

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013**

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**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  
House Committee Substitute Favorable 6/11/13  
Fifth Edition Engrossed 6/13/13  
Proposed Conference Committee Substitute S402-PCCS85270-LEx-4**

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**



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1			
2	<b>EDUCATION</b>		
3			
4	Community Colleges System Office	1,021,295,467	1,016,487,467
5			
6	Department of Public Instruction	7,867,960,649	8,048,101,622
7			
8	University of North Carolina – Board of Governors		
9	Appalachian State University	127,908,903	127,908,903
10	East Carolina University		
11	Academic Affairs	220,012,450	220,615,626
12	Health Affairs	64,841,247	64,841,247
13	Elizabeth City State University	35,363,212	35,385,057
14	Fayetteville State University	49,336,186	49,336,186
15	North Carolina Agricultural and Technical State		
16	University	96,882,428	96,882,428
17	North Carolina Central University	84,084,488	84,084,488
18	North Carolina State University		
19	Academic Affairs	389,976,973	390,045,059
20	Agricultural Extension	39,859,682	39,859,682
21	Agricultural Research	54,911,053	54,911,053
22	University of North Carolina at Asheville	37,465,299	37,465,299
23	University of North Carolina at Chapel Hill		
24	Academic Affairs	274,632,544	274,515,010
25	Health Affairs	187,260,403	190,741,444
26	Area Health Education Centers	42,418,348	42,418,348
27	University of North Carolina at Charlotte	192,697,970	192,683,456
28	University of North Carolina at Greensboro	153,838,192	153,783,960
29	University of North Carolina at Pembroke	54,175,566	54,175,566
30	University of North Carolina School of the Arts	31,547,460	29,146,203
31	University of North Carolina at Wilmington	96,484,692	96,484,692
32	Western Carolina University	83,140,199	83,161,081
33	Winston-Salem State University	68,957,656	68,980,084
34	General Administration	34,752,475	34,752,475
35	University Institutional Programs	(32,137,074)	(52,671,909)
36	Related Educational Programs	82,160,148	117,918,501
37	North Carolina School of Science and Mathematics	19,126,182	19,126,182
38	Aid to Private Colleges	93,351,588	93,351,588
39			
40	Total University of North Carolina – Board of Governors	2,583,048,270	2,599,901,709
41			
42	<b>HEALTH AND HUMAN SERVICES</b>		
43			
44	Department of Health and Human Services		
45	Central Management and Support	73,786,129	76,301,328
46	Division of Aging and Adult Services	54,142,341	54,342,341
47	Division of Blind Services/Deaf/Hard of Hearing	8,178,618	8,178,618
48	Division of Child Development and Early Education	254,314,609	254,314,609
49	Health Service Regulation	16,396,057	16,411,479
50	Division of Medical Assistance	3,461,950,119	3,608,119,091
51	Division of Mental Health	699,535,602	704,985,988

1	NC Health Choice	67,949,160	57,747,933
2	Division of Public Health	144,154,087	141,941,587
3	Division of Social Services	174,608,432	176,558,432
4	Division of Vocation Rehabilitation	38,773,169	38,773,169
5			
6	Total Health and Human Services	4,993,788,323	5,137,674,575
7			
8	<b>NATURAL AND ECONOMIC RESOURCES</b>		
9			
10	Department of Agriculture and Consumer Services	115,085,702	115,409,902
11			
12	Department of Commerce		
13	Commerce	51,228,804	56,733,282
14	Commerce State-Aid	21,723,226	15,624,767
15			
16	Wildlife Resources Commission	12,476,588	14,476,588
17			
18	Department of Environment and Natural Resources	154,037,311	157,767,236
19			
20	Department of Labor	16,696,339	16,696,339
21			
22	<b>JUSTICE AND PUBLIC SAFETY</b>		
23			
24	Department of Public Safety	1,716,893,395	1,690,014,006
25			
26	Judicial Department	456,926,252	456,426,252
27			
28	Judicial Department – Indigent Defense	115,129,423	111,357,264
29			
30	Department of Justice	79,726,123	82,308,926
31			
32	<b>GENERAL GOVERNMENT</b>		
33			
34	Department of Administration	67,567,025	67,047,033
35			
36	Office of Administrative Hearings	5,241,643	5,027,130
37			
38	Department of State Auditor	11,217,468	11,217,468
39			
40	Office of State Controller	28,710,691	28,710,691
41			
42	Department of Cultural Resources		
43	Cultural Resources	63,670,145	63,008,100
44	Roanoke Island Commission	450,000	450,000
45			
46	State Board of Elections	5,302,373	5,693,244
47			
48	General Assembly	52,087,986	51,634,767
49			
50	Office of the Governor		
51	Office of the Governor	5,170,050	5,172,132

1	Office of State Budget and Management	7,451,706	7,534,217
2	OSBM – Reserve for Special Appropriations	4,912,000	1,520,000
3			
4	Housing Finance Agency	8,411,632	8,411,632
5			
6	Department of Insurance		
7	Insurance	37,994,004	38,003,624
8	Insurance – Volunteer Safety Workers' Compensation Fund	0	0
9			
10	Office of Lieutenant Governor	681,089	675,089
11			
12	Department of Revenue	80,998,918	80,896,458
13			
14	Department of Secretary of State	11,575,183	11,575,183
15			
16	Department of State Treasurer		
17	State Treasurer	8,137,890	7,026,305
18	State Treasurer – Retirement for Fire and Rescue Squad		
19	Workers	23,179,042	23,179,042
20			
21	<b>RESERVES, ADJUSTMENTS AND DEBT SERVICE</b>		
22			
23	Salary Adjustment Reserve	7,500,000	7,500,000
24			
25	State Health Plan Contribution	33,500,000	89,000,000
26			
27	State Retirement System Contributions	36,000,000	36,000,000
28			
29	Reserve for Future Benefit Needs	0	56,400,000
30			
31	Judicial Retirement System Contributions	1,000,000	1,000,000
32			
33	Severance Reserve	16,000,000	0
34			
35	Statewide Compensation Study	1,000,000	0
36			
37	Firemen's and Rescue Squad Workers' Pension Fund	(820,000)	(820,000)
38			
39	Information Technology Fund	9,053,142	10,470,657
40			
41	Information Technology Reserve Fund	28,000,000	31,582,485
42			
43	NC Government Efficiency and Reform Project	2,000,000	2,000,000
44			
45	One North Carolina Fund	9,000,000	9,000,000
46			
47	Unemployment Insurance (UI) Reserve	23,800,000	13,600,000
48			
49	Reserve for Escheat Fund Global TransPark Debt Repayment	27,000,000	0
50			
51	Reserve for Voter ID	1,000,000	1,000,000

1			
2	Reserve for Pending Legislation	4,000,000	4,500,000
3			
4	Reserve for Eugenics Program	10,000,000	0
5			
6	Contingency and Emergency Fund	5,000,000	5,000,000
7			
8	Job Development Investment Grants (JDIG)	51,823,772	63,045,357
9			
10	Debt Service		
11	General Debt Service	707,580,634	723,721,279
12	Federal Reimbursement	1,616,380	1,616,380
13			
14	<b>TOTAL CURRENT OPERATIONS –</b>		
15	<b>GENERAL FUND</b>	20,602,828,645	20,990,378,208
16			

**GENERAL FUND AVAILABILITY STATEMENT**

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

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
21	Unappropriated Balance Remaining from Previous Year \$ 213,432,877	\$ 250,510,043
22	Projected Overcollections FY 2012-2013	0
23	Overcollections Due to Disputed MSA Payments	0
24	Projected Reversions FY 2012-2013	0
25	Net Supplemental Medicaid Appropriations (S.L. 2013-56,	
26	as amended by Section 13 of S.L. 2013-184)	0
27	Less Earmarkings of Year End Fund Balance	0
28	Savings Reserve	(37,122,346)
29	Repairs and Renovations	(12,751,137)
30	<b>Beginning Unreserved Fund Balance</b>	<b>200,636,560</b>
31		
32	<b>Revenues Based on Existing Tax Structure</b>	<b>19,628,100,000</b>
33		
34	<b>Nontax Revenues</b>	
35	Investment Income	14,100,000
36	Judicial Fees	251,400,000
37	Disproportionate Share	109,000,000
38	Insurance	73,400,000
39	Other Nontax Revenues	175,000,000
40	Highway Trust Fund/Use Tax Reimbursement Transfer	0
41	Highway Fund Transfer	215,900,000
42	<b>Subtotal Non-tax Revenues</b>	<b>838,800,000</b>
43		
44	<b>Total General Fund Availability</b>	<b>\$ 21,588,436,560</b>
45		
46	<b>Adjustments to Availability: 2013 Session</b>	
47	Reserve for Tax Simplification and Reduction Act (HB 998)	(437,800,000)
48	Repeal Certain Real Estate Conveyance Tax Earmarks	37,400,000
49	Repeal Certain Scrap Tire Disposal Tax Earmarks	3,475,291
50	Repeal Certain White Goods Management Tax Earmarks	1,217,796
51	Direct Portion of Solid Waste Disposal Tax to General Fund	2,300,000

1	Adjust Gross Premiums Tax for Volunteer Safety Workers		
2	Worker's Compensation Fund	(3,000,000)	(3,000,000)
3	Reserve for Repeal of Education Expenses Credit (HB 269)	0	1,500,000
4	Extend Aviation Fuel Tax Refunds	(3,186,000)	0
5	Tobacco Master Settlement Agreement (MSA)	137,500,000	137,500,000
6	MSA Disputed Payments Erroneously Paid to		
7	Golden LEAF (S.L. 2011-145)	24,639,357	0
8	Repeal North Carolina Public Campaign Fund	3,500,000	0
9	Transfer from NC Flex FICA Fund Balance	6,000,000	0
10	Transfer from E-Commerce Reserve Fund Balance	5,111,585	6,000,000
11	Transfer from Misdemeanant Confinement Fund	1,000,000	1,000,000
12	Transfer from Separate Insurance Benefits Plan for		
13	Reimbursement of Premiums Paid for State Law		
14	Enforcement Officers	16,510,611	16,510,611
15	Increase Lobbyist Fees	400,000	400,000
16	Extend Local Government Hold Harmless	(7,850,000)	0
17	Certificate of Need for Certain Replacement Equipment	(150,513)	(150,513)
18	Adjust Transfer from Insurance Regulatory Fund	(560,589)	(560,589)
19	Adjust Transfer from Treasurer's Office	175,215	175,215
20			
21	<b>Subtotal Adjustments to Availability: 2013 Session</b>	<b>137,882,753</b>	<b>(234,032,189)</b>
22			
23	<b>Revised General Fund Availability</b>	<b>20,881,277,688</b>	<b>21,354,404,371</b>
24			
25	<b>Less General Fund Appropriations</b>	<b>(20,630,767,645)</b>	<b>(20,998,801,208)</b>
26			
27	<b>Unappropriated Balance Remaining</b>	<b>\$ 250,510,043</b>	<b>\$ 355,603,163</b>

28       **SECTION 2.2.(b)** In addition to funds transferred pursuant to G.S. 105-164.44D,  
29 the sum of two hundred eighteen million one hundred thousand dollars (\$218,100,000) for the  
30 2013-2014 fiscal year and the sum of two hundred fifteen million nine hundred thousand  
31 dollars (\$215,900,000) for the 2014-2015 fiscal year shall be transferred from the Highway  
32 Fund to the General Fund.

33       **SECTION 2.2.(c)** Notwithstanding the provisions of G.S. 143C-4-3, the State  
34 Controller shall transfer a total of one hundred fifty million dollars (\$150,000,000) from the  
35 unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2013, and a total  
36 of twelve million seven hundred fifty-one thousand one hundred thirty-seven dollars  
37 (\$12,751,137) to the Repairs and Renovations Reserve on June 30, 2014. This subsection  
38 becomes effective June 30, 2013. Funds transferred under this section to the Repairs and  
39 Renovations Reserve are appropriated for the 2013-2014 and 2014-2015 fiscal years and shall  
40 be used in accordance with G.S. 143C-4-3.

41       **SECTION 2.2.(d)** Notwithstanding G.S. 143C-4-2, the State Controller shall  
42 transfer a total of two hundred thirty-two million five hundred thirty-seven thousand nine  
43 hundred forty-two dollars (\$232,537,942) from the unreserved fund balance to the Savings  
44 Reserve Account on June 30, 2013, and the sum of thirty-seven million one hundred  
45 twenty-two thousand three hundred forty-six dollars (\$37,122,346) from the unreserved fund  
46 balance to the Savings Reserve Account on June 30, 2014. Neither of these transfers is an  
47 "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North  
48 Carolina Constitution. This subsection becomes effective June 30, 2013.

49       **SECTION 2.2.(e)** Notwithstanding any other provision of law to the contrary,  
50 effective July 1, 2013, the following amounts shall be transferred to the State Controller to be  
51 deposited in the appropriate budget code as determined by the State Controller. These funds

1 shall be used to support the General Fund appropriations as specified in this act for the  
2 2013-2014 fiscal year and the 2014-2015 fiscal year.

<b>Budget Fund</b>			<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>Code</b>	<b>Code</b>	<b>Description</b>	<b>Amount</b>	<b>Amount</b>
24100	2514	E-Commerce Fund	\$ 5,111,585	\$ 6,000,000
24500	2225	Misdemeanant Confinement Fund	1,000,000	1,000,000
24160	2000	NC FICA Account	6,000,000	0
68025	6101	NC Public Campaign Finance Fund	3,500,000	0
73429	7429	Separate Insurance Benefits Plan	\$ 16,510,611	\$ 16,510,611

### 11 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

#### 13 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

14 **SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance  
15 and operation of the Department of Transportation and for other purposes as enumerated are  
16 made for the fiscal biennium ending June 30, 2015, according to the following schedule:

<b>Current Operations – Highway Fund</b>	<b>2013-2014</b>	<b>2014-2015</b>
Department of Transportation		
Administration	\$ 91,066,219	\$ 94,975,916
Division of Highways		
Administration	35,139,990	35,139,990
Construction	61,669,922	46,859,878
Maintenance	1,120,543,988	1,022,097,721
Planning and Research	4,055,402	4,055,402
OSHA Program	365,337	365,337
Ferry Operations	40,935,538	39,785,538
State Aid to Municipalities	142,102,740	136,874,010
Intermodal Divisions		
Public Transportation	85,244,235	85,244,235
Aviation	28,744,510	22,244,510
Rail	40,142,294	24,692,294
Bicycle and Pedestrian	751,066	751,066
Governor's Highway Safety	284,932	284,932
Division of Motor Vehicles	118,994,643	119,532,589
Other State Agencies, Reserves, Transfers	260,693,983	263,469,382
Capital Improvements	18,055,500	19,937,700
<b>Total Highway Fund Appropriations</b>	<b>\$ 2,048,790,299</b>	<b>\$ 1,916,310,500</b>

#### 49 **HIGHWAY FUND/AVAILABILITY STATEMENT**

50 **SECTION 3.2.** The Highway Fund availability used in developing the 2013-2015  
51 fiscal biennial budget is shown below:

	<b>2013-2014</b>	<b>2014-2015</b>
<b>Highway Fund Availability Statement</b>		
Unreserved Fund Balance	\$ 72,214,149	\$ 0
Estimated Revenue	1,937,200,000	1,892,400,000
Adjustment to Revenue Availability:		
Adjustment to Emission Inspection Fees	23,600,000	21,600,000
Adjustment to Technology Improvement Account Fees	634,000	634,000
Motor Fuel Tax		
(Shallow Draft Navigation Channel Dredging Fund)	(2,280,350)	(2,193,500)
Motor Fuel Tax (37.5 cent per gallon cap)	(1,837,500)	0
Electric Vehicle Registration Fee	60,000	120,000
North Carolina Railroad Company Dividend Payments	19,200,000	3,750,000
<b>Total Highway Fund Availability</b>	<b>\$ 2,048,790,299</b>	<b>\$ 1,916,310,500</b>
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:

	<b>2013-2014</b>	<b>2014-2015</b>
<b>Current Operations – Highway Trust Fund</b>		
Program Administration	\$ 45,590,880	\$ 45,590,880
Aid to Municipalities	0	0
Intrastate	0	0
Secondary Roads	0	0
Urban Loops	0	0
Mobility Fund	0	0
Turnpike Authority	49,000,000	49,000,000
Transfer to General Fund	0	0
Transfer to Highway Fund	400,000	400,000
Debt Service	79,170,090	60,307,448
Strategic Prioritization Funding Plan		
for Transportation Investments	930,926,530	950,101,672
<b>Total Highway Trust Fund Appropriations</b>	<b>\$ 1,105,087,500</b>	<b>\$ 1,105,400,000</b>

##### 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:

	<b>2013-2014</b>	<b>2014-2015</b>
<b>Highway Trust Fund Availability</b>		
Unreserved Fund Balance	\$ 0	\$ 0
Estimated Revenue	1,105,700,000	1,105,400,000
Adjustment to Revenue Availability		
Motor Fuel Tax (37.5 cent per gallon cap)	(612,500)	0



1	<b>Total Highway Trust Fund Availability</b>	<b>\$ 1,105,087,500</b>	<b>\$ 1,105,400,000</b>
2			
3	Unappropriated Balance	\$ 0	\$ 0
4			

5 **PART V. OTHER APPROPRIATIONS**

6  
7 **APPROPRIATION OF OTHER FUNDS**

8 **SECTION 5.1.(a)** Expenditures of cash balances, federal funds, departmental  
9 receipts, grants, and gifts from the General Fund, Special Revenue Fund, Enterprise Fund,  
10 Internal Service Fund, and Trust and Agency Fund are appropriated and authorized for the  
11 2013-2015 fiscal biennium as follows:

- 12 (1) For all budget codes listed in "The State of North Carolina Recommended  
13 Continuation Budget and Fund Purpose Statements, 2013-2015" and in the  
14 Budget Support Document, cash balances and receipts are appropriated up to  
15 the amounts specified, as adjusted by the General Assembly, for the  
16 2013-2014 fiscal year and the 2014-2015 fiscal year. Funds may be  
17 expended only for the programs, purposes, objects, and line items or as  
18 otherwise authorized by the General Assembly. Expansion budget funds  
19 listed in those documents are appropriated only as otherwise provided in this  
20 act.
- 21 (2) Notwithstanding the provisions of subdivision (1) of this subsection:
- 22 a. Any receipts that are required to be used to pay debt service  
23 requirements for various outstanding bond issues and certificates of  
24 participation are appropriated up to the actual amounts received for  
25 the 2013-2014 fiscal year and the 2014-2015 fiscal year and shall be  
26 used only to pay debt service requirements.
- 27 b. Other funds, cash balances, and receipts of funds that meet the  
28 definition issued by the Governmental Accounting Standards Board  
29 of a trust or agency fund are appropriated for and in the amounts  
30 required to meet the legal requirements of the trust agreement for the  
31 2013-2014 fiscal year and the 2014-2015 fiscal year.

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

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

42 **SECTION 5.1.(d)** The Office of State Budget and Management, the Office of the  
43 State Controller, the Department of Revenue, and the Fiscal Research Division shall jointly  
44 study the Reserve for Reimbursements to Local Governments and Shared Tax Revenues  
45 (Budget Code 24705) within the Department of Revenue and shall determine the best manner  
46 in which to budget the funds deposited into and expended from this fund. When conducting this  
47 study, the Office of State Budget and Management, the Office of the State Controller, the  
48 Department of Revenue, and the Fiscal Research Division shall jointly determine if any  
49 statutory or other changes are needed in order to ensure that these funds are properly accounted  
50 for and budgeted in a manner consistent with the North Carolina Constitution. No later than  
51 May 1, 2014, the Office of State Budget and Management, the Office of the State Controller,

1 the Department of Revenue, and the Fiscal Research Division shall report the results of this  
2 study, including their findings, recommendations, and any legislative proposals, to the Chairs  
3 of the Senate Appropriations/Base Budget Committee and of the House Appropriations  
4 Committee.

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

#### 9 **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

10 **SECTION 5.2.(a)** Notwithstanding G.S. 143C-6-4, State agencies may, with  
11 approval of the Director of the Budget, spend funds received from grants awarded subsequent  
12 to the enactment of this act for grant awards that are for less than two million five hundred  
13 thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a  
14 capital project. State agencies shall report to the Joint Legislative Commission on  
15 Governmental Operations within 30 days of receipt of such funds.

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

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

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

#### 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:

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
34 School Technology Fund	\$ 18,000,000	\$ 18,000,000
35 State Public School Fund	\$163,392,921	\$120,362,790
36 Total Appropriation	\$181,392,921	\$138,362,790

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.

#### 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.

**PART VI. GENERAL PROVISIONS****CONTINGENCY AND EMERGENCY FUND LIMITATION**

**SECTION 6.1.** For the 2013-2015 fiscal biennium and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission order or (ii) to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act. These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies.

**ESTABLISHING OR INCREASING FEES UNDER THIS ACT**

**SECTION 6.2.(a)** Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee to the level authorized or anticipated in this act.

**SECTION 6.2.(b)** Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter 150B of the General Statutes.

**GLOBAL TRANSPARK LOAN REPAYMENT**

**SECTION 6.3.(a)** The Office of State Budget and Management shall transfer funds from the Reserve for Global TransPark Loan Repayment to the Escheat Fund as payment-in-full for the outstanding loan from the Escheat Fund to the Global TransPark Authority originally authorized under G.S. 63A-4(a)(22) and G.S. 147-69.2(b)(11).

**SECTION 6.3.(b)** G.S. 63A-4(a)(22) is repealed.

**SECTION 6.3.(c)** G.S. 147-69.2(b)(11) is repealed.

**MSA PAYMENTS**

**SECTION 6.4.(a)** Sections 2(a) and 2(b) of S.L. 1999-2 are repealed.

**SECTION 6.4.(b)** Section 6 of S.L. 1999-2, as amended by Section 6.11(d) of Session Law 2011-145 and Section 7(b) of Session Law 2011-391, reads as rewritten:

**"SECTION 6.(a)** ~~Except as provided in subsection (b) of this section, it is the intent of the General Assembly that the~~ The funds under the Master Settlement Agreement, which is incorporated into the Consent Decree, be allocated as follows: Decree, shall be credited to the Settlement Reserve Fund.

(1) ~~Fifty percent (50%) to the nonprofit corporation as provided by the Consent Decree.~~

(2) ~~Fifty percent (50%) shall be allocated as follows:~~

a. ~~Debt service as authorized by the State Capital Facilities Act of 2004, Part 1 of S.L. 2004 179 and S.L. 2004 124. As soon as practicable after the beginning of each fiscal year, the State Treasurer shall estimate and transfer to Budget Code 69430 the amount of debt service anticipated to be paid during the fiscal year for special indebtedness authorized by the State Capital Facilities Act of 2004.~~

b. ~~The sum of eight million dollars (\$8,000,000) is credited to Budget Code 69430 and shall be transferred to the University Cancer Research Fund in accordance with G.S. 116-29.1.~~

e. ~~The balance remaining to be credited to the State General Fund to be used for the following purposes:~~

1. ~~The benefit of tobacco producers, tobacco allotment holders, and persons engaged in tobacco-related businesses. To carry~~

1 out this purpose, funds may provide direct and indirect  
 2 financial assistance, to the extent allowed by law, to (i)  
 3 indemnify tobacco producers, allotment holders, and persons  
 4 engaged in tobacco related businesses from the adverse  
 5 economic effects of the Master Settlement Agreement, (ii)  
 6 compensate tobacco producers and allotment holders for the  
 7 economic loss resulting from lost quota, and (iii) revitalize  
 8 tobacco dependent communities.

9 2. The benefit of health to fund programs and initiatives that  
 10 include research, education, prevention, and treatment of  
 11 health problems in North Carolina and to increase the  
 12 capacity of communities to respond to the public's health  
 13 needs through programs such as Health Choice and the State's  
 14 Medicaid program.

15 (b) Any monies paid into the North Carolina State Specific Account from the Disputed  
 16 Payments Account on account of the Non-Participating Manufacturers that would have been  
 17 transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), ~~Inc., or~~  
 18 ~~to the trust funds established in accordance with subdivision (a)(2) of this section Inc., shall be~~  
 19 ~~deposited in the Settlement Reserve Fund and transferred to nontax Budget Code 19878Fund."~~

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

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

27 "(b) ~~The General Assembly finds that it is imperative that the State provide a minimum~~  
 28 ~~of fifty million dollars (\$50,000,000) each calendar year to the University Cancer Research~~  
 29 ~~Fund; therefore, effective Effective July 1 of each calendar year:year,~~

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

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

37 (3) ~~An amount equal to the difference between (i) fifty million dollars~~  
 38 ~~(\$50,000,000) and (ii) the amounts appropriated pursuant to subdivisions (1)~~  
 39 ~~and (2) of this subsection is appropriated from the General Fund for this~~  
 40 ~~purpose."~~

41 **SECTION 6.4.(e)** G.S. 143C-9-3 reads as rewritten:

42 **"§ 143C-9-3. Settlement Reserve Fund.**

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

50 (b), (c) Repealed by Session Laws 2011-145, s. 6.11(i), effective July 1, 2011.

1 (d) Unless prohibited by federal law, federal funds provided to the State by block grant  
2 or otherwise as part of federal legislation implementing a settlement between United States  
3 tobacco companies and the states shall be credited to the Settlement Reserve Fund. Unless  
4 otherwise encumbered or distributed under a settlement agreement or final order or judgment of  
5 the court, funds paid to the State or a State agency pursuant to a tobacco litigation settlement  
6 agreement, or a final order or judgment of a court in litigation between tobacco companies and  
7 the states, shall be credited to the Settlement Reserve Fund."  
8

## 9 GOVERNMENT EFFICIENCY AND REFORM

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

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

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

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

47 **SECTION 6.5.(d)** The contracting provisions of Chapter 143 of the General  
48 Statutes and related State purchasing and budget regulations do not apply to NC GEAR;  
49 however, the Office of State Budget and Management shall report all external contracts for  
50 consultants or professional services within 30 days of their execution to the Joint Legislative

1 Commission on Governmental Operations, the Fiscal Research Division, the President Pro  
2 Tempore of the Senate, and the Speaker of the House of Representatives.

3 **SECTION 6.5.(e)** The Office of State Budget and Management shall submit an  
4 interim report of the NC GEAR's analysis, findings, and recommendations to the Governor, the  
5 President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal  
6 Research Division, and the Program Evaluation Division by February 15, 2014, and a final  
7 report by February 15, 2015.

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

### 13 14 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

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

### 17 18 **BUDGET CODE CONSOLIDATIONS**

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

### 24 25 **NORTH CAROLINA STATE LOTTERY COMMISSION CONTRACTS**

26 **SECTION 6.8.** G.S. 18C-151(a) reads as rewritten:

27 "(a) Except as otherwise specifically provided in this subsection for contracts for the  
28 purchase of services, apparatus, supplies, materials, or equipment, Article 8 of Chapter 143 of  
29 the General Statutes, including the provisions relating to minority participation goals, shall  
30 apply to contracts entered into by the Commission. If this subsection and Article 8 of Chapter  
31 143 are in conflict, the provisions of this subsection shall control. In recognition of the  
32 particularly sensitive nature of the Lottery and the competence, quality of product, experience,  
33 and timeliness, fairness, and integrity in the operation and administration of the Lottery and  
34 maximization of the objective of raising revenues, a contract for the purchase of services,  
35 apparatus, supplies, materials, or equipment requiring an estimated aggregate expenditure of  
36 ~~ninety thousand dollars (\$90,000)~~ three hundred thousand dollars (\$300,000) or more may be  
37 awarded by the Commission only after the following have occurred:

38 ...."  
39

### 40 **PROVISION OF ANONYMOUS TAX RETURN DATA TO STATE BUDGET** 41 **DIRECTOR**

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

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

50 ...

1           (44) To furnish the State Budget Director or the Director's designee a sample of  
2 tax returns or other tax information from which taxpayers' names and  
3 identification numbers have been removed that is suitable in character,  
4 composition, and size for statistical analyses by the Office of State Budget  
5 and Management."  
6

## 7 **EXEMPTIONS FROM MANAGEMENT FLEXIBILITY REDUCTIONS**

8           **SECTION 6.10.** Notwithstanding G.S. 143C-6-4, expansion funds appropriated for  
9 the 2013-2015 fiscal biennium to State agencies as defined by G.S. 143C-1-1(d)(24) shall not  
10 be used to offset management flexibility adjustments in this act.  
11

## 12 **REVISE PUBLIC SCHOOL BUILDING CAPITAL FUND/ APPROPRIATE** 13 **EDUCATION LOTTERY FUNDS**

14           **SECTION 6.11.(a)** G.S. 115C-546.1(a) reads as rewritten:

15           "(a) There is created the Public School Building Capital Fund. The Fund shall be used to  
16 assist county governments in meeting their public school building capital ~~needs and their~~  
17 ~~equipment needs under their local school technology plans needs."~~

18           **SECTION 6.11.(b)** G.S. 115C-546.2 reads as rewritten:

19 **"§ 115C-546.2. Allocations from the Fund; uses; expenditures; reversion to General**  
20 **Fund; matching requirements.**

21 ...

22           (b) Counties shall use monies ~~in the Fund previously credited to the Fund by the~~  
23 Secretary of Revenue pursuant to G.S. 115C-546.1(b) for capital outlay projects including the  
24 planning, construction, reconstruction, enlargement, improvement, repair, or renovation of  
25 public school buildings and for the purchase of land for public school buildings; for equipment  
26 to implement a local school technology ~~plan that is approved pursuant to G.S. 115C-102.6C;~~  
27 plan; or for both. Monies used to implement a local school technology plan shall be transferred  
28 to the State School Technology Fund and allocated by that Fund to the local school  
29 administrative unit for equipment.

30           As used in this section, "public school buildings" only includes facilities for individual  
31 schools that are used for instructional and related purposes and does not include centralized  
32 administration, maintenance, or other facilities.

33           In the event a county finds that it does not need all or part of the funds allocated to it for  
34 capital outlay projects including the planning, construction, reconstruction, enlargement,  
35 improvement, repair, or renovation of public school buildings, for the purchase of land for  
36 public school buildings, or for equipment to implement a local school technology plan, the  
37 unneeded funds allocated to that county may be used to retire any indebtedness incurred by the  
38 county for public school facilities.

39           In the event a county finds that its public school building needs and its school technology  
40 needs can be met in a more timely fashion through the allocation of financial resources  
41 previously allocated for purposes other than school building needs or school technology needs  
42 and not restricted for use in meeting public school building needs or school technology needs,  
43 the county commissioners may, with the concurrence of the affected local Board of Education,  
44 use those financial resources to meet school building needs and school technology needs and  
45 may allocate the funds it receives under this Article for purposes other than school building  
46 needs or school technology needs to the extent that financial resources were redirected from  
47 such purposes. The concurrence described herein shall be secured in advance of the allocation  
48 of the previously unrestricted financial resources and shall be on a form prescribed by the Local  
49 Government Commission.

50           (c) Monies previously credited to the Fund by the Secretary of Revenue pursuant to  
51 G.S. 115C-546.1(b) for capital projects shall be matched on the basis of one dollar of local

1 funds for every three dollars of State funds. ~~Monies~~ Such monies in the Fund transferred to the  
2 State Technology Fund do not require a local match.

3 Revenue received from local sales and use taxes that is restricted for public school capital  
4 outlay purposes pursuant to G.S. 105-502 or G.S. 105-487 may be used to meet the local  
5 matching requirement. Funds expended by a county after July 1, 1986, for land acquisition,  
6 engineering fees, architectural fees, or other directly related costs for a public school building  
7 capital project that was not completed prior to July 1, 1987, may be used to meet the local  
8 match requirement.

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

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

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

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

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

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

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

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

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

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

44 **SECTION 6.11.(c)** G.S. 18C-164 reads as rewritten:

45 **"§ 18C-164. Transfer of net revenues.**

46 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of all  
47 revenues to the Lottery Fund and after accrual of all obligations of the Commission for prizes  
48 and expenses shall be considered to be the net revenues of the North Carolina State Lottery  
49 Fund. The net revenues of the North Carolina State Lottery Fund shall be transferred four times  
50 a year to the Education Lottery Fund, which shall be created in the State treasury.



1 (b) From the Education Lottery Fund, the ~~Commission~~ Office of State Budget and  
2 Management shall transfer a sum equal to five percent (5%) of the net revenue of the prior year  
3 to the Education Lottery Reserve Fund. A special revenue fund for this purpose shall be  
4 established in the State treasury to be known as the Education Lottery Reserve Fund, and that  
5 fund shall be capped at fifty million dollars (\$50,000,000). Monies in the Education Lottery  
6 Reserve Fund may be appropriated only as provided in subsection (e) of this section.

7 (c) ~~The Commission shall distribute~~ The General Assembly shall appropriate the  
8 remaining net revenue of the Education Lottery Fund, as follows, in the following manner: Fund  
9 annually in the Current Operations Appropriations Act for education-related purposes, based  
10 upon estimates of lottery net revenue to the Education Lottery Fund provided by the Office of  
11 State Budget and Management and the Fiscal Research Division of the Legislative Services  
12 Commission.

13 (1) ~~A sum equal to fifty percent (50%) to support reduction of class size in early~~  
14 ~~grades to class size allotments not exceeding 1:18 in order to eliminate~~  
15 ~~achievement gaps and to support academic prekindergarten programs for~~  
16 ~~at-risk four-year-olds who would otherwise not be served in a high-quality~~  
17 ~~education program in order to help those four-year-olds be prepared~~  
18 ~~developmentally to succeed in school.~~

19 (2) ~~A sum equal to forty percent (40%) to the Public School Building Capital~~  
20 ~~Fund in accordance with G.S. 115C-546.2.~~

21 (3) ~~A sum equal to ten percent (10%) to the State Educational Assistance~~  
22 ~~Authority to fund college and university scholarships in accordance with~~  
23 ~~Article 35A of Chapter 115C of the General Statutes.~~

24 (d) ~~Of the sums transferred under subsection (c) of this section, the General Assembly~~  
25 ~~shall appropriate the funds annually based upon estimates of lottery net revenue to the~~  
26 ~~Education Lottery Fund provided by the Office of State Budget and Management and the Fiscal~~  
27 ~~Research Division of the North Carolina General Assembly.~~

28 (e) If the actual net revenues are less than the appropriation for that given year, then the  
29 Governor may transfer from the Education Lottery Reserve Fund an amount sufficient to equal  
30 the appropriation by the General Assembly. ~~If the monies available in the Education Lottery~~  
31 ~~Reserve Fund are insufficient to reach a full appropriation, the Governor shall transfer monies~~  
32 ~~in order of priority, to the following:~~

33 (1) ~~To support academic prekindergarten programs for at-risk four-year-olds~~  
34 ~~who would otherwise not be served in a high-quality education program in~~  
35 ~~order to help those four-year-olds be prepared developmentally to succeed in~~  
36 ~~school.~~

37 (2) ~~To reduce class size.~~

38 (3) ~~To provide financial aid for needy students to attend college.~~

39 (4) ~~To the Public School Building Capital Fund to be spent in accordance with~~  
40 ~~this section.~~

41 (f) ~~If the actual~~ Actual net revenues ~~exceed~~ exceed in excess of the amounts appropriated in  
42 ~~that fiscal year, the excess net revenues~~ a fiscal year shall remain in the Education Lottery  
43 ~~Fund, and then be transferred as follows: Fund.~~

44 (1) ~~Fifty percent (50%) to the Public School Building Capital Fund to be spent~~  
45 ~~in accordance with this section.~~

46 (2) ~~Fifty percent (50%) to the State Educational Assistance Authority to be~~  
47 ~~spent in accordance with this section."~~

48 **SECTION 6.11.(d)** G.S. 115C-499.3(b) reads as rewritten:

49 "(b) Subject to the maximum amounts provided in this section, the Authority shall have  
50 the power to determine the actual scholarship amounts disbursed to students in any given year  
51 based on the amount of ~~net income available under Chapter 18C of the General Statutes.~~ funds

1 appropriated from the Education Lottery Fund. If the net income available is not sufficient to  
 2 fully fund the scholarships to the maximum amount, all scholarships shall be reduced equally,  
 3 to the extent practicable, so that every eligible applicant shall receive a proportionate  
 4 scholarship amount."

