibility studies.
- 8 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and
 9 require State-matching funds in the 2013-2014 fiscal year.
- 10 (3) State-local water resources development projects.

11 Funds subject to this subsection that are not expended or encumbered for the purposes set forth
 12 in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of
 13 the 2014-2015 fiscal year.

14 **SECTION 36.3.(d)** The Department shall make semiannual reports on the use of
 15 these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal
 16 Research Division, and the Office of State Budget and Management. Each report shall include
 17 all of the following:

- 18 (1) All projects listed in this section.
- 19 (2) The estimated cost of each project.
- 20 (3) The date that work on each project began or is expected to begin.
- 21 (4) The date that work on each project was completed or is expected to be
 22 completed.
- 23 (5) The actual cost of each project.

24 The semiannual reports also shall show those projects advanced in schedule, those projects
 25 delayed in schedule, and an estimate of the amount of funds expected to revert to the General
 26 Fund.

27 **SECTION 36.3.(e)** Notwithstanding any provision of law to the contrary, funds
 28 appropriated for a water resources development project shall be used to provide no more than
 29 fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to
 30 funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium
 31 that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds
 32 for water resources development projects. The limitation on fund usage contained in this
 33 subsection applies only to projects in which a local government or local governments
 34 participate.

35 **SECTION 36.3.(f)** Up to two hundred fifty thousand dollars (\$250,000) of the
 36 funds appropriated to the Department of Environment and Natural Resources for the Parks and
 37 Recreation Trust Fund for the 2013-2014 fiscal year may be transferred to the Division of
 38 Water Resources of the Department of Environment and Natural Resources to be used for the
 39 Lake Waccamaw Hydrilla Eradication Project. The funds transferred under this section shall be
 40 transferred to the Division of Water Resources on an as-needed basis.

41
 42 **NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

43 **SECTION 36.4.(a)** The General Assembly authorizes the following capital
 44 projects to be funded with receipts or from other non-General Fund sources available to the
 45 appropriate department:

46 Name of Project	47 Amount of Non-General Fund 48 Funding Authorized for FY 2013-2014
49 Department of Agriculture and Consumer Services	
50 Western North Carolina Agricultural Center – Midway Pavilion	\$ 125,000
51 Western North Carolina Agricultural Center – Fill Retention Ponds	250,000

1	Piedmont Research Station – Calf Barn Construction	150,000
2	Research Stations – Forest Road Construction	150,000
3	Raleigh Farmers Market – Parking Improvement/Expansion	200,000
4		
5	Department of Environment and Natural Resources	
6	Zoo Ocelot	642,000
7	Zoo Storage Facility	490,000
8	Aquariums – Exhibit Improvements & Interior Renovations	
9	at Roanoke Island	5,000,000
10		
11	Department of Public Safety	
12	Tabor Correctional Visitor Registration Center	121,754
13	Correction Enterprise Storage Buildings	75,000
14	NC National Guard	
15	Albemarle Readiness Center	410,000
16	Fort Fisher Training Site	1,138,000
17	Fort Bragg Regional Training Inst.	250,000
18	USPFO Administration Building	350,000
19	Camp Butner West Perimeter Road	495,000
20	J4 Annex Motor Pool New Latrine	30,000
21	High Point Readiness Center Maintenance Shop	70,000
22	Camp Butner Classroom Building Phase 1 Design	50,000
23	Fort Bragg MATES Lower Parking Lot Storm Water Management	499,000
24	Fort Bragg MATES Lower Parking Lot Concrete Pavement`	740,000
25	Kinston Field Maintenance Shop #18 Motor Pool Parking Lot Repair	225,000
26	Electronic Simulation Training Building	750,000
27	Fire Bucket Storage Building	500,000
28	Camp Butner Big Top	475,000
29		
30	Department of Transportation	
31	Lexington Equipment Shop	2,288,000
32	Division 2 Equipment Shop	7,044,300
33	Clay County Equipment Shop	1,210,000
34	Halifax County Salt Storage Shed	186,000
35	Lake Junaluska Salt Storage Shed	266,000
36	Nantahala Salt Storage Shed	35,000
37	Currituck Ferry Welcome Center	1,200,000
38	McDowell County Maintenance/Bridge Maintenance Assembly Office	1,500,000
39	Huntersville Satellite Maintenance Facility	96,300
40	Elizabeth City District/Resident Engineers Office	1,000,000
41	Southport Dormitory	862,000
42	Asheboro Maintenance Warehouse and Sign Subshop	489,000
43	Hatteras Toll Booth	76,000
44	Graham County Maintenance Assembly	704,000
45	Division 8 Office	141,000
46		
47	Wildlife Resources Commission	
48	Land Purchases	3,750,000
49	Table Rock Hatchery Building Replacement	500,000
50	Construction of New Fishing Access Areas	240,000
51	Construction of New Boating Access Areas	800,000