5 **SECTION 6.11.(e)** The appropriations made from the Education Lottery Fund for  
 6 the 2013-2015 fiscal biennium are as follows:

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
7		
8		
9 Classroom Teachers	\$ 220,643,188	\$ 220,643,188
10 Prekindergarten Program	75,535,709	75,535,709
11 Public School Building Capital Fund	100,000,000	100,000,000
12 Scholarships for Needy Students	30,450,000	30,450,000
13 UNC Need-Based Financial Aid	10,744,733	10,744,733
14 UNC Need-Based Financial Aid Forward Funding Reserve	32,530,359	19,130,728
15 Digital Learning	11,928,735	11,928,735
16		
17 <b>TOTAL APPROPRIATION</b>	<b>\$ 481,832,724</b>	<b>\$ 468,433,093</b>

18 **SECTION 6.11.(f)** Notwithstanding G.S. 18C-164, the Office of State Budget and  
 19 Management shall not transfer funds to the Education Lottery Reserve Fund for the 2013-2014  
 20 fiscal year.

21 **SECTION 6.11.(g)** Funds appropriated for Digital Learning pursuant to subsection  
 22 (e) of this section shall be used to support grants to local education agencies (LEAs) for (i)  
 23 delivering educator professional development focused on using digital and other instructional  
 24 technologies to provide high-quality, integrated digital teaching and learning to all students and  
 25 (ii) acquiring quality digital content to enhance instruction.

26 Up to one million dollars (\$1,000,000) may be used by the Department of Public  
 27 Instruction to (i) develop a plan to transition from funding for textbooks, both traditional and  
 28 digital, to funding for digital materials, including textbooks and instructional resources and (ii)  
 29 provide educational resources that remain current, are aligned with curriculum, and are  
 30 effective for all learners by 2017. The plan shall also include an inventory of the infrastructure  
 31 needed to support robust digital learning in public schools.

32 **SECTION 6.11.(h)** Subsection (c) of this section becomes effective June 30, 2013.

33  
 34 **STATE BUDGET ACT AMENDMENTS**

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

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

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

40 "(30) Unreserved fund balance. – The available ~~General Fund~~ cash balance  
 41 effective June 30 after excluding documented encumbrances, unearned  
 42 revenue, ~~federal grants~~, statutory requirements, and other legal obligations to  
 43 ~~General Fund a fund's~~ cash balance as determined by the State Controller.  
 44 Beginning unreserved fund balance equals ending unreserved fund balance  
 45 from the prior fiscal year."

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

47 "(c) Notwithstanding subsections (a) and (b) of this section, funds established for The  
 48 University of North Carolina and its constituent institutions pursuant to the following statutes  
 49 are exempt from Chapter 143C of the General Statutes and shall be accounted for as provided  
 50 by those statutes, except that the provisions of Article 8 of Chapter 143C of the General

1 Statutes shall apply to the funds: G.S. 116-35, 116-36, 116-36.1, 116-36.2, 116-36.4, 116-36.5,  
2 116-36.6, 116-44.4, 116-68, 116-220, ~~116-235, 116-238, 116-235.~~"

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

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

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

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

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

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

15 "**§ 143C-9-6. JDIG Reserve Fund Reserve.**

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

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

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

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

## 27 SUBSTANTIVE CHANGES

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

30 "(1a) Authorized budget. – The certified budget with changes authorized by the  
31 Director of the Budget through authority granted in G.S. 143C-6-4 or other  
32 statutes.

33 (1b) Availability. – The total anticipated cash available within a fund for  
34 appropriation purposes, including unreserved fund balance and all revenue  
35 and receipts anticipated in a fiscal year.

36 ...

37 (7a) Continuation budget. – That part of the Recommended State Budget  
38 necessary to continue the same level of services in the next biennium as is  
39 provided in the current fiscal year, including (i) mandated Social Security  
40 rate adjustments; (ii) annualization of programs and positions; (iii)  
41 enrollment adjustments for public schools and Medicaid; (iv) reductions to  
42 adjust for items funded with nonrecurring funds during the prior fiscal  
43 biennium; (v) increases to adjust for nonrecurring reductions during the prior  
44 fiscal biennium; and (vi) if deemed necessary by the Director, other  
45 adjustments such as inflation, building reserves, and equipment  
46 replacement."

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

48 "(7) Certified budget. – The budget as enacted by the General Assembly  
49 including adjustments made for (i) distributions to State agencies from  
50 statewide reserves appropriated by the General Assembly, (ii) distributions  
51

1 of reserves appropriated to a specific agency by the General Assembly, and  
2 (iii) organizational or budget changes ~~directed-mandated~~ by the General  
3 ~~Assembly but left to the Director to carry out.~~ Assembly."

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

5 **"§ 143C-3-3. Budget requests from State agencies in the executive branch.**

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

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

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

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

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

35 **"§ 143C-3-5. Budget recommendations and budget message.**

36 ...  
37 (b) Odd-Numbered ~~Fiscal~~ Years. – In odd-numbered years the budget recommendations  
38 shall include the following components:

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

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

4           ...

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

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

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

27           ...."

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

29           "**§ 143C-4-3. Repairs and Renovations Reserve Account.**~~Reserve.~~

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

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

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

1 (12) Drainage and landscape improvements.

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

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

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

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

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

30 (3) If the allocation or reallocation of funds from one project to another under  
31 this section is less than two million five hundred thousand dollars  
32 (\$2,500,000) for a particular project, the allocation or reallocation of funds is  
33 reported to the Joint Legislative Commission on Governmental Operations  
34 within 60 days of the expenditure or reallocation.

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

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

45 **"§ 143C-6-1. Budget enacted by the General Assembly; certified budgets of State**  
46 **agencies.**

47 ...

48 (b) Departmental Receipts. – Departmental receipts collected to support a program or  
49 purpose shall be credited to the fund from which appropriations have been made to support that  
50 program or purpose. A State agency shall expend departmental receipts first, including receipts  
51 in excess of the amount of receipts budgeted in the certified budget for the program or purpose,

1 and shall expend other funds appropriated for the purpose or program only to the extent that  
2 receipts are insufficient to meet the costs anticipated in the certified budget.

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

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

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

14 "**§ 143C-6-4. Budget Adjustments Authorized.**

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

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

26 (1) Line items within programs. – An object or line item within a purpose or  
27 program so long as the total amount expended for the purpose or program is  
28 no more than was authorized in the certified budget for the purpose or  
29 program.

30 (2) Responses to extraordinary events. – A purpose or program if the  
31 overexpenditure of the purpose or program is:

32 a. Required by a court or Industrial Commission order;

33 b. Authorized under G.S. 166A-19.40(a) of the North Carolina  
34 Emergency Management Act; or

35 c. Required to call out the North Carolina National Guard.

36 (3) Responses to unforeseen circumstances. – A purpose or program not subject  
37 to the provisions of subdivision (b)(2) of this ~~subsection, but only in accord~~  
38 ~~with the following restrictions: (i) the subsection, if each of the following~~  
39 conditions is satisfied:

40 a. The overexpenditure is required to continue the purpose or programs  
41 due to complications or changes in circumstances that could not have  
42 been foreseen when the budget for the fiscal period was enacted, ~~(ii)~~  
43 ~~the enacted.~~

44 b. The scope of the purpose or program is not increased, ~~(iii)~~  
45 ~~the increased.~~

46 c. The overexpenditure is authorized on a nonrecurring basis, and (iv)  
47 under no circumstances shall the total requirements for a State  
48 department exceed the department's certified budget for the fiscal  
49 year by more than three percent (3%) without prior consultation with  
50 the Joint Legislative Commission on Governmental Operations  
51 one-time nonrecurring basis for one year only, unless the

1 overexpenditure is the result of (i) salary adjustments authorized by  
2 law or (ii) the establishment of time-limited positions funded with  
3 agency receipts.

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

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

11 ...."

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

13 **"§ 143C-6-21. Payments to nonprofits.**

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

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

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

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

29 **"§ 143C-8-2. Capital facilities inventory.**

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

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

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

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

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

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

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

50 "(b) ~~Funds~~Upon appropriation by the General Assembly, funds received in the Indian  
51 Gaming Education Revenue Fund are hereby appropriated as received to the State Public



1 ~~School Fund for quarterly allotments~~ shall be allocated quarterly by the State Board of Education  
2 to local school administrative units, charter schools, and regional schools on the basis of  
3 allotted average daily membership. The funds allotted by the State Board of Education pursuant  
4 to this section shall be nonreverting. Funds received pursuant to this section by local school  
5 administrative units shall be expended for classroom teachers, teacher assistants, classroom  
6 materials or supplies, or textbooks."  
7

#### 8 **CAP STATE FUNDED PORTION OF NONPROFIT SALARIES**

9 **SECTION 6.14.** No more than one hundred twenty thousand dollars (\$120,000) in  
10 State funds may be used for the annual salary of any individual employee of a nonprofit  
11 organization receiving State funds. For the purposes of this section, the term "State funds"  
12 means funds as defined in G.S. 143C-1-1(d)(25) and any interest earnings that accrue from  
13 those funds.  
14

#### 15 **NO STATE FUNDS FOR LOBBYING**

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

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

- 20 (1) Lobbying. – As defined by G.S. 120C-100(a)(9).
- 21 (2) Lobbyist. – As defined by G.S. 120C-100(a)(10).
- 22 (3) Non-State entity. – As defined by G.S. 143C-1-1(d)(18).
- 23 (4) State funds. – As defined by G.S. 143C-1-1(d)(25) and interest earnings that  
24 accrue from those funds.  
25

#### 26 **AVIATION FUEL TAX**

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

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

#### 39 **RESTORE LOCAL GOVERNMENT HOLD HARMLESS FOR REPEALED** 40 **REIMBURSEMENTS**

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

42 "**§ 105-521. Transitional local government hold harmless for repealed reimbursements.**

43 (a) Definitions. – The following definitions apply in this section:

- 44 (1) Local government. – A county or municipality that received a distribution of  
45 local sales taxes in the most recent fiscal year for which a local sales tax  
46 share has been calculated.
- 47 (2) Local sales tax share. – A local government's percentage share of the  
48 two-cent (2¢) sales taxes distributed during the most recent fiscal year for  
49 which data are available.
- 50 (3) Repealed reimbursement amount. – The total amount a local government  
51 would have been entitled to receive during the 2002-2003 fiscal year under

1 G.S. 105-164.44C, 105-275.1, 105-275.2, 105-277.001, and 105-277.1A, if  
2 the Governor had not withheld any distributions under those sections.

3 (3a) Replacement revenue. – The sum of the following:

4 a. Fifty percent (50%) of the amount of sales and use tax revenue  
5 distributed under Article 40 of this Chapter, other than revenue from  
6 the sale of food that is subject to local tax but is exempt from State  
7 tax under G.S. 105-164.13B.

8 b. Twenty-five percent (25%) of the amount of sales and use tax  
9 revenue distributed under Article 39 of this Chapter or under Chapter  
10 1096 of the 1967 Session Laws, other than revenue from the sale of  
11 food that is subject to local tax but is exempt from State tax under  
12 G.S. 105-164.13B.

13 (4) Two-cent (2¢) sales taxes. – The first one-cent (1¢) sales and use tax  
14 authorized in Article 39 of this Chapter and in Chapter 1096 of the 1967  
15 Session Laws, the first one-half cent (1/2¢) local sales and use tax authorized  
16 in Article 40 of this Chapter, and the second one-half cent (1/2¢) local sales  
17 and use tax authorized in Article 42 of this Chapter.

18 (b) Distributions. – On or before ~~August 15, 2008, and every August 15 through August~~  
19 ~~15, 2012, September 15, 2013,~~ the Secretary must multiply each local government's local sales  
20 tax share by the estimated amount of replacement revenue that all local governments are  
21 expected to receive during the current fiscal year. If the resulting amount is less than one  
22 hundred percent (100%) of the local government's repealed reimbursement amount, the  
23 Secretary must pay the local government fifty percent (50%) of the difference, but not less than  
24 ~~one hundred dollars (\$100.00)-~~fifty dollars (\$50.00).

25 On or before ~~May 1 of each fiscal year through May 1, 2012, August 15, 2013,~~  
26 Department of Revenue and the Fiscal Research Division of the General Assembly must each  
27 submit to the Secretary and to the General Assembly a final projection of the estimated amount  
28 of replacement revenue that all local governments would be expected to receive during the  
29 upcoming fiscal year. If, after May 1 and before a distribution is made, a law is enacted that  
30 would affect the projection, an updated projection must be submitted as soon as practicable. If  
31 the Secretary does not use the lower of the two final projections to make the calculation  
32 required by this subsection, the Secretary must report the reasons for this decision to the Joint  
33 Legislative Commission on Governmental Operations within 60 days after receiving the  
34 projections.

35 (c) Source of Funds. – The Secretary must draw the funds distributed under this section  
36 from sales and use tax collections under Article 5 of this Chapter.

37 (d) Reports. – The Secretary must report to the Revenue Laws Study Committee by  
38 ~~January 31, 2004, and each January 31 through January 31, 2013, January 31, 2014,~~ the amount  
39 distributed under this section for the current fiscal year."  
40

## 41 EUGENICS COMPENSATION PROGRAM

42 **SECTION 6.18.(a)** Article 9 of Chapter 143B of the General Statutes is amended  
43 by adding a new Part to read:

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

### 45 § 143B-426.50. Definitions.

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

47 (1) Claimant. – An individual on whose behalf a claim is made for  
48 compensation as a qualified recipient under this Part. An individual must be  
49 alive on June 30, 2013, in order to be a claimant.

50 (2) Commission. – The North Carolina Industrial Commission.

51 (3) Involuntarily. – In the case of:

- 1           a.     A minor child, either with or without the consent of the minor child's  
2                     parent, guardian, or other person standing in loco parentis.  
3           b.     An incompetent adult, with or without the consent of the incompetent  
4                     adult's guardian or pursuant to a valid court order.  
5           c.     A competent adult, without the adult's informed consent, with the  
6                     presumption being that the adult gave informed consent.

7           (4)    Office. – The Office of Justice for Sterilization Victims.

8           (5)    Qualified recipient. – An individual who was asexualized involuntarily or  
9                     sterilized involuntarily under the authority of the Eugenics Board of North  
10                    Carolina in accordance with Chapter 224 of the Public Laws of 1933 or  
11                    Chapter 221 of the Public Laws of 1937.

12    **"§ 143B-426.51. Compensation payments.**

13           (a)    A claimant determined to be a qualified recipient under this Part shall receive  
14                     lump-sum compensation in the amount determined by this subsection from funds appropriated  
15                     to the Department of State Treasurer for these purposes. Except as provided by the succeeding  
16                     sentence, the amount of compensation for each qualified recipient is the sum of ten million  
17                     dollars (\$10,000,000) divided by the total number of qualified recipients, and all such payments  
18                     shall be made on June 30, 2015. The State Treasurer shall reduce the ten million dollars  
19                     (\$10,000,000) by holding out a pro-rata amount per claimant for any cases in which there has  
20                     not been a final determination of the claim on June 30, 2015. Payments made to persons  
21                     determined to be qualified claimants after that date shall be made upon such determination, and  
22                     if after final adjudication of all claims there remains a balance from the funds held out, they  
23                     shall be paid pro-rata to all qualified claimants.

24           (a1)   If any claimant shall die during the pendency of a claim, or after being determined  
25                     to be a qualified recipient, any payment shall be made to the estate of the decedent.

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

28    **"§ 143B-426.52. Claims for compensation for asexualization or sterilization.**

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

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

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

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

45    **"§ 143B-426.53. Industrial Commission determination.**

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

50           (b)    A deputy commissioner shall be assigned by the Commission to make initial  
51                     determinations of eligibility for compensation under this Part. The deputy commissioner shall

1 review the claim and supporting documentation submitted on behalf of a claimant and shall  
2 make a determination of eligibility. In any case where the claimant was a competent adult when  
3 asexualized or sterilized, the burden is on the claimant to rebut the presumption that the  
4 claimant gave informed consent. If the claim is not approved, the deputy commissioner shall set  
5 forth in writing the reasons for the disapproval and notify the claimant.

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

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

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

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

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

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

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

36 **"§ 143B-426.54. Office of Justice for Sterilization Victims.**

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

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

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

47 **"§ 143B-426.55. Confidentiality.**

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

50 **"§ 143B-426.56. Compensation excluded as income, resources, or assets.**

1       (a) Any payment made under this section shall not be considered income or assets for  
2 purposes of determining the eligibility for, or the amount of, any benefits or assistance under  
3 any State or local program financed in whole or in part with State funds.

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

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

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

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

17 **"§ 143B-426.57. Limitation of liability.**

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

22       **SECTION 6.18.(b)** If House Bill 998 becomes law, then G.S. 105-153.5(b), as  
23 enacted by House Bill 998, reads as rewritten:

24 **"§ 105-153.5. Modifications to adjusted gross income.**

25       ...

26       (b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may  
27 deduct from the taxpayer's adjusted gross income any of the following items that are included  
28 in the taxpayer's adjusted gross income:

29       ...

30           (9) The amount paid to the taxpayer during the taxable year from the Eugenics  
31 Sterilization Compensation Fund as compensation to a qualified recipient  
32 under the Eugenics Asexualization and Sterilization Compensation Program  
33 under Part 30 of Article 9 of Chapter 143B of the General Statutes. This  
34 subdivision expires for taxable years beginning on or after January 1, 2016."

35       **SECTION 6.18.(c)** G.S. 132-1.23 reads as rewritten:

36 **"§ 132-1.23. Eugenics program records.**

37       (a) Records in the custody of the State, including those in the custody of the North  
38 CarolinaOffice of Justice for Sterilization FoundationVictims, concerning the North  
39 CarolinaEugenics Board of North Carolina's program are confidential and are not public  
40 records to the extent they concern:records, including the records identifying (i)  
41 personsindividuals impacted by the program, (ii) personsindividuals, or their guardians or  
42 authorized agentsagents, inquiring about the impact of the program on them,the individuals, or  
43 (iii) personsindividuals, or their guardians or authorized agentsagents, inquiring about the  
44 potential impact of the program on others.

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

50       (c) Notwithstanding subsections (a) and (b) of this section, minutes or reports of the  
51 Eugenics Board of North Carolina, for which identifying information of the individuals

1 impacted by the program have been redacted, may be released to any person. As used in this  
 2 subsection, "identifying information" shall include the name, street address, birth day and  
 3 month, and any other information the State believes may lead to the identity of any individual  
 4 impacted by the program, or of any relative of an individual impacted by the program."

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

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

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

26 **SECTION 6.18.(g)** Subsection (b) of this section becomes effective for taxable  
 27 years beginning on or after January 1, 2015. Subsections (e) and (g) of this section are effective  
 28 when this act becomes law. The remainder of this section becomes effective July 1, 2013.  
 29 Except for the provisions of subsections (b) and (c) of this section, and the final adjudication of  
 30 any claims under subsection (a) of this section that are pending on June 30, 2015, this section  
 31 expires June 30, 2015.

32  
 33 **PART VII. INFORMATION TECHNOLOGY**

34  
 35 **INFORMATION TECHNOLOGY FUND**

36 **SECTION 7.1.** The availability used to support appropriations made in this act  
 37 from the Information Technology Fund established in G.S. 147-33.72H is as follows:

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
40 General Fund Appropriation for IT Fund	\$6,053,142	\$6,055,342
41 General Fund Appropriation for		
42 Government Data Analytics Center	\$3,000,000	\$4,417,515
43 Interest	\$2,200	\$2,200
44 IT Fund Balance, June 30	\$0	\$0
45		
46 <b>Total Funds Available</b>	<b>\$9,055,342</b>	<b>\$10,475,057</b>

47 Appropriations are made from the Information Technology Fund for the 2013-2015  
 48 fiscal biennium as follows:

49 Information Technology Operations		
50 Criminal Justice Information Network	\$189,563	\$189,563
51 Center for Geographic Information and Analysis	\$495,338	\$495,338

1	Enterprise Security Risk Management	\$864,148	\$864,148
2	Enterprise Project Management Office	\$1,473,285	\$1,473,285
3	Architecture and Engineering	\$851,986	\$851,986
4	State Web Site	\$224,741	\$224,741
5	Enterprise Licenses	\$33,000	\$33,000
6	Subtotal Information Technology Operations	\$4,132,061	\$4,132,061
7			
8	Information Technology Projects		
9	Government Data Analytics Center	\$3,000,000	\$4,417,515
10	IT Consolidation	\$1,021,081	\$1,021,081
11	Electronic Forms/Digital Signatures	\$900,000	\$900,000
12	Subtotal Information Technology Projects	\$4,921,081	\$6,338,596
13			
14	<b>Total</b>	\$9,053,142	\$10,470,657

15 Unless a change is approved by the State Chief Information Officer after  
 16 consultation with the Office of State Budget and Management, funds appropriated to the  
 17 Information Technology Fund shall be spent only as specified in this section. Changes shall not  
 18 result in any degradation to the information technology operations or projects listed in this  
 19 section for which the funds were originally appropriated.

20 Any changes to the specified uses shall be reported in writing to the Chairs of the  
 21 Joint Legislative Oversight Committee on Information Technology, the Chair and Cochair of  
 22 the House Appropriations Subcommittee on Information Technology, and the Fiscal Research  
 23 Division.  
 24

25 **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND**

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

27 "**§ 147-33.88. Information technology budget development and reports.**

28 (a) ~~The Office shall develop an annual budget for review and approval by the Office of~~  
 29 ~~State Budget and Management prior to April 1 of each year. The Office of Information~~  
 30 ~~Technology Services (ITS) shall develop an annual budget for review and approval by the~~  
 31 ~~Office of State Budget and Management (OSBM) in accordance with a schedule prescribed by~~  
 32 ~~the Director of the Office of State Budget and Management. The approved Information~~  
 33 ~~Technology Internal Service Fund budget shall be included in the Governor's budget~~  
 34 ~~recommendations to the General Assembly.~~

35 The Office of State Budget and Management shall ensure that State agencies have an  
 36 opportunity to adjust their budgets based on any rate changes proposed by the Office of  
 37 Information Technology Services and approved by the Office of State Budget and  
 38 Management.

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

48 **SECTION 7.2.(b)** IT Internal Service Fund. – For each year of the 2013-2015  
 49 fiscal biennium, receipts for the IT Internal Service Fund shall not exceed one hundred ninety  
 50 million dollars (\$190,000,000), excluding a 60-day balance for contingencies. Rates approved  
 51 by the Office of State Budget and Management (OSBM) to support the IT Internal Service

1 Fund shall be based on this fund limit. In the event the Fund exceeds the required limit, rates  
 2 shall be adjusted within 30 days. In the event that an increase in receipts for the IT Internal  
 3 Service Fund is required, the Office of Information Technology services may only implement  
 4 the increase after consultation with the Joint Legislative Commission on Governmental  
 5 Operations.

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

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

23 **SECTION 7.2.(e) Unspecified Uses.** – Any uses of the IT Internal Service Fund  
 24 not specifically related to the operation of the Office of Information Technology Services, to  
 25 include any transfers to other State agencies, shall immediately be reported to the Office of  
 26 State Budget and Management and the Fiscal Research Division with a detailed explanation as  
 27 to why it was necessary to use the Fund. The State Chief Information Officer may use the IT  
 28 Internal Service Fund, and any other available resources, to accelerate desktop remediation and  
 29 associated software upgrades, if it is in the State's best interest.  
 30

31 **INFORMATION TECHNOLOGY RESERVE FUND**

32 **SECTION 7.3.(a)** Funds in the Reserve for Information Technology for the  
 33 2013-2014 fiscal year consist of the sum of twenty-eight million dollars (\$28,000,000)  
 34 appropriated from the General Fund. Funds in the Reserve for Information Technology for the  
 35 2014-2015 fiscal year consist of the sum of thirty-one million five hundred eighty-two  
 36 thousand four hundred eighty-five dollars (\$31,582,485) appropriated from the General Fund.

37 **SECTION 7.3.(b)** The Information Technology Reserve Fund shall be established  
 38 in the Office of the State Chief Information Officer (CIO). It shall be interest-bearing and  
 39 nonreverting. The State CIO shall follow established procedures for project approval.  
 40 Appropriations are made from the Information Technology Reserve Fund for the 2013-2015  
 41 fiscal biennium as follows:

	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
42		
43 Prepare/Focus	\$ 250,000	\$ 0
44 Plan	1,570,806	2,239,512
45 Build	1,507,353	2,882,254
46 Remediation	1,100,000	600,000
47 Security	1,571,394	392,788
48 Network Simplification	0	4,832,485
49 Desktop Remediation	17,000,000	13,300,000
50 Desktop Software Licenses	4,015,000	2,300,000
51 Operate	985,447	685,446



1	Customer Data	0	1,000,000
2	Secure Sign-On	0	3,350,000
3	Innovation Center	0	0

4           **SECTION 7.3.(c)** By September 15, 2013, the State Chief Information Officer  
5 shall provide a time line for completing initiatives included in the IT Reserve Fund to the Joint  
6 Legislative Oversight Committee on Information Technology, the House Appropriations  
7 Subcommittee on Information Technology, and the Fiscal Research Division. The time line  
8 shall include the dates for completion of a strategic plan, an enterprise architecture, a new  
9 business case methodology, and implementation of a new project management process. Not  
10 later than the dates specified in the time line, each of these documents shall be submitted to the  
11 Joint Legislative Oversight Committee on Information Technology, the House Appropriations  
12 Subcommittee on Information Technology, and the Fiscal Research Division.

### 13           **INFORMATION TECHNOLOGY OPERATIONS**

14           **SECTION 7.4.(a)** Server Inventory. – The State Chief Information Officer (State  
15 CIO) shall develop an inventory of servers and server locations in State agencies. Based on this  
16 inventory, the State CIO shall develop a plan to consolidate agency servers in State-owned data  
17 centers. By November 1, 2013, the State CIO shall provide a written plan for accomplishing  
18 this to the Joint Legislative Oversight Committee on Information Technology and the Fiscal  
19 Research Division.

20           **SECTION 7.4.(b)** Hosting/Backups. – The State CIO shall identify information  
21 technology applications that are hosted by vendors that are not backed up on State-owned  
22 infrastructure. The State CIO shall work with impacted State agencies to develop a plan to  
23 ensure that any State agency application hosted by a vendor is backed up on State-owned  
24 infrastructure. By January 1, 2014, the State CIO shall provide a plan for accomplishing this to  
25 the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research  
26 Division.

27           **SECTION 7.4.(c)** Restructuring Plan. – The State CIO shall conduct a  
28 comprehensive review of the State's overall information technology operations, including the  
29 efficacy of existing exemptions and exceptions from unified State IT governance. Based upon  
30 this analysis, the State CIO shall develop a plan to restructure the State's IT operations for the  
31 most effective and efficient utilization of resources and capabilities. The plan shall include  
32 identifying, documenting, and providing a framework for developing and implementing the  
33 education and training required for all State information technology personnel, including  
34 information technology contracting professionals. Each State agency, department, and  
35 institution, and The University of North Carolina, shall (i) cooperate fully with the Office of the  
36 State CIO during the review and assessment phase of restructuring plan development and (ii)  
37 provide to the State CIO all information needed to carry out the purposes of this subsection. By  
38 May 1, 2014, the State CIO shall present the plan to the Joint Legislative Oversight Committee  
39 on Information Technology, along with any recommended legislative proposals for  
40 implementation to be considered for introduction during the 2014 Regular Session of the 2013  
41 General Assembly.

42           **SECTION 7.4.(e)** Telecommunications Service Clarification. –  
43 G.S. 105-164.13(54) reads as rewritten:

44           "The sale at retail and the use, storage, or consumption in this State of the following  
45 tangible personal property, digital property, and services are specifically exempted from the tax  
46 imposed by this Article:  
47

48           ...

49           (54) The following telecommunications services and charges:

- 50           a. Telecommunications service that is a component part of or is  
51           integrated into a telecommunications service that is resold. This

1 exemption does not apply to service purchased by a pay telephone  
2 provider who uses the service to provide pay telephone service.  
3 Examples of services that are resold include carrier charges for  
4 access to an intrastate or interstate interexchange network,  
5 interconnection charges paid by a provider of mobile  
6 telecommunications service, and charges for the sale of unbundled  
7 network elements. An unbundled network element is a network  
8 element, as defined in 47 U.S.C. § 153(29), to which access is  
9 provided on an unbundled basis pursuant to 47 U.S.C. § 251(c)(3).

- 10 b. Pay telephone service.  
11 c. 911 charges imposed under G.S. 62A-43 and remitted to the 911  
12 Fund under that section.  
13 d. Charges for telecommunications service made by a hotel, motel, or  
14 another entity whose gross receipts are taxable under  
15 G.S. 105-164.4(a)(3) when the charges are incidental to the  
16 occupancy of the entity's accommodations.  
17 e. Telecommunications service purchased or provided by a State  
18 agency or a unit of local government for the ~~North Carolina~~  
19 ~~Information Highway State Network~~ or another data network owned  
20 or leased by the State or unit of local government."  
21

## 22 STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT

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

## 31 PUBLIC SCHOOL PROCUREMENT OF INFORMATION TECHNOLOGY

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

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

47 **SECTION 7.6.(c)** By October 1, 2013, and quarterly thereafter, the Office of the  
48 State CIO and DPI shall report on the establishment of public school cooperative purchasing  
49 agreements, savings resulting from the establishment of the agreements, and any issues  
50 impacting the establishment of the agreements. The reports shall be made to the Joint

1 Legislative Oversight Committee on Information Technology, the Joint Legislative Education  
2 Oversight Committee, and the Fiscal Research Division.

#### 4 INFORMATION TECHNOLOGY CONTRACTS

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

8 **SECTION 7.7.(b)** Bulk Purchasing. – The State CIO shall develop a plan to  
9 modify bulk purchasing contracts, while maintaining economies of scale, to provide agencies  
10 with the option of purchasing equipment on an "as-needed" basis. By December 15, 2013, the  
11 State CIO shall provide the plan to the Joint Legislative Oversight Committee on Information  
12 Technology and the Fiscal Research Division. The State CIO may modify the plan based upon  
13 input from the Joint Legislative Oversight Committee on Information Technology and,  
14 following the review, shall begin implementation of the plan.

15 **SECTION 7.7.(c)** Sole Sourcing, Extensions, and Expansions Limited. – State IT  
16 contracts, including sole sourcing, extensions of the period of performance, or expansion of the  
17 scope of existing contracts, must receive the prior approval of the State CIO who may grant a  
18 specific exception. The State CIO shall immediately report any exceptions granted to the Joint  
19 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.  
20 The report shall explain the reasons why the exception was deemed to be appropriate.

21 **SECTION 7.7.(d)** G.S. 147-33.72C(e) reads as rewritten:

22 "(e) Performance Contracting. – All contracts between a State agency and a private party  
23 for information technology projects shall include provisions for vendor performance review  
24 and accountability. The State CIO may require that these contract provisions require a  
25 performance bond, include monetary penalties—penalties, or require other performance  
26 assurance measures for projects that are not completed or performed within the specified time  
27 period or that involve costs in excess of those specified in the contract. The State CIO may  
28 utilize cost-savings realized on government vendor partnerships, as defined in G.S. 143-135.9,  
29 as performance incentives for an information technology project vendor.require—contract  
30 provisions requiring a vendor to provide a performance bond."

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

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

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

45 **SECTION 7.7.(f)** Three-Year Contracts. – Notwithstanding the cash management  
46 provisions of G.S. 147-86.11, the Office of Information Technology Services may procure  
47 information technology goods and services for periods up to a total of three years where the  
48 terms of the procurement contracts require payment of all or a portion of the contract price at  
49 the beginning of the contract agreement. All of the following conditions shall be met before  
50 payment for these agreements may be disbursed:

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

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

## 18 **INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT** 19 **REQUIREMENTS**

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

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

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

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

## 46 **PREVENT DUPLICATION OF INFORMATION TECHNOLOGY CAPABILITIES**

47 **SECTION 7.9.(a)** The Office of the State Chief Information Officer (CIO) shall  
48 develop a plan and adopt measures to prevent the duplication of information technology  
49 capabilities and resources across State agencies. When multiple agencies require the same, or  
50 substantially similar, information technology capabilities, the State CIO shall designate one  
51

1 State agency as the lead to coordinate and manage the capability for all State agencies, with the  
2 State CIO maintaining oversight of the effort. By October 1, 2013, the State CIO shall provide  
3 this plan to the Joint Legislative Oversight Committee on Information Technology and the  
4 Fiscal Research Division.

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

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

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

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

## 37 38 **GOVERNMENT DATA ANALYTICS/DATA SHARING**

39 **SECTION 7.10.(a)** G.S. 20-7(b2) reads as rewritten:

40 "(b2) Disclosure of Social Security Number. – The social security number of an applicant  
41 is not a public record. The Division may not disclose an applicant's social security number  
42 except as allowed under federal law. A violation of the disclosure restrictions is punishable as  
43 provided in 42 U.S.C. § 408, as amended.

44 In accordance with 42 U.S.C. 405 and 42 U.S.C. 666, as amended, the Division may  
45 disclose a social security number obtained under subsection (b1) of this section only as follows:

- 46 (1) For the purpose of administering the driver's license laws.
- 47 (2) To the Department of Health and Human Services, Child Support  
48 Enforcement Program for the purpose of establishing paternity or child  
49 support or enforcing a child support order.
- 50 (3) To the Department of Revenue for the purpose of verifying taxpayer  
51 identity.

1 (4) To the Office of Indigent Defense Services of the Judicial Department for  
2 the purpose of verifying the identity of a represented client and enforcing a  
3 court order to pay for the legal services rendered.

4 (5) To each county jury commission for the purpose of verifying the identity of  
5 deceased persons whose names should be removed from jury lists.

6 (6) To the Office of the State Controller for the purposes of  
7 G.S. 143B-426.38A."

8 **SECTION 7.10.(b)** G.S. 20-43(a) reads as rewritten:

9 "(a) All records of the Division, other than those declared by law to be confidential for  
10 the use of the Division, shall be open to public inspection during office hours in accordance  
11 with G.S. 20-43.1. A ~~photographic image or signature~~ recorded in any format by the Division  
12 for a drivers license or a special identification card is confidential and shall not be released  
13 except for law enforcement purposes. A photographic image recorded in any format by the  
14 Division for a drivers license or a special identification card is confidential and shall not be  
15 released except for law enforcement purposes or to the Office of the State Controller for the  
16 purposes of G.S. 143B-426.38A."

17 **SECTION 7.10.(c)** G.S. 105-259(b) is amended by adding a new subdivision to  
18 read:

19 "(44) To furnish tax information to the Office of the State Controller under  
20 G.S. 143B-426.38A. The use and reporting of individual data may be  
21 restricted to only those activities specifically allowed by law when potential  
22 fraud or other illegal activity is indicated."

23 **SECTION 7.10.(d)** Part 28 of Article 9 of Chapter 143B of the General Statutes is  
24 amended by adding a new section to read:

25 **"§ 143B-426.38A. Government Data Analytics Center; State data-sharing requirements.**

26 (a) State Government Data Analytics. – The State shall initiate across State agencies,  
27 departments, and institutions a data integration and data-sharing initiative that is not intended to  
28 replace transactional systems but is instead intended to leverage the data from those systems for  
29 enterprise-level State business intelligence.

30 (1) Creation of initiative. – In carrying out the purposes of this section, the  
31 Office of the State Controller shall conduct an ongoing, comprehensive  
32 evaluation of State data analytics projects and plans in order to identify data  
33 integration and business intelligence opportunities that will generate greater  
34 efficiencies in, and improved service delivery by, State agencies,  
35 departments, and institutions. The State Controller and State CIO shall  
36 continue to utilize public-private partnerships and existing data integration  
37 and analytics contracts and licenses as appropriate to continue the  
38 implementation of the initiative.

39 (2) Application to State government. – The initiative shall include all State  
40 agencies, departments, and institutions, including The University of North  
41 Carolina.

42 (3) Governance. – The State Controller shall lead the initiative established  
43 pursuant to this section. The Chief Justice of the North Carolina Supreme  
44 Court and the Legislative Services Commission each shall designate an  
45 officer or agency to advise and assist the State Controller with respect to  
46 implementation of the initiative in their respective branches of government.  
47 The judicial and legislative branches shall fully cooperate in the initiative  
48 mandated by this section in the same manner as is required of State agencies.

49 (b) Government Data Analytics Center. –

50 (1) GDAC established. – There is established in the Office of the State  
51 Controller the Government Data Analytics Center (GDAC). GDAC shall

1 assume the work, purpose, and resources of the current data integration  
2 effort in the Office of the State Controller and shall otherwise advise and  
3 assist the State Controller in the management of the initiative. The State  
4 Controller shall make any organizational changes necessary to maximize the  
5 effectiveness and efficiency of GDAC.

6 (2) Powers and duties of the GDAC. – The State Controller shall, through the  
7 GDAC, do all of the following:

8 a. Continue and coordinate ongoing enterprise data integration efforts,  
9 including:

10 1. The deployment, support, technology improvements, and  
11 expansion for the Criminal Justice Law Enforcement  
12 Automated Data System (CJLEADS).

13 2. The pilot and subsequent phase initiative for the North  
14 Carolina Financial Accountability and Compliance  
15 Technology System (NCFACETS).

16 3. Individual-level student data and workforce data from all  
17 levels of education and the State workforce.

18 4. Other capabilities developed as part of the initiative.

19 b. Identify technologies currently used in North Carolina that have the  
20 capability to support the initiative.

21 c. Identify other technologies, especially those with unique capabilities,  
22 that could support the State's business intelligence effort.

23 d. Compare capabilities and costs across State agencies.

24 e. Ensure implementation is properly supported across State agencies.

25 f. Ensure that data integration and sharing is performed in a manner  
26 that preserves data privacy and security in transferring, storing, and  
27 accessing data, as appropriate.

28 g. Immediately seek any waivers and enter into any written agreements  
29 that may be required by State or federal law to effectuate data sharing  
30 and to carry out the purposes of this section.

31 h. Coordinate data requirements and usage for State business  
32 intelligence applications in a manner that (i) limits impacts on  
33 participating State agencies as those agencies provide data and  
34 business knowledge expertise and (ii) assists in defining business  
35 rules so the data can be properly used.

36 i. Recommend the most cost-effective and reliable long-term hosting  
37 solution for enterprise-level State business intelligence as well as  
38 data integration, notwithstanding Section 6A.2(f) of S.L. 2011-145.

39 (c) Implementation of the Enterprise-Level Business Intelligence Initiative. –

40 (1) Phases of the initiative. – The initiative shall cycle through these phases on  
41 an ongoing basis:

42 a. Phase I requirements. – In the first phase, the State Controller  
43 through GDAC shall:

44 1. Inventory existing State agency business intelligence projects,  
45 both completed and under development.

46 2. Develop a plan of action that does all of the following:

47 I. Defines the program requirements, objectives, and end  
48 state of the initiative.

49 II. Prioritizes projects and stages of implementation in a  
50 detailed plan and benchmarked time line.





1            b. Without prior consultation to the Joint Legislative Commission on  
2            Governmental Operations and a report to the Joint Legislative  
3            Oversight Committee on Information Technology if the project can  
4            be implemented within funds appropriated for GDAC projects.

5            (d) Funding. – The Office of the State Controller, with the support of the Office of State  
6            Budget and Management, shall identify and make all efforts to secure any matching funds or  
7            other resources to assist in funding this initiative. Savings resulting from the cancellation of  
8            projects, software, and licensing, as well as any other savings from the initiative, shall be  
9            returned to the General Fund and shall remain unexpended and unencumbered until  
10           appropriated by the General Assembly in a subsequent fiscal year. It is the intent of the General  
11           Assembly that expansion of the initiative in subsequent fiscal years be funded with these  
12           savings and that the General Assembly appropriate funds for projects in accordance with the  
13           priorities identified by the Office of the State Controller in Phase I of the initiative.

14           (d1) Appropriations. – Of the funds appropriated to the Information Technology Fund,  
15           the sum of three million dollars (\$3,000,000) for the 2013-2014 fiscal year and the sum of four  
16           million four hundred seventeen thousand five hundred fifteen dollars (\$4,417,515) for the  
17           2014-2015 fiscal year shall be used to support the GDAC and NCFACTS. Of these funds, the  
18           sum of one million four hundred seventeen thousand five hundred fifteen dollars (\$1,417,515)  
19           shall be used in each fiscal year of the 2013-2015 biennium for OSC internal costs. For fiscal  
20           year 2014-2015, of the funds generated by GDAC and NCFACTS projects and returned to the  
21           General Fund, the sum of up to five million dollars (\$5,000,000) is appropriated to fund GDAC  
22           and NCFACTS, to include vendor payments. Prioritization for the expenditure of these funds  
23           shall be for State costs associated with GDAC first, then vendor costs second. Funds in the  
24           2013-2015 fiscal year budgets for GDAC and NCFACTS shall be used solely to support the  
25           continuation for these priority project areas.

26           (e) Reporting. – The Office of the State Controller shall:

27           (1) Submit and present quarterly reports on the implementation of Phase I of the  
28           initiative and the plan developed as part of that phase to the Chairs of the  
29           House of Representatives Appropriations and Senate Base  
30           Budget/Appropriations Committees, to the Joint Legislative Oversight  
31           Committee on Information Technology, and to the Fiscal Research Division  
32           of the General Assembly. The State Controller shall submit a report prior to  
33           implementing any improvements, expending funding for expansion of  
34           existing business intelligence efforts, or establishing other projects as a  
35           result of its evaluations, and quarterly thereafter, a written report detailing  
36           progress on, and identifying any issues associated with, State business  
37           intelligence efforts.

38           (2) Report the following information as needed:

39           a. Any failure of a State agency to provide information requested  
40           pursuant to this section. The failure shall be reported to the Joint  
41           Legislative Oversight Committee on Information Technology and to  
42           the Chairs of the House of Representatives Appropriations and  
43           Senate Base Budget/Appropriations Committees.

44           b. Any additional information to the Joint Legislative Commission on  
45           Governmental Operations and the Joint Legislative Oversight  
46           Committee on Information Technology that is requested by those  
47           entities.

48           (f) Data Sharing. –

49           (1) General duties of all State agencies. – The head of each State agency,  
50           department, and institution shall do all of the following:

- 1           a.     Grant the Office of the State Controller access to all information  
2           required to develop and support State business intelligence  
3           applications pursuant to this section. The State Controller and the  
4           GDAC shall take all necessary actions and precautions, including  
5           training, certifications, background checks, and governance policy  
6           and procedure, to ensure the security, integrity, and privacy of the  
7           data in accordance with State and federal law and as may be required  
8           by contract.
- 9           b.     Provide complete information on the State agency's information  
10          technology, operational, and security requirements.
- 11          c.     Provide information on all of the State agency's information  
12          technology activities relevant to the State business intelligence effort.
- 13          d.     Forecast the State agency's projected future business intelligence  
14          information technology needs and capabilities.
- 15          e.     Ensure that the State agency's future information technology  
16          initiatives coordinate efforts with the GDAC to include planning and  
17          development of data interfaces to incorporate data into the initiative  
18          and to ensure the ability to leverage analytics capabilities.
- 19          f.     Provide technical and business resources to participate in the  
20          initiative by providing, upon request and in a timely and responsive  
21          manner, complete and accurate data, business rules and policies, and  
22          support.
- 23          g.     Identify potential resources for deploying business intelligence in  
24          their respective State agencies and as part of the enterprise-level  
25          effort.
- 26          h.     Immediately seek any waivers and enter into any written agreements  
27          that may be required by State or federal law to effectuate data sharing  
28          and to carry out the purposes of this section, as appropriate.
- 29        (2)    Specific requirements. – The State Controller and the GDAC shall enhance  
30        the State's business intelligence through the collection and analysis of data  
31        relating to workers' compensation claims for the purpose of preventing and  
32        detecting fraud, as follows:
- 33           a.     The North Carolina Industrial Commission shall release to GDAC, or  
34           otherwise provide electronic access to, all data requested by GDAC  
35           relating to workers' compensation insurance coverage, claims,  
36           appeals, compliance, and enforcement under Chapter 97 of the  
37           General Statutes.
- 38           b.     The North Carolina Rate Bureau (Bureau) shall release to GDAC, or  
39           otherwise provide electronic access to, all data requested by GDAC  
40           relating to workers' compensation insurance coverage, claims,  
41           business ratings, and premiums under Chapter 58 of the General  
42           Statutes. The Bureau shall be immune from civil liability for  
43           releasing information pursuant to this subsection, even if the  
44           information is erroneous, provided the Bureau acted in good faith  
45           and without malicious or willful intent to harm in releasing the  
46           information.
- 47           c.     The Department of Commerce, Division of Employment Security  
48           (DES), shall release to GDAC, or otherwise provide access to, all  
49           data requested by GDAC relating to unemployment insurance  
50           coverage, claims, and business reporting under Chapter 96 of the  
51           General Statutes.

- 1           d.     The Department of Labor shall release to GDAC, or otherwise  
2           provide access to, all data requested by GDAC relating to safety  
3           inspections, wage and hour complaints, and enforcement activities  
4           under Chapter 95 of the General Statutes.
- 5           e.     The Department of Revenue shall release to GDAC, or otherwise  
6           provide access to, all data requested by GDAC relating to the  
7           registration and address information of active businesses, business  
8           tax reporting, and aggregate federal tax Form 1099 data for  
9           comparison with information from DES, the Rate Bureau, and the  
10          Department of the Secretary of State for the evaluation of business  
11          reporting. Additionally, the Department of Revenue shall furnish to  
12          the GDAC, upon request, other tax information, provided that the  
13          information furnished does not impair or violate any  
14          information-sharing agreements between the Department and the  
15          United States Internal Revenue Service. Notwithstanding any other  
16          provision of law, a determination of whether furnishing the  
17          information requested by GDAC would impair or violate any  
18          information-sharing agreements between the Department of Revenue  
19          and the United States Internal Revenue Service shall be within the  
20          sole discretion of the State Chief Information Officer. The  
21          Department of Revenue and the Office of the State Controller shall  
22          work jointly to assure that the evaluation of tax information pursuant  
23          to this subdivision is performed in accordance with applicable federal  
24          law.
- 25          (3)   All information shared with GDAC and the State Controller under this  
26          subdivision is protected from release and disclosure in the same manner as  
27          any other information is protected under this section.
- 28          (g)   Provisions on Privacy and Confidentiality of Information. –
- 29          (1)   Status with respect to certain information. – The State Controller and the  
30          GDAC shall be deemed to be all of the following for the purposes of this  
31          section:
- 32          a.     With respect to criminal information, and to the extent allowed by  
33          federal law, a criminal justice agency (CJA), as defined under  
34          Criminal Justice Information Services (CJIS) Security Policy. The  
35          State CJIS Systems Agency (CSA) shall ensure that CJLEADS  
36          receives access to federal criminal information deemed to be  
37          essential in managing CJLEADS to support criminal justice  
38          professionals.
- 39          b.     With respect to health information covered under the Health  
40          Insurance Portability and Accountability Act of 1996 (HIPAA), as  
41          amended, and to the extent allowed by federal law:
- 42                1.    A business associate with access to protected health  
43                information acting on behalf of the State's covered entities in  
44                support of data integration, analysis, and business  
45                intelligence.
- 46                2.    Authorized to access and view individually identifiable health  
47                information, provided that the access is essential to the  
48                enterprise fraud, waste, and improper payment detection  
49                program or required for future initiatives having specific  
50                definable need for the data.

- 1                   c.     Authorized to access all State and federal data, including revenue and  
2                   labor information, deemed to be essential to the enterprise fraud,  
3                   waste, and improper payment detection program or future initiatives  
4                   having specific definable need for the data.
- 5                   d.     Authorized to develop agreements with the federal government to  
6                   access data deemed to be essential to the enterprise fraud, waste, and  
7                   improper payment detection program or future initiatives having  
8                   specific definable need for such data.
- 9                   (2)   Release of information. – The following limitations apply to (i) the release  
10                  of information compiled as part of the initiative, (ii) data from State agencies  
11                  that is incorporated into the initiative, and (iii) data released as part of the  
12                  implementation of the initiative:
- 13                  a.     Information compiled as part of the initiative. – Notwithstanding the  
14                  provisions of Chapter 132 of the General Statutes, information  
15                  compiled by the State Controller and the GDAC related to the  
16                  initiative may be released as a public record only if the State  
17                  Controller, in that officer's sole discretion, finds that the release of  
18                  information is in the best interest of the general public and is not in  
19                  violation of law or contract.
- 20                  b.     Data from State agencies. – Any data that is not classified as a public  
21                  record under G.S. 132-1 shall not be deemed a public record when  
22                  incorporated into the data resources comprising the initiative. To  
23                  maintain confidentiality requirements attached to the information  
24                  provided to the State Controller and GDAC, each source agency  
25                  providing data shall be the sole custodian of the data for the purpose  
26                  of any request for inspection or copies of the data under Chapter 132  
27                  of the General Statutes.
- 28                  c.     Data released as part of implementation. – Information released to  
29                  persons engaged in implementing the State's business intelligence  
30                  strategy under this section that is used for purposes other than official  
31                  State business is not a public record pursuant to Chapter 132 of the  
32                  General Statutes.
- 33                  d.     Data from North Carolina Rate Bureau. – Notwithstanding any other  
34                  provision of this section, any data released by or obtained from the  
35                  North Carolina Rate Bureau under this initiative relating to workers'  
36                  compensation insurance claims, business ratings, or premiums are  
37                  not public records and public disclosure of such data, in whole or in  
38                  part, by the GDAC or State Controller, or by any State agency, is  
39                  prohibited."

40                   **SECTION 7.10.(e)** G.S. 143B-426.39 is amended by adding a new subdivision to

41 read:

42                   "(17) Coordinate data integration and data sharing pursuant to G.S. 143B-426.38A  
43                   across State agencies, departments, and institutions to support the State's  
44                   enterprise-level business intelligence initiative."

45                   **SECTION 7.10.(f)** The Office of State Controller, in consultation with the State  
46 CIO, shall continue the management and implementation of the GDAC and shall continue to  
47 manage the ongoing enterprise data integration efforts under the GDAC, including CJLEADS  
48 and NC FACTS. The Office of the State CIO, in consultation with OSC, shall develop a plan  
49 for a cooperative transition of the GDAC and all of its programs to the Office of the SCIO,  
50 effective July 1, 2014. The plan shall include provisions for a governance structure for GDAC  
51 that includes participation by the State Controller. The plan shall also include milestones for the

1 transition. The State CIO shall report the plan details and any associated costs to the Joint  
2 Legislative Oversight Committee on Information Technology and the Fiscal Research Division  
3 by no later than October 1, 2013. The State CIO shall also report on a quarterly basis to the  
4 Joint Legislative Oversight Committee on Information Technology and the Fiscal Research  
5 Division on progress toward achieving milestones set out in the plan.

6 **SECTION 7.10.(g)** Effective July 1, 2014, the GDAC and all of its programs are  
7 hereby transferred to the Office of the SCIO. This transfer shall have all of the elements of a  
8 Type I transfer, as defined in G.S. 143A-6. The Office of State Budget and Management shall  
9 determine the personnel, property, unexpended balances of appropriations, allocations, or other  
10 funds, including the functions of budgeting and purchasing, to be included in the transfer.

11 **SECTION 7.10.(h)** The purpose of this section is to codify provisions of Section  
12 6A.7A of S.L. 2012-142, and to the extent that any provision of that section conflicts with  
13 G.S. 143B-426.38A, as enacted by this act, the provisions of the statute shall be construed to  
14 prevail over any conflicting uncodified provisions.

15 **SECTION 7.10.(i)** This section is effective when it becomes law.

## 16 17 **STATE INFORMATION TECHNOLOGY DATA ARCHIVING**

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

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

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

## 31 32 **INFORMATION TECHNOLOGY/PRIVACY PROTECTION OF CITIZEN DATA**

33 **SECTION 7.12.** The Joint Legislative Oversight Committee on Information  
34 Technology (the Committee), in collaboration with the State Chief Information Officer (CIO),  
35 shall study establishing State requirements to safeguard the personal data of individuals  
36 collected and managed by all branches of State government. The study shall be conducted with  
37 the participation and assistance of agency CIOs selected jointly by the Committee and State  
38 CIO. The Committee may report any legislative proposals to the 2014 Regular Session of the  
39 2013 General Assembly.

## 40 41 **STATE INFORMATION TECHNOLOGY INNOVATION CENTER**

42 **SECTION 7.13.** The State Chief Information Officer (CIO) may operate a State  
43 Information Technology Innovation Center (Center) to develop and demonstrate technology  
44 solutions with potential benefit to the State and its citizens. The Center may facilitate the  
45 piloting of potential solutions to State technology requirements. In operating the Center, the  
46 State CIO shall ensure that all State laws, rules, and policies are followed. Vendor participation  
47 in the Center shall not be construed to (i) create any type of preferred status for vendors or (ii)  
48 abrogate the requirement that the State CIO ensure that agency and statewide requirements for  
49 information technology support (including those for the Office of the State CIO and the Office  
50 of Information Technology Services) are awarded based on a competitive process that follows  
51 information technology procurement guidelines. Beginning July 1, 2013, the State CIO shall

1 report to the Joint Legislative Oversight Committee on Information Technology on a quarterly  
2 basis on initiatives being developed and implemented within the Center, as well as on the  
3 sources and amounts of resources used to support the Center.  
4

#### 5 **ENTERPRISE GRANTS MANAGEMENT**

6 **SECTION 7.14.(a)** Effective August 1, 2013, the State Chief Information Officer  
7 (CIO) shall oversee the development and implementation of the enterprise grants management  
8 system. The State CIO shall review progress on the implementation of the enterprise grants  
9 management system and update the plan for its development and implementation. This plan  
10 shall include an updated inventory of current agency grants management systems and a detailed  
11 process for consolidating grants management within the State, to include a timeline for  
12 implementation. By October 1, 2013, the State CIO shall provide the updated plan to the Joint  
13 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

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

- 20 (1) Establish priorities for moving agencies to the enterprise system.
- 21 (2) Establish priorities for development and implementation of system  
22 capabilities.
- 23 (3) Define system requirements.
- 24 (4) Approve plans associated with system development and implementation.
- 25 (5) Review costs and approve funding sources for system development and  
26 implementation.
- 27 (6) Ensure any system benefits are realistic and realized.

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

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

#### 50 **ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES**

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

8           **SECTION 7.15.(b)** The State CIO shall continue to integrate executive branch  
9 agencies developing, or identifying the need to develop, electronic forms or digital signatures  
10 projects, or both. The State CIO shall also review existing electronic forms and digital  
11 signatures capabilities and develop a plan to consolidate them. The State CIO may consolidate  
12 current agency electronic forms and digital signature capabilities, and cancel ongoing projects,  
13 and may redirect the resources associated with the capabilities and projects to the enterprise  
14 electronic forms and digital signatures project. Beginning November 1, 2013, the State CIO  
15 shall submit quarterly reports on the status of the project to the Joint Legislative Oversight  
16 Committee on Information Technology and the Fiscal Research Division.

## 17 18 **VEHICLE MANAGEMENT**

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

- 27           (1) Consult with State agencies that own vehicles.
- 28           (2) Review the existing fleet management information systems used by State  
29 agencies.
- 30           (3) Examine fleet management information systems used by other state  
31 governments.
- 32           (4) Determine whether the State should (i) expand a fleet management  
33 information system currently used by a State agency for statewide use, (ii)  
34 develop a new in-house system, or (iii) purchase a new system from an  
35 outside vendor.
- 36           (5) Determine fees or other methods to pay the initial and ongoing costs for the  
37 system.

38           **SECTION 7.16.(b)** The Office of State Budget and Management shall assist and  
39 advise the Office of the State Chief Information Officer in developing the implementation plan  
40 and work with State agencies and institutions to identify funding from current and proposed  
41 projects and applications that could be used to support the development and implementation of  
42 the statewide motor fleet management system. The Office of State Controller shall assist and  
43 advise the Office of the State Chief Information Officer in developing the implementation plan  
44 for the statewide motor fleet management information system, including how the system  
45 interfaces with the statewide accounting system.

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

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

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

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

19           **SECTION 7.16.(f)** If the State Chief Information Officer determines that there is a  
20 requirement for unmanned aircraft systems for use by State or local agencies, planning may  
21 begin for the possible development, implementation, and operation of an unmanned aircraft  
22 system program within the State of North Carolina. This planning effort shall be accomplished  
23 in coordination with the Chief Information Officer for the Department of Transportation and  
24 the DOT Aviation Division Director. If the State CIO decides to plan for an unmanned aircraft  
25 system program, a proposal for the implementation of the program shall be provided by March  
26 1, 2014, to the Joint Legislative Oversight Committee on Information Technology, the Joint  
27 Transportation Legislative Oversight Committee, and the Fiscal Research Division. At a  
28 minimum, the proposal shall include the following:

- 29           (1) Governance structure to include the appropriate use at each level of  
30 government.  
31           (2) Guidelines for program implementation to include limitations on unmanned  
32 aircraft system use.  
33           (3) Potential participants.  
34           (4) Costs associated with establishing a program.  
35           (5) Potential sources of funding.  
36           (6) Issues associated with establishing a program to include limitations on  
37 entities that may already have purchased unmanned aircraft systems.  
38           (7) Recommendations for legislative proposals.

39  
40 **TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE**  
41 **PARTNERSHIP AUTHORIZED**

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

- 48           (1) The funding of the project under the arrangement comes from revenue  
49 generated by or cost savings resulting from the project.



1 (2) The funding of the project is dependent on increased-revenue or cost-savings  
2 streams that are different from the existing benefits stream for the  
3 implementation of TIMS.

4 (3) The project involves additional identified initiatives that will be integrated  
5 into the TIMS solution.

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

10 **SECTION 7.17.(c) Management/Performance Measurement.** – The Secretary of  
11 Revenue shall follow the existing model for public-private arrangement oversight and shall  
12 establish a measurement process to determine the increased revenue or cost savings attributed  
13 to the additional public-private arrangement authorized by this section. To accomplish this, the  
14 Secretary shall consult subject matter experts in the Department of Revenue, in other  
15 governmental units, and in the private sector, as necessary. At a minimum, the measurement  
16 process shall include all of the following:

17 (1) Calculation of a revenue baseline against which the increased revenue  
18 attributable to the project is measured and a cost-basis baseline against  
19 which the cost savings resulting from the project are measured.

20 (2) Periodic evaluation to determine whether the baselines need to be modified  
21 based on significant measurable changes in the economic environment.

22 (3) Monthly calculation of increased revenue and cost savings attributable to  
23 contracts executed under this section.

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

32 **SECTION 7.17.(e) Internal Costs.** – For the 2013-2015 fiscal biennium the  
33 Department of Revenue may retain an additional sum of eight million eight hundred  
34 seventy-four thousand three hundred nineteen dollars (\$8,874,319) from benefits generated for  
35 the General Fund since the beginning of the public-private partnership described under Section  
36 6A.5(a) of S.L. 2011-145. These funds shall be used as payment of internal costs for the fiscal  
37 biennium, and such funds are hereby appropriated for this purpose.

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

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

47 **SECTION 7.17.(h) Reporting.** – Beginning August 1, 2013, and quarterly  
48 thereafter, the Department of Revenue shall submit detailed written reports to the Chairs of the  
49 House of Representatives Appropriations Committee, to the Chairs of the Senate Committee on  
50 Appropriations/Base Budget, to the Joint Legislative Oversight Committee on Information

1 Technology, and to the Fiscal Research Division of the General Assembly. The report shall  
2 include an explanation of all of the following:

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

10 **SECTION 7.17.(i)** Information Technology Project Oversight. – In addition to the  
11 oversight provided by the Oversight Committee established in Section 6A.5(c) of S.L.  
12 2011-145, the additional public-private arrangement authorized by this section shall be subject  
13 to existing State information technology project oversight laws and statutes, and the project  
14 management shall comply with all statutory requirements and other criteria established by the  
15 State Chief Information Officer and the Office of State Budget and Management for  
16 information technology projects. The State Chief Information Officer and the Office of State  
17 Budget and Management shall immediately report any failure to do so to the Joint Legislative  
18 Oversight Committee on Information Technology, the Chairs of the House of Representatives  
19 and Senate Committees on Appropriations, and the Fiscal Research Division.

20 **SECTION 7.17.(j)** Section 6A.5(c) of S.L. 2011-145, as amended by Section  
21 6A.3(j) of S.L. 2012-142 reads as rewritten:

22 "**SECTION 6A.5.(c)** There is established within the Department of Revenue the Oversight  
23 Committee for reviewing and approving the benefits measurement methodology and  
24 calculation process. The Oversight Committee shall review and approve in writing all contracts,  
25 including change orders, amendments to contracts, and addendums to contracts, before they are  
26 executed under this section. This shall include (i) details of each public-private contract, (ii) the  
27 benefits from each contract, and (iii) a comprehensive forecast of the benefits of using  
28 public-private agreements to implement TIMS and the additional PDP components, including  
29 the measurement process established for the Secretary of Revenue. The Oversight Committee  
30 shall approve all of the fund transfers for this project. Within five days of entering into a  
31 contract, the Department shall provide copies of each contract and all associated information to  
32 the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House  
33 of Representatives and Senate Committees on Appropriations, and the Fiscal Research  
34 Division.

35 The members of the Committee shall include the following:

- 36 (1) ~~The State Budget Director;~~Director of the Office of State Budget and  
37 Management;
- 38 (2) The Secretary of the Department of Revenue;
- 39 (3) The State Chief Information Officer;
- 40 (4) Two persons appointed by the Governor;
- 41 (5) One member of the general public having expertise in information  
42 technology appointed by the General Assembly upon the recommendation of  
43 the Speaker of the House of Representatives; and
- 44 (6) One member of the general public having expertise in economic and revenue  
45 forecasting appointed by the General Assembly upon recommendation of the  
46 President Pro Tempore of the Senate.

47 The State Budget Director shall serve as chair of the Committee. The Committee shall set  
48 its meeting schedule and adopt its rules of operation by majority vote. A majority of the  
49 members constitutes a quorum. Vacancies shall be filled by the appointing authority.  
50 Administrative support staff shall be provided by the Department of Revenue. Members of the

1 Committee shall receive reimbursements for subsistence and travel expenses as provided by  
2 Chapter 138 of the General Statutes. The Committee shall terminate on June 30, 2018.

3 The Department shall provide copies of the minutes of each meeting and all associated  
4 information to the Joint Legislative Oversight Committee on Information Technology, the  
5 Chairs of the House of Representatives Appropriations Committee, the Chairs of the Senate  
6 Committee on Appropriations/Base Budget, and the Fiscal Research Division."  
7

## 8 **USE OF MOBILE COMMUNICATIONS DEVICES**

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

14 **SECTION 7.18.(b)** Beginning October 1, 2013, each State agency shall submit a  
15 quarterly report to the Joint Legislative Oversight Committee on Information Technology, the  
16 Fiscal Research Division, and the Office of the State Chief Information Officer (CIO) on the  
17 use of mobile electronic communications devices within the agency. The report shall include  
18 the following information:

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

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

29 **SECTION 7.18.(d)** The Office of the State CIO shall develop a policy for  
30 implementing a "bring your own device" plan for State employees. By September 1, 2013, the  
31 State CIO shall report to the Joint Legislative Oversight Committee on Information Technology  
32 and the Fiscal Research Division on how the plan is to be implemented, as well as on potential  
33 issues and costs. Following consultation with the Joint Legislative Oversight Committee on  
34 Information Technology, the State CIO may implement the "bring your own device" plan.  
35

## 36 **NEXT GENERATION SECURE DRIVER LICENSE SYSTEM**

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

- 43 (1) Original project scope, deliverables, and milestones, including descriptions  
44 of any subsequent modifications and basis for each.
- 45 (2) Contractual status and amendments.
- 46 (3) Initial and current estimated costs for system development, implementation,  
47 and maintenance.
- 48 (4) Remaining deliverables and cost to complete by phase.
- 49 (5) Any issues, including vendor performance, identified during project  
50 development and implementation and planned corrective actions for each  
51 issue.

- 1 (6) Programmatic impacts for Division of Motor Vehicles driver license  
2 services.
- 3 (7) Requirements and costs to implement a process to allow persons who are  
4 homebound to apply for or renew a special photo identification card, with a  
5 color photo, and similar in size, shape, design, and background to a drivers  
6 license, by means other than personal appearance.

7 **SECTION 7.19.(b)** In the event of any changes in the NGSDLS project status  
8 occurring after submission of the report required by subsection (a) of this section, the Chief  
9 Information Officer of the Department of Transportation shall ensure that the Joint Legislative  
10 Oversight Committee on Information Technology, the Joint Legislative Transportation  
11 Oversight Committee, and the Fiscal Research Division are notified immediately of the  
12 changes.

13  
14 **STATE TITLING AND REGISTRATION SYSTEM/STATE AUTOMATED DRIVER**  
15 **LICENSE SYSTEM/LIABILITY INSURANCE TRACKING AND ENFORCEMENT**  
16 **SYSTEM**

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

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

- 27 (1) Project scope, milestones, and anticipated business process improvements.  
28 (2) Estimated development, implementation, and maintenance costs.  
29 (3) Project status, including any modifications to the project scope or revisions  
30 to baseline cost estimates.  
31 (4) Project accomplishments and changes in status for the previous quarter.  
32 (5) Actual costs incurred, by purpose and funding source, for the previous  
33 quarter.  
34 (6) Remaining cost to complete by project phase for the next two fiscal years.  
35 (7) Any issues, including vendor performance, identified during project  
36 development and implementation and planned corrective actions.

37  
38 **GDAC/LOCAL GOVERNMENTS/OPTIONAL COLLECTION AGREEMENTS**

39 **SECTION 7.21.(a)** A city or county may enter into an interagency agreement with  
40 the Department of Revenue and the Government Data Analytics Center (GDAC) to manage the  
41 collection of outstanding unpaid parking fines and penalties. The scope and manner of such  
42 collections services shall be determined by the agreement. A county or city that exercises the  
43 option to enter into such an arrangement may agree to the following, which are required terms  
44 in the agreement with the Department of Revenue and the GDAC:

- 45 (1) That the city or county agrees to:  
46 a. Comply with State and federal law regarding data sharing, as  
47 appropriate.  
48 b. Provide for technical and business resources to support the analytics  
49 development.  
50 c. Provide for timely and responsive access to complete and accurate  
51 data, business rules, policies, and technical support.

- 1 (2) That the GDAC be given access to all required information necessary to  
2 develop and support analytics allowing the identification of the owners of  
3 vehicles with associated unpaid parking fines and penalties.

4 **SECTION 7.21.(b)** In carrying out the purposes of this section and the agreements  
5 made under its provisions, the State Controller and the GDAC shall:

- 6 (1) Ensure the security, integrity, and privacy of the data in accordance with  
7 State and federal law and as may be required by contract.  
8 (2) Leverage enterprise data sources, as allowed by State and federal law, and  
9 GDAC governance agreements, to provide analytics to integrate and match  
10 data to identify owner information associated with vehicles with unpaid  
11 parking fines and penalties.  
12 (3) Provide access to analytics reporting and information to the participating city  
13 or municipality and the Department of Revenue.  
14 (4) Provide data to the Department of Revenue for use in the withholding of tax  
15 refunds of persons that have unpaid parking fines and penalties.

16 **SECTION 7.21.(c)** The Department of Transportation, Division of Motor Vehicles,  
17 shall provide the GDAC with access to historical and current information required to identify  
18 owners associated with vehicles with unpaid parking fines and penalties.

19 **SECTION 7.21.(d)** The Department of Revenue shall (i) receive data from the  
20 GDAC associated with persons that have unpaid parking fines and penalties; (ii) withhold tax  
21 refunds for the purpose of the collection of those fines and penalties as allowed by law; and (iii)  
22 from the withholdings, pay to the appropriate city or county the amounts due.

23 **SECTION 7.21.(e)** Any fee imposed by the Department of Revenue or the GDAC  
24 to cover the administrative costs of withholding for the collection of unpaid parking fines and  
25 penalties shall be borne by the city or county and shall be negotiated as part of the agreements  
26 authorized by this section.

## 27 28 STATE PORTAL

29 **SECTION 7.22.** The State Chief Information Officer (SCIO) shall develop a plan  
30 to implement an electronic portal that makes obtaining information, conducting online  
31 transactions, and communicating with State agencies more convenient for members of the  
32 public. The SCIO shall report to the Joint Legislative Oversight Committee on Information  
33 Technology on the details of the plan prior to implementation. The plan shall contain all of the  
34 following:

- 35 (1) A detailed description for development and implementation of the portal, to  
36 include a list of anticipated applications to be implemented during the State  
37 fiscal years of 2013-2017.  
38 (2) A description of how the portal will be implemented, including the use of  
39 outside vendors, detailed information on vendor participation, and potential  
40 costs.  
41 (3) Detailed information on the anticipated total cost of ownership of the portal  
42 and any applications proposed for implementation during the State fiscal  
43 years of 2013-2017, including the amount of any payments to be made to  
44 any vendors supporting the project for each application and the portal as a  
45 whole.  
46 (4) A funding model that limits the costs to the State.  
47 (5) If outsourced, a detailed, fully executable plan to return portal operations to  
48 the State, with associated costs and a detailed analysis that demonstrates that  
49 it is more cost-effective to use a vendor than to develop an application  
50 internally.

- 1 (6) A provision requiring that any fees to support the operation of the portal  
2 must be authorized by the General Assembly.  
3

## 4 PART VIII. PUBLIC SCHOOLS

### 5 FUNDS FOR CHILDREN WITH DISABILITIES

7 **SECTION 8.1.** The State Board of Education shall allocate additional funds for  
8 children with disabilities on the basis of three thousand seven hundred forty-three dollars and  
9 forty-eight cents (\$3,743.48) per child. Each local school administrative unit shall receive funds  
10 for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and  
11 one-half percent (12.5%) of its 2013-2014 allocated average daily membership in the local  
12 school administrative unit. The dollar amounts allocated under this section for children with  
13 disabilities shall also adjust in accordance with legislative salary increments, retirement rate  
14 adjustments, and health benefit adjustments for personnel who serve children with disabilities.  
15

### 16 FUNDS FOR ACADEMICALLY GIFTED CHILDREN

17 **SECTION 8.2.** The State Board of Education shall allocate additional funds for  
18 academically or intellectually gifted children on the basis of one thousand two hundred  
19 thirty-three dollars and one cent (\$1,233.01) per child for fiscal year 2013-2014 and 2014-2015.  
20 A local school administrative unit shall receive funds for a maximum of four percent (4%) of  
21 its 2013-2014 allocated average daily membership, regardless of the number of children  
22 identified as academically or intellectually gifted in the unit. The dollar amounts allocated  
23 under this section for academically or intellectually gifted children shall also adjust in  
24 accordance with legislative salary increments, retirement rate adjustments, and health benefit  
25 adjustments for personnel who serve academically or intellectually gifted children.  
26

### 27 USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

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

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

- 39 (1) "Anticipated county property tax revenue availability" means the  
40 county-adjusted property tax base multiplied by the effective State average  
41 tax rate.  
42 (2) "Anticipated total county revenue availability" means the sum of the  
43 following:  
44 a. Anticipated county property tax revenue availability.  
45 b. Local sales and use taxes received by the county that are levied under  
46 Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of  
47 Chapter 105 of the General Statutes.  
48 c. Sales tax hold harmless reimbursement received by the county under  
49 G.S. 105-521.  
50 d. Fines and forfeitures deposited in the county school fund for the most  
51 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) Counties Containing a Base of the Armed Forces.** –  
30 Notwithstanding any other provision of this section, for the 2013-2015 fiscal biennium,  
31 counties containing a base of the Armed Forces of the United States that have an average daily  
32 membership of more than 23,000 students shall receive the same amount of supplemental  
33 funding for low-wealth counties as received in the 2012-2013 fiscal year.