1	Construction of New Shooting Ranges	1,500,000
2	New Cold Water Hatchery – Advance Planning	100,000
3	Holly Shelter Game Lands – Maintenance Building Replacement	250,000
4	Sandhills Depot – Building Replacement	600,000
5	Renovations to Existing BAAs	800,000
6	ADA Initiative of Existing BAAs	280,000
7	Infrastructure R&R	1,500,000
8	Sandhills Depot Shop and Storage Building	435,000
9	Holly Shelter Shop and Secure Storage Building	250,000
10	Tiffany Depot Storage Shed and Shop	165,000

11 **TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL**

12 **PROJECTS AUTHORIZED**

\$41,453,354

13 **SECTION 36.4.(b)** From funds deposited with the State Treasurer in a capital
 14 improvement account to the credit of the Department of Agriculture and Consumer Services
 15 pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the 2013-2014 fiscal
 16 year and the sum of thirty thousand dollars (\$30,000) for the 2014-2015 fiscal year shall be
 17 transferred to the Department of Agriculture and Consumer Services to be used,
 18 notwithstanding G.S. 146-30, by the Department for its plant conservation program under
 19 Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of
 20 land, such as land appraisals, land surveys, title searches, and environmental studies, and for
 21 the management of the plant conservation program preserves owned by the Department.
 22

23 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

24 **SECTION 36.5.(a)** Of the funds in the Reserve for Repairs and Renovations for
 25 the 2013-2014 and the 2014-2015 fiscal year, the following allocations shall be made to the
 26 following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

27 (1) One-third shall be allocated to the Board of Governors of The University of
 28 North Carolina.

29 (2) Two-thirds shall be allocated to the Office of State Budget and Management.

30 The Office of State Budget and Management and the Board of Governors shall
 31 consult with or report to the Joint Legislative Commission on Governmental Operations, as
 32 appropriate, in accordance with G.S. 143C-4-3(d).

33 **SECTION 36.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
 34 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
 35 portion shall be used each fiscal year by the Board of Governors for the installation of fire
 36 sprinklers in university residence halls. This portion shall be in addition to funds otherwise
 37 appropriated in this act for the same purpose. Such funds shall be allocated among the
 38 university's constituent institutions by the President of The University of North Carolina, who
 39 shall consider the following factors when allocating those funds:

40 (1) The safety and well-being of the residents of campus housing programs.

41 (2) The current level of housing rents charged to students and how that
 42 compares to an institution's public peers and other UNC institutions.

43 (3) The level of previous authorizations to constituent institutions for the
 44 construction or renovation of residence halls funded from the General Fund
 45 or from bonds or certificates of participation supported by the General Fund
 46 since 1996.

47 (4) The financial status of each constituent institution's housing system,
 48 including debt capacity, debt coverage ratios, credit rankings, required
 49 reserves, the planned use of cash balances for other housing system
 50 improvements, and the constituent institution's ability to pay for the
 51 installation of fire sprinklers in all residence halls.

- 1 (5) The total cost of each proposed project, including the cost of installing fire
2 sprinklers and the cost of other construction, such as asbestos removal and
3 additional water supply needs.

4 The Board of Governors shall submit progress reports to the Joint Legislative
5 Commission on Governmental Operations. Reports shall include the status of completed,
6 current, and planned projects. Reports also shall include information on the financial status of
7 each constituent institution's housing system, the constituent institution's ability to pay for fire
8 protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be
9 submitted on January 1 and July 1 until all residence halls have fire sprinklers.

10 **SECTION 36.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
11 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
12 portion shall be used each fiscal year by the Board of Governors for campus public safety
13 improvements allowable under G.S. 143C-4-3(b).

14 **SECTION 36.5.(d)** G.S. 143C-4-3(b), as rewritten by Section 6.12(l) of this act,
15 reads as rewritten:

16 "(b) Use of Funds. – The funds in the Repairs and Renovations Reserve shall be used
17 only for the repair and renovation of (i) State facilities and related infrastructure that are
18 supported from the General Fund-Fund or (ii) State Information Technology Services facilities
19 and related infrastructure. Funds from the Repairs and Renovations Reserve shall be used only
20 for the following types of projects:

- 21 (1) Roof repairs and replacements;
22 (2) Structural repairs;
23 (3) Repairs and renovations to meet federal and State standards;
24 (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning
25 systems;
26 (5) Improvements to meet the requirements of the Americans with Disabilities
27 Act, 42 U.S.C. § 12101, et seq., as amended;
28 (6) Improvements to meet fire safety needs;
29 (7) Improvements to existing facilities for energy efficiency;
30 (8) Improvements to remove asbestos, lead paint, and other contaminants,
31 including the removal and replacement of underground storage tanks;
32 (9) Improvements and renovations to improve use of existing space;
33 (10) Historical restoration;
34 (11) Improvements to roads, walks, drives, utilities infrastructure; and
35 (12) Drainage and landscape improvements.

36 Funds from the Repairs and Renovations Reserve shall not be used for new construction or
37 the expansion of the building area (sq. ft.) of an existing facility unless required in order to
38 comply with federal or State codes or standards."
39

40 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

41 **SECTION 36.6.** The appropriations made by the 2013 General Assembly for
42 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of
43 funds shall not be made by any State department, institution, or agency until an allotment has
44 been approved by the Governor as Director of the Budget. The allotment shall be approved
45 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.
46 Prior to the award of construction contracts for projects to be financed in whole or in part with
47 self-liquidating appropriations, the Director of the Budget shall approve the elements of the
48 method of financing of those projects, including the source of funds, interest rate, and
49 liquidation period. Provided, however, that if the Director of the Budget approves the method
50 of financing a project, the Director shall report that action to the Joint Legislative Commission
51 on Governmental Operations at its next meeting.

1 Where direct capital improvement appropriations include the purpose of furnishing
2 fixed and movable equipment for any project, those funds for equipment shall not be subject to
3 transfer into construction accounts except as authorized by the Director of the Budget. The
4 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and
5 approved by the Director of the Budget prior to commitment of funds.

6 Capital improvement projects authorized by the 2013 General Assembly shall be
7 completed, including fixed and movable equipment and furnishings, within the limits of the
8 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided
9 in this act. Capital improvement projects authorized by the 2013 General Assembly for the
10 design phase only shall be designed within the scope of the project as defined by the approved
11 cost estimate filed with the Director of the Budget, including costs associated with site
12 preparation, demolition, and movable and fixed equipment.

13 **REPORTING ON CAPITAL PROJECTS**

14 **SECTION 36.7.(a)** Definitions. – The following definitions apply in this section:

- 15 (1) Capital project. – Any capital improvement, as that term is defined in
16 G.S. 143C-1-1, that is not complete by the effective date of this section and
17 that is funded in whole or in part with State funds, including receipts,
18 non-General Fund sources, or statutorily or constitutionally authorized
19 indebtedness of any kind. This term includes only projects with a total cost
20 of one hundred thousand dollars (\$100,000) or more.
21 (2) Construction phase. – The status of a particular capital project as described
22 using the terms customarily employed in the design and construction
23 industries.
24 (3) New capital project. – A capital project that is authorized in this act or
25 subsequent to the effective date of this act.

26 **SECTION 36.7.(b)** Reporting. – The following reports are required:

- 27 (1) By October 1, 2013, and every six months thereafter, each State agency shall
28 report on the status of agency capital projects to the Joint Legislative
29 Commission on Governmental Operations.
30 (2) By October 1, 2013, and quarterly thereafter, each State agency shall report
31 on the status of agency capital projects to the Fiscal Research Division and
32 to the Office of State Budget and Management.