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

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

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

## 50 51 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

1           **SECTION 8.4.(a)** Funds for Small School Systems for the 2013-2014 Fiscal Year.  
2 – Except as provided in subsection (g) of this section, the State Board of Education shall  
3 allocate funds appropriated for small school system supplemental funding for the 2013-2014  
4 fiscal year (i) to each county school administrative unit with an average daily membership of  
5 fewer than 3,175 students and (ii) to each county school administrative unit with an average  
6 daily membership from 3,175 to 4,000 students if the county in which the local school  
7 administrative unit is located has a county-adjusted property tax base per student that is below  
8 the State-adjusted property tax base per student and if the total average daily membership of all  
9 local school administrative units located within the county is from 3,239 to 4,080 students. The  
10 allocation formula shall do all of the following:

- 11           (1) Round all fractions of positions to the next whole position.
- 12           (2) Provide five and one-half additional regular classroom teachers in counties  
13 in which the average daily membership per square mile is greater than four  
14 and provide seven additional regular classroom teachers in counties in which  
15 the average daily membership per square mile is four or fewer.
- 16           (3) Provide additional program enhancement teachers adequate to offer the  
17 standard course of study.
- 18           (4) Change the duty-free period allocation to one teacher assistant per 400  
19 average daily membership.
- 20           (5) Provide a base for the consolidated funds allotment of at least seven hundred  
21 seventeen thousand three hundred sixty dollars (\$717,360), excluding  
22 textbooks, for the 2013-2014 fiscal year.
- 23           (6) Allot vocational education funds for grade six as well as for grades seven  
24 through 12. If funds appropriated for each fiscal year for small school  
25 system supplemental funding are not adequate to fully fund the program, the  
26 State Board of Education shall reduce the amount allocated to each county  
27 school administrative unit on a pro rata basis. This formula is solely a basis  
28 for distribution of supplemental funding for certain county school  
29 administrative units and is not intended to reflect any measure of the  
30 adequacy of the educational program or funding for public schools. The  
31 formula also is not intended to reflect any commitment by the General  
32 Assembly to appropriate any additional supplemental funds for such county  
33 administrative units.

34           **SECTION 8.4.(b)** Phase-Out Provisions for the 2013-2014 Fiscal Year. – If a local  
35 school administrative unit becomes ineligible for funding under the formula in subsection (a) of  
36 this section in the 2013-2014 fiscal year because of (i) an increase in the population of the  
37 county in which the local school administrative unit is located or (ii) an increase in the  
38 county-adjusted property tax base per student of the county in which the local school  
39 administrative unit is located, funding for that unit shall be continued for the 2013-2014 fiscal  
40 year.

41           **SECTION 8.4.(c)** Eligibility for Funds for Small School Systems for the  
42 2014-2015 Fiscal Year. – For the 2014-2015 fiscal year, if the total average daily membership  
43 of all local school administrative units located in the county is less than 3,200, the county  
44 school administrative unit within that county shall be eligible for small school system  
45 supplemental funding.

46           **SECTION 8.4.(d)** Allotment Formula for the 2014-2015 Fiscal Year. – Except as  
47 otherwise provided in subsection (g) of this section, for the 2014-2015 fiscal year, each eligible  
48 county school administrative unit shall receive a dollar allotment equal to the product of the  
49 following:

- 50           (1) A per student funding factor, equal to the product of the following:

- 1 a. One, minus the local school administrative unit's average daily
- 2 membership divided by the maximum small school system average
- 3 daily membership.
- 4 b. The maximum small school system dollars per student.
- 5 (2) The average daily membership of the eligible county school administrative
- 6 unit.

7 **SECTION 8.4.(e)** Phase-Out Provisions for the 2014-2015 Fiscal Year. – If a local  
8 school administrative unit becomes ineligible for funding under the formula in subsection (d) of  
9 this section in the 2014-2015 fiscal year, funding for that unit shall be phased out over a  
10 five-year period. Funding for such local administrative units shall be reduced in equal  
11 increments in each of the five years after the local administrative unit becomes ineligible.  
12 Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes  
13 ineligible.

14 Allotments for eligible local school administrative units shall not be reduced by  
15 more than twenty percent (20%) of the amount received in fiscal year 2013-2014 in any fiscal  
16 year.

17 **SECTION 8.4.(f)** Maximum Allotments for the 2014-2015 Fiscal Year. – For the  
18 2014-2015 fiscal year, the maximum small school system dollars per student shall be two  
19 thousand ninety-four dollars (\$2,094).

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

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

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

36 **SECTION 8.4.(h)** Definitions. – As used in this section, the following definitions  
37 apply for the 2013-2014 fiscal year:

- 38 (1) "Average daily membership" means within two percent (2%) of the average
- 39 daily membership as defined in the North Carolina Public Schools Allotment
- 40 Policy Manual adopted by the State Board of Education.
- 41 (2) "County-adjusted property tax base per student" means the total assessed
- 42 property valuation for each county, adjusted using a weighted average of the
- 43 three most recent annual sales assessment ratio studies, divided by the total
- 44 number of students in average daily membership who reside within the
- 45 county.
- 46 (3) "Sales assessment ratio studies" means sales assessment ratio studies
- 47 performed by the Department of Revenue under G.S. 105-289(h).
- 48 (4) "State-adjusted property tax base per student" means the sum of all
- 49 county-adjusted property tax bases divided by the total number of students in
- 50 average daily membership who reside within the State.

- 1 (5) "Weighted average of the three most recent annual sales assessment ratio  
2 studies" means the weighted average of the three most recent annual sales  
3 assessment ratio studies in the most recent years for which county current  
4 expense appropriations and adjusted property tax valuations are available. If  
5 real property in a county has been revalued one year prior to the most recent  
6 sales assessment ratio study, a weighted average of the two most recent sales  
7 assessment ratios shall be used. If property has been revalued during the year  
8 of the most recent sales assessment ratio study, the sales assessment ratio for  
9 the year of revaluation shall be used.

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

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

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

#### 20 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

21 **SECTION 8.5.(a)** Funds appropriated for disadvantaged student supplemental  
22 funding shall be used, consistent with the policies and procedures adopted by the State Board of  
23 Education, only to:  
24

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

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

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

- 42 (1) For counties with wealth greater than ninety percent (90%) of the statewide  
43 average, a ratio of 1:19.9.  
44 (2) For counties with wealth not less than eighty percent (80%) and not greater  
45 than ninety percent (90%) of the statewide average, a ratio of 1:19.4.  
46 (3) For counties with wealth less than eighty percent (80%) of the statewide  
47 average, a ratio of 1:19.1.  
48 (4) For local school administrative units receiving DSSF funds in fiscal year  
49 2005-2006, a ratio of 1:16. These local school administrative units shall  
50 receive no less than the DSSF amount allotted in fiscal year 2006-2007.

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

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

#### 7 **BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION**

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

#### 15 **LITIGATION RESERVE FUNDS**

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

#### 19 **UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

20 **SECTION 8.8.(a)** Funds appropriated for the Uniform Education Reporting  
21 System (UERS) shall not revert at the end of the 2012-2013 fiscal year. Funds appropriated for  
22 UERS for the 2013-2015 fiscal biennium shall not revert at the end of each fiscal year but shall  
23 remain available until expended.

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

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

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

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

#### 31 **NC CENTER FOR THE ADVANCEMENT OF TEACHING**

32 **SECTION 8.10.** It is the intent of the General Assembly to systematically review  
33 the North Carolina Center for the Advancement of Teaching (NCCAT). This review is intended  
34 to assist the General Assembly in determining whether to continue, reduce, or eliminate  
35 funding for the program. NCCAT shall report the following information to the Fiscal Research  
36 Division no later than February 1, 2014:

- 37 (1) A description of the program's mission, goals, and objectives.
  - 38 (2) An examination of the program's governance structure and an assessment of  
39 whether the existing governance structure adequately supports the program's  
40 mission, goals, and objectives.
  - 41 (3) The extent to which NCCAT's fund, agency, division, and program  
42 objectives complement General Assembly policies in the areas of digital  
43 learning and early grades literacy.
  - 44 (4) Performance measures for determining whether the program is meeting its  
45 mission, goals, and objectives.
- 46  
47  
48  
49  
50

- 1 (5) Recommendations for statutory, budgetary, or administrative changes  
2 needed to improve the efficiency and effectiveness of the program.  
3

#### 4 SCHOOL BUS REPLACEMENT

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

6 "**§ 115C-249. Purchase and maintenance of school buses, materials and supplies.**

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

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

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

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

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

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

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

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

40 (c3) A local school administrative unit shall receive an incentive payment of two  
41 thousand dollars (\$2,000) at the beginning of each school year for each bus that it continues to  
42 operate although the bus is eligible for replacement, until the bus is 23 years old by model year.  
43 The local school administrative unit may use these bonus funds for the additional maintenance  
44 costs of operating buses with higher mileage or for any other school purpose.

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

50 (e) It shall be the duty of the county board of education to provide adequate buildings  
51 and equipment for the storage and maintenance of all school buses and service vehicles owned

1 or operated by the board of education of any local school administrative unit in such county. It  
2 shall be the duty of the tax-levying authorities of such county to provide in its capital outlay  
3 budget for the construction or acquisition of such buildings and equipment as may be required  
4 for this purpose.

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

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

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

26 **SECTION 8.11.(b)** For the 2013-2015 fiscal biennium only, State funds shall be  
27 used, at the request of the local school administrative unit, to replace (i) all buses that are 20  
28 years old by model year and (ii) all other buses eligible for replacement under G.S. 115C-249,  
29 as rewritten by subsection (a) of this section.  
30

### 31 **EVAAS SCHOOL PERFORMANCE GRADES**

32 **SECTION 8.13.** The State Board of Education shall not be subject to the  
33 requirements of Section 7.7(c) of this act for the development of school performance scores and  
34 grades in accordance with G.S. 115C-12(9)c1.  
35

### 36 **LEA BUDGETARY FLEXIBILITY**

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

#### 38 **"§ 115C-105.25. Budget flexibility.**

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

42 (b) Subject to the following limitations, local boards of education may transfer and may  
43 approve transfers of funds between funding allotment categories:

44 (1) ~~In accordance with a school improvement plan accepted under~~  
45 ~~G.S. 115C-105.27, State funds allocated for teacher assistants may be~~  
46 ~~transferred only for personnel (i) to serve students only in kindergarten~~  
47 ~~through third grade, or (ii) to serve students primarily in kindergarten~~  
48 ~~through third grade when the personnel are assigned to an elementary school~~  
49 ~~to serve the whole school. Funds allocated for teacher assistants may be~~  
50 ~~transferred to reduce class size or to reduce the student teacher ratio in~~  
51 ~~kindergarten through third grade so long as the affected teacher assistant~~

1 positions are not filled when the plan is amended or approved by the  
2 building level staff entitled to vote on the plan or the affected teacher  
3 assistant positions are not expected to be filled on the date the plan is to be  
4 implemented. Any State funds appropriated for teacher assistants that were  
5 converted to certificated teachers before July 1, 1995, in accordance with  
6 Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter  
7 103 of the 1993 Session Laws, may continue to be used for certificated  
8 teachers.

9 (1a) Funds for children with disabilities, career and technical education, and other  
10 purposes may be transferred only as permitted by federal law and the  
11 conditions of federal grants or as provided through any rules that the State  
12 Board of Education adopts to ensure compliance with federal regulations.

13 ~~(2) In accordance with a school improvement plan accepted under~~  
14 ~~G.S. 115C 105.27, (i) State funds allocated for classroom~~  
15 ~~materials/instructional supplies/equipment may be transferred only for the~~  
16 ~~purchase of textbooks; (ii) State funds allocated for textbooks may be~~  
17 ~~transferred only for the purchase of instructional supplies, instructional~~  
18 ~~equipment, or other classroom materials; and (iii) State funds allocated for~~  
19 ~~noninstructional support personnel may be transferred only for teacher~~  
20 ~~positions.~~

21 ~~(2a) Up to three percent (3%) of State funds allocated for noninstructional~~  
22 ~~support personnel may be transferred for staff development.~~

23 (3) No funds shall be transferred into the central office administration allotment  
24 category.

25 (4) ~~Funds allocated for children with disabilities, for students with limited~~  
26 ~~English proficiency, and for driver's education shall not be transferred.~~

27 (5) ~~Funds allocated for classroom teachers may be transferred only for teachers~~  
28 ~~of exceptional children, for teachers of at risk students, and for authorized~~  
29 ~~purposes under the textbooks allotment category and the classroom~~  
30 ~~materials/instructional supplies/equipment allotment category.~~

31 (5a) Positions allocated for classroom teachers may be converted to dollar  
32 equivalents to contract for visiting international exchange teachers. These  
33 positions shall be converted at the statewide average salary for classroom  
34 teachers, including benefits. The converted funds shall be used only to cover  
35 the costs associated with bringing visiting international exchange teachers to  
36 the local school administrative unit through a State-approved visiting  
37 international exchange teacher program and supporting the visiting exchange  
38 teachers.

39 (5b) Except as provided in subdivision (5a) of this subsection, positions allocated  
40 for classroom teachers and instructional support personnel may be converted  
41 to dollar equivalents for any purpose authorized by the policies of the State  
42 Board of Education. These positions shall be converted at the salary on the  
43 first step of the "A" Teachers Salary Schedule. Certified position allotments  
44 shall not be transferred to dollars to hire the same type of position.

45 (5c) Funds allocated for school building administration may be converted for any  
46 purpose authorized by the policies of the State Board of Education. For  
47 funds related to principal positions, the salary transferred shall be based on  
48 the first step of the Principal III Salary Schedule. For funds related to  
49 assistant principal months of employment, the salary transferred shall be  
50 based on the first step of the Assistant Principal Salary Schedule. Certified



- 1 position allotments shall not be transferred to dollars to hire the same type of  
 2 position.
- 3 (6) ~~Funds allocated for vocational education may be transferred only in~~  
 4 ~~accordance with any rules that the State Board of Education considers~~  
 5 ~~appropriate to ensure compliance with federal regulations.~~
- 6 (7) ~~Funds allocated for career development shall be used in accordance with~~  
 7 ~~Section 17.3 of Chapter 324 of the 1995 Session Laws.~~
- 8 (8) ~~Funds allocated for academically or intellectually gifted students may be~~  
 9 ~~used only (i) for academically or intellectually gifted students; (ii) to~~  
 10 ~~implement the plan developed under G.S. 115C 150.7; or (iii) in accordance~~  
 11 ~~with an accepted school improvement plan, for any purpose so long as that~~  
 12 ~~school demonstrates it is providing appropriate services to academically or~~  
 13 ~~intellectually gifted students assigned to that school in accordance with the~~  
 14 ~~local plan developed under G.S. 115C 150.7.~~
- 15 (9) ~~Funds allocated in the Alternative Schools/At Risk Student allotment shall~~  
 16 ~~be spent only for alternative learning programs, at risk students, and school~~  
 17 ~~safety programs.~~
- 18 (10) Funds to carry out the elements of the Excellent Public Schools Act that are  
 19 contained in Section 7A.1 of S.L. 2012-142 shall not be transferred.
- 20 (c) To ensure that parents, educators, and the general public are informed on how State  
 21 funds have been used to address local educational priorities, each local school administrative  
 22 unit shall publish the following information on its Web site by October 15 of each year:
- 23 (1) A description of each program report code, written in plain English, and a  
 24 summary of the prior fiscal year's expenditure of State funds within each  
 25 program report code.
- 26 (2) A description of each object code within a program report code, written in  
 27 plain English, and a summary of the prior fiscal year's expenditure of State  
 28 funds for each object code.
- 29 (3) A description of each allotment transfer that increased or decreased the  
 30 initial allotment amount by more than five percent (5%) and the educational  
 31 priorities that necessitated the transfer."

### RESIDENTIAL SCHOOLS

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

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

### EXCELLENT PUBLIC SCHOOLS ACT/SUMMER READING CAMPS

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

### PARTICIPATION IN COMMUNITIES IN SCHOOLS LEARNING INITIATIVE

50 **SECTION 8.17.(a)** The purpose of the Harvard University Reads for Summer  
 51 Learning Initiative, which is conducted in concert with Communities In Schools of North

1 Carolina, Inc. (CISNC), is to help at-risk children in grades two through four read at grade level  
2 by the fourth grade and to maintain their reading competency. Students who are enrolled in this  
3 initiative shall be exempt from mandatory retention requirements set out in G.S. 115C-83.7 and  
4 G.S. 115C-238.29F. Any student participating in this initiative and in need of more intensive  
5 intervention shall, however, be placed in a summer reading program as determined by the local  
6 school administrative unit and as approved by the child's parent or guardian.

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

10 **SECTION 8.17.(c)** Subsection (a) of this section expires at the end of the  
11 2014-2015 school year.

## 12 **INSTRUCTIONAL IMPROVEMENT SYSTEM**

13 **SECTION 8.18.(a)** It is the intent of the General Assembly that the optional  
14 portions of the Home Base Instructional Improvement System (System) shall be  
15 receipt-supported. The State Board of Education shall establish a cost not to exceed four dollars  
16 (\$4.00) per average daily membership for local school administrative units and charter schools  
17 that elect to participate in the optional portions of the System. A local school administrative  
18 unit or charter school may identify budget reductions to State Public School Fund allotments to  
19 cover the required payment.

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

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

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

## 28 **STUDY OF GPA CALCULATIONS**

29 **SECTION 8.19.** The Joint Legislative Education Oversight Committee shall study  
30 the State Board of Education's policy on calculating the weighted grade point average and class  
31 rank on high school transcripts, especially the proper weights for courses taken through  
32 community colleges, independent colleges, and universities. The Committee shall report the  
33 results of its study to the General Assembly prior to the convening of the 2014 Regular Session  
34 of the 2013 General Assembly.

## 35 **REGIONAL SCHOOL BOARDS**

36 **SECTION 8.20.** G.S. 115C-238.63(a) reads as rewritten:

37 "(a) Appointment. – A board of directors for a regional school shall consist of the  
38 following members. Appointed members of the board of directors shall be selected for their  
39 interest in and commitment to the importance of public education to regional economic  
40 development and to the purposes of the regional school.

41 (1) Local boards of education. – Each participating unit shall appoint one  
42 member to the board of directors from among the membership of the local  
43 board of education. Members appointed by local boards of education shall  
44 serve terms of four years.

45 (2) Local superintendents. – The local superintendent of the local school  
46 administrative unit identified as the finance agent for the regional school  
47 shall serve as an ex officio member of the board of directors. One additional  
48 superintendent shall be selected from among the superintendents of the  
49  
50  
51

1 participating units by those superintendents. The additional superintendent  
 2 shall serve an initial term of two years. Subsequent appointees shall serve a  
 3 term of four years.

- 4 (3) ~~Economic development region. Business community. – The Economic~~  
 5 ~~Development Regional Partnership for the economic development region~~  
 6 ~~board of directors for the chamber of commerce of the county in which the~~  
 7 ~~regional school is located located, in consultation with the North Carolina~~  
 8 ~~Economic Developers Association, shall appoint at least three members as~~  
 9 ~~representatives of the business community. At least fifty percent (50%) of~~  
 10 ~~the members of the board of directors for the regional school shall be~~  
 11 ~~representatives of the business community appointed in accordance with this~~  
 12 ~~subdivision. At least one of the appointees shall be a resident of the county~~  
 13 ~~in which the regional school is located. The appointees shall serve an initial~~  
 14 ~~term of two years. Subsequent appointees shall serve a term of four years.~~  
 15 (4) Parent Advisory Council. – The Parent Advisory Council established by  
 16 G.S. 115C-238.69 shall appoint a member to the board of directors from  
 17 among the Council membership. The member appointed by the Council shall  
 18 serve a term of four years or until the child of the parent no longer attends  
 19 the regional school.  
 20 (5) Higher education partners. – Any institution of higher education partner may  
 21 appoint a representative of the institution of higher education to serve as an  
 22 ex officio member of the board of directors."  
 23

## 24 **TEACH FOR AMERICA EXPANSION AND NC TEACHER CORPS**

25 **SECTION 8.21.(a)** Teach for America, Inc. (TFA), shall use a portion of the funds  
 26 available to it for the 2013-2015 fiscal biennium to recruit, train, support, and retain teachers to  
 27 work in the North Carolina public schools. TFA shall leverage State funds to raise additional  
 28 funding to achieve the purposes set out in this section and shall expand its current programs and  
 29 initiate new programs as follows:

- 30 (1) TFA shall establish a program in the Piedmont Triad region (the area within  
 31 and surrounding the three major cities of Greensboro, Winston-Salem, and  
 32 High Point) and expand its current program in the southeast region of the  
 33 State. TFA shall establish the following goals for the number of teacher  
 34 candidates accepted to these programs:  
 35 a. In the Piedmont Triad region, at least 50 candidates who will be  
 36 recruited in the 2013-2014 school year to begin teaching in the  
 37 2014-2015 school year.  
 38 b. In the southeast region of the State, at least 50 candidates to begin  
 39 teaching in the 2013-2014 school year.  
 40 c. Combined for the southeast and northeast regions of the State, a total  
 41 of at least 175 candidates beginning with the 2013-2014 school year.  
 42 (2) TFA shall develop and establish a new program, Teach Back Home, to  
 43 increase the recruitment of candidates who are residents of North Carolina.  
 44 (3) TFA shall develop and establish two new programs, Teach Beyond Two and  
 45 Make it Home, to increase the number of candidates who remain working in  
 46 North Carolina public schools beyond their initial two-year TFA  
 47 commitment by developing innovative strategies to work with both TFA  
 48 participants and local school administrators and board of education members  
 49 to extend the service commitment of TFA participants.  
 50 (4) TFA shall increase targeted recruitment efforts of candidates who are (i)  
 51 working in areas related to STEM education, (ii) mid-career level and lateral

1 entry industry professionals, and (iii) veterans of the United States Armed  
2 Forces.

3 **SECTION 8.21.(b)** By March 1, 2014, and by January 1, 2015, and annually  
4 thereafter, TFA shall report to the Joint Legislative Education Oversight Committee on the  
5 operation of its programs under subsection (a) of this section, including at least all of the  
6 following information:

- 7 (1) The total number of applications received nationally from candidates  
8 seeking participation in the program.
- 9 (2) The total number of applications received from candidates who are residents  
10 of North Carolina and information on the source of these candidates,  
11 including the number of (i) recent college graduates and the higher  
12 institution the candidates attended, (ii) mid-career level and lateral entry  
13 industry professionals, and (iii) veterans of the United States Armed Forces.
- 14 (3) The total number of North Carolina candidates accepted by TFA.
- 15 (4) The total number of accepted candidates placed in North Carolina, including  
16 the number of accepted candidates who are residents of North Carolina.
- 17 (5) The regions in which accepted candidates have been placed, the number of  
18 candidates in each region, and the number of students impacted by  
19 placement in those regions.
- 20 (6) Success of recruitment efforts, including the Teach Back Home program and  
21 targeting of candidates who are (i) working in areas related to STEM  
22 education, (ii) mid-career level and lateral entry industry professionals, and  
23 (iii) veterans of the United States Armed Forces.
- 24 (7) Success of retention efforts, including the Teach Beyond Two and Make it  
25 Home programs, and the percentage of accepted candidates working in their  
26 placement communities beyond the initial TFA two-year commitment period  
27 and the number of years those candidates teach beyond the initial  
28 commitment.
- 29 (8) A financial accounting of how the State funds appropriated to TFA were  
30 expended in the previous year, including at least the following information:
  - 31 a. Funds expended by region of the State.
  - 32 b. Details on program costs, including at least the following:
    - 33 1. Recruitment, candidate selection, and placement.
    - 34 2. Preservice training and preparation costs.
    - 35 3. Operational and administrative costs, including development  
36 and fundraising, alumni support, management costs, and  
37 marketing and outreach.
  - 38 c. Funds received through private fundraising, specifically by sources  
39 in each region of the State.

40 **SECTION 8.21.(c)** Effective July 1, 2014, G.S. 115C-296.7 is amended by adding  
41 a new subsection to read:

42 "(h) The State Board of Education is authorized to contract for the administration of the  
43 NC Teacher Corps."

44 **SECTION 8.21.(c1)** The State Board of Education shall enter into a contract,  
45 effective July 1, 2014, with Teach for America, Inc., (TFA) to administer provisions of  
46 G.S. 115C-296.7. The contract shall require that TFA make publicly available all documents  
47 related to the execution of this program and the expenditure of State funds.

48 **SECTION 8.21.(d)** Beginning with the 2014-2015 fiscal year, TFA shall use a  
49 portion of the funds available to it to administer the NC Teacher Corps program in accordance  
50 with subsection (c1) of this section. TFA may also use a portion of the funds available to it for  
51 the 2013-2014 fiscal year to recruit a cohort of NC Teacher Corps members for the 2014-2015

1 school year. TFA shall include information regarding the operation of the NC Teacher Corps in  
2 its annual report to the Joint Legislative Education Oversight Committee by January 1, 2015,  
3 and annually thereafter, as required under subsection (b) of this section.

4 **SECTION 8.21.(e)** TFA shall submit quarterly updates on the information  
5 contained in the annual report required by this section to the offices of the President Pro  
6 Tempore of the Senate and the Speaker of the House of Representatives, the Chairs of the  
7 Senate Appropriations/Base Budget Committee, the House Appropriations Committee, the  
8 Senate Appropriations Committee on Education/Higher Education, the House Appropriations  
9 Subcommittee on Education, and the Fiscal Research Division.

10 **SECTION 8.21.(f)** The State Board of Education shall provide ongoing support  
11 through coaching, mentoring, and continued professional development to NC Teacher Corps  
12 members who were placed in North Carolina public schools in accordance with  
13 G.S. 115C-296.7 for the 2012-2013 and 2013-2014 school years.  
14

#### 15 **PHASE OUT CERTAIN TEACHER SALARY SUPPLEMENTS**

16 **SECTION 8.22.** Notwithstanding Section 35.11 of this act, no teachers or  
17 instructional support personnel, except for certified school nurses and instructional support  
18 personnel in positions for which a master's degree is required for licensure, shall be paid on the  
19 "M" salary schedule or receive a salary supplement for academic preparation at the six-year  
20 degree level or at the doctoral degree level for the 2014-2015 school year, unless they were  
21 paid on that salary schedule or received that salary supplement prior to the 2014-2015 school  
22 year.  
23

#### 24 **PUBLIC-PRIVATE PARTNERSHIPS FOR THE READ TO ACHIEVE PROGRAM**

25 **SECTION 8.23.** Local school administrative units shall consider the utilization of  
26 public-private partnerships in implementing the requirements of the North Carolina Read to  
27 Achieve Program. The Department of Public Instruction may recommend nonprofit  
28 organizations with expertise in literacy training in low-performing schools and the ability to  
29 leverage private resources to partner with the local school administrative units in implementing  
30 the program.  
31

#### 32 **INVESTING IN INNOVATION GRANT**

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

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

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

46 **SECTION 8.25.(d)** Research for the project shall address the effects of early  
47 college strategies in preparing students for college completion. The North Carolina New  
48 Schools Project shall report on the implementation of the grant to the State Board of Education,  
49 State Board of Community Colleges, Office of the Governor, and the Joint Legislative  
50 Education Oversight Committee no later than March 15, 2014, and annually thereafter until the  
51 end of the grant period.

**BROADEN SUCCESSFUL PARTICIPATION IN ADVANCED COURSES**

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

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

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

**"§ 115C-83.4A. Advanced courses.**

(a) It is the intent of the State to enhance accessibility and encourage students to enroll in and successfully complete more rigorous advanced courses to enable success in postsecondary education for all students. For the purposes of this section, an advanced course is an Advanced Placement or International Baccalaureate Diploma Programme course. To attain this goal, to the extent funds are made available for this purpose, students enrolled in public schools shall be exempt from paying any fees for administration of examinations for advanced courses and registration fees for advanced courses in which the student is enrolled regardless of the score the student achieves on an examination.

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

(c) The results of student diagnostic tests administered pursuant to G.S. 115C-174.18 and G.S. 115C-174.22, such as the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) and ACT, shall be used to identify students who are prepared or who

1 need additional work to be prepared to enroll and be successful in advanced courses. Students  
2 may also be identified for potential enrollment in advanced courses based on other criteria  
3 established by schools to increase access to those courses for their students.

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

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

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

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

20 (1) Provide professional development in the form of support and training to  
21 enable teachers of Advanced Placement courses to have the necessary  
22 content knowledge, instructional skills, and materials to prepare students for  
23 success in Advanced Placement courses and examinations and mastery of  
24 postsecondary course content.

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

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

31 (4) Provide consulting expertise and technical assistance to support  
32 implementation.

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

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

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

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

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

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

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

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

- 1           (6) Distribution of funding appropriated for advanced course testing fees and  
2           professional development by local school administrative unit and school.  
3           (7) Status and efforts of the North Carolina Advanced Placement Partnership.  
4           (8) Other trends in advanced courses and examinations."

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

6           "**§ 115C-174.18. Opportunity to take ~~Preliminary Scholastic Aptitude Test.~~Preliminary**  
7           **SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT).**

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

14          **SECTION 8.27.(d)** Of the funds appropriated to the Department of Public  
15          Instruction to implement the requirements of this section, ten million eight hundred thirty-one  
16          thousand one hundred eighty-four dollars (\$10,831,184) for the 2014-2015 fiscal year shall be  
17          used to fund fees for testing in advanced courses and one million five hundred thousand dollars  
18          (\$1,500,000) for each fiscal year shall be used by the North Carolina Advanced Placement  
19          Partnership to carry out its responsibilities as set forth in this section. Funding appropriated for  
20          professional development may be used by the State Board of Education to contract with an  
21          independent evaluator to assess the implementation and impact of advanced course programs in  
22          North Carolina. For the purposes of this section, the term "advanced courses" means an  
23          Advanced Placement or International Baccalaureate Diploma Programme course.

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

- 26           (1) Provide funds to local school administrative units to pay testing fees for  
27           advanced courses for all students.  
28           (2) Provide funds to the North Carolina Advanced Placement Partnership for  
29           professional development for teachers of Advanced Placement courses.

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

## 32 33 **INCREASE SUCCESSFUL CAREER AND TECHNICAL EDUCATION (CTE)** 34 **PARTICIPATION**

35          **SECTION 8.28.(a)** G.S. 115C-12 is amended by adding a new subdivision to read:

36          "(41) To Establish Career and Technical Education Incentives. – The State Board  
37          of Education shall establish, implement, and determine the impact of a  
38          career and technical education incentive program as provided under  
39          G.S. 115C-156.2."

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

42          "**§ 115C-156.2. Industry certifications and credentials program.**

43          (a) It is the intent of the State to encourage students to enroll in and successfully  
44          complete rigorous coursework and credentialing processes in career and technical education to  
45          enable success in the workplace. To attain this goal, to the extent funds are made available for  
46          this purpose, students shall be supported to earn approved industry certifications and  
47          credentials.

- 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.



(2) Each school year, at such time as agreed to by the Department of Commerce and the State Board of Education, the Department of Commerce shall provide the State Board of Education with a list of those occupations in high need of additional skilled employees. If the occupations identified in such list are not substantially the same as those occupations identified in the list from the prior year, reasonable notice of such changes shall be provided to local school administrative units.

(3) Local school administrative units shall consult with their local industries, employers, and workforce development boards to identify industry certification and credentials that the local school administrative unit may offer to best meet State and local workforce needs.

(b) Beginning in 2014, the State Board of Education shall report to the Joint Legislative Education Oversight Committee by September 1 of each year on the number of students in career and technical education courses who earned (i) community college credit and (ii) related industry certifications and credentials."

**SECTION 8.28.(c)** This section applies beginning with the 2013-2014 school year.

## **OPPORTUNITY SCHOLARSHIPS**

**SECTION 8.29.(a)** Article 39 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 2A. Scholarship Grants.

### **"§ 115C-562.1. Definitions.**

The following definitions apply in this Part:

(1) Authority. – The State Education Assistance Authority.

(2) Eligible students. – A student who has not yet received a high school diploma and who meets all of the following requirements:

a. Meets one of the following criteria:

1. Was a full-time student assigned to and attending a public school pursuant to G.S. 115C-366 during the previous semester.

2. Received a scholarship grant during the previous school year.

3. Is entering either kindergarten or the first grade.

4. Is a child in foster care as defined in G.S. 131D-10.2(9).

5. Is a child whose adoption decree was entered not more than one year prior to submission of the scholarship grant application.

b. Resides in a household with an income level not in excess of one hundred thirty-three percent (133%) of the amount required for the student to qualify for the federal free or reduced-price lunch program.

(3) Division. – The Division of Nonpublic Education, Department of Administration.

(4) Local school administrative unit. – A local school administrative unit, charter school, or regional school.

(5) Nonpublic school. – A school that meets the requirements of Part 1 or Part 2 of this Article as identified by the Division.

(6) Scholarship grants. – Grants awarded annually by the Authority to eligible students.

### **"§ 115C-562.2. Scholarship grants.**

(a) The Authority shall make available no later than February 1 annually applications to eligible students for the award of scholarship grants to attend any nonpublic school.

1 Information about scholarship grants and the application process shall be made available on the  
2 Authority's Web site. Beginning March 1, the Authority shall begin awarding scholarship  
3 grants according to the following criteria:

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

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

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

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

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

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

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

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

40 **§ 115C-562.3. Verification of eligibility.**

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

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

1 "§ 115C-562.4. Identification of nonpublic schools and distribution of scholarship grant  
2 information.

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

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

12 "§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving  
13 scholarship grants.

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

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

18 (2) Conduct a criminal background check for the staff member with the highest  
19 decision-making authority, as defined by the bylaws, articles of  
20 incorporation, or other governing document, to ensure that person has not  
21 been convicted of any crime listed in G.S. 115C-332.

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

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

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

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

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

45 (c) A nonpublic school enrolling more than 25 students whose tuition and fees are paid  
46 in whole or in part with a scholarship grant shall report to the Authority on the aggregate  
47 standardized test performance of eligible students. Aggregate test performance data reported to  
48 the Authority which does not contain personally identifiable student data shall be a public  
49 record under Chapter 132 of the General Statutes. Test performance data may be shared with  
50 public or private institutions of higher education located in North Carolina and shall be

1 provided to an independent research organization selected by the Authority for research  
2 purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.

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

10 **"§ 115C-562.6. Scholarship endorsement.**

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

21 **"§ 115C-562.7. Authority reporting requirements.**

22 (a) The Authority shall report to the Department of Public Instruction annually, no later  
23 than September 1, the number and names of students who have received scholarship grants for  
24 the current school year and who were enrolled the prior semester in a local school  
25 administrative unit by the previously attended local school administrative unit. By September  
26 15 of each year, the State Board of Education shall determine the amount of the reduction for  
27 each local school administrative unit by multiplying the students who have received scholarship  
28 grants for the current school year and who were enrolled the prior semester in a local school  
29 administrative unit by the per pupil allocation for average daily membership from the local  
30 school administrative unit. Local school administrative units shall identify to the Department of  
31 Public Instruction the reductions to State General Fund appropriations for Opportunity  
32 Scholarships by October 1 of each year.

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

35 (1) Total number, grade level, race, ethnicity, and sex of eligible students  
36 receiving scholarship grants.

37 (2) Total amount of scholarship grant funding awarded.

38 (3) Number of students previously enrolled in local school administrative units  
39 or charter schools in the prior semester by the previously attended local  
40 school administrative unit or charter school.

41 (4) Nonpublic schools in which scholarship grant recipients are enrolled,  
42 including numbers of scholarship grant students at each nonpublic school.

43 (5) Nonpublic schools deemed ineligible to receive scholarships.

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

46 (1) Learning gains or losses of students receiving scholarship grants. The report  
47 shall include learning gains of participating students on a statewide basis and  
48 shall compare, to the extent possible, the learning gains or losses of eligible  
49 students by nonpublic school to the statewide learning gains or losses of  
50 public school students with similar socioeconomic backgrounds, using

1 aggregate standardized test performance data provided to the Authority by  
 2 nonpublic schools and by the Department of Public Instruction.

- 3 (2) Competitive effects on public school performance on standardized tests as a  
 4 result of the scholarship grant program. The report shall analyze the impact  
 5 of the availability of scholarship grants on public school performance on  
 6 standardized tests by local school administrative units to the extent possible,  
 7 and shall provide comparisons of the impact by geographic region and  
 8 between rural and urban local school administrative units.