33 **SECTION 36.7.(c)** The reports required by subsection (b) of this section shall
34 include at least the following information about every agency capital project:

- 35 (1) The current construction phase of the project.
36 (2) The anticipated time line from the current construction phase to project
37 completion.
38 (3) Information about expenditures that have been made in connection with the
39 project, regardless of source of the funds expended.
40 (4) Information about the adequacy of funding to complete the project,
41 including estimates of how final expenditures will relate to initial estimates
42 of expenditures, and whether or not scope reductions will be necessary in
43 order to complete the project within its budget.
44 (5) For new capital projects only, an estimate of the operating costs for the
45 project for the first five fiscal years of its operation.

46 **SECTION 36.7.(d)** In addition to the other reports required by this section on
47 October 1, 2013, and every six months thereafter, the Office of State Construction shall report
48 on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative
49 Commission on Governmental Operations. The report shall include (i) summary information
50 about the average length of time that passes between FCAP assessments for an average State
51

1 building; (ii) detailed information about when the last FCAP assessment was for each State
 2 building complex; and (iii) detailed information about the condition and repairs and renovations
 3 needs of each State building complex.

4 **SECTION 36.7.(e)** In addition to the other reports required by this section on
 5 October 1, 2013, and quarterly thereafter, the State Construction Office shall report to the
 6 General Assembly on the status of plan review, approval, and permitting for each State capital
 7 improvement project and community college capital improvement project over which the
 8 Office exercises plan review, approval, and permitting authority. Each report shall include (i)
 9 summary information about the workload of the Office during the previous quarter, including
 10 information about the average length of time spent by the State Construction Office on each
 11 major function it performs that is related to capital project approval and (ii) detailed
 12 information about the amount of time spent engaged in those functions for each project that the
 13 State Construction Office worked on during the previous quarter.

14 **AUTHORIZE UNC CARRYFORWARD FUNDS TO BE USED FOR REPAIRS AND** 15 **RENOVATIONS**

16 **SECTION 36.9.** Notwithstanding any other provision of law, for purposes of
 17 G.S. 143C-8-12, the term "non-General Fund money" includes funds carried forward from one
 18 fiscal year to another pursuant to G.S. 116-30.3. However, these funds shall only be used for
 19 projects listed in G.S. 143C-4-3(b). This section shall expire on June 30, 2014.

20 **LIMIT UNC REPAIRS AND MAINTENANCE EXEMPTION**

21 **SECTION 36.10.** G.S. 116-13.1(c) reads as rewritten:

22 "(c) Approval of Certain Repair and Maintenance Projects. – Notwithstanding
 23 G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of
 24 available operating funds in an amount not to exceed one million dollars (\$1,000,000) per
 25 project ~~for repairs to institution facilities, renovations to institution facilities, maintenance of~~
 26 ~~those facilities, and related equipment purchases for projects that are of a type listed in~~
 27 G.S. 143C-4-3(b) and that are for State facilities and related infrastructure that are supported
 28 from the General Fund. Funds contractually obligated to an approved project shall not revert at
 29 the end of the fiscal year and will remain available to fund the completion of the project.
 30 Projects approved pursuant to this subsection shall in all other respects accord with applicable
 31 laws governing capital improvement projects. The chancellor of a constituent institution shall
 32 report the approval of an expenditure under this subsection to the Office of State Budget and
 33 Management and to the Fiscal Research Division of the Legislative Services Commission
 34 within 60 days of the approval."

35 **NATIONAL GUARD PROJECTS**

36 **SECTION 36.11.(a)** The Department of Public Safety shall allocate funds for
 37 National Guard capital projects during the 2013-2015 fiscal biennium in accordance with the
 38 schedule that follows. These funds will provide a State match for an estimated twenty-one
 39 million dollars (\$21,000,000) in federal funds. The projects authorized, the allocation of State
 40 funds for each project, and the total project cost authorized for each project are as follows:

41	Name of Project	State Fund Allocation	Total Project Cost
42	(1) Wilmington Building Expansion/Rehab	\$ 375,000	\$ 1,125,000
43	(2) Wilmington Site Expansion/Rehab	250,000	1,250,000
44	(3) Nashville Building Expansion/Rehab	375,000	1,125,000
45	(4) Nashville Site Expansion/Rehab	250,000	1,250,000
46	(5) Clinton Building Expansion/Rehab	375,000	1,125,000
47	(6) Clinton Site Expansion/Rehab	250,000	1,250,000
48	(7) Salisbury Building Expansion/Rehab	375,000	1,125,000

1	(8)	Salisbury Site Expansion/Rehab	250,000	1,250,000
2	(9)	Parkton Building Expansion/Rehab	375,000	1,125,000
3	(10)	Parkton Site Expansion/Rehab	250,000	1,250,000
4	(11)	Benson Building Expansion/Rehab	375,000	1,125,000
5	(12)	Benson Site Expansion/Rehab	250,000	1,250,000
6	(13)	Charlotte Building Expansion/Rehab	375,000	1,125,000
7	(14)	Asheboro Site Expansion/Rehab	250,000	1,250,000
8	(15)	Winston-Salem Building Expansion/Rehab	375,000	1,125,000
9	(16)	Winston-Salem Site Expansion/Rehab	250,000	1,250,000
10	(17)	Concord Building Expansion/Rehab	375,000	1,125,000
11	(18)	Concord Site Expansion/Rehab	250,000	1,250,000
12	(19)	Burlington Site Expansion/Rehab	375,000	1,125,000
13	(20)	Albemarle Site Expansion/Rehab	375,000	1,125,000
14	(21)	Belmont Building Rehab	375,000	1,125,000
15	(22)	Beulaville Building Expansion/Rehab	375,000	1,125,000
16	(23)	Boone Building Expansion/Rehab	375,000	1,125,000
17	(24)	Dunn Building Expansion/Rehab	375,000	1,125,000
18	(25)	Durham Building Expansion/Rehab	375,000	1,125,000
19	TOTALS		\$ 8,250,000	29,250,000

20 **SECTION 36.11.(b)** Subject to the limitations imposed by Section 36.2(a) of this
 21 act, the Adjutant General of the National Guard may determine which projects listed in
 22 subsection (a) of this section shall receive an allocation of State funds in each fiscal year of the
 23 biennium.

24 **SECTION 36.11.(c)** Where the actual costs are different from the estimated costs
 25 under subsection (a) of this section, the Adjutant General of the National Guard may adjust the
 26 allocations among projects as needed. However, State funds shall not be allocated to a project
 27 in excess of the maximum amount of State funds authorized to be allocated to the project under
 28 subsection (a) of this section. If any projects funded under subsection (a) of this section are
 29 delayed and the budgeted State funds cannot be used during the 2013-2015 fiscal biennium, or
 30 if the projects funded under subsection (a) of this section are accomplished at a lower cost, the
 31 Department may use the resulting fund availability to fund any of the following:

- 32 (1) Future project feasibility studies.
- 33 (2) Survey, testing, and permitting.
- 34 (3) Planning and execution for reversion of facilities no longer in use.

35 **SECTION 36.11.(d)** No later than June 1, 2015, and every two years thereafter, the
 36 Department shall report on the use of these funds to the Joint Legislative Commission on
 37 Governmental Operations, the Fiscal Research Division, and the Office of State Budget and
 38 Management. Each report shall include all of the following:

- 39 (1) The status of all projects listed in this section.
- 40 (2) The estimated total cost of each project.
- 41 (3) The date that work on each project began or is expected to begin.
- 42 (4) The date that work on each project was completed or is expected to be
 43 completed.
- 44 (5) The actual cost of each project, including federal matching funds.
- 45 (6) Facilities planned for closure or reversion.
- 46 (7) A list of projects advanced in schedule, those projects delayed in schedule,
 47 and an estimate of the amount of funds expected to revert to the General
 48 Fund.

49 **SECTION 36.11.(e)** Chapter 127A of the General Statutes is amended by adding a
 50 new Article to read:

51 "Article 17.

"Armory and Facility Development Projects and Plan.

"§ 127A-210. Armory and facility development project plan.

(a) Plan Prepared. – No later than July 1 of each year, the Department of Public Safety shall prepare a statewide plan for armories for a period of seven years into the future. The plan shall be known as the Armory and Facilities Development Plan. If the plan differs from the Armory and Facilities Development Plan adopted for the preceding calendar year, the Department shall indicate the changes and the reasons for such changes. The Department shall submit the plan to the Director of the Budget for review.