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

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

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

23 ...

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

30 ...."

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

32 **"§ 115C-555. Qualification of nonpublic schools.**

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

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

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

45 **"§ 116-204. Powers of Authority.**

46 The Authority is hereby authorized and empowered:

47 ...

- 48 (11) To administer the awarding of scholarship grants to students attending  
 49 nonpublic schools as provided in Part 2A of Article 39 of Chapter 115C of  
 50 the General Statutes."

1           **SECTION 8.29.(e)** Notwithstanding the awards criteria in G.S. 115C-562.2(a)(1)  
2 and (2), as enacted by this section, and the definition of eligible student in G.S. 115C-562.1(2),  
3 as enacted by this section, for the 2014-2015 school year, to be eligible to receive a scholarship  
4 grant, a student shall meet both of the following criteria:

- 5           (1) Reside in a household with an income level not in excess of the amount  
6           required for the student to qualify for the federal free or reduced-price lunch  
7           program.
- 8           (2) Be a full-time student who has not yet received a high school diploma and is  
9           assigned to and attending a public school pursuant to G.S. 115C-366 during  
10          the 2014 spring semester.

11          The Authority shall establish temporary rules and regulations for the administration  
12 and awarding of scholarship grants in 2014-2015, which may include a process for awarding  
13 grants using a random lottery system.

14          **SECTION 8.29.(f)** The Authority may retain up to four hundred thousand dollars  
15 (\$400,000) annually for administrative costs associated with the scholarship grant program.

16          **SECTION 8.29.(g)** The Authority shall select an independent research  
17 organization, as required by G.S. 115C-562.7, as enacted by this section, beginning with the  
18 2017-2018 school year. The first learning gains report required by G.S. 115C-562.7, as enacted  
19 by this section, shall not be due until December 1, 2018. The first financial review for a  
20 nonpublic school that accepts scholarship grant funds, as required by G.S. 115C-562.5(a)(6), as  
21 enacted by this section, shall not be required until the 2015-2016 school year.

22          **SECTION 8.29.(h)** This section applies beginning with the 2014-2015 school year.  
23 In accordance with G.S. 115C-562.2, as enacted by this section, the Authority shall make  
24 applications available for the 2014-2015 school year no later than February 1, 2014, and shall  
25 begin awarding grants no later than March 1, 2014. Information about scholarship grants and  
26 the application process shall be made available on the Authority's Web site. In accordance with  
27 G.S. 115C-562.4, as enacted by this section, the Division of Nonpublic Education, Department  
28 of Administration, shall make available to the Authority a list of all nonpublic schools  
29 operating in the State that meet the requirements of Part 1 or Part 2 of Article 39 of Chapter  
30 115C of the General Statutes no later than February 1, 2014.

31  
32          **REPEAL REQUIREMENT THAT SCHOOLS PROVIDE READING WORKSHOPS  
33 FOR PARENTS OF STUDENTS WHO HAVE BEEN RETAINED**

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

35  
36          **TASK FORCE TO STUDY TEACHER AND SCHOOL ADMINISTRATOR  
37 EFFECTIVENESS AND COMPENSATION**

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

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

- 42          (1) Nine members appointed by the Speaker of the House of Representatives as  
43          follows:
  - 44               a. Four persons who are members of the House of Representatives at  
45               the time of appointment, at least two of whom represent the minority  
46               party.
  - 47               b. A representative of the Department of Public Instruction.
  - 48               c. A classroom teacher, as recommended by the North Carolina  
49               Association of Educators.
  - 50               d. A school principal, as recommended by the North Carolina  
51               Association of School Administrators.

- 1 e. A representative of a North Carolina institution of higher education  
2 that offers a teacher education program and a master's degree  
3 program in education or school administration.  
4 f. A representative from the Professional Educators of North Carolina.  
5 (2) Nine members appointed by the President Pro Tempore of the Senate as  
6 follows:  
7 a. Four persons who are members of the Senate at the time of  
8 appointment, at least two of whom represent the minority party.  
9 b. A parent of a public school student.  
10 c. Two classroom teachers.  
11 d. A school system superintendent or public school principal.  
12 e. A local school board member.

13 The Task Force shall have two cochairs, one designated by the President Pro  
14 Tempore of the Senate and one designated by the Speaker of the House of Representatives  
15 from among their appointees. The Task Force shall meet upon the call of the cochairs.  
16 Vacancies shall be filled by the appointing authority. A quorum of the Task Force shall be a  
17 majority of the members.

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

- 23 (1) Alternatives to or simplification of the current teacher and school principal  
24 salary schedules, including the need for "hold harmless" options or a choice  
25 in compensation structure to avoid reduction in pay for current educators.  
26 (2) Incorporating the feedback of educators in order to maximize buy-in.  
27 (3) The integration of school-level performance measures in an alternative  
28 compensation system.  
29 (4) Whether local school administrative units may create their own customized  
30 alternative compensation systems in lieu of or in addition to a statewide  
31 system, including necessary parameters such as funding flexibility and  
32 guidelines for local boards of education.  
33 (5) The use of incentive pay to recruit and retain educators to teach in hard to  
34 staff areas.  
35 (6) The recognition of educator responsibilities and leadership roles such as  
36 mentoring of beginning teachers and instructional coaching.  
37 (7) Methods for identifying effective teaching and its relationship to an  
38 alternative compensation system, including:  
39 a. The correlation of student outcomes with effective teaching.  
40 b. The use of multiple teacher evaluation measures and feedback  
41 methods to recognize effective teaching such as classroom  
42 observations, student surveys, video training for teachers, and  
43 standard measures of student achievement.  
44 c. The use of multiple teacher observations, including at least one  
45 observer from outside of the teacher's school.  
46 d. The correlation to annual student growth and performance data,  
47 evaluations, effectiveness levels, and a three-year average of student  
48 growth.  
49 (8) Barriers to the implementation of alternative compensation systems.  
50 (9) Educator compensation reform in other states and North Carolina pilot  
51 programs currently utilizing alternative compensation.

1 (10) Effective strategies for retaining effective teachers.

2 **SECTION 8.31.(d)** Compensation; Administration. – Members of the Task Force  
3 shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or  
4 138-6, as appropriate. With the prior approval of the Legislative Services Commission, the  
5 Legislative Services Officer shall assign professional and clerical staff to assist in the work of  
6 the Task Force. With the prior approval of the Legislative Services Commission, the Task  
7 Force may hold its meetings in the State Legislative Building or the Legislative Office  
8 Building. The Task Force may also meet at various locations around the State in order to  
9 promote greater public participation in its deliberations. The Task Force, while in the discharge  
10 of its official duties, may exercise all the powers provided under the provisions of G.S. 120-19  
11 and G.S. 120-19.1 through G.S. 120-19.4, including the power to request all officers, agents,  
12 agencies, and departments of the State to provide any information, data, or documents within  
13 their possession, ascertainable from their records or otherwise available to them, and the power  
14 to subpoena witnesses.

15 **SECTION 8.31.(e)** Transfer of Funds. – The Department of Public Instruction  
16 shall transfer all funds appropriated in this act for the Task Force to Budget Code 11000 in the  
17 General Assembly to support its operations in accordance with the requirements of this section.

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

## 22 23 **EDUCATION AND WORKFORCE INNOVATION PROGRAM**

24 **SECTION 8.34.(a)** Chapter 115C of the General Statutes is amended by adding a  
25 new Article to read:

### 26 "Article 6C.

#### 27 "Education and Workforce Innovation Program.

#### 28 "**§ 115C-64.10. North Carolina Education and Workforce Innovation Commission.**

29 (a) There is created the North Carolina Education and Workforce Innovation  
30 Commission (Commission). The Commission shall be located administratively in the  
31 Department of Public Instruction but shall exercise all its prescribed powers independently of  
32 the Department of Public Instruction. Of the funds appropriated for the Education and  
33 Workforce Innovation Program established under G.S. 115C-64.11, up to two hundred  
34 thousand dollars (\$200,000) each fiscal year may be used by the Department of Public  
35 Instruction to provide technical assistance and administrative assistance, including staff, to the  
36 Commission and reimbursements and expenses for the Commission.

37 (b) The Commission shall consist of the following 11 members:

38 (1) The Secretary of Commerce.

39 (2) The State Superintendent of Public Instruction.

40 (3) The Chair of the State Board of Education.

41 (4) The President of The University of North Carolina.

42 (5) The President of the North Carolina Community College System.

43 (6) Two members appointed by the Governor who have experience in education.

44 (7) Two members appointed by the General Assembly upon recommendation of  
45 the Speaker of the House of Representatives, as provided in G.S. 120-121,  
46 who have experience in businesses operating in North Carolina.

47 (8) Two members appointed by the General Assembly upon the  
48 recommendation of the President Pro Tempore of the Senate, as provided in  
49 G.S. 120-121, who have experience in businesses operating in North  
50 Carolina.



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)** Article 21 of Chapter 115C of the General Statutes is amended  
17 by adding a new section to read:

#### 18 **§ 115C-316.1. Duties of school counselors.**

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

- 23 (1) Delivering the school guidance curriculum through large group guidance,  
24 interdisciplinary curriculum development, group activities, and parent  
25 workshops.
- 26 (2) Guiding individual student planning through individual or small group  
27 assistance and individual or small group advisement.
- 28 (3) Providing responsive services through consultation with students, families,  
29 and staff; individual and small group counseling; crisis counseling; referrals;  
30 and peer facilitation.
- 31 (4) Performing other student services listed in the Department of Public  
32 Instruction school counselor job description that has been approved by the  
33 State Board of Education.

34 (b) During the remainder of their work time, counselors shall spend adequate time on  
35 school counseling program support activities that consist of professional development;  
36 consultation, collaboration, and training; and program management and operations. School  
37 counseling program support activities do not include the coordination of standardized testing.  
38 However, school counselors may assist other staff with the coordination of standardized  
39 testing."

40 **SECTION 8.35.(b)** Each local board of education shall develop a transition plan  
41 for implementing subsection (a) of this section within existing resources by reassigning duties  
42 within its schools.

43 The State Board of Education shall develop and distribute guidelines to all local  
44 school administrative units to assist with the implementation of subsection (a) of this section.

### 45 46 **GRANTS FOR SCHOOL RESOURCE OFFICERS IN ELEMENTARY AND MIDDLE** 47 **SCHOOLS**

48 **SECTION 8.36.** Grants to local school administrative units, regional schools, and  
49 charter schools for school resource officers in elementary and middle schools shall be matched  
50 on the basis of two dollars (\$2.00) in State funds for every one dollar (\$1.00) in local funds and

1 shall be used to supplement and not to supplant State, local, and federal funds for school  
2 resource officers.

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

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

## 10 11 **PANIC ALARM SYSTEMS**

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

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

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

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

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

## 28 29 **SCHOOL SAFETY EXERCISES**

30 **SECTION 8.38.** Article 8C of Chapter 115C of the General Statutes is amended by  
31 adding a new section to read:

32 **"§ 115C-105.49. School safety exercises.**

33 (a) At least every two years, each local school administrative unit is encouraged to hold  
34 a full systemwide school safety and school lockdown exercise with the local law enforcement  
35 agencies that are part of the local board of education's emergency response plan. The purpose  
36 of the exercise shall be to permit participants to (i) discuss simulated emergency situations in a  
37 low-stress environment, (ii) clarify their roles and responsibilities and the overall logistics of  
38 dealing with an emergency, and (iii) identify areas in which the emergency response plan needs  
39 to be modified.

40 (b) As part of a local board of education's emergency response plan, at least once a  
41 year, each school is encouraged to hold a full schoolwide school safety and lockdown exercise  
42 with local law enforcement agencies.

## 43 44 **SCHEMATIC DIAGRAMS OF SCHOOL FACILITIES**

45 **SECTION 8.39.(a)** Beginning with the 2013-2014 school year, each local school  
46 administrative unit that currently maintains schematic diagrams of its school facilities shall  
47 provide those schematic diagrams to local law enforcement agencies. The local school  
48 administrative unit shall provide updates of the schematic diagrams to local law enforcement  
49 agencies when substantial modifications such as new facilities or modifications to doors and  
50 windows are made to school facilities. The local school administrative unit shall also provide  
51 keys to the main entrance of all school facilities to local law enforcement agencies.

1           **SECTION 8.39.(b)** Each local school administrative unit that does not currently  
2 maintain schematic diagrams of its school facilities as of the effective date of this act shall  
3 report to the Department of Public Instruction by March 1, 2014, on whether it intends to  
4 prepare schematic diagrams of its school facilities to provide to local law enforcement agencies  
5 and if any obstacles exist in preparing such schematic diagrams. Local school administrative  
6 units are encouraged to prepare schematic diagrams and provide keys to the main entrance of  
7 all school facilities to local law enforcement agencies prior to the beginning of the 2014-2015  
8 school year.

9           **SECTION 8.39.(c)** The Department of Public Instruction, in consultation with the  
10 Department of Public Safety, may develop standards and guidelines to assist local school  
11 administrative units in developing and providing schematic diagrams to local law enforcement  
12 agencies.

13           **SECTION 8.39.(d)** Schematic diagrams are not considered a public record as the  
14 term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and  
15 examination under G.S. 132-6.

## 16 17 **ANONYMOUS TIP LINE**

18           **SECTION 8.40.** Article 8C of Chapter 115C of the General Statutes is amended by  
19 adding a new section to read:

### 20 **"§ 115C-105.51. Anonymous tip lines.**

21           (a) Each local school administrative unit is encouraged to develop and operate an  
22 anonymous tip line, in coordination with local law enforcement and social services agencies, to  
23 receive anonymous information on internal or external risks to school buildings and  
24 school-related activities.

25           (b) The Department of Public Instruction, in consultation with the Department of Public  
26 Safety, may develop standards and guidelines for the development, operation, and staffing of  
27 tip lines.

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

## 30 31 **SCHOOL SAFETY COMPONENT OF SCHOOL IMPROVEMENT PLANS**

32           **SECTION 8.41.(a)** G.S. 115C-105.27, as rewritten by Section 11(a) of S.L.  
33 2013-226, reads as rewritten:

### 34 **"§ 115C-105.27. Development and approval of school improvement plans.**

35           (a) School Improvement Team. – In order to improve student performance, each school  
36 shall develop a school improvement plan that takes into consideration the annual performance  
37 goal for that school that is set by the State Board under G.S. 115C-105.35 and the goals set out  
38 in the mission statement for the public schools adopted by the State Board of Education. The  
39 principal of each school, representatives of the assistant principals, instructional personnel,  
40 instructional support personnel, and teacher assistants assigned to the school building, and  
41 parents of children enrolled in the school shall constitute a school improvement team to team.  
42 The team shall develop a school improvement plan to improve student performance.

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

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

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

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

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

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

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

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

36 The strategies for improving student performance:

- 37 (1) Shall include a plan for the use of staff development funds that may be made  
38 available to the school by the local board of education to implement the  
39 school improvement plan. The plan may provide that a portion of these  
40 funds is used for mentor training and for release time and substitute teachers  
41 while mentors and teachers mentored are meeting;
- 42 (1a) Repealed by Session Laws 2012-142, s. 7A.1(c), effective July 2, 2012.
- 43 (2) Shall include a plan to address school safety and discipline concerns;
- 44 (3) May include a decision to use State funds in accordance with  
45 G.S. 115C-105.25;
- 46 (4) Shall include a plan that specifies the effective instructional practices and  
47 methods to be used to improve the academic performance of students  
48 identified as at risk of academic failure or at risk of dropping out of school;
- 49 (5) May include requests for waivers of State laws, rules, or policies for that  
50 school. A request for a waiver shall meet the requirements of  
51 G.S. 115C-105.26;

- 1 (6) Shall include a plan to provide a duty-free lunch period for every teacher on  
2 a daily basis or as otherwise approved by the school improvement team; and  
3 (7) Shall include a plan to provide duty-free instructional planning time for  
4 every teacher under G.S. 115C-301.1, with the goal of providing an average  
5 of at least five hours of planning time per week.  
6 (8) Shall include a plan to identify and eliminate unnecessary and redundant  
7 reporting requirements for teachers and, to the extent practicable, streamline  
8 the school's reporting system and procedures, including requiring forms and  
9 reports to be in electronic form when possible and incorporating relevant  
10 documents into the student accessible components of the Instructional  
11 Improvement System.

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

20 (c1) Consideration of the School Safety Components of the Plan. – The superintendent  
21 shall review the school safety components of the school improvement plans and make written  
22 recommendations on them to the local board of education. Prior to a vote to accept a school's  
23 improvement plan in accordance with G.S. 115C-105.27(d), the local board of education shall  
24 review the school safety components of the plan for that school in closed session. The board  
25 shall make findings on the safety components of the plan. Neither the safety components of the  
26 plan nor the board's findings on the safety components of the plan shall be set out in the  
27 minutes of the board.

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

43 (e) Effective Period of the Plan. – A school improvement plan shall remain in effect for  
44 no more than two years; however, the school improvement team may amend the plan as often  
45 as is necessary or appropriate. If, at any time, any part of a school improvement plan becomes  
46 unlawful or the local board finds that a school improvement plan is impeding student  
47 performance at a school, the local board may vacate the relevant portion of the plan and may  
48 direct the school to revise that portion. The procedures set out in this subsection shall apply to  
49 amendments and revisions to school improvement plans.

50 (f) Elimination of Other Unnecessary Plans. – If a local board of education finds that a  
51 school improvement plan adequately covers another plan that the local school administrative

1 unit is otherwise required to prepare, the local school administrative unit shall not be required  
2 to prepare an additional plan on the matter.

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

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

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

14 ...

15 (8) To formulate plans by a local board of education relating to emergency  
16 response to incidents of school violence or to formulate and adopt the school  
17 safety components of school improvement plans by a local board of  
18 education or a school improvement team."

19 **SECTION 8.41.(c)** This section applies beginning with the 2013-2014 school year.  
20

## 21 CRISIS KITS

22 **SECTION 8.42.** Article 8C of Chapter 115C of the General Statutes is amended by  
23 adding a new section to read:

### 24 **"§ 115C-105.52. School crisis kits.**

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

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

## 34 SCHOOL SAFETY FOR CHARTER SCHOOLS AND REGIONAL SCHOOLS

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

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

42 Charter schools are encouraged to provide schematic diagrams and keys to the main  
43 entrance of school facilities to local law enforcement agencies, in addition to implementing the  
44 provisions in G.S. 115C-105.49(b) and G.S. 115C-105.52."

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

47 "(7a) Emergency Response Plan. – A regional school, in coordination with local  
48 law enforcement agencies, is encouraged to adopt an emergency response  
49 plan relating to incidents of school violence. These plans are not considered  
50 a public record as the term "public record" is defined under G.S. 132-1 and  
51 shall not be subject to inspection and examination under G.S. 132-6.



1 Regional schools are encouraged to provide schematic diagrams and keys to  
2 the main entrance of school facilities to local law enforcement agencies, in  
3 addition to implementing the provisions in G.S. 115C-105.49(b) and G.S.  
4 115C-105.52."  
5

## 6 EMERGENCY AND CRISIS TRAINING

7 **SECTION 8.44.** The Department of Public Safety, through the North Carolina  
8 Center for Safer Schools and in conjunction with the Department of Justice and the Department  
9 of Public Instruction, is encouraged to develop school emergency and crisis training modules  
10 for school employees and provide them to schools as soon as practicable.  
11

## 12 VOLUNTEER SCHOOL SAFETY RESOURCE OFFICER PROGRAM

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

15 "(3a) Volunteer school safety resource officer. – A person who volunteers as a  
16 school safety resource officer as provided by G.S. 162-26 or  
17 G.S. 160A-288.4."

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

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

21 ...

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

28 **SECTION 8.45.(c)** G.S. 115C-47 is amended by adding a new subdivision to read:

### 29 "§ 115C-47. Powers and duties generally.

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

32 ...

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

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

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

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

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

51 **§ 162-26. Sheriff may establish volunteer school safety resource officer program.**

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

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

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

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

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

33 **"§ 160A-288.4. Police chief may establish volunteer school safety resource officer**  
34 **program.**

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

45       (b) Each volunteer shall report to the chief of police and shall work under the direction  
46 and supervision of the chief of police or the chief's designee when carrying out the volunteer's  
47 duties as a school safety resource officer. No volunteer may be assigned to a school as a school  
48 safety resource officer until the volunteer has updated or renewed the volunteer's law  
49 enforcement training and has been certified by the North Carolina Criminal Justice Education  
50 and Training Standards Commission as meeting the educational and firearms proficiency  
51 standards required of persons serving as criminal justice officers. A volunteer is not required to

1 meet the physical standards required by the North Carolina Criminal Justice Education and  
2 Training Standards Commission but must have a standard medical exam to ensure the volunteer  
3 is in good health. A person selected by the chief of police to serve as a volunteer under this  
4 section shall have the power of arrest while performing official duties as a volunteer school  
5 safety resource officer.

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

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

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

## 29 INFORMATION TECHNOLOGY OVERSIGHT CAPACITY

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

## 29 STUDY VIRTUAL CHARTER SCHOOLS

30 **SECTION 8.48.** The State Board of Education shall study and determine needed  
31 modifications for authorization and oversight of virtual charter schools, including application  
32 requirements, enrollment growth, and funding allocations, and shall prepare these  
33 recommendations in the form of draft rules and proposed statutory changes. The State Board  
34 shall present the draft rules and the proposed statutory changes to the Joint Legislative  
35 Education Oversight Committee by February 1, 2014.

36 This section shall not be construed to affect litigation pending as of the date of the  
37 enactment of this section.  
38

## 39 PILOT PROGRAM TO RAISE THE HIGH SCHOOL DROPOUT AGE FROM 40 SIXTEEN TO EIGHTEEN

41 **SECTION 8.49.(a)** Notwithstanding G.S. 7B-1501(27), 115C-378,  
42 115C-238.66(3), 116-235(b)(2), and 143B-805(20), the State Board of Education shall  
43 authorize the Hickory Public Schools and the Newton-Conover City Schools to establish and  
44 implement a pilot program to increase the high school dropout age from 16 years of age to the  
45 completion of the school year coinciding with the calendar year in which a student reaches 18  
46 years of age, unless the student has previously graduated from high school.

47 **SECTION 8.49.(b)** Each local school administrative unit may use any funds  
48 available to it to implement the pilot program in accordance with this section to (i) employ up  
49 to three additional teachers and (ii) fund additional student-related costs, such as transportation  
50 and technology costs, including additional computers, to serve a greater number of students as a  
51 result of the pilot program. Each local school administrative unit may also use any funds

1 available to it to operate a night school program for students at risk of dropping out of high  
2 school. To the extent possible, the local school administrative units shall partner with Catawba  
3 Valley Community College in administering the pilot program.

4 **SECTION 8.49.(c)** The local school administrative units, in collaboration with the  
5 State Board of Education, shall report to the Joint Legislative Education Oversight Committee,  
6 the House Appropriations Subcommittee on Education, and the Senate Appropriations  
7 Committee on Education/Higher Education on or before January 1, 2016. The report shall  
8 include at least all of the following information:

- 9 (1) An analysis of the graduation rate in each local school administrative unit  
10 and the impact of the pilot program on the graduation rate.
- 11 (2) The teen crime statistics for Catawba County.
- 12 (3) The number of reported cases of violations of compulsory attendance laws in  
13 Catawba County and the disposition of those cases.
- 14 (4) The number of at-risk students served in any night programs established as  
15 part of the pilot program and student graduation and performance outcomes  
16 for those students.
- 17 (5) All relevant data to assist in determining the effectiveness of the program  
18 and specific legislative recommendations, including the continuation,  
19 modification, or expansion of the program statewide.

20 **SECTION 8.49.(d)** The State Board of Education shall not authorize a pilot  
21 program under subsection (a) of this section except upon receipt of a copy of a joint resolution  
22 adopted by the boards of education for the Hickory Public Schools and the Newton-Conover  
23 City Schools setting forth a date to begin establishment and implementation of the pilot  
24 program.

## 25 **PART IX. THE EXCELLENT PUBLIC SCHOOLS ACT OF 2013**

### 26 **STATE EMPLOYEE LITERACY VOLUNTEER LEAVE TIME**

27 **SECTION 9.1.** G.S. 126-4 reads as rewritten:

#### 28 **"§ 126-4. Powers and duties of State Personnel Commission.**

29 Subject to the approval of the Governor, the State Personnel Commission shall establish  
30 policies and rules governing each of the following:

- 31 ...
- 32 (5b) A leave program that allows employees to volunteer in a literacy program in  
33 a public school for up to five hours each month.

34 ...."

### 35 **MAXIMIZE INSTRUCTIONAL TIME**

36 **SECTION 9.2.(a)** G.S. 115C-174.12(a) reads as rewritten:

37 "(a) The State Board of Education shall establish policies and guidelines necessary for  
38 minimizing the time students spend taking tests administered through State and local testing  
39 programs, for minimizing the frequency of field testing at any one school, and for otherwise  
40 carrying out the provisions of this Article. These policies and guidelines shall include the  
41 following:

- 42 (1) Schools shall devote no more than two days of instructional time per year to  
43 the taking of practice tests that do not have the primary purpose of assessing  
44 current student learning;
- 45 (2) Students in a school shall not be subject to field tests or national tests during  
46 the two-week period preceding the administration of end-of-grade tests,  
47 end-of-course tests, or the school's regularly scheduled final exams; and  
48  
49  
50

1 (3) No school shall participate in more than two field tests at any one grade level  
 2 during a school year ~~unless that school volunteers, through a vote of its~~  
 3 ~~school improvement team, to participate in an expanded number of field~~  
 4 ~~tests-year.~~

5 (4) All annual assessments of student achievement adopted by the State Board  
 6 of Education pursuant to G.S. 115C-174.11(c)(1) and (3) and all final exams  
 7 for courses shall be administered within the final 10 instructional days of the  
 8 school year for year-long courses and within the final five instructional days  
 9 of the semester for semester courses. Exceptions shall be permitted to  
 10 accommodate a student's individualized education program and section 504  
 11 (29 U.S.C. § 794) plans and for the administration of final exams for courses  
 12 with national or international curricula required to be held at designated  
 13 times.

14 These policies shall reflect standard testing practices to insure reliability and validity of the  
 15 sample testing. The results of the field tests shall be used in the final design of each test. The  
 16 State Board of Education's policies regarding the testing of children with disabilities shall (i)  
 17 provide broad accommodations and alternate methods of assessment that are consistent with a  
 18 ~~child's~~ student's individualized education program and section 504 (29 U.S.C. § 794) plans, (ii)  
 19 prohibit the use of statewide tests as the sole determinant of decisions about a ~~child's~~ student's  
 20 graduation or promotion, and (iii) provide parents with information about the Statewide Testing  
 21 Program and options for ~~students~~ children with disabilities. The State Board shall report its  
 22 proposed policies and proposed changes in policies to the Joint Legislative Education Oversight  
 23 Committee prior to adoption.

24 The State Board of Education may appoint an Advisory Council on Testing to assist in  
 25 carrying out its responsibilities under this Article."

26 **SECTION 9.2.(b)** Notwithstanding the provisions of G.S. 115C-174.11(c), the  
 27 State Board of Education shall report to the Joint Legislative Education Oversight Committee  
 28 prior to the purchase and implementation of a new assessment instrument to assess student  
 29 achievement on the Common Core State Standards, including the Common Core Smarter  
 30 Balance Consortium Assessments. The State Board shall not purchase such an assessment  
 31 instrument without the enactment of legislation by the General Assembly authorizing the  
 32 purchase.

33 **SECTION 9.2.(c)** This section applies beginning with the 2013-2014 school year.

### 34 **STRENGTHEN TEACHER LICENSURE AND MODIFY LICENSURE FEES**

35 **SECTION 9.3.(a)** G.S. 115C-296, as amended by Section 5(b) of S.L. 2013-226,  
 36 reads as rewritten:

37 "**§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor**  
 38 **programs.**

39 ...

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

- 44 (1) Application for demographic or administrative changes to a ~~license,~~  
 45 ~~\$30.00, license.~~  
 46 (2) Application for a duplicate license or for copies of documents in the  
 47 licensure ~~files, \$30.00, files.~~  
 48 (3) Application for a renewal, extension, addition, upgrade, reinstatement, and  
 49 variation to a ~~license, \$55.00, license.~~  
 50

- 1           (4) Initial application for a New, In-State Approved Program Graduate,  
 2           ~~\$55.00-Graduate.~~  
 3           (5) Initial application for an Out-of-State license, \$85.00-license.  
 4           (6) All other applications, \$85.00-applications.

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

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

13           ...."

14           **SECTION 9.3.(b)** G.S. 115C-296, as amended by Section 5(b) of S.L. 2013-226,  
 15 reads as rewritten:

16           "**§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor**  
 17 **programs.**

18           ...

19           (b) It is the policy of the State of North Carolina to maintain the highest quality teacher  
 20 education programs and school administrator programs in order to enhance the competence of  
 21 professional personnel licensed in North Carolina. To the end that teacher preparation programs  
 22 are upgraded to reflect a more rigorous course of study, the State Board of Education, as lead  
 23 agency in coordination and cooperation with the University Board of Governors, the Board of  
 24 Community Colleges and such other public and private agencies as are necessary, shall  
 25 continue to refine the several licensure requirements, standards for approval of institutions of  
 26 teacher education, standards for institution-based innovative and experimental programs,  
 27 standards for implementing consortium-based teacher education, and standards for improved  
 28 efficiencies in the administration of the approved programs.

29           (1) Licensure Standards. –

- 30           a. The licensure program shall provide for initial licensure after  
 31 completion of preservice training, continuing licensure after three  
 32 years of teaching experience, and license renewal every five years  
 33 thereafter, until the retirement of the teacher. The last license renewal  
 34 received prior to retirement shall remain in effect for five years after  
 35 retirement. The licensure program shall also provide for lifetime  
 36 licensure after 50 years of teaching.  
 37           b. The State Board of Education, in consultation with the Board of  
 38 Governors of The University of North Carolina, shall evaluate and  
 39 develop enhanced requirements for continuing licensure. The new  
 40 requirements shall reflect more rigorous standards for continuing  
 41 licensure and shall be aligned with high-quality professional  
 42 development programs that reflect State priorities for improving  
 43 student achievement. Standards for continuing licensure shall include  
 44 at least eight continuing education credits with at least three credits  
 45 required in a teacher's academic subject area.

46           ...

47           (b2) An undergraduate student seeking a degree in teacher education must attain passing  
 48 scores on a preprofessional skills test prior to admission to an approved teacher education  
 49 program in a North Carolina college or university. The State Board of Education shall permit  
 50 students to fulfill this requirement by achieving the prescribed minimum scores set by the State  
 51 Board of Education for the Praxis I tests or by achieving the appropriate required score, as

1 determined by the State Board of Education, on the verbal and mathematics portions of the  
2 ~~SAT, SAT or ACT.~~ The minimum combined verbal and mathematics score set by the State  
3 Board of Education for the SAT shall be between 900 and 1,200, 1,100 or greater. The  
4 minimum composite score set by the State Board of Education for the ACT shall be 24 or  
5 greater.

6 (c) It is the policy of the State of North Carolina to encourage lateral entry into the  
7 profession of teaching by skilled individuals from the private sector. To this end, before the  
8 1985-86 school year begins, the State Board of Education shall develop criteria and procedures  
9 to accomplish the employment of such individuals as classroom teachers. Beginning with the  
10 2006-2007 school year, the criteria and procedures shall include preservice training in (i) the  
11 identification and education of children with disabilities and (ii) positive management of  
12 student behavior, effective communication for defusing and deescalating disruptive or  
13 dangerous behavior, and safe and appropriate use of seclusion and restraint. Skilled individuals  
14 who choose to enter the profession of teaching laterally may be granted a ~~provisional~~lateral  
15 entry teaching license for no more than three years and shall be required to obtain licensure  
16 before contracting for a fourth year of service with any local administrative unit in this State.

17 ...."

18 **SECTION 9.3.(c)** G.S. 115C-296, as amended by Section 5(b) of S.L. 2013-226,  
19 and as rewritten by subsections (a) and (b) of this section, reads as rewritten:

20 "**§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor**  
21 **programs.**

22 (a) The State Board of Education shall have entire control of licensing all applicants for  
23 teaching positions in all public ~~elementary and high~~ schools of North Carolina; and it shall  
24 prescribe the rules and regulations for the renewal and extension of all licenses and shall  
25 determine and fix the salary for each grade and type of license which it authorizes.

26 The State Board of Education ~~may~~shall require an applicant for an initial bachelors degree  
27 ~~certificate~~license or graduate degree ~~certificate~~license to demonstrate the applicant's academic  
28 and professional preparation by achieving a prescribed minimum score on a standard  
29 examination appropriate and adequate for that purpose. Elementary Education (K-6) and  
30 special education general curriculum teachers shall also achieve a prescribed minimum score  
31 on subtests or standard examinations specific to teaching reading and mathematics. The State  
32 Board of Education shall permit an applicant to fulfill any such testing requirement before or  
33 during the applicant's second year of teaching provided the applicant took the examination at  
34 least once during the first year of teaching. The State Board of Education shall make any  
35 required standard initial licensure exam ~~sufficiently~~ rigorous and raise the prescribed minimum  
36 score as necessary to ensure that each applicant has ~~adequate~~ received high-quality academic  
37 and professional preparation to ~~teach~~ teach effectively.

38 (a1) The State Board shall adopt policies that establish the minimum scores for any  
39 required standard examinations and other measures necessary to assess the qualifications of  
40 professional personnel as required under subsection (a) of this section. For purposes of this  
41 subsection, the State Board shall not be subject to Article 2A of Chapter 150B of the General  
42 Statutes. At least 30 days prior to changing any policy adopted under this subsection, the State  
43 Board shall provide written notice to all North Carolina schools of education and to all local  
44 boards of education. The written notice shall include the proposed revised policy.

45 (a2) The State Board of Education shall establish a schedule of fees for teacher licensure  
46 and administrative changes. The fees established under this subsection shall not exceed the  
47 actual cost of providing the service. The schedule may include fees for any of the following  
48 services:

- 49 (1) Application for demographic or administrative changes to a license.
- 50 (2) Application for a duplicate license or for copies of documents in the
- 51 licensure files.

- 1 (3) Application for a renewal, extension, addition, upgrade, reinstatement, and
- 2 variation to a license.
- 3 (4) Initial application for a New, In-State Approved Program Graduate.
- 4 (5) Initial application for an Out-of-State license.
- 5 (6) All other applications.

6 An applicant must pay any nonrefundable service fees at the time an application is  
7 submitted.

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

14 (b) It is the policy of the State of North Carolina to maintain the highest quality teacher  
15 education programs and school administrator programs in order to enhance the competence of  
16 professional personnel licensed in North Carolina. To the end that teacher preparation programs  
17 are upgraded to reflect a more rigorous course of study, the State Board of Education, as lead  
18 agency in coordination and cooperation with the University Board of Governors, the Board of  
19 Community Colleges and such other public and private agencies as are necessary, shall  
20 continue to refine the several licensure requirements, standards for approval of institutions of  
21 teacher education, standards for institution-based innovative and experimental programs,  
22 standards for implementing consortium-based teacher education, and standards for improved  
23 efficiencies in the administration of the approved programs.