(b) Projects Listed. – The plan shall list the following armory and facilities projects based on their status as of May 1 of the year in which the plan is prepared:

(1) Projects approved by the Congress of the United States but for which federal funds have not been appropriated.

(2) Projects for which the Congress of the United States has appropriated funds.

(c) Project Priorities and Funding Recommendations. – The Department shall assign a priority to each project within each of the two categories listed under subsection (b) of this section, either by giving the project a number with "1" assigned to the highest priority, or by recommending no funding. The Department shall state its reasons for recommending the funding, deferral, or elimination of a project. The Department shall determine the priority of a project based on the following criteria: federal requirements, a project's proximity to transportation infrastructure and other critical State and federal assets, and a project's ability to further the mission of the National Guard.

(d) Distribution of the Plan. – The Director of the Budget shall provide copies of the plan to the General Assembly along with the recommended biennial budget and the recommended revised budget for the second year of the biennium.

(e) Budget Recommendations. – The Director of the Budget shall determine which projects, if any, will be included in the recommended biennial budget and in the recommended revised budget for the second year of the biennium. The budget document transmitted to the General Assembly shall identify the projects or types of projects recommended for funding.

(f) Definitions. – For purposes of this section, the terms "armory," "armory site," and "facilities" shall have the same meaning as in G.S. 127A-161."

SECTION 36.11.(f) G.S. 127A-169 reads as rewritten:

"§ 127A-169. Unexpended portion of State appropriation.

The unexpended portion of any appropriation from the General Fund of the State for the purposes set out in this ~~Article~~, Article, or in Article 17 of this Chapter, remaining at the end of any biennium, shall not revert to the General Fund of the State, but shall constitute part of a permanent fund to be expended from time to time in the manner and for the purposes set out in this Article."

CLARIFY GENERAL ASSEMBLY'S AUTHORITY TO MAKE REPAIRS

SECTION 36.13. G.S. 120-32 reads as rewritten:

"§ 120-32. Commission duties.

The Legislative Services Commission is authorized to:

...

(11) To specify the operating and capital uses within the General Assembly budget of funds appropriated to the General Assembly which remain available for expenditure after the end of the biennial fiscal period, and to revert funds under G.S. 143C-1-2.

...."

CLOSURE OF HORACE WILLIAMS AIRPORT

1 **SECTION 36.14.** The Board of Governors of The University of North Carolina
2 shall effectuate the closure of the Horace Williams Airport by August 1, 2013.
3

4 **REPAIR, MAINTENANCE, AND SELF-CONSTRUCTION TO STATE PROPERTY**

5 **SECTION 36.15.** Notwithstanding any other provision of the law, an employee of
6 a State agency or institution may perform work involving the installation, construction,
7 maintenance, or repair of any buildings, wiring, piping, devices, appliances, or equipment
8 located in or constituting improvements located on State-owned land without the requirement
9 of licensure under Chapter 87 of the General Statutes if (i) the work performed is valued at less
10 than one hundred thousand dollars (\$100,000), (ii) all work is performed as force-account work
11 otherwise authorized by law up to the value authorized, and (iii) the work is performed by an
12 employee who is employed by the State agency or institution. The Office of State Construction
13 may regulate work performed pursuant to this section to ensure compliance with building and
14 safety codes. Nothing in this section shall be construed to allow an employee of a State agency
15 or institution to engage in any activities described in this section privately or outside the
16 employee's scope of employment without meeting all licensure requirements otherwise required
17 by law.
18

19 **PART XXXVII. FINANCE PROVISIONS**

20 **RESERVED**

21 **SECTION 37.0.** This section is reserved.
22
23

24 **PART XXXVIII. MISCELLANEOUS PROVISIONS**

25 **STATE BUDGET ACT APPLIES**

26 **SECTION 38.1.** The provisions of the State Budget Act, Chapter 143C of the
27 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
28 this act by reference.
29
30

31 **MOST TEXT APPLIES ONLY TO THE 2013-2015 FISCAL BIENNIUM**

32 **SECTION 38.2.** Except for statutory changes or other provisions that clearly
33 indicate an intention to have effects beyond the 2013-2015 fiscal biennium, the textual
34 provisions of this act apply only to funds appropriated for, and activities occurring during, the
35 2013-2015 fiscal biennium.
36