24 (1) Licensure standards. –

- 25 a. The licensure program shall provide for initial licensure after  
26 completion of preservice training, continuing licensure after three  
27 years of teaching experience, and license renewal every five years  
28 thereafter, until the retirement of the teacher. The last license renewal  
29 received prior to retirement shall remain in effect for five years after  
30 retirement. The licensure program shall also provide for lifetime  
31 licensure after 50 years of teaching.
- 32 b. The State Board of Education, in consultation with the Board of  
33 Governors of The University of North Carolina, shall evaluate and  
34 develop enhanced requirements for continuing licensure. The new  
35 requirements shall reflect more rigorous standards for continuing  
36 licensure and shall be aligned with high-quality professional  
37 development programs that reflect State priorities for improving  
38 student achievement. Standards for continuing licensure shall include  
39 at least eight continuing education credits, with at least three credits  
40 required in the teacher's academic subject areas. Standards for  
41 continuing licensure for elementary and middle school teachers shall  
42 include at least three continuing education credits related to literacy.  
43 Literacy renewal credits shall include evidence-based assessment,  
44 diagnosis, and intervention strategies for students not demonstrating  
45 reading proficiency. Oral language, phonemic and phonological  
46 awareness, phonics, vocabulary, fluency, and comprehension shall be  
47 addressed in literacy-related activities leading to license renewal for  
48 elementary school teachers.
- 49 c. The State Board of Education, in consultation with local boards of  
50 education and the Board of Governors of The University of North  
51 Carolina, shall (i) reevaluate and enhance the requirements for



- 1 renewal of teacher licenses and (ii) consider modifications in the  
 2 license renewal achievement and to make it a mechanism for teachers  
 3 to renew continually their knowledge and professional skills.
- 4 (2) Teacher education programs. –
- 5 a. The State Board of Education, as lead agency in coordination with  
 6 the Board of Governors of The University of North Carolina, the  
 7 North Carolina Independent Colleges and Universities, and any other  
 8 public and private agencies as necessary, shall continue to raise  
 9 standards for entry into teacher education programs.
- 10 b. **Reserved for future codification.**
- 11 c. To further ensure that teacher preparation programs remain current  
 12 and reflect a rigorous course of study that is aligned to State and  
 13 national standards, the State Board of Education, in consultation with  
 14 the Board of Governors of The University of North Carolina, shall do  
 15 all of the following to ensure that students are prepared to teach in  
 16 elementary schools:
- 17 1. Provide students with adequate coursework in the teaching of  
 18 reading and mathematics.
- 19 2. Assess students prior to licensure to determine that they  
 20 possess the requisite knowledge in scientifically based  
 21 reading and mathematics instruction that is aligned with the  
 22 State Board's expectations.
- 23 3. Continue to provide students with preparation in applying  
 24 formative and summative assessments within the school and  
 25 classroom setting through technology-based assessment  
 26 systems available in North Carolina schools that measure and  
 27 predict expected student improvement.
- 28 4. Prepare students to integrate arts across the curriculum.
- 29 d. The State Board of Education, in consultation with local boards of  
 30 education and the Board of Governors of The University of North  
 31 Carolina, shall evaluate and modify, as necessary, the academic  
 32 requirements of teacher preparation programs for students preparing  
 33 to teach science in middle and high schools to ensure that there is  
 34 adequate preparation in issues related to science laboratory safety.
- 35 e. The standards for approval of institutions of teacher education shall  
 36 require that teacher education programs for all students include the  
 37 following demonstrated competencies:
- 38 1. ~~in~~ All teacher education programs. –
- 39 I. ~~(i) the~~ The identification and education of children  
 40 with disabilities and disabilities.
- 41 II. ~~(ii) positive~~ Positive management of student behavior  
 42 and effective communication techniques for defusing  
 43 and deescalating disruptive or dangerous behavior.
- 44 2. Elementary and special education general curriculum teacher  
 45 education programs. –
- 46 I. Teaching of reading, including a substantive  
 47 understanding of reading as a process involving oral  
 48 language, phonological and phonemic awareness,  
 49 phonics, fluency, vocabulary, and comprehension.

1 II. Evidence-based assessment and diagnosis of specific  
 2 areas of difficulty with reading development and of  
 3 reading deficiencies.

4 III. Appropriate application of instructional supports and  
 5 services and reading interventions to ensure reading  
 6 proficiency for all students.

7 f. The State Board of Education shall incorporate the criteria developed  
 8 in accordance with G.S. 116-74.21 for assessing proposals under the  
 9 School Administrator Training Program into its school administrator  
 10 program approval standards.

11 ...."

12 **SECTION 9.3.(d)** For the 2013-2014 fiscal year only and notwithstanding Article  
 13 2A of Chapter 150B of the General Statutes, the State Board of Education shall be exempt from  
 14 rule-making in establishing a schedule of fees for teacher licensure and administrative changes  
 15 pursuant to G.S. 115C-296(a2), as amended by this section.

16 **SECTION 9.3.(e)** The State Board of Education shall develop a plan to require the  
 17 schools of education to measure performance and provide an annual report on the demonstrated  
 18 competencies included in their elementary and special education general curriculum teacher  
 19 education programs on (i) teaching of reading, including a substantive understanding of reading  
 20 as a process involving oral language, phonological and phonemic awareness, phonics, fluency,  
 21 vocabulary, and comprehension; (ii) evidence-based assessment and diagnosis of specific areas  
 22 of difficulty with reading development and of reading deficiencies; and (iii) appropriate  
 23 application of instructional supports and services and reading interventions to ensure reading  
 24 proficiency for all students. The plan shall address requiring this information to be included in  
 25 the annual performance reports to the State Board and the higher education educator  
 26 preparation program report cards required by G.S. 115C-296, as enacted by this section. The  
 27 State Board shall report to the Joint Legislative Education Oversight Committee on or before  
 28 March 15, 2014, on the plan to include this information in the performance reports required for  
 29 the 2014-2015 school year.

30 **SECTION 9.3.(f)** Subsection (b) of this section applies beginning with the  
 31 2013-2014 school year. Subsection (c) of this section applies beginning with the 2014-2015  
 32 school year.

33 For teachers who are in their fourth or fifth year of their current five-year license  
 34 renewal cycle, the changes required by G.S. 115C-296(b)(1)b., as enacted by subsections (b)  
 35 and (c) of this section, shall apply beginning with the first year of their next five-year license  
 36 renewal cycle.

### 37

### 38 SCHOOL PERFORMANCE GRADES

39 **SECTION 9.4.(a)** Section 7A.3(e) of S.L. 2012-142 is repealed.

40 **SECTION 9.4.(b)** Article 8 of Chapter 115C of the General Statutes is amended by  
 41 adding a new Part to read:

42 "Part 1B. School Performance.

43 "§ 115C-83.11. School achievement, growth, performance scores, and grades.

44 (a) School Scores and Grades. – The State Board of Education shall award school  
 45 achievement, growth, and performance scores and an associated performance grade as required  
 46 by G.S. 115C-12(9)c1., and calculated as provided in this section. The State Board of  
 47 Education shall enter all necessary data into the Education Value-Added Assessment System  
 48 (EVAAS) in order to calculate school performance scores and grades.

49 (b) Calculation of the School Achievement Score. – In calculating the overall school  
 50 achievement score earned by schools, the State Board of Education shall total the sum of points  
 51 earned by a school on all of the following indicators that are measured for that school:

- 1           (1)    One point for each percent of students who score at or above proficient on  
2           annual assessments for mathematics in grades three through eight.
- 3           (2)    One point for each percent of students who score at or above proficient on  
4           annual assessments for reading in grades three through eight.
- 5           (3)    One point for each percent of students who score at or above proficient on  
6           annual assessments for science in grades five and eight.
- 7           (4)    One point for each percent of students who score at or above proficient on  
8           the Algebra I or Integrated Math I end-of-course test.
- 9           (5)    One point for each percent of students who score at or above proficient on  
10           the English II end-of-course test.
- 11           (6)    One point for each percent of students who score at or above proficient on  
12           the Biology end-of-course test.
- 13           (7)    One point for each percent of students who complete the Algebra II or  
14           Integrated Math III end-of-course test with a passing grade.
- 15           (8)    One point for each percent of students who achieve the minimum score  
16           required for admission into a constituent institution of The University of  
17           North Carolina on a nationally normed test of college readiness.
- 18           (9)    One point for each percent of students enrolled in Career and Technical  
19           Education courses who meet the standard when scoring at Silver, Gold, or  
20           Platinum levels on a nationally normed test of workplace readiness.
- 21           (10)   One point for each percent of students who graduate within four years of  
22           entering high school.

23           Each school achievement indicator shall be of equal value when used to determine the  
24           overall school achievement score. The overall school achievement score shall be translated to a  
25           100-point scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1.,  
26           115C-238.29F, and 115C-238.66.

27           (c)    Calculation of the School Growth Score. – Using EVAAS, the State Board shall  
28           calculate the overall growth score earned by schools. In calculating the total growth score  
29           earned by schools, the State Board of Education shall weight student growth on the  
30           achievement indicators as provided in subsection (b) of this section that have available growth  
31           values. The numerical values used to determine whether a school has met, exceeded, or has not  
32           met expected growth shall be translated to a 100-point scale and used for school reporting  
33           purposes as provided in G.S. 115C-12(9)c1., 115C-238.29F, and 115C-238.66.

34           (d)    Calculation of the School Performance Scores and Grades. – For schools exceeding  
35           or not meeting expected school growth, the State Board of Education shall use EVAAS to  
36           calculate the school performance score by adding the school achievement score, as provided in  
37           subsection (b) of this section, and the school growth score, as provided in subsection (c) of this  
38           section, earned by a school. The school achievement score shall account for eighty percent  
39           (80%), and the school growth score shall account for (20%) of the total sum. For schools  
40           meeting expected growth, and with a school achievement score of eighty percent (80%) or  
41           higher, the school performance score shall solely reflect the achievement score. For schools  
42           meeting expected growth, and with a school achievement score below eighty percent (80%),  
43           the school achievement score shall account for eighty percent (80%), and the school growth  
44           score shall account for twenty percent (20%) of the total sum. For all schools, the total school  
45           performance score shall be converted to a 100-point scale and used to determine a school  
46           performance grade based on the following scale:

- 47           (1)    A school performance score of at least 90 is equivalent to an overall school  
48           performance grade of A.
- 49           (2)    A school performance score of at least 80 is equivalent to an overall school  
50           performance grade of B.

- 1           (3)    A school performance score of at least 70 is equivalent to an overall school  
2                    performance grade of C.  
3           (4)    A school performance score of at least 60 is equivalent to an overall school  
4                    performance grade of D.  
5           (5)    A school performance score of less than 60 points is equivalent to an overall  
6                    school performance grade of F.

7           (e)    Elementary and Middle School Reading and Math Achievement Scores. – For  
8 schools serving students in kindergarten through eighth grade, the school achievement scores in  
9 reading and mathematics, respectively, shall be reported separately on the annual school report  
10 card provided under G.S. 115C-12(9)c1., 115C-238.29F, and 115C-238.66.

11          (f)    Indication of Growth. – In addition to awarding the overall school scores for  
12 achievement, growth and performance and the performance grade, using EVAAS, the State  
13 Board shall designate that a school has met, exceeded, or has not met expected growth. The  
14 designation of student growth shall be clearly displayed in the annual school report card  
15 provided under G.S. 115C-12(9)c1., 115C-238.29F, and 115C-238.66."

16           **SECTION 9.4.(c)** G.S. 115C-12(9)c1. reads as rewritten:

17           "c1.    To issue an annual "report card" for the State and for each local  
18 school administrative unit, assessing each unit's efforts to improve  
19 student performance based on the growth in performance of the  
20 students in each school and taking into account progress over the  
21 previous years' level of performance and the State's performance in  
22 comparison with other states. This assessment shall take into account  
23 factors that have been shown to affect student performance and that  
24 the State Board considers relevant to assess the State's efforts to  
25 improve student performance. As a part of the annual "report card"  
26 for each local school administrative unit, the State Board shall  
27 ~~award~~ award, in accordance with G.S. 115C-83.11, an overall  
28 numerical school achievement, growth, and performance score on a  
29 scale of zero to 100 and a corresponding performance letter grade of  
30 A, B, C, D, or F earned by each school within the local school  
31 administrative unit. The school performance score and grade shall  
32 reflect student performance on annual subject-specific assessments,  
33 college and workplace readiness measures, and graduation rates. For  
34 schools serving students in any grade from kindergarten to eighth  
35 grade, separate performance scores and grades shall also be awarded  
36 based on the school performance in reading and mathematics  
37 respectively. The annual "report card" for schools serving students in  
38 third grade also shall include the number and percentage of third  
39 grade students who (i) take and pass the alternative assessment of  
40 reading comprehension; (ii) were retained in third grade for not  
41 demonstrating reading proficiency as indicated in G.S. 115C-83.7(a);  
42 and (iii) were exempt from mandatory third grade retention by  
43 category of exemption as listed in G.S. 115C-83.7(b)."

44           **SECTION 9.4.(d)** G.S. 115C-12(24) reads as rewritten:

45           "(24) Duty to Develop Standards for Alternative Learning Programs, Provide  
46 Technical Assistance on Implementation of Programs, and Evaluate  
47 Programs. – The State Board of Education shall adopt standards for  
48 assigning students to alternative learning programs. These standards shall  
49 include (i) a description of the programs and services that are recommended  
50 to be provided in alternative learning programs and (ii) a process for  
51 ensuring that an assignment is appropriate for the student and that the

1 student's parents are involved in the decision. The State Board also shall  
2 adopt policies that define what constitutes an alternative school and an  
3 alternative learning program.

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

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

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

31 **SECTION 9.4.(e)** It is the intent of the General Assembly to provide clear  
32 information to the public regarding school performance. To this end, the State Board of  
33 Education shall do the following when providing information on school report cards as required  
34 by G.S. 115C-12(9)c1.:

- 35 (1) Solely use the school performance grade calculation method and resulting  
36 scores and grades as provided under G.S. 115C-83.11, as enacted by this  
37 section.
- 38 (2) Include a description understandable by members of the general public of  
39 the school performance grade calculation method and resulting scores and  
40 grades.

41 **SECTION 9.4.(f)** The State Board of Education shall issue the first annual report  
42 cards under G.S. 115C-12(9)c1., as amended by this section, no earlier than August 1, 2014.

43 **SECTION 9.4.(g)** This section applies beginning with the 2013-2014 school year.  
44

#### 45 **PAY FOR EXCELLENCE**

46 **SECTION 9.5.** When a robust evaluation instrument and process that accurately  
47 assesses and evaluates the effectiveness of teachers, especially in the area of student growth, is  
48 wholly implemented in North Carolina, it is the intent of the General Assembly that the  
49 evaluation instrument and process be utilized in the implementation of a plan of performance  
50 pay for teachers in this State.  
51

**TEACHER CONTRACTS**

**SECTION 9.6.(a)** G.S. 115C-325 is repealed.

**SECTION 9.6.(b)** Part 3 of Article 22 of Chapter 115C of the General Statutes is amended by adding new sections to read:

**"§ 115C-325.1. Definitions.**

As used in this Part, the following definitions apply:

- (1) "Day" means calendar day. In computing any period of time, Rule 6 of the North Carolina Rules of Civil Procedure shall apply.
- (2) "Demote" means to reduce the salary of a person who is classified or paid by the State Board of Education as a classroom teacher or as a school administrator during the time of the contract. The word "demote" does not include (i) a suspension without pay pursuant to G.S. 115C-325.5(a); (ii) the elimination or reduction of bonus payments, including merit-based supplements or a systemwide modification in the amount of any applicable local supplement; (iii) any reduction in salary that results from the elimination of a special duty, such as the duty of an athletic coach or a choral director; or (iv) any reduction of pay as compared to a prior term of contract.
- (3) "Disciplinary suspension" means a final decision to suspend a teacher or school administrator without pay for no more than 60 days under G.S. 115C-325.5(b).
- (4) "Residential school" means a school operated by the Department of Health and Human Services that provides residential services to students pursuant to Part 3A of Article 3 of Chapter 143B of the General Statutes or a school operated pursuant to Article 9C of Chapter 115C of the General Statutes.
- (5) "School administrator" means a principal, assistant principal, supervisor, or director whose major function includes the direct or indirect supervision of teaching or any other part of the instructional program, as provided in G.S. 115C-287.1(a)(3).
- (6) "Teacher" means a person meeting each of the following requirements:
  - a. Who holds at least one of the following licenses issued by the State Board of Education:
    1. A current standard professional educator's license.
    2. A current lateral entry teaching license.
    3. A regular, not expired, vocational license.
  - b. Whose major responsibility is to teach or directly supervise teaching or who is classified by the State Board of Education or is paid either as a classroom teacher or instructional support personnel.
  - c. Who is employed to fill a full-time, permanent position.
- (7) "Year" means a calendar year beginning July 1 and ending June 30.

**"§ 115C-325.2. Personnel files.**

(a) Maintenance of Personnel File. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains any complaint, commendation, or suggestion for correction or improvement about the teacher's professional conduct, except that the superintendent may elect not to place in a teacher's file (i) a letter of complaint that contains invalid, irrelevant, outdated, or false information or (ii) a letter of complaint when there is no documentation of an attempt to resolve the issue. The complaint, commendation, or suggestion shall be signed by the person who makes it and shall be placed in the teacher's file only after five days' notice to the teacher. Any denial or explanation relating to such complaint, commendation, or suggestion that the teacher desires to make shall be placed in the file. Any teacher may petition the local board of education to remove any information from the teacher's personnel file that the teacher deems invalid, irrelevant, or outdated. The board may order the

1 superintendent to remove said information if it finds the information is invalid, irrelevant, or  
2 outdated.

3 (b) Inspection of Personnel Files. – The personnel file shall be open for the teacher's  
4 inspection at all reasonable times but shall be open to other persons only in accordance with  
5 such rules and regulations as the board adopts. Any preemployment data or other information  
6 obtained about a teacher before the teacher's employment by the board may be kept in a file  
7 separate from the teacher's personnel file and need not be made available to the teacher. No  
8 data placed in the preemployment file may be introduced as evidence at a hearing on the  
9 dismissal or demotion of a teacher, except the data may be used to substantiate  
10 G.S. 115C-325.4(a)(7) or G.S. 115C-325.4(a)(14) as grounds for dismissal or demotion.

11 **"§ 115C-325.3. Teacher contracts.**

12 (a) Length of Contract. – A contract between the local board of education and a teacher  
13 who has been employed by the local board of education for less than three years shall be for a  
14 term of one school year. A contract or renewal of contract between the local board of education  
15 and a teacher who has been employed by the local board of education for three years or more  
16 shall be for a term of one, two, or four school years.

17 (b) Superintendent Recommendation to Local Board. – Local boards of education shall  
18 employ teachers upon the recommendation of the superintendent. If a superintendent intends to  
19 recommend to the local board of education that a teacher be offered a new or renewed contract,  
20 the superintendent shall submit the recommendation to the local board for action and shall  
21 include in the recommendation the length of the term of contract. A superintendent shall only  
22 recommend a teacher for a contract of a term longer than one school year if the teacher has  
23 shown effectiveness as demonstrated by proficiency on the evaluation instrument. The local  
24 board may approve the superintendent's recommendation, may decide not to offer the teacher a  
25 new or renewed contract, or may decide to offer the teacher a renewed contract for a different  
26 term than recommended by the superintendent.

27 (c) Dismissal During Term of Contract. – A teacher shall not be dismissed or demoted  
28 during the term of the contract except for the grounds and by the procedure set forth in  
29 G.S. 115C-325.4.

30 (d) Recommendation on Nonrenewal. – If a superintendent decides not to recommend  
31 that the local board of education offer a renewed contract to a teacher, the superintendent shall  
32 give the teacher written notice of the decision no later than June 1.

33 (e) Right to Petition for Hearing. – A teacher shall have the right to petition the local  
34 board of education for a hearing no later than 10 days after receiving written notice. The local  
35 board may, in its discretion, grant a hearing regarding the superintendent's recommendation for  
36 nonrenewal. The local board of education shall notify the teacher making the petition of its  
37 decision whether to grant a hearing. If the request for a hearing is granted, the local board shall  
38 conduct a hearing pursuant to the provisions of G.S. 115C-45(c) and make a final decision on  
39 whether to offer the teacher a renewed contract. The board shall notify a teacher whose contract  
40 will not be renewed for the next school year of its decision by June 15; provided, however, if a  
41 teacher submits a request for a hearing, the board shall provide the nonrenewal notification  
42 within 10 days of the hearing or such later date upon the written consent of the superintendent  
43 and teacher. A decision not to offer a teacher a renewed contract shall not be arbitrary,  
44 capricious, discriminatory, for personal or political reasons, or on any basis prohibited by State  
45 or federal law.

46 (f) Failure to Offer Contract or Notify on Nonrenewal of Contract. – If a teacher fails to  
47 receive a contract offer but does not receive written notification from the superintendent of a  
48 recommendation of nonrenewal, and the teacher continues to teach in the local school  
49 administrative unit without entering into a contract with the local board, upon discovery of the  
50 absence of contract, the board by majority vote shall do one of the following:

- 1           (1)   Offer the teacher a one-year contract expiring no later than June 30 of the  
2           current school year.  
3           (2)   Dismiss the teacher and provide the teacher with the equivalent of one  
4           additional month's pay. A teacher dismissed as provided in this section shall  
5           be considered an at-will employee and shall not be entitled to a hearing or  
6           appeal of the dismissal.

7           (g)   Local boards of education and teachers employed by the local board may mutually  
8           modify the terms of the contract to permit part-time employment. An individual that mutually  
9           modifies a full-time contract to permit part-time employment or enters into a part-time contract  
10          is not a teacher as defined in G.S. 115C-325.1(6).

11          **"§ 115C-325.4. Dismissal or demotion for cause.**

12          (a)   Grounds. – No teacher shall be dismissed, demoted, or reduced to employment on a  
13          part-time basis for disciplinary reasons during the term of the contract except for one or more  
14          of the following:

- 15               (1)   Inadequate performance. In determining whether the professional  
16               performance of a teacher is adequate, consideration shall be given to regular  
17               and special evaluation reports prepared in accordance with the published  
18               policy of the employing local school administrative unit and to any  
19               published standards of performance which shall have been adopted by the  
20               board. Inadequate performance for a teacher shall mean (i) the failure to  
21               perform at a proficient level on any standard of the evaluation instrument or  
22               (ii) otherwise performing in a manner that is below standard.  
23               (2)   Immorality.  
24               (3)   Insubordination.  
25               (4)   Neglect of duty.  
26               (5)   Physical or mental incapacity.  
27               (6)   Habitual or excessive use of alcohol or nonmedical use of a controlled  
28               substance as defined in Article 5 of Chapter 90 of the General Statutes.  
29               (7)   Conviction of a felony or a crime involving moral turpitude.  
30               (8)   Advocating the overthrow of the government of the United States or of the  
31               State of North Carolina by force, violence, or other unlawful means.  
32               (9)   Failure to fulfill the duties and responsibilities imposed upon teachers or  
33               school administrators by the General Statutes of this State.  
34               (10)  Failure to comply with such reasonable requirements as the board may  
35               prescribe.  
36               (11)  Any cause which constitutes grounds for the revocation of the teacher's  
37               teaching license or the school administrator's administrator license.  
38               (12)  Failure to maintain his or her license in a current status.  
39               (13)  Failure to repay money owed to the State in accordance with the provisions  
40               of Article 60 of Chapter 143 of the General Statutes.  
41               (14)  Providing false information or knowingly omitting a material fact on an  
42               application for employment or in response to a preemployment inquiry.  
43               (15)  A justifiable decrease in the number of positions due to district  
44               reorganization, decreased enrollment, or decreased funding.

45          (b)   Dismissal Procedure. – The procedures provided in G.S. 115C-325.6 shall be  
46          followed for dismissals, demotions, or reductions to part-time employment for disciplinary  
47          reasons for any reason specified in subsection (a) of this section.

48          **"§ 115C-325.5. Teacher suspension.**

49          (a)   Immediate Suspension Without Pay. – If a superintendent believes that cause exists  
50          for dismissing a teacher for any reason specified in G.S. 115C-325.4 and that immediate  
51          suspension of the teacher is necessary, the superintendent may suspend the teacher without pay.



1 Before suspending a teacher without pay, the superintendent shall meet with the teacher and  
2 give him or her written notice of the charges against the teacher, an explanation of the basis for  
3 the charges, and an opportunity to respond. Within five days after a suspension under this  
4 subsection, the superintendent shall initiate a dismissal, demotion, or disciplinary suspension  
5 without pay as provided in this section. If it is finally determined that no grounds for dismissal,  
6 demotion, or disciplinary suspension without pay exist, the teacher shall be reinstated  
7 immediately, shall be paid for the period of suspension, and all records of the suspension shall  
8 be removed from the teacher's personnel file.

9 (b) Disciplinary Suspension Without Pay. – A teacher recommended for disciplinary  
10 suspension without pay may request a hearing before the board. The hearing shall be conducted  
11 as provided in G.S. 115C-325.7. If no request is made within 15 days, the superintendent may  
12 file his or her recommendation with the board. If, after considering the recommendation of the  
13 superintendent and the evidence adduced at the hearing if one is held, the board concludes that  
14 the grounds for the recommendation are true and substantiated by a preponderance of the  
15 evidence, the board, if it sees fit, may by resolution order such suspension.

16 (c) Suspension With Pay. – If a superintendent believes that cause may exist for  
17 dismissing or demoting a teacher for any reasons specified in G.S. 115C-325.4 but that  
18 additional investigation of the facts is necessary and circumstances are such that the teacher  
19 should be removed immediately from the teacher's duties, the superintendent may suspend the  
20 teacher with pay for a reasonable period of time, not to exceed 90 days. The superintendent  
21 shall notify the board of education within two days of the superintendent's action and shall  
22 notify the teacher within two days of the action and the reasons for it. If the superintendent has  
23 not initiated dismissal or demotion proceedings against the teacher within the 90-day period,  
24 the teacher shall be reinstated to the teacher's duties immediately, and all records of the  
25 suspension with pay shall be removed from the teacher's personnel file at the teacher's request.  
26 However, if the superintendent and the teacher agree to extend the 90-day period, the  
27 superintendent may initiate dismissal or demotion proceedings against the teacher at any time  
28 during the period of the extension.

29 **"§ 115C-325.6. Procedure for dismissal or demotion of a teacher for cause.**

30 (a) Recommendation of Dismissal or Demotion. – A teacher may not be dismissed,  
31 demoted, or reduced to part-time employment for disciplinary reasons during the term of the  
32 contract except upon the superintendent's recommendation based on one or more of the grounds  
33 in G.S. 115C-325.4.

34 (b) Notice of Recommendation. – Before recommending to a board the dismissal or  
35 demotion of a teacher, the superintendent shall give written notice to the teacher by certified  
36 mail or personal delivery of the superintendent's intention to make such recommendation and  
37 shall set forth as part of the superintendent's recommendation the grounds upon which he or she  
38 believes such dismissal or demotion is justified. The superintendent also shall meet with the  
39 teacher and provide written notice of the charges against the teacher, an explanation of the basis  
40 for the charges, and an opportunity to respond if the teacher has not done so under  
41 G.S. 115C-325.5(a). The notice shall include a statement to the effect that the teacher, within  
42 14 days after the date of receipt of the notice, may request a hearing before the board on the  
43 superintendent's recommendation. A copy of Part 3 of Article 22 of Chapter 115C of the  
44 General Statutes shall also be sent to the teacher.

45 (c) Request for Hearing. – Within 14 days after receipt of the notice of  
46 recommendation, the teacher may file with the superintendent a written request for a hearing  
47 before the board on the superintendent's recommendation. The superintendent shall submit his  
48 or her recommendation to the board. Within five days after receiving the superintendent's  
49 recommendation and before taking any formal action, the board shall set a time and place for  
50 the hearing and shall notify the teacher by certified mail or personal delivery of the date, time,  
51 and place of the hearing. The time specified shall not be less than 10 nor more than 30 days

1 after the board has notified the teacher, unless both parties agree to an extension. The hearing  
2 shall be conducted as provided in G.S. 115C-325.7.

3 (d) No Request for Hearing. – If the teacher does not request a hearing before the board  
4 within the 14 days provided, the superintendent may submit his or her recommendation to the  
5 board. The board, if it sees fit, may by resolution (i) reject the superintendent's recommendation  
6 or (ii) accept or modify the superintendent's recommendation and dismiss, demote, reinstate, or  
7 suspend the teacher without pay.

8 **"§ 115C-325.7. Hearing before board.**

9 (a) The following procedures shall apply for a board hearing for dismissal, demotion,  
10 reduction to part-time employment for disciplinary reasons, or disciplinary suspension without  
11 pay:

- 12 (1) The hearing shall be private.
- 13 (2) The hearing shall be conducted in accordance with reasonable rules adopted  
14 by the State Board of Education to govern such hearings.
- 15 (3) At the hearing, the teacher and the superintendent shall have the right to be  
16 present and to be heard, to be represented by counsel, and to present through  
17 witnesses any competent testimony relevant to the issue of whether grounds  
18 exist for a dismissal, demotion, reduction to part-time employment for  
19 disciplinary reasons, or disciplinary suspension without pay.
- 20 (4) Rules of evidence shall not apply to a hearing under this subsection, and the  
21 board may give probative effect to evidence that is of a kind commonly  
22 relied on by reasonably prudent persons in the conduct of serious affairs.
- 23 (5) At least five days before the hearing, the superintendent shall provide to the  
24 teacher a list of witnesses the superintendent intends to present, a brief  
25 statement of the nature of the testimony of each witness, and a copy of any  
26 documentary evidence the superintendent intends to present.
- 27 (6) At least three days before the hearing, the teacher shall provide the  
28 superintendent a list of witnesses the teacher intends to present, a brief  
29 statement of the nature of the testimony of each witness, and a copy of any  
30 documentary evidence the teacher intends to present.
- 31 (7) No new evidence may be presented at the hearing except upon a finding by  
32 the board that the new evidence is critical to the matter at issue and the party  
33 making the request could not, with reasonable diligence, have discovered  
34 and produced the evidence according to the schedule provided in this  
35 section.
- 36 (8) The board may subpoena and swear witnesses and may require them to give  
37 testimony and to produce records and documents relevant to the grounds for  
38 dismissal, demotion, reduction to part-time employment for disciplinary  
39 reasons, or disciplinary suspension without pay.
- 40 (9) The board shall decide all procedural issues, including limiting cumulative  
41 evidence, necessary for a fair and efficient hearing.
- 42 (10) The superintendent shall provide for making a transcript of the hearing. The  
43 teacher may request and shall receive at no charge a transcript of the  
44 proceedings.

45 **"§ 115C-325.8. Right of appeal.**

46 (a) A teacher who (i) has been dismissed, demoted, or reduced to employment on a  
47 part-time basis for disciplinary reasons during the term of the contract as provided in  
48 G.S. 115C-325.4, or has received a disciplinary suspension without pay as provided in  
49 G.S. 115C-325.5, and (ii) requested and participated in a hearing before the local board of  
50 education, shall have a further right of appeal from the final decision of the local board of

1 education to the superior court of the State on one or more of the following grounds that the  
2 decision:

- 3 (1) Is in violation of constitutional provisions.
- 4 (2) Is in excess of the statutory authority or jurisdiction of the board.
- 5 (3) Was made upon unlawful procedure.
- 6 (4) Is affected by other error of law.
- 7 (5) Is unsupported by substantial evidence in view of the entire record as  
8 submitted.
- 9 (6) Is arbitrary or capricious.

10 (b) An appeal pursuant to this section must be filed within 30 days of notification of the  
11 final decision of the local board of education and shall be decided on the administrative record.  
12 The superior court shall have authority to affirm or reverse the local board's decision or remand  
13 the matter to the local board of education. The superior court shall not have authority to award  
14 monetary damages or to direct the local board of education to enter into an employment  
15 contract of more than one year, ending June 30.

16 **"§ 115C-325.9. Teacher resignation.**

17 (a) Teacher Resignation Following Recommendation for Dismissal. – If a teacher has  
18 been recommended for dismissal under G.S. 115C-325.4 and the teacher chooses to resign  
19 without the written agreement of the superintendent, then:

- 20 (1) The superintendent shall report the matter to the State Board of Education.
- 21 (2) The teacher shall be deemed to have consented to (i) the placement in the  
22 teacher's personnel file of the written notice of the superintendent's intention  
23 to recommend dismissal and (ii) the release of the fact that the  
24 superintendent has reported this teacher to the State Board of Education to  
25 prospective employers, upon request. The provisions of G.S. 115C-321 shall  
26 not apply to the release of this particular information.
- 27 (3) The teacher shall be deemed to have voluntarily surrendered his or her  
28 license pending an investigation by the State Board of Education in a  
29 determination whether or not to seek action against the teacher's license.  
30 This license surrender shall not exceed 45 days from the date of resignation.  
31 Provided further that the cessation of the license surrender shall not prevent  
32 the State Board of Education from taking any further action it deems  
33 appropriate. The State Board of Education shall initiate investigation within  
34 five working days of the written notice from the superintendent and shall  
35 make a final decision as to whether to revoke or suspend the teacher's license  
36 within 45 days from the date of resignation.

37 (b) Thirty Days' Notice Resignation Requirement. – A teacher who is not recommended  
38 for dismissal should not resign during the term of the contract without the consent of the  
39 superintendent unless he or she has given at least 30 days' notice. If a teacher who is not  
40 recommended for dismissal does resign during the term of the contract without giving at least  
41 30 days' notice, the board may request that the State Board of Education revoke the teacher's  
42 license for the remainder of that school year. A copy of the request shall be placed in the  
43 teacher's personnel file.

44 **"§ 115C-325.10. Application to certain institutions.**

45 Notwithstanding any law or regulation to the contrary, this Part shall apply to all persons  
46 employed in teaching and related educational classes in the schools and institutions of the  
47 Departments of Health and Human Services and Public Instruction and the Divisions of  
48 Juvenile Justice and Adult Correction of the Department of Public Safety, regardless of the age  
49 of the students.

50 **"§ 115C-325.11. Dismissal of school administrators and teachers employed in**  
51 **low-performing residential schools.**

1        (a) Notwithstanding any other provision of this section or any other law, this section  
2 shall govern the dismissal by the State Board of Education of teachers, principals, assistant  
3 principals, directors, supervisors, and other licensed personnel assigned to a residential school  
4 that the State Board has identified as low-performing and to which the State Board has assigned  
5 an assistance team. The State Board shall dismiss a teacher, principal, assistant principal,  
6 director, supervisor, or other licensed personnel when the State Board receives two consecutive  
7 evaluations that include written findings and recommendations regarding that person's  
8 inadequate performance from the assistance team. These findings and recommendations shall  
9 be substantial evidence of the inadequate performance of the teacher or school administrator.

10        (b) The State Board may dismiss a teacher, principal, assistant principal, director,  
11 supervisor, or other licensed personnel when:

12            (1) The State Board determines that the school has failed to make satisfactory  
13 improvement after the State Board assigned an assistance team to that  
14 school.

15            (2) That assistance team makes the recommendation to dismiss the teacher,  
16 principal, assistant principal, director, supervisor, or other licensed personnel  
17 for one or more grounds established in G.S. 115C-325.4 for dismissal or  
18 demotion of a teacher.

19        Within 30 days of any dismissal under this subsection, a teacher, principal, assistant  
20 principal, director, supervisor, or other licensed personnel may request a hearing before a panel  
21 of three members designated by the State Board. The State Board shall adopt procedures to  
22 ensure that due process rights are afforded to persons recommended for dismissal under this  
23 subsection. Decisions of the panel may be appealed on the record to the State Board.

24        (c) Notwithstanding any other provision of this section or any other law, this subsection  
25 shall govern the dismissal by the State Board of licensed staff members who have engaged in a  
26 remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general  
27 knowledge standard set by the State Board. The failure to meet the general knowledge standard  
28 after one retest shall be substantial evidence of the inadequate performance of the licensed staff  
29 member.

30        Within 30 days of any dismissal under this subsection, a licensed staff member may request  
31 a hearing before a panel of three members designated by the State Board. The State Board shall  
32 adopt procedures to ensure that due process rights are afforded to licensed staff members  
33 recommended for dismissal under this subsection. Decisions of the panel may be appealed on  
34 the record to the State Board.

35        (d) The State Board or the superintendent of a residential school may terminate the  
36 contract of a school administrator dismissed under this section. Nothing in this section shall  
37 prevent the State Board from refusing to renew the contract of any person employed in a school  
38 identified as low-performing.

39        (e) Neither party to a school administrator or teacher contract is entitled to damages  
40 under this section.

41        (f) The State Board shall have the right to subpoena witnesses and documents on behalf  
42 of any party to the proceedings under this section.

43 **"§ 115C-325.12. Procedure for dismissal of principals employed in low-performing**  
44 **schools.**

45        (a) Dismissal of Principals Assigned to Low-Performing Schools With Assistance  
46 Teams. – Notwithstanding any other provision of this Part or any other law, this section  
47 governs the State Board's dismissal of principals assigned to low-performing schools to which  
48 the State Board has assigned an assistance team.

49        (b) Authority of State Board to Dismiss Principal. – The State Board through its  
50 designee may, at any time, recommend the dismissal of any principal who is assigned to a  
51 low-performing school to which an assistance team has been assigned. The State Board through

1 its designee shall recommend the dismissal of any principal when the State Board receives from  
2 the assistance team assigned to that principal's school two consecutive evaluations that include  
3 written findings and recommendations regarding the principal's inadequate performance.

4 (c) Procedures for Dismissal of Principal. –

5 (1) If the State Board through its designee recommends the dismissal of a  
6 principal under this section, the principal shall be suspended with pay  
7 pending a hearing before a panel of three members of the State Board. The  
8 purpose of this hearing, which shall be held within 60 days after the  
9 principal is suspended, is to determine whether the principal shall be  
10 dismissed.

11 (2) The panel shall order the dismissal of the principal if it determines from  
12 available information, including the findings of the assistance team, that the  
13 low performance of the school is due to the principal's inadequate  
14 performance.

15 (3) The panel may order the dismissal of the principal if (i) it determines that the  
16 school has not made satisfactory improvement after the State Board assigned  
17 an assistance team to that school and (ii) the assistance team makes the  
18 recommendation to dismiss the principal for one or more grounds  
19 established in G.S. 115C-325.4 for dismissal or demotion of a teacher.

20 (4) If the State Board or its designee recommends the dismissal of a principal  
21 before the assistance team assigned to the principal's school has evaluated  
22 that principal, the panel may order the dismissal of the principal if the panel  
23 determines from other available information that the low performance of the  
24 school is due to the principal's inadequate performance.

25 (5) In all hearings under this section, the burden of proof is on the principal to  
26 establish that the factors leading to the school's low performance were not  
27 due to the principal's inadequate performance. In all hearings under this  
28 section, the burden of proof is on the State Board to establish that the school  
29 failed to make satisfactory improvement after an assistance team was  
30 assigned to the school and to establish one or more of the grounds  
31 established for dismissal or demotion of a teacher under G.S. 115C-325.4.

32 (6) In all hearings under this section, two consecutive evaluations that include  
33 written findings and recommendations regarding that principal's inadequate  
34 performance from the assistance team are substantial evidence of the  
35 inadequate performance of the principal.

36 (7) The State Board shall adopt procedures to ensure that due process rights are  
37 afforded to principals under this section. Decisions of the panel may be  
38 appealed on the record to the State Board.

39 (d) The State Board of Education or a local board may terminate the contract of a  
40 principal dismissed under this section.

41 (e) Neither party to a school administrator contract is entitled to damages under this  
42 section.

43 (f) The State Board shall have the right to subpoena witnesses and documents on behalf  
44 of any party to the proceedings under this section.

45 **§ 115C-325.13. Procedure for dismissal of teachers employed in low-performing schools.**

46 (a) Notwithstanding any other provision of this Part or any other law, this section shall  
47 govern the State Board's dismissal of teachers, assistant principals, directors, and supervisors  
48 assigned to schools that the State Board has identified as low-performing and to which the State  
49 Board has assigned an assistance team under Article 8B of this Chapter. The State Board shall  
50 dismiss a teacher, assistant principal, director, or supervisor when the State Board receives two  
51 consecutive evaluations that include written findings and recommendations regarding that

1 person's inadequate performance from the assistance team. These findings and  
2 recommendations shall be substantial evidence of the inadequate performance of the teacher,  
3 assistant principal, director, or supervisor.

4 (b) The State Board may dismiss a teacher, assistant principal, director, or supervisor  
5 when:

6 (1) The State Board determines that the school has failed to make satisfactory  
7 improvement after the State Board assigned an assistance team to that school  
8 under G.S. 115C-105.38; and

9 (2) That assistance team makes the recommendation to dismiss the teacher,  
10 assistant principal, director, or supervisor for one or more grounds  
11 established in G.S. 115C-325.4 for dismissal or demotion for cause.

12 A teacher, assistant principal, director, or supervisor may request a hearing before a panel  
13 of three members of the State Board within 30 days of any dismissal under this section. The  
14 State Board shall adopt procedures to ensure that due process rights are afforded to persons  
15 recommended for dismissal under this section. Decisions of the panel may be appealed on the  
16 record to the State Board.

17 (c) Notwithstanding any other provision of this Part or any other law, this section shall  
18 govern the State Board's dismissal of licensed staff members who have engaged in a  
19 remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general  
20 knowledge standard set by the State Board. The failure to meet the general knowledge standard  
21 after one retest shall be substantial evidence of the inadequate performance of the licensed staff  
22 member.

23 (d) A licensed staff member may request a hearing before a panel of three members of  
24 the State Board within 30 days of any dismissal under this section. The State Board shall adopt  
25 procedures to ensure that due process rights are afforded to licensed staff members  
26 recommended for dismissal under this section. Decisions of the panel may be appealed on the  
27 record to the State Board.

28 (e) The State Board of Education or a local board may terminate the contract of a  
29 teacher, assistant principal, director, or supervisor dismissed under this section.

30 (f) Neither party to a school administrator or teacher contract is entitled to damages  
31 under this section.

32 (g) The State Board shall have the right to subpoena witnesses and documents on behalf  
33 of any party to the proceedings under this section."

34 **SECTION 9.6.(c)** G.S. 115C-45(c) reads as rewritten:

35 "(c) Appeals to Board of Education and to Superior Court. – An appeal shall lie to the  
36 local board of education from any final administrative decision in the following matters:

37 (1) The discipline of a student under G.S. 115C-390.7, 115C-390.10, or  
38 115C-390.11;

39 (2) An alleged violation of a specified federal law, State law, State Board of  
40 Education policy, State rule, or local board policy, including policies  
41 regarding grade retention of students;

42 (3) The terms or conditions of employment or employment status of a school  
43 employee; and

44 (4) Any other decision that by statute specifically provides for a right of appeal  
45 to the local board of education and for which there is no other statutory  
46 appeal procedure.

47 As used in this subsection, the term "final administrative decision" means a decision of a  
48 school employee from which no further appeal to a school administrator is available.

49 Any person aggrieved by a decision not covered under subdivisions (1) through (4) of this  
50 subsection shall have the right to appeal to the superintendent and thereafter shall have the right  
51 to petition the local board of education for a hearing, and the local board may grant a hearing

1 regarding any final decision of school personnel within the local school administrative unit.  
 2 The local board of education shall notify the person making the petition of its decision whether  
 3 to grant a hearing.

4 In all appeals to the board it is the duty of the board of education to see that a proper notice  
 5 is given to all parties concerned and that a record of the hearing is properly entered in the  
 6 records of the board conducting the hearing.

7 The board of education may designate hearing panels composed of not less than two  
 8 members of the board to hear and act upon such appeals in the name and on behalf of the board  
 9 of education.

10 An appeal of right brought before a local board of education under subdivision (1), (2), ~~(3)~~,  
 11 or (4) of this subsection may be further appealed to the superior court of the State on the  
 12 grounds that the local board's decision is in violation of constitutional provisions, is in excess of  
 13 the statutory authority or jurisdiction of the board, is made upon unlawful procedure, is affected  
 14 by other error of law, is unsupported by substantial evidence in view of the entire record as  
 15 submitted, or is arbitrary or capricious. ~~However, the right of a noncertified employee to appeal~~  
 16 ~~decisions of a local board under subdivision (3) of this subsection shall only apply to decisions~~  
 17 ~~concerning the dismissal, demotion, or suspension without pay of the noncertified employee. A~~  
 18 ~~noncertified employee may request and shall be entitled to receive written notice as to the~~  
 19 ~~reasons for the employee's dismissal, demotion, or suspension without pay. The notice shall be~~  
 20 ~~provided to the employee prior to any local board of education hearing on the issue. This~~  
 21 ~~subsection shall not alter the employment status of a noncertified employee."~~

22 **SECTION 9.6.(d)** G.S. 115C-287.1 reads as rewritten:

23 **"§ 115C-287.1. Method of employment of principals, assistant principals, supervisors,**  
 24 **and directors.**

25 (a) (1) ~~Beginning July 1, 1995, all~~All persons employed as school administrators  
 26 shall be employed pursuant to this section.

27 (2) ~~Notwithstanding G.S. 115C-287.1(a)(1), the following school administrators~~  
 28 ~~shall be employed pursuant to G.S. 115C-325:~~

29 a. ~~School administrators who, as of July 1, 1995, are serving in a~~  
 30 ~~principal or supervisor position with career status in that position;~~  
 31 ~~and~~

32 b. ~~School administrators who, as of July 1, 1995, are serving in a~~  
 33 ~~principal or supervisor position and who are eligible to achieve~~  
 34 ~~career status on or before June 30, 1997.~~

35 ~~A school administrator shall cease to be employed pursuant to~~  
 36 ~~G.S. 115C-325 if the school administrator: (i) voluntarily relinquishes career~~  
 37 ~~status or the opportunity to achieve career status through promotion,~~  
 38 ~~resignation, or otherwise; or (ii) is dismissed or demoted or whose contract~~  
 39 ~~is not renewed pursuant to G.S. 115C-325.~~

40 (3) For purposes of this section, school administrator means a:

41 a. Principal;

42 b. Assistant principal;

43 c. Supervisor; or

44 d. Director,

45 whose major function includes the direct or indirect supervision of teaching  
 46 or of any other part of the instructional program.

47 (4) ~~Nothing in this section shall be construed to confer career status on any~~  
 48 ~~assistant principal or director, or to make an assistant principal eligible for~~  
 49 ~~career status as an assistant principal or a director eligible for career status as~~  
 50 ~~a director.~~

1 (b) Local boards of education shall employ school administrators ~~who are ineligible for~~  
2 ~~career status as provided in G.S. 115C-325(e)(3),~~ upon the recommendation of the  
3 superintendent. The initial contract between a school administrator and a local board of  
4 education shall be for two to four years, ending on June 30 of the final 12 months of the  
5 contract. In the case of a subsequent contract between a principal or assistant principal and a  
6 local board of education, the contract shall be for a term of four years. In the case of an initial  
7 contract between a school administrator and a local board of education, the first year of the  
8 contract may be for a period of less than 12 months provided the contract becomes effective on  
9 or before September 1. A local board of education may, with the written consent of the school  
10 administrator, extend, renew, or offer a new school administrator's contract at any time after the  
11 first 12 months of the contract so long as the term of the new, renewed, or extended contract  
12 does not exceed four years. Rolling annual contract renewals are not allowed. Nothing in this  
13 section shall be construed to prohibit the filling of an administrative position on an interim or  
14 temporary basis.

15 (c) The term of employment shall be stated in a written contract that shall be entered  
16 into between the local board of education and the school administrator. The school  
17 administrator shall not be dismissed or demoted during the term of the contract except for the  
18 grounds and by the procedure by which a ~~career~~ teacher may be dismissed or demoted for cause  
19 as set forth in ~~G.S. 115C-325~~. G.S. 115C-325.4.

20 (d) If a superintendent intends to recommend to the local board of education that the  
21 school administrator be offered a new, renewed, or extended contract, the superintendent shall  
22 submit the recommendation to the local board for action. The local board may approve the  
23 superintendent's recommendation or decide not to offer the school administrator a new,  
24 renewed, or extended school administrator's contract.

25 If a superintendent decides not to recommend that the local board of education offer a new,  
26 renewed, or extended school administrator's contract to the school administrator, the  
27 superintendent shall give the school administrator written notice of his or her decision ~~and the~~  
28 ~~reasons for his or her decision~~ no later than May 1 of the final year of the contract. The  
29 superintendent's reasons may not be arbitrary, capricious, discriminatory, personal, ~~or~~  
30 ~~political~~. political, or prohibited by State or federal law. No action by the local board or further  
31 notice to the school administrator shall be necessary unless the school administrator files with  
32 the superintendent a written request, within 10 days of receipt of the superintendent's decision,  
33 for a hearing before the local board. Failure to file a timely request for a hearing shall result in a  
34 waiver of the right to appeal the superintendent's decision. If a school administrator files a  
35 timely request for a hearing, the local board shall conduct a hearing pursuant to the provisions  
36 of G.S. 115C-45(c) and make a final decision on whether to offer the school administrator a  
37 new, renewed, or extended school administrator's contract.

38 If the local board decides not to offer the school administrator a new, renewed, or extended  
39 school administrator's contract, the local board shall notify the school administrator of its  
40 decision by June 1 of the final year of the contract. A decision not to offer the school  
41 administrator a new, renewed, or extended contract may be for any cause that is not arbitrary,  
42 capricious, discriminatory, personal, ~~or political~~. political, or prohibited by State or federal law.  
43 ~~The local board's decision not to offer the school administrator a new, renewed, or extended~~  
44 ~~school administrator's contract is subject to judicial review in accordance with Article 4 of~~  
45 ~~Chapter 150B of the General Statutes.~~

46 (e) Repealed by Session Laws 1995, c. 369, s. 1.

47 (f) If the superintendent or the local board of education fails to notify a school  
48 administrator by June 1 of the final year of the contract that the school administrator will not be  
49 offered a new school administrator's contract, the school administrator shall be entitled to 30  
50 days of additional employment or severance pay beyond the date the school administrator  
51 receives written notice that a new contract will not be offered.



1       ~~(g) If, prior to appointment as a school administrator, the school administrator held~~  
2 ~~career status as a teacher in the local school administrative unit in which he or she is employed~~  
3 ~~as a school administrator, a school administrator shall retain career status as a teacher if the~~  
4 ~~school administrator is not offered a new, renewed, or extended contract by the local board of~~  
5 ~~education, unless the school administrator voluntarily relinquished that right or is dismissed or~~  
6 ~~demoted pursuant to G.S. 115C-325.~~

7       (h) An individual who holds a provisional assistant principal's ~~certificate~~license and  
8 who is employed as an assistant principal under G.S. 115C-284(c) shall be considered a school  
9 administrator for purposes of this section. Notwithstanding subsection (b) of this section, a  
10 local board may enter into one-year contracts with a school administrator who holds a  
11 provisional assistant principal's ~~certificate~~license. ~~If the school administrator held career status~~  
12 ~~as a teacher in the local school administrative unit prior to being employed as an assistant~~  
13 ~~principal and the State Board for any reason does not extend the school administrator's~~  
14 ~~provisional assistant principal's certificate, the school administrator shall retain career status as~~  
15 ~~a teacher unless the school administrator voluntarily relinquished that right or is dismissed or~~  
16 ~~demoted under G.S. 115C-325. Nothing in this subsection or G.S. 115C-284(c) shall be~~  
17 ~~construed to require a local board to extend or renew the contract of a school administrator who~~  
18 ~~holds a provisional assistant principal's certificate.~~license."

19       **SECTION 9.6.(e)** The State Board of Education shall develop by rule as provided  
20 in Article 2A of Chapter 150B of the General Statutes a model contract for use by local boards  
21 of education in awarding teacher contracts. The State Board may adopt a temporary rule for a  
22 model contract as provided in G.S. 150B-21.1 to provide a contract to local boards of education  
23 no later than January 1, 2014, but shall replace the temporary rule with a permanent rule as  
24 soon as practicable.

25       **SECTION 9.6.(f)** G.S. 115C-325(c)(1) through (c)(3) and G.S. 115-325(c)(5) and  
26 (c)(6) are repealed effective August 1, 2013. Individuals who have not received career status  
27 prior to the 2013-2014 school year shall not be granted career status during the 2013-2014  
28 school year. All teachers who have not been granted career status prior to the 2013-2014 school  
29 year shall be offered only one-year contracts, except for qualifying teachers offered a four-year  
30 contract as provided in subsection (g) of this section, until the 2018-2019 school year.

31       **SECTION 9.6.(g)** Beginning September 1, 2013, to June 30, 2014, all  
32 superintendents shall review the performance and evaluations of all teachers who have been  
33 employed by the local board for at least three consecutive years. Based on these reviews, the  
34 superintendent shall identify and recommend to the local board twenty-five percent (25%) of  
35 those teachers employed by the local board for at least three consecutive years to be awarded  
36 four-year contracts beginning with the 2014-2015 school year. The superintendent shall not  
37 recommend to the local board any teacher for a four-year contract unless that teacher has shown  
38 effectiveness as demonstrated by proficiency on the teacher evaluation instrument. The local  
39 board of education shall review the superintendent's recommendation and may approve that  
40 recommendation or may select other teachers as part of the twenty-five percent (25%) to offer  
41 four-year contracts, but the local board shall not offer any teacher a four-year contract unless  
42 that teacher has shown effectiveness as demonstrated by proficiency on the teacher evaluation  
43 instrument. Contract offers shall be made and accepted no later than June 30, 2014. A teacher  
44 shall cease to be employed pursuant to G.S. 115C-325 and voluntarily relinquishes career status  
45 or any claim of career status by acceptance of a four-year contract as provided in this section.

46       **SECTION 9.6.(h)** Teachers employed by a local board of education on a four-year  
47 contract beginning with the 2014-2015 school year shall receive a five hundred dollar  
48 (\$500.00) annual pay raise for each year of the four-year contract.

49       **SECTION 9.6.(i)** Subsection (a) of this section becomes effective June 30, 2018,  
50 and no teacher employed by a local board of education on or after that date shall have career  
51 status. G.S. 115C-325 applies only to teachers with career status after June 30, 2014.

1           **SECTION 9.6.(j)** Subsection (b) of this section becomes effective July 1, 2014.  
 2 G.S. 115C-325.1 through G.S. 115C-325.13, as enacted by this section, shall apply to all  
 3 teachers on one- or four-year contracts beginning July 1, 2014. G.S. 115C-325.1 through  
 4 G.S. 115C-325.13, as enacted by this section, shall apply to all teachers employed by local  
 5 boards of education or the State on or after July 1, 2018.

6           **SECTION 9.6.(k)** Subsections (c) and (d) of this section become effective July 1,  
 7 2014, and apply to all employees employed on or after that date.

8           **SECTION 9.6.(l)** Except as otherwise provided in this section, this section is  
 9 effective when this act becomes law.

## 10 11 **TEACHER CONTRACT CONFORMING CHANGES**

12           **SECTION 9.7.(a)** G.S. 115C-105.26(b)(2) reads as rewritten:

13           "(2) State rules and policies, except those pertaining to public school State salary  
 14 schedules and employee benefits for school employees, the instructional  
 15 program that must be offered under the Basic Education Program, the system  
 16 of employment for public school teachers and administrators set out in  
 17 G.S. 115C-287.1 and ~~G.S. 115C-325~~, in Part 3 of Article 22 of this Chapter,  
 18 health and safety codes, compulsory attendance, the minimum lengths of the  
 19 school day and year, and the Uniform Education Reporting System."

20           **SECTION 9.7.(b)** G.S. 115C-105.37B(a)(2) reads as rewritten:

21           "(2) Restart model, in which the State Board of Education would authorize the  
 22 local board of education to operate the school with the same exemptions  
 23 from statutes and rules as a charter school authorized under Part 6A of  
 24 Article 16 of this Chapter, or under the management of an educational  
 25 management organization that has been selected through a rigorous review  
 26 process. A school operated under this subdivision remains under the control  
 27 of the local board of education, and employees assigned to the school are  
 28 employees of the local school administrative unit with the protections  
 29 provided by ~~G.S. 115C-325~~. Part 3 of Article 22 of this Chapter."

30           **SECTION 9.7.(c)** G.S. 115C-105.38A reads as rewritten:

31 **"§ 115C-105.38A. Teacher competency assurance.**

32           ...  
 33           (d) Retesting; Dismissal. – Upon completion of the remediation plan required under  
 34 subsection (c) of this section, the ~~certified/licensed~~ staff member shall take the general  
 35 knowledge test a second time. If the ~~certified/licensed~~ staff member fails to acquire a passing  
 36 score on the second test, the State Board shall begin a dismissal proceeding under  
 37 ~~G.S. 115C-325(q)(2a)~~; G.S. 115C-325(q)(2a) or G.S. 115C-325.13.

38           ...  
 39           (f) Other Actions Not Precluded. – Nothing in this section shall be construed to restrict  
 40 or postpone the following actions:

41           (1) The dismissal of a principal under ~~G.S. 115C-325(q)(1)~~; G.S. 115C-325.12.

42           (2) The dismissal of a teacher, assistant principal, director, or supervisor under  
 43 ~~G.S. 115C-325(q)(2)~~; G.S. 115C-325(q)(2) or G.S. 115C-325.13.

44           (3) The dismissal or demotion of ~~a career~~ an employee for any of the grounds  
 45 listed under ~~G.S. 115C-325(e)~~; G.S. 115C-325(e) or G.S. 115C-325.4.

46           (4) The nonrenewal of a school administrator's or ~~probationary~~ teacher's contract  
 47 of ~~employment~~; or employment.

48           (5) ~~The decision to grant career status.~~

49           ...."

50           **SECTION 9.7.(d)** G.S. 115C-105.39 reads as rewritten:

1 "§ 115C-105.39. Dismissal or removal of personnel; appointment of interim  
2 superintendent.

3 (a) Within 30 days of the initial identification of a school as low-performing, whether  
4 by the local school administrative unit under G.S. 115C-105.37(a1) or by the State Board under  
5 G.S. 115C-105.37(a), the superintendent shall take one of the following actions concerning the  
6 school's principal: (i) recommend to the local board that the principal be retained in the same  
7 position, (ii) recommend to the local board that the principal be retained in the same position  
8 and a plan of remediation should be developed, (iii) recommend to the local board that the  
9 principal be transferred, or (iv) proceed under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or  
10 demote the principal. The principal may be retained in the same position without a plan for  
11 remediation only if the principal was in that position for no more than two years before the  
12 school is identified as low-performing. The principal shall not be transferred to another  
13 principal position unless (i) it is in a school classification in which the principal previously  
14 demonstrated at least 2 years of success, (ii) there is a plan to evaluate and provide remediation  
15 to the principal for at least one year following the transfer to assure the principal does not  
16 impede student performance at the school to which the principal is being transferred; and (iii)  
17 the parents of the students at the school to which the principal is being transferred are notified.  
18 The principal shall not be transferred to another low-performing school in the local school  
19 administrative unit. If the superintendent intends to recommend demotion or dismissal, the  
20 superintendent shall notify the local board. Within 15 days of (i) receiving notification that the  
21 superintendent intends to proceed under ~~G.S. 115C-325~~G.S. 115C-325.4 or (ii) its decision  
22 concerning the superintendent's recommendation, but no later than September 30, the local  
23 board shall submit to the State Board a written notice of the action taken and the basis for that  
24 action. If the State Board does not assign an assistance team to that school or if the State Board  
25 assigns an assistance team to that school and the superintendent proceeds under  
26 ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall  
27 take no further action. If the State Board assigns an assistance team to the school and the  
28 superintendent is not proceeding under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote  
29 the principal, then the State Board shall vote to accept, reject, or modify the local board's  
30 recommendations. The State Board shall notify the local board of its action within five days. If  
31 the State Board rejects or modifies the local board's recommendations and does not recommend  
32 dismissal of the principal, the State Board's notification shall include recommended action  
33 concerning the principal's assignment or terms of employment. Upon receipt of the State  
34 Board's notification, the local board shall implement the State Board's recommended action  
35 concerning the principal's assignment or terms of employment unless the local board asks the  
36 State Board to reconsider that recommendation. The State Board shall provide an opportunity  
37 for the local board to be heard before the State Board acts on the local board's request for a  
38 reconsideration. The State Board shall vote to affirm or modify its original recommended  
39 action and shall notify the local board of its action within five days. Upon receipt of the State  
40 Board's notification, the local board shall implement the State Board's final recommended  
41 action concerning the principal's assignment or terms of employment. If the State Board rejects  
42 or modifies the local board's action and recommends dismissal of the principal, the State Board  
43 shall proceed under ~~G.S. 115C-325(q)(1)~~G.S. 115C-325.12.

44 (b) The State Board shall proceed under G.S. 115C-325(q)(2) or G.S. 115C-325.13 for  
45 the dismissal of teachers, assistant principals, directors, and supervisors assigned to a school  
46 identified as low-performing in accordance with ~~G.S. 115C-325(q)(2)~~G.S. 115C-325(q)(2) or  
47 G.S. 115C-325.13.

48 ...."

49 SECTION 9.7.(e) G.S. 115C-238.68(3) reads as rewritten:

50 "(3) ~~Career status.~~Leave of absence from local school administrative unit. –  
51 ~~Employees of the board of directors shall not be eligible for career status.~~If

1 a teacher employed by a local school administrative unit makes a written  
2 request for a leave of absence to teach at the regional school, the local school  
3 administrative unit shall grant the leave for one year. For the initial year of  
4 the regional school's operation, the local school administrative unit may  
5 require that the request for a leave of absence be made up to 45 days before  
6 the teacher would otherwise have to report for duty. After the initial year of  
7 the regional school's operation, the local school administrative unit may  
8 require that the request for a leave of absence be made up to 90 days before  
9 the teacher would otherwise have to report for duty. A local board of  
10 education is not required to grant a request for a leave of absence or a  
11 request to extend or renew a leave of absence for a teacher who previously  
12 has received a leave of absence from that school board under this  
13 subdivision. A teacher who has career status under G.S. 115C-325 prior to  
14 receiving a leave of absence to teach at the regional school may return to a  
15 public school in the local school administrative unit with career status at the  
16 end of the leave of absence or upon the end of employment at the regional  
17 school if an appropriate position is available. If an appropriate position is  
18 unavailable, the teacher's name shall be placed on a list of available teachers  
19 in accordance with G.S. 115C-325(e)(2)."

20 **SECTION 9.7.(f)** G.S. 115C-276(l) reads as rewritten:

21 "(l) To Maintain Personnel Files and to Participate in Firing and Demoting of Staff. –  
22 The superintendent shall maintain in his or her office a personnel file for each teacher that  
23 contains complaints, commendations, or suggestions for correction or improvement about the  
24 teacher and shall participate in the firing and demoting of staff, as provided in  
25 G.S. 115C-325, Part 3 of Article 22 of this Chapter."

26 **SECTION 9.7.(g)** G.S. 115C-285(a)(7) reads as rewritten:

27 "(7) All persons employed as principals in the schools and institutions listed in  
28 ~~subsection (p) of G.S. 115C-325~~ G.S. 115C-325.10 shall be compensated at  
29 the same rate as are teachers in the public schools in accordance with the  
30 salary schedule adopted by the State Board of Education."

31 **SECTION 9.7.(h)** G.S. 115C-304 is repealed.

32 **SECTION 9.7.(i)** G.S. 115C-333 reads as rewritten:

33 **"§ 115C-333. Evaluation of licensed employees including certain superintendents;  
34 mandatory improvement plans; State board notification upon dismissal of  
35 employees.**

36 (a) Annual Evaluations; Low-Performing Schools. – Local school administrative units  
37 shall evaluate at least once each year all licensed employees assigned to a school that has been  
38 identified as low-performing. The evaluation shall occur early enough during the school year to  
39 provide adequate time for the development and implementation of a mandatory improvement  
40 plan if one is recommended under subsection (b) of this section. If the employee is a teacher  
41 with career status as defined under G.S. 115C-325(a)(6), or a teacher as defined under  
42 G.S. 115C-325.1(6), either the principal, the assistant principal who supervises the teacher, or  
43 an assistance team assigned under G.S. 115C-105.38 shall conduct the evaluation. If the  
44 employee is a school administrator as defined under G.S. 115C-287.1(a)(3), either the  
45 superintendent or the superintendent's designee shall conduct the evaluation.

46 All teachers in low-performing schools who have ~~not attained career status~~ been employed  
47 for less than three consecutive years shall be observed at least three times annually by the  
48 principal or the principal's designee and at least once annually by a teacher and shall be  
49 evaluated at least once annually by a principal. This section shall not be construed to limit the  
50 duties and authority of an assistance team assigned to a low-performing school under  
51 G.S. 115C-105.38.

1 A local board shall use the performance standards and criteria adopted by the State Board  
2 and may adopt additional evaluation criteria and standards. All other provisions of this section  
3 shall apply if a local board uses an evaluation other than one adopted by the State Board.

4 (b) Mandatory Improvement Plans. –

5 ...  
6 (2a) If a licensed employee in a low-performing school receives a rating on any  
7 standard on an evaluation that is below proficient or otherwise represents  
8 unsatisfactory or below standard performance in an area that the licensed  
9 employee was expected to demonstrate, the individual or team that  
10 conducted the evaluation shall recommend to the superintendent that (i) the  
11 employee receive a mandatory improvement plan designed to improve the  
12 employee's ~~performance or~~ performance, (ii) the superintendent recommend  
13 to the local board that if the employee is a career status teacher the employee  
14 be dismissed or demoted and if the employee is a teacher on contract the  
15 teacher's contract not be recommended for renewal, or (iii) if the employee  
16 engaged in inappropriate conduct or performed inadequately to such a  
17 degree that such conduct or performance causes substantial harm to the  
18 educational environment that a proceeding for immediate dismissal or  
19 demotion be instituted. If the individual or team that conducted the  
20 evaluation elects not to make ~~either any~~ of the above recommendations, the  
21 said individual or team shall notify the superintendent of this decision. The  
22 superintendent shall determine whether to develop a mandatory  
23 improvement ~~plan~~ plan, to not recommend renewal of the employee's  
24 contract, or to recommend a dismissal proceeding.

25 ...  
26 (c) Reassessment of Employee in a Low-Performing School. – After the expiration of  
27 the time period for the mandatory improvement plan under subdivision (2a) of subsection (b) of  
28 this section, the superintendent, the superintendent's designee, or the assistance team shall  
29 assess the performance of the employee of the low-performing school a second time. If the  
30 superintendent, superintendent's designee, or assistance team determines that the employee has  
31 failed to become proficient in any of the performance standards articulated in the mandatory  
32 improvement plan or demonstrate sufficient improvement toward such standards, the  
33 superintendent shall recommend that if the employee is a teacher with career status the teacher  
34 be dismissed or demoted under G.S. 115C-325, or if the employee is a teacher on contract the  
35 employee the employee's contract not be renewed or if the employee has engaged in  
36 inappropriate conduct or performed inadequately to such a degree that such conduct or  
37 performance causes substantial harm to the educational environment, that the employee be  
38 immediately dismissed or demoted under ~~G.S. 115C-325~~ G.S. 115C-325.4. The results of the  
39 second assessment shall constitute substantial evidence of the employee's inadequate  
40 performance.

41 (d) State Board Notification. – If a local board dismisses an employee of a  
42 low-performing school who is a teacher with career status for any reason except a reduction in  
43 force under G.S. 115C-325(e)(1)l., or dismisses an employee who is a teacher on contract for  
44 cause or elects to not renew an employee's contract as a result of a superintendent's  
45 recommendation under subsection (b) or (c) of this section, it shall notify the State Board of the  
46 action, and the State Board annually shall provide to all local boards the names of those  
47 individuals. If a local board hires one of these individuals, within 60 days the superintendent or  
48 the superintendent's designee shall observe the employee, develop a mandatory improvement  
49 plan to assist the employee, and submit the plan to the State Board. The State Board shall  
50 review the mandatory improvement plan and may provide comments and suggestions to the  
51 superintendent. If on the next evaluation the employee receives a rating on any standard that

1 was identified as an area of concern on the mandatory improvement plan that is again below  
2 proficient or otherwise represents unsatisfactory or below standard performance, the local  
3 board shall notify the State Board and the State Board shall initiate a proceeding to revoke the  
4 employee's license under G.S. 115C-296(d). If on this next evaluation the employee receives at  
5 least a proficient rating on all of the performance standards that were identified as areas of  
6 concern on the mandatory improvement plan, the local board shall notify the State Board that  
7 the employee is in good standing and the State Board shall not continue to provide the  
8 individual's name to local boards under this subsection unless the employee is a teacher with  
9 career status and is subsequently dismissed under G.S. 115C-325 except for a reduction in  
10 ~~force-force~~, or the employee is a teacher on contract subsequently dismissed under  
11 G.S. 115C-325.4.

12 ...."

13 **SECTION 9.7.(j)** G.S. 115C-333.1 reads as rewritten:

14 "**§ 115C-333.1. Evaluation of teachers in schools not identified as low-performing;**  
15 **mandatory improvement plans; State Board notification upon dismissal of**  
16 **teachers.**

17 (a) Annual Evaluations. – All teachers who are assigned to schools that are not  
18 designated as low-performing and who have not ~~attained career status~~ been employed for at  
19 least three consecutive years shall be observed at least three times annually by the principal or  
20 the principal's designee and at least once annually by a teacher and shall be evaluated at least  
21 once annually by a principal. All teachers with career status or on a four-year contract who are  
22 assigned to schools that are not designated as low-performing shall be evaluated annually  
23 unless a local board adopts rules that allow teachers with career status or on a four-year  
24 contract to be evaluated more or less frequently, provided that such rules are not inconsistent  
25 with State or federal requirements. Local boards also may adopt rules requiring the annual  
26 evaluation of nonlicensed employees. A local board shall use the performance standards and  
27 criteria adopted by the State Board and may adopt additional evaluation criteria and standards.  
28 All other provisions of this section shall apply if a local board uses an evaluation other than one  
29 adopted by the State Board.

30 ...

31 (d) Reassessment of the Teacher. – Upon completion of a mandatory improvement plan  
32 under subsection (b) of this section, the principal shall assess the performance of the teacher a  
33 second time. The principal shall also review and consider any report provided by the qualified  
34 observer under subsection (c) of this section if one has been submitted before the end of the  
35 mandatory improvement plan period. If, after the second assessment of the teacher and  
36 consideration of any report from the qualified observer, the superintendent or superintendent's  
37 designee determines that the teacher has failed to become proficient in any of the performance  
38 standards identified as deficient in the mandatory improvement plan or demonstrate sufficient  
39 improvement toward such standards, the superintendent may recommend that a teacher with  
40 career status be dismissed or demoted under G.S. 115C-325, or if the teacher is on contract that  
41 the teacher's contract not be renewed or if the teacher has engaged in inappropriate conduct or  
42 performed inadequately to such a degree that such conduct or performance causes substantial  
43 harm to the educational environment, that the teacher be immediately dismissed or demoted  
44 under ~~G.S. 115C-325~~.G.S. 115C-325.4. The results of the second assessment produced  
45 pursuant to the terms of this subsection shall constitute substantial evidence of the teacher's  
46 inadequate performance.

47 (e) Dismissal Proceedings Without a Mandatory Improvement Plan. – The absence of a  
48 mandatory improvement plan as described in this section shall not prohibit a superintendent  
49 from initiating a dismissal proceeding against a teacher under the provisions of ~~G.S. 115C-325~~.  
50 G.S. 115C-325 or G.S. 115C-325.4. However, the superintendent shall not be entitled to the

1 substantial evidence provision in subsection (d) of this section if such mandatory improvement  
2 plan is not utilized.

3 (f) State Board Notification. – If a local board dismisses a teacher with career status for  
4 any reason except a reduction in force under G.S. 115C-325(e)(1)l., or dismisses a teacher on  
5 contract for cause or elects to not renew a teacher's contract as a result of a superintendent's  
6 recommendation under subsection (d) of this section, it shall notify the State Board of the  
7 action, and the State Board annually shall provide to all local boards the names of those  
8 teachers. If a local board hires one of these teachers, within 60 days the superintendent or the  
9 superintendent's designee shall observe the teacher, develop a mandatory improvement plan to  
10 assist the teacher, and submit the plan to the State Board. The State Board shall review the  
11 mandatory improvement plan and may provide comments and suggestions to the  
12 superintendent. If on the next evaluation the teacher receives a rating on any standard that was  
13 an area of concern on the mandatory improvement plan that is again below proficient or a  
14 rating that otherwise represents unsatisfactory or below standard performance, the local board  
15 shall notify the State Board, and the State Board shall initiate a proceeding to revoke the  
16 teacher's license under G.S. 115C-296(d). If on the next evaluation the teacher receives at least  
17 a proficient rating on all of the overall performance standards that were areas of concern on the  
18 mandatory improvement plan, the local board shall notify the State Board that the teacher is in  
19 good standing, and the State Board shall not continue to provide the teacher's name to local  
20 boards under this subsection unless the teacher has career status and is subsequently dismissed  
21 under G.S. 115C-325 except for a reduction in ~~force~~ force or is a teacher on contract who is  
22 subsequently dismissed under G.S. 115C-325.4. If, however, on this next evaluation the teacher  
23 receives a developing rating on any standards that were areas of concern on the mandatory  
24 improvement plan, the teacher shall have one more year to bring the rating to ~~proficient.~~  
25 If proficient if the local board elects to renew the teacher's contract. If by the end of this second  
26 year, year the teacher is not proficient in all standards that were areas of concern on the  
27 mandatory improvement plan, the local board shall notify the State Board, and the State Board  
28 shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d).