37 **EFFECT OF HEADINGS**

38 **SECTION 38.3.** The headings to the parts and sections of this act are a
39 convenience to the reader and are for reference only. The headings do not expand, limit, or
40 define the text of this act except for effective dates referring to a part.
41

42 **COMMITTEE REPORT**

43 **SECTION 38.4.(a)** The N.C. House of Representatives Appropriations Committee
44 Report on the Continuation, Expansion, and Capital Budgets dated June 11, 2013, which was
45 distributed in the House of Representatives and used to explain this act (i) is incorporated by
46 reference in this act, (ii) shall indicate action by the General Assembly on this act, and (iii)
47 shall be used to construe this act. As provided by G.S. 143C-5-5, if the report conflicts with the
48 act, this act prevails. Amendments adopted on the floor of the House of Representatives
49 subsequent to the publication of the report also prevail over the committee report.
50

SECTION 38.4.(b) G.S. 143C-5-5 reads as rewritten:

1 "**§ 143C-5-5. Committee report used to construe intent of incorporated by reference in**
2 **budget acts.**

3 A committee report incorporated by reference in the Current Operations Appropriations Act
4 or the Capital Improvements Appropriations Act and distributed on the floor of ~~the House of~~
5 ~~Representatives and of the Senate either house of the General Assembly~~ as part of the
6 explanation of the act ~~is to be construed with~~ shall be considered as part of the appropriate act
7 in interpreting its intent. If a report conflicts with the act, the act prevails. The Director of the
8 Fiscal Research Division of the Legislative Services Commission shall send a copy of the
9 reports to the Director. The General Assembly shall publish an official copy of the report on its
10 Web site and it shall also be printed as an Appendix of the Session Laws."

11 **SECTION 38.4.(c)** The budget enacted by the General Assembly is for the
12 maintenance of the various departments, institutions, and other spending agencies of the State
13 for the 2013-2015 biennial budget as provided in G.S. 143C-3-5. This budget includes the
14 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

15 The Director of the Budget submitted a recommended continuation budget to the
16 General Assembly on March 15 and 18, 2013, in the document "State of North Carolina
17 Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the
18 Budget Support Document for the various departments, institutions, and other spending
19 agencies of the State. The adjustments to these documents made by the General Assembly are
20 set out in the Committee Report.

21 **SECTION 38.4.(d)** The budget enacted by the General Assembly shall also be
22 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other
23 appropriate legislation.

24 In the event that there is a conflict between the line-item budget certified by the
25 Director of the Budget and the budget enacted by the General Assembly, the budget enacted by
26 the General Assembly shall prevail.

27
28 **REPORT BY FISCAL RESEARCH DIVISION ON CHANGES TO THE**
29 **BUDGET/PUBLICATION**

30 **SECTION 38.4A.(a)** The Fiscal Research Division of the Legislative Services
31 Commission shall issue a report on budget actions taken by the 2013 Regular Session of the
32 General Assembly in 2013. The report shall be in the form of a revision of the Committee
33 Report adopted for Senate Bill 402 pursuant to G.S. 143C-5-5 and shall include all
34 modifications made to the 2013-2015 biennial budget prior to sine die adjournment of the 2013
35 Regular Session.

36 **SECTION 38.4A.(b)** The report issued pursuant to this section, and the Committee
37 Report issued pursuant to G.S. 143C-5-5, shall be construed together with this act in
38 determining the intent of the General Assembly.

39 **SECTION 38.4A.(c)** The Director of the Fiscal Research Division of the
40 Legislative Services Commission shall send a copy of the report issued pursuant to this section
41 to the Director of the Budget. The report shall be published on the General Assembly's Internet
42 Web site for public access.

43
44 **SEVERABILITY CLAUSE**

45 **SECTION 38.5.** If any section or provision of this act is declared unconstitutional
46 or invalid by the courts, it does not affect the validity of this act as a whole or any part other
47 than the part so declared to be unconstitutional or invalid.

48
49 **EFFECTIVE DATE**

50 **SECTION 38.6.** Except as otherwise provided herein, this act becomes effective
51 July 1, 2013.