29 ...."

30 **SECTION 9.7.(k)** G.S. 115C-335(b) reads as rewritten:

31 "(b) Training. – The State Board, in collaboration with the Board of Governors of The  
32 University of North Carolina, shall develop programs designed to train principals and  
33 superintendents in the proper administration of the employee evaluations developed by the  
34 State Board. The Board of Governors shall use the professional development programs for  
35 public school employees that are under its authority to make this training available to all  
36 principals and superintendents at locations that are geographically convenient to local school  
37 administrative units. The programs shall include methods to determine whether an employee's  
38 performance has improved student learning, the development and implementation of  
39 appropriate professional growth and mandatory improvement plans, the process for contract  
40 nonrenewal, and the dismissal process under ~~G.S. 115C-325.~~ Part 3 of Article 22 of this  
41 Chapter. The Board of Governors shall ensure that the subject matter of the training programs  
42 is incorporated into the masters in school administration programs offered by the constituent  
43 institutions. The State Board, in collaboration with the Board of Governors, also shall develop  
44 in-service programs for licensed public school employees that may be included in a mandatory  
45 improvement plan created under G.S. 115C-333(b) or G.S. 115C-333.1(b). The Board of  
46 Governors shall use the professional development programs for public school employees that  
47 are under its authority to make this training available at locations that are geographically  
48 convenient to local school administrative units."

49 **SECTION 9.7.(l)** G.S. 115C-404(b) reads as rewritten:

50 "(b) Documents received under this section shall be used only to protect the safety of or  
51 to improve the education opportunities for the student or others. Information gained in

1 accordance with G.S. 7B-3100 shall not be the sole basis for a decision to suspend or expel a  
2 student. Upon receipt of each document, the principal shall share the document with those  
3 individuals who have (i) direct guidance, teaching, or supervisory responsibility for the student,  
4 and (ii) a specific need to know in order to protect the safety of the student or others. Those  
5 individuals shall indicate in writing that they have read the document and that they agree to  
6 maintain its confidentiality. Failure to maintain the confidentiality of these documents as  
7 required by this section is grounds for the dismissal of an employee who is not employed on  
8 contract, grounds for dismissal of an employee on contract not a career employee in accordance  
9 with G.S. 115C-325.4(a)(9), and is grounds for dismissal of an employee who is a career  
10 employee, teacher in accordance with G.S. 115C-325(e)(1)i."

11 **SECTION 9.7.(m)** G.S. 143B-146.7(b) reads as rewritten:

12 "(b) At any time after the State Board identifies a school as low-performing under this  
13 Part, the ~~Secretary~~ State Board shall proceed under G.S. 115C-325(p1) or G.S. 115C-325.11  
14 for the dismissal of ~~certificated~~ licensed instructional personnel assigned to that school."

15 **SECTION 9.7.(n)** G.S. 143B-146.8 reads as rewritten:

16 **"§ 143B-146.8. Evaluation of certificated-licensed personnel and principals; action plans;**  
17 **State Board notification.**

18 (a) Annual Evaluations; Low-Performing Schools. – The principal shall evaluate at  
19 least once each year all ~~certificated-licensed~~ licensed personnel assigned to a participating school that  
20 has been identified as low-performing but has not received an assistance team. The evaluation  
21 shall occur early enough during the school year to provide adequate time for the development  
22 and implementation of an action plan if one is recommended under subsection (b) of this  
23 section. If the employee is a teacher as defined under ~~G.S. 115C-325(a)(6),~~  
24 G.S. 115C-325(a)(6) with career status or a teacher as defined in G.S. 115C-325.1(6) on  
25 contract, either the principal or an assessment team assigned under G.S. 143B-146.9 shall  
26 conduct the evaluation. If the employee is a school administrator as defined under  
27 G.S. 115C-287.1(a)(3), the Superintendent shall conduct the evaluation.

28 Notwithstanding this subsection or any other law, the principal shall observe at least three  
29 times annually, a teacher shall observe at least once annually, and the principal shall evaluate at  
30 least once annually, all teachers who have ~~not attained career status~~ been employed for less  
31 than three consecutive years. All other employees defined as teachers under  
32 G.S. 115C-325(a)(6) with career status or teachers as defined in G.S. 115C-325.1(6) on a  
33 four-year contract who are assigned to participating schools that are not designated as  
34 low-performing shall be evaluated annually unless the ~~Secretary~~ State Board adopts rules that  
35 allow specified categories of teachers with career status or on four-year contracts to be  
36 evaluated more or less frequently. The ~~Secretary~~ State Board also may adopt rules requiring the  
37 annual evaluation of ~~noncertificated-nonlicensed~~ personnel. This section shall not be construed  
38 to limit the duties and authority of an assistance team assigned to a low-performing school.

39 ~~The Secretary shall use the State Board's performance standards and criteria unless the~~  
40 ~~Secretary develops an alternative evaluation that is properly validated and that includes~~  
41 ~~standards and criteria similar to those adopted by the State Board. All other provisions of this~~  
42 ~~section shall apply if an evaluation is used other than one adopted by the State Board.~~

43 (b) Action Plans. – If a ~~certificated-licensed~~ licensed employee in a participating school that has  
44 been identified as low-performing receives an unsatisfactory or below standard rating on any  
45 function of the evaluation that is related to the employee's instructional duties, the individual or  
46 team that conducted the evaluation shall recommend to the principal that: (i) the employee  
47 receive an action plan designed to improve the employee's performance; or (ii) the principal  
48 recommend ~~to the Secretary~~ that the employee who is a career teacher be dismissed or demoted  
49 as provided in G.S. 115C-325 or the employee who is a teacher on contract not be  
50 recommended for renewal; or (iii) if the employee who is a teacher on contract engages in  
51 inappropriate conduct or performs inadequately to such a degree that such conduct or



1 performance causes substantial harm to the educational environment that a proceeding for  
 2 immediate dismissal or demotion under G.S. 115C-325.4 be instituted. The principal shall  
 3 determine whether to develop an action plan, to not recommend renewal of the employee's  
 4 contract, or to recommend a dismissal proceeding. The person who evaluated the employee or  
 5 the employee's supervisor shall develop the action plan unless an assistance team or assessment  
 6 team conducted the evaluation. If an assistance team or assessment team conducted the  
 7 evaluation, that team shall develop the action plan in collaboration with the employee's  
 8 supervisor. Action plans shall be designed to be completed within 90 instructional days or  
 9 before the beginning of the next school year. The State Board, in consultation with the  
 10 Secretary, Board shall develop guidelines that include strategies to assist in evaluating  
 11 certificated licensed personnel and developing effective action plans within the time allotted  
 12 under this section. The Secretary State Board may adopt policies for the development and  
 13 implementation of action plans or professional development plans for personnel who do not  
 14 require action plans under this section.

15 (c) Reevaluation. – Upon completion of an action plan under subsection (b) of this  
 16 section, the principal or the assessment team shall evaluate the employee a second time. If on  
 17 the second evaluation the employee receives one unsatisfactory or more than one below  
 18 standard rating on any function that is related to the employee's instructional duties, the  
 19 principal shall recommend that the employee with career status be dismissed or demoted under  
 20 G.S. 115C-325, or that an employee's contract not be renewed or if the employee engages in  
 21 inappropriate conduct or performs inadequately to such a degree that such conduct or  
 22 performance causes substantial harm to the educational environment, that the employee be  
 23 dismissed or demoted under G.S. 115C-325.4. The results of the second  
 24 evaluation shall constitute substantial evidence of the employee's inadequate performance.

25 (d) State Board Notification. – If the Secretary dismisses an employee is dismissed for  
 26 any reason except a reduction in force under G.S. 115C-325(e)(1), cause or an employee's  
 27 contract is not renewed as a result of a superintendent's recommendation under subsection (b)  
 28 or (c) of this section, the Secretary shall notify the State Board shall be notified of the action,  
 29 and the State Board annually shall provide to all local boards of education the names of those  
 30 individuals. If a local board hires one of these individuals, that local board shall proceed under  
 31 G.S. 115C-333(d).

32 ...."

33 **SECTION 9.7.(o)** G.S. 115C-105.38A, as amended by subsection (c) of this  
 34 section, reads as rewritten:

35 "**§ 115C-105.38A. Teacher competency assurance.**

36 ...

37 (d) Retesting; Dismissal. – Upon completion of the remediation plan required under  
 38 subsection (c) of this section, the licensed staff member shall take the general knowledge test a  
 39 second time. If the licensed staff member fails to acquire a passing score on the second test, the  
 40 State Board shall begin a dismissal proceeding under G.S. 115C-325(q)(2a) or  
 41 G.S. 115C-325.13.

42 ...

43 (f) Other Actions Not Precluded. – Nothing in this section shall be construed to restrict  
 44 or postpone the following actions:

45 (1) The dismissal of a principal under G.S. 115C-325.12.

46 (2) The dismissal of a teacher, assistant principal, director, or supervisor under  
 47 G.S. 115C-325(q)(2) or G.S. 115C-325.13.

48 (3) The dismissal or demotion of an employee for any of the grounds listed  
 49 under G.S. 115C-325(e) or G.S. 115C-325.4.

50 (4) The nonrenewal of a school administrator's or teacher's contract of  
 51 employment.

1       ...."

2           **SECTION 9.7.(p)** G.S. 115C-105.39(b), as amended by subsection (d) of this  
3 section, reads as rewritten:

4       "(b) The State Board shall proceed under ~~G.S. 115C-325(q)(2)~~ or G.S. 115C-325.13 for  
5 the dismissal of teachers, assistant principals, directors, and supervisors assigned to a school  
6 identified as low-performing in accordance with ~~G.S. 115C-325(q)(2)~~ or G.S. 115C-325.13.

7       ...."

8           **SECTION 9.7.(q)** G.S. 115C-238.29F(e)(3) reads as rewritten:

9       "(3) If a teacher employed by a local school administrative unit makes a written  
10 request for a leave of absence to teach at a charter school, the local school  
11 administrative unit shall grant the leave for one year. For the initial year of a  
12 charter school's operation, the local school administrative unit may require  
13 that the request for a leave of absence be made up to 45 days before the  
14 teacher would otherwise have to report for duty. After the initial year of a  
15 charter school's operation, the local school administrative unit may require  
16 that the request for a leave of absence be made up to 90 days before the  
17 teacher would otherwise have to report for duty. A local board of education  
18 is not required to grant a request for a leave of absence or a request to extend  
19 or renew a leave of absence for a teacher who previously has received a  
20 leave of absence from that school board under this subdivision. A teacher  
21 who has ~~career status under G.S. 115C-325~~ prior to receiving received a  
22 leave of absence to teach at a charter school may return to a public school in  
23 the local school administrative unit ~~with career status~~ at the end of the leave  
24 of absence or upon the end of employment at the charter school if an  
25 appropriate position is available. ~~If an appropriate position is unavailable, the~~  
26 ~~teacher's name shall be placed on a list of available teachers and that teacher~~  
27 ~~shall have priority on all positions for which that teacher is qualified in~~  
28 ~~accordance with G.S. 115C-325(e)(2)."~~

29           **SECTION 9.7.(r)** G.S. 115C-238.68(3), as amended by subsection (e) of this  
30 section, reads as rewritten:

31       "(3) Leave of absence from local school administrative unit. – If a teacher  
32 employed by a local school administrative unit makes a written request for a  
33 leave of absence to teach at the regional school, the local school  
34 administrative unit shall grant the leave for one year. For the initial year of  
35 the regional school's operation, the local school administrative unit may  
36 require that the request for a leave of absence be made up to 45 days before  
37 the teacher would otherwise have to report for duty. After the initial year of  
38 the regional school's operation, the local school administrative unit may  
39 require that the request for a leave of absence be made up to 90 days before  
40 the teacher would otherwise have to report for duty. A local board of  
41 education is not required to grant a request for a leave of absence or a  
42 request to extend or renew a leave of absence for a teacher who previously  
43 has received a leave of absence from that school board under this  
44 subdivision. A teacher who has ~~career status under G.S. 115C-325~~ prior to  
45 ~~receiving~~ received a leave of absence to teach at the regional school may  
46 return to a public school in the local school administrative unit ~~with career~~  
47 ~~status~~ at the end of the leave of absence or upon the end of employment at  
48 the regional school if an appropriate position is available. ~~If an appropriate~~  
49 ~~position is unavailable, the teacher's name shall be placed on a list of~~  
50 ~~available teachers in accordance with G.S. 115C-325(e)(2)."~~

1           **SECTION 9.7.(s)** G.S. 115C-333, as amended by subsection (i) of this section,  
2 reads as rewritten:

3 **"§ 115C-333. Evaluation of licensed employees including certain superintendents;**  
4 **mandatory improvement plans; State board notification upon dismissal of**  
5 **employees.**

6       (a) Annual Evaluations; Low-Performing Schools. – Local school administrative units  
7 shall evaluate at least once each year all licensed employees assigned to a school that has been  
8 identified as low-performing. The evaluation shall occur early enough during the school year to  
9 provide adequate time for the development and implementation of a mandatory improvement  
10 plan if one is recommended under subsection (b) of this section. If the employee is a teacher  
11 ~~with career status as defined under G.S. 115C-325(a)(6), or a teacher as defined under~~  
12 ~~G.S. 115C-325.1(6),~~ G.S. 115C-325.1(6) either the principal, the assistant principal who  
13 supervises the teacher, or an assistance team assigned under G.S. 115C-105.38 shall conduct  
14 the evaluation. If the employee is a school administrator as defined under  
15 G.S. 115C-287.1(a)(3), either the superintendent or the superintendent's designee shall conduct  
16 the evaluation.

17       All teachers in low-performing schools who have been employed for less than three  
18 consecutive years shall be observed at least three times annually by the principal or the  
19 principal's designee and at least once annually by a teacher and shall be evaluated at least once  
20 annually by a principal. This section shall not be construed to limit the duties and authority of  
21 an assistance team assigned to a low-performing school under G.S. 115C-105.38.

22       A local board shall use the performance standards and criteria adopted by the State Board  
23 and may adopt additional evaluation criteria and standards. All other provisions of this section  
24 shall apply if a local board uses an evaluation other than one adopted by the State Board.

25       (b) Mandatory Improvement Plans. –

26       ...  
27       (2a) If a licensed employee in a low-performing school receives a rating on any  
28 standard on an evaluation that is below proficient or otherwise represents  
29 unsatisfactory or below standard performance in an area that the licensed  
30 employee was expected to demonstrate, the individual or team that  
31 conducted the evaluation shall recommend to the superintendent that (i) the  
32 employee receive a mandatory improvement plan designed to improve the  
33 employee's performance, (ii) the superintendent recommend to the local  
34 board that ~~if the employee is a career status teacher the employee be~~  
35 ~~dismissed or demoted and if the employee is a teacher on contract the~~  
36 ~~teacher's employee's contract not be recommended for renewal, or (iii) if the~~  
37 employee engaged in inappropriate conduct or performed inadequately to  
38 such a degree that such conduct or performance causes substantial harm to  
39 the educational environment that a proceeding for immediate dismissal or  
40 demotion be instituted. If the individual or team that conducted the  
41 evaluation elects not to make any of the above recommendations, the said  
42 individual or team shall notify the superintendent of this decision. The  
43 superintendent shall determine whether to develop a mandatory  
44 improvement plan, to not recommend renewal of the employee's contract, or  
45 to recommend a dismissal proceeding.

46       ...  
47       (c) Reassessment of Employee in a Low-Performing School. – After the expiration of  
48 the time period for the mandatory improvement plan under subdivision (2a) of subsection (b) of  
49 this section, the superintendent, the superintendent's designee, or the assistance team shall  
50 assess the performance of the employee of the low-performing school a second time. If the  
51 superintendent, superintendent's designee, or assistance team determines that the employee has

1 failed to become proficient in any of the performance standards articulated in the mandatory  
2 improvement plan or demonstrate sufficient improvement toward such standards, the  
3 superintendent shall recommend that ~~if the employee is a teacher with career status the teacher~~  
4 ~~be dismissed or demoted under G.S. 115C-325, or if the employee is a teacher on contract the~~  
5 employee's contract not be renewed or if the employee has engaged in inappropriate conduct or  
6 performed inadequately to such a degree that such conduct or performance causes substantial  
7 harm to the educational environment, that the employee be immediately dismissed or demoted  
8 under G.S. 115C-325.4. The results of the second assessment shall constitute substantial  
9 evidence of the employee's inadequate performance.

10 (d) State Board Notification. – If a local board dismisses an employee of a  
11 low-performing school ~~who is a teacher with career status for any reason except a reduction in~~  
12 ~~force under G.S. 115C-325(e)(1)l., or dismisses an employee who is a teacher on contract for~~  
13 cause or elects to not renew an employee's contract as a result of a superintendent's  
14 recommendation under subsection (b) or (c) of this section, it shall notify the State Board of the  
15 action, and the State Board annually shall provide to all local boards the names of those  
16 individuals. If a local board hires one of these individuals, within 60 days the superintendent or  
17 the superintendent's designee shall observe the employee, develop a mandatory improvement  
18 plan to assist the employee, and submit the plan to the State Board. The State Board shall  
19 review the mandatory improvement plan and may provide comments and suggestions to the  
20 superintendent. If on the next evaluation the employee receives a rating on any standard that  
21 was identified as an area of concern on the mandatory improvement plan that is again below  
22 proficient or otherwise represents unsatisfactory or below standard performance, the local  
23 board shall notify the State Board and the State Board shall initiate a proceeding to revoke the  
24 employee's license under G.S. 115C-296(d). If on this next evaluation the employee receives at  
25 least a proficient rating on all of the performance standards that were identified as areas of  
26 concern on the mandatory improvement plan, the local board shall notify the State Board that  
27 the employee is in good standing and the State Board shall not continue to provide the  
28 individual's name to local boards under this subsection unless the employee is ~~a teacher with~~  
29 ~~career status and is subsequently dismissed under G.S. 115C-325 except for a reduction in~~  
30 ~~force, or the employee is a teacher on contract~~ subsequently dismissed under G.S. 115C-325.4.

31 ...."

32 **SECTION 9.7.(t)** G.S. 115C-333.1, as amended by subsection (j) of this section,  
33 reads as rewritten:

34 "**§ 115C-333.1. Evaluation of teachers in schools not identified as low-performing;**  
35 **mandatory improvement plans; State Board notification upon dismissal of**  
36 **teachers.**

37 (a) Annual Evaluations. – All teachers who are assigned to schools that are not  
38 designated as low-performing and who have not been employed for at least three consecutive  
39 years shall be observed at least three times annually by the principal or the principal's designee  
40 and at least once annually by a teacher and shall be evaluated at least once annually by a  
41 principal. All teachers with career status or on a four-year contract who have been employed for  
42 three or more years who are assigned to schools that are not designated as low-performing shall  
43 be evaluated annually unless a local board adopts rules that allow teachers ~~with career status or~~  
44 ~~on a four-year contract~~ employed for three or more years to be evaluated more or less  
45 frequently, provided that such rules are not inconsistent with State or federal requirements.  
46 Local boards also may adopt rules requiring the annual evaluation of nonlicensed employees. A  
47 local board shall use the performance standards and criteria adopted by the State Board and  
48 may adopt additional evaluation criteria and standards. All other provisions of this section shall  
49 apply if a local board uses an evaluation other than one adopted by the State Board.

50 ...

1 (d) Reassessment of the Teacher. – Upon completion of a mandatory improvement plan  
2 under subsection (b) of this section, the principal shall assess the performance of the teacher a  
3 second time. The principal shall also review and consider any report provided by the qualified  
4 observer under subsection (c) of this section if one has been submitted before the end of the  
5 mandatory improvement plan period. If, after the second assessment of the teacher and  
6 consideration of any report from the qualified observer, the superintendent or superintendent's  
7 designee determines that the teacher has failed to become proficient in any of the performance  
8 standards identified as deficient in the mandatory improvement plan or demonstrate sufficient  
9 improvement toward such standards, the superintendent may recommend that ~~a teacher with~~  
10 ~~career status be dismissed or demoted under G.S. 115C-325, or if the teacher is on contract that~~  
11 ~~the teacher's contract not be renewed~~renewed, or if the teacher has engaged in inappropriate  
12 conduct or performed inadequately to such a degree that such conduct or performance causes  
13 substantial harm to the educational environment, that the teacher be immediately dismissed or  
14 demoted under G.S. 115C-325.4. The results of the second assessment produced pursuant to the  
15 terms of this subsection shall constitute substantial evidence of the teacher's inadequate  
16 performance.

17 (e) Dismissal Proceedings Without a Mandatory Improvement Plan. – The absence of a  
18 mandatory improvement plan as described in this section shall not prohibit a superintendent  
19 from initiating a dismissal proceeding against a teacher under the provisions of ~~G.S. 115C-325~~  
20 ~~or~~ G.S. 115C-325.4. However, the superintendent shall not be entitled to the substantial  
21 evidence provision in subsection (d) of this section if such mandatory improvement plan is not  
22 utilized.

23 (f) State Board Notification. – If a local board dismisses a teacher ~~with career status for~~  
24 ~~any reason except a reduction in force under G.S. 115C-325(e)(1)~~, or dismisses a teacher ~~on~~  
25 ~~contract~~ for cause or elects to not renew a teacher's contract as a result of a superintendent's  
26 recommendation under subsection (d) of this section, it shall notify the State Board of the  
27 action, and the State Board annually shall provide to all local boards the names of those  
28 teachers. If a local board hires one of these teachers, within 60 days the superintendent or the  
29 superintendent's designee shall observe the teacher, develop a mandatory improvement plan to  
30 assist the teacher, and submit the plan to the State Board. The State Board shall review the  
31 mandatory improvement plan and may provide comments and suggestions to the  
32 superintendent. If on the next evaluation the teacher receives a rating on any standard that was  
33 an area of concern on the mandatory improvement plan that is again below proficient or a  
34 rating that otherwise represents unsatisfactory or below standard performance, the local board  
35 shall notify the State Board, and the State Board shall initiate a proceeding to revoke the  
36 teacher's license under G.S. 115C-296(d). If on the next evaluation the teacher receives at least  
37 a proficient rating on all of the overall performance standards that were areas of concern on the  
38 mandatory improvement plan, the local board shall notify the State Board that the teacher is in  
39 good standing, and the State Board shall not continue to provide the teacher's name to local  
40 boards under this subsection unless the teacher has career status and is subsequently dismissed  
41 ~~under G.S. 115C-325 except for a reduction in force or is a teacher on contract who is~~  
42 ~~subsequently dismissed~~ under G.S. 115C-325.4. If, however, on this next evaluation the teacher  
43 receives a developing rating on any standards that were areas of concern on the mandatory  
44 improvement plan, ~~the teacher shall have one more year to bring the rating to proficient~~ if the  
45 local board elects to renew the teacher's contract. If by the end of this second year the teacher is  
46 not proficient in all standards that were areas of concern on the mandatory improvement plan,  
47 the local board shall notify the State Board, and the State Board shall initiate a proceeding to  
48 revoke the teacher's license under G.S. 115C-296(d).

49 ...."

50 **SECTION 9.7.(u)** Article 23 of Chapter 115C of the General Statutes is amended  
51 by adding a new section to read:

1 **"§ 115C-344. Employment benefits for exchange teachers.**

2 An exchange teacher is a nonimmigrant alien teacher participating in an exchange visitor  
3 program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or  
4 by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q). For  
5 purposes of determining eligibility to receive employment benefits under this Chapter,  
6 including personal leave, annual vacation leave, and sick leave, an exchange teacher shall be  
7 considered a permanent teacher if employed with the expectation of at least six full consecutive  
8 monthly pay periods of employment and if employed at least 20 hours per week. An exchange  
9 teacher is not a teacher for purposes of the Teachers' and State Employees' Retirement System  
10 of North Carolina as provided in G.S. 135-1(25)."

11 **SECTION 9.7.(v)** G.S. 115C-404(b), as amended by subsection (n) of this section,  
12 reads as rewritten:

13 "(b) Documents received under this section shall be used only to protect the safety of or  
14 to improve the education opportunities for the student or others. Information gained in  
15 accordance with G.S. 7B-3100 shall not be the sole basis for a decision to suspend or expel a  
16 student. Upon receipt of each document, the principal shall share the document with those  
17 individuals who have (i) direct guidance, teaching, or supervisory responsibility for the student,  
18 and (ii) a specific need to know in order to protect the safety of the student or others. Those  
19 individuals shall indicate in writing that they have read the document and that they agree to  
20 maintain its confidentiality. Failure to maintain the confidentiality of these documents as  
21 required by this section is grounds for the dismissal of an employee who is not employed on  
22 ~~contract, contract and~~ grounds for dismissal of an employee on contract in accordance with  
23 ~~G.S. 115C-325.4(a)(9). G.S. 115C-325.4(a)(9), and grounds for dismissal of an employee who~~  
24 ~~is a career teacher in accordance with G.S. 115C-325(e)(1);"~~

25 **SECTION 9.7.(w)** G.S. 143B-146.7(b), as amended by subsection (m) of this  
26 section, reads as rewritten:

27 "(b) At any time after the State Board identifies a school as low-performing under this  
28 Part, the State Board shall proceed under ~~G.S. 115C-325(p1) or~~ G.S. 115C-325.11 for the  
29 dismissal of licensed instructional personnel assigned to that school."

30 **SECTION 9.7.(x)** G.S. 143B-146.8, as amended by subsection (n) of this section,  
31 reads as rewritten:

32 **"§ 143B-146.8. Evaluation of licensed personnel and principals; action plans; State Board**  
33 **notification.**

34 (a) Annual Evaluations; Low-Performing Schools. – The principal shall evaluate at  
35 least once each year all licensed personnel assigned to a participating school that has been  
36 identified as low-performing but has not received an assistance team. The evaluation shall  
37 occur early enough during the school year to provide adequate time for the development and  
38 implementation of an action plan if one is recommended under subsection (b) of this section. If  
39 the employee is a ~~teacher as defined under G.S. 115C-325(a)(6) with career status or a teacher~~  
40 ~~as defined in G.S. 115C-325.1(6) on contract, G.S. 115C-325.1(6),~~ either the principal or an  
41 assessment team assigned under G.S. 143B-146.9 shall conduct the evaluation. If the employee  
42 is a school administrator as defined under G.S. 115C-287.1(a)(3), the Superintendent shall  
43 conduct the evaluation.

44 Notwithstanding this subsection or any other law, the principal shall observe at least three  
45 times annually, a teacher shall observe at least once annually, and the principal shall evaluate at  
46 least once annually, all teachers who have been employed for less than three consecutive years.  
47 All other employees who have been employed for three or more years and are defined as  
48 teachers under G.S. 115C-325(a)(6) with career status or teachers as defined in  
49 G.S. 115C-325.1(5) on a four-year contract G.S. 115C-325.1(6) who are assigned to  
50 participating schools that are not designated as low-performing shall be evaluated annually  
51 unless the State Board adopts rules that allow specified categories of teachers with ~~career status~~

1 ~~or on four year contracts~~three or more years employment to be evaluated more or less  
2 frequently. The State Board also may adopt rules requiring the annual evaluation of  
3 nonlicensed personnel. This section shall not be construed to limit the duties and authority of an  
4 assistance team assigned to a low-performing school.

5 (b) Action Plans. – If a licensed employee in a participating school that has been  
6 identified as low-performing receives an unsatisfactory or below standard rating on any  
7 function of the evaluation that is related to the employee's instructional duties, the individual or  
8 team that conducted the evaluation shall recommend to the principal that: (i) the employee  
9 receive an action plan designed to improve the employee's performance; or (ii) ~~the principal~~  
10 ~~recommend that the employee who is a career teacher be dismissed or demoted as provided in~~  
11 ~~G.S. 115C-325 or the employee who is a teacher on contract~~the employee's contract not be  
12 recommended for renewal; or (iii) if the employee who is a teacher on contract engages in  
13 inappropriate conduct or performs inadequately to such a degree that such conduct or  
14 performance causes substantial harm to the educational environment that a proceeding for  
15 immediate dismissal or demotion under G.S. 115C-325.4 be instituted. The principal shall  
16 determine whether to develop an action plan, to not recommend renewal of the employee's  
17 contract, or to recommend a dismissal proceeding. The person who evaluated the employee or  
18 the employee's supervisor shall develop the action plan unless an assistance team or assessment  
19 team conducted the evaluation. If an assistance team or assessment team conducted the  
20 evaluation, that team shall develop the action plan in collaboration with the employee's  
21 supervisor. Action plans shall be designed to be completed within 90 instructional days or  
22 before the beginning of the next school year. The State Board shall develop guidelines that  
23 include strategies to assist in evaluating licensed personnel and developing effective action  
24 plans within the time allotted under this section. The State Board may adopt policies for the  
25 development and implementation of action plans or professional development plans for  
26 personnel who do not require action plans under this section.

27 (c) Reevaluation. – Upon completion of an action plan under subsection (b) of this  
28 section, the principal or the assessment team shall evaluate the employee a second time. If on  
29 the second evaluation the employee receives one unsatisfactory or more than one below  
30 standard rating on any function that is related to the employee's instructional duties, the  
31 principal shall recommend that the ~~employee with career status be dismissed or demoted under~~  
32 ~~G.S. 115C-325, or that an employee on~~employee's contract not be ~~renewed~~renewed, or if the  
33 employee engages in inappropriate conduct or performs inadequately to such a degree that such  
34 conduct or performance causes substantial harm to the educational environment, that the  
35 employee be dismissed or demoted under G.S. 115C-325.4. The results of the second  
36 evaluation shall constitute substantial evidence of the employee's inadequate performance.

37 ...."

38 **SECTION 9.7.(y)** Subsection (u) of this section becomes effective August 1, 2013.  
39 Subsections (a) through (n) of this section become effective July 1, 2014. Subsections (o)  
40 through (t) and (v) through (x) become effective June 30, 2018.

## 41 **PART X. COMMUNITY COLLEGES**

### 42 **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

43  
44 **SECTION 10.1.(a)** Notwithstanding any other provision of law, and consistent  
45 with the authority established in G.S. 115D-3, the President of the North Carolina Community  
46 College System may reorganize the System Office in accordance with recommendations and  
47 plans submitted to and approved by the State Board of Community Colleges.

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

### 49 **CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

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

#### 6           **BASIC SKILLS PLUS**

7           **SECTION 10.3.(a)** Notwithstanding any other provision of law, the State Board of  
8 Community Colleges may authorize a local community college to use up to twenty percent  
9 (20%) of the State Literacy Funds allocated to it to provide employability skills, job-specific  
10 occupational and technical skills, and developmental education instruction to students  
11 concurrently enrolled in a community college course leading to a high school diploma or  
12 equivalent certificate.

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

#### 19           **ENROLLMENT FUNDING**

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

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

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

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

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

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

#### 38           **TIERED ENROLLMENT FUNDING**

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

45           **SECTION 10.4A.(b)** By March 15, 2014, the State Board of Community Colleges  
46 shall report to the House Appropriations Committee, the Senate Appropriations/Base Budget  
47 Committee, the House Appropriations Subcommittee on Education, and the Senate  
48 Appropriations Committee on Education/Higher Education on a plan for implementation of the  
49  
50  
51



1 additional funding level for curriculum programs leading to immediate employment and the  
 2 feasibility of beginning implementation of an additional funding level for these programs in the  
 3 2014-2015 fiscal year. The State Board shall also include in its report the specific curriculum  
 4 programs that would be eligible for the additional funding level, the types of immediate  
 5 employment available for graduates of these programs, and the funding necessary or  
 6 recommended to adequately implement the programs.

## 7 8 PERFORMANCE FUNDING

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

### 10 "§ 115D-31.3. Institutional performance accountability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37           ~~(3) Is a county whose wealth, as calculated under the formula for distributing~~  
38 ~~supplemental funding for schools in low wealth counties, is eighty percent~~  
39 ~~(80%) or less of the State average.~~

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

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

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

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

1 Colleges shall distribute a portion of the Basic Skills block grant appropriated under this act for  
2 the 2013-2014 fiscal year based on the number of GED diplomas awarded by each college.

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

7  
8 **REPEAL OF SENIOR CITIZEN TUITION WAIVER**

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

10  
11 **STUDY OF THE APPROVAL PROCESS FOR MULTICAMPUS CENTERS**

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

16  
17 **COOPERATION BY THE MANUFACTURING SOLUTIONS CENTER AND THE**  
18 **TEXTILE TECHNOLOGY CENTER**

19 **SECTION 10.8.(a)** The General Assembly finds that the missions of both the  
20 Manufacturing Solutions Center at Catawba Valley Community College and the Textile  
21 Technology Center at Gaston College are to help North Carolina manufacturers create and  
22 maintain jobs and increase sales.

23 The Manufacturing Solutions Center accomplishes this mission by (i) enhancing and  
24 improving products through research and development; (ii) creating prototypes for new  
25 products; (iii) analyzing new materials to enhance structure; (iv) testing products for reliability  
26 and quality; (v) training personnel in Lean Manufacturing and Supply Chain strategies; (vi)  
27 providing a forum for rollout of new technologies; (vii) providing hands-on assistance to  
28 companies in the areas of international sales and government procurement; and (viii)  
29 advocating for industry.

30 The Textile Technology Center accomplishes this mission by (i) developing a  
31 world-class workforce for the textile industry in North Carolina; (ii) identifying and solving  
32 problems confronting the textile industry; and (iii) serving as a statewide center of excellence  
33 that serves all components of the textile industry.

34 **SECTION 10.8.(b)** The General Assembly further finds that the strategies of the  
35 Manufacturing Solutions Center and the Textile Technology Center are complementary and  
36 that cooperation by the Centers is in the best interest of the State; therefore, the General  
37 Assembly directs the Centers to work cooperatively whenever possible to maximize the State's  
38 ability to help North Carolina manufacturers create and maintain jobs and increase sales.

39  
40 **EXPAND INDUSTRIAL AND ENGINEERING TECHNOLOGIES EDUCATION TO**  
41 **FRESHMEN AND SOPHOMORE HIGH SCHOOL STUDENTS**

42 **SECTION 10.9.(a)** G.S. 115D-20(4)a.2. reads as rewritten:

43 **"§ 115D-20. Powers and duties of trustees.**

44 The trustees of each institution shall constitute the local administrative board of such  
45 institution, with such powers and duties as are provided in this Chapter and as are delegated to  
46 it by the State Board of Community Colleges. The powers and duties of trustees shall include  
47 the following:

48 ...

- 49 (4) To apply the standards and requirements for admission and graduation of  
50 students and other standards established by the State Board of Community

1 Colleges. Notwithstanding any law or administrative rule to the contrary,  
2 local community colleges are permitted to offer the following programs:

3 a. Subject to the approval of the State Board of Community Colleges,  
4 local community colleges may collaborate with local school  
5 administrative units to offer courses through the following programs:

6 ...

7 2. Academic transition pathways for qualified junior and senior  
8 high school students that lead to a career technical education  
9 certificate or ~~diploma~~ diploma and academic transition  
10 pathways for qualified freshmen and sophomore high school  
11 students that lead to a career technical education certificate or  
12 diploma in industrial and engineering technologies."

13 **SECTION 10.9.(b)** The Community Colleges System Office shall report to the  
14 Joint Legislative Education Oversight Committee by October 1, 2014, and October 1, 2015, on  
15 freshmen and sophomore students served under G.S. 115D-20(4)a.2., as amended by subsection  
16 (a) of this section. The report shall include the number of and budget FTE for freshmen  
17 students and the number of and budget FTE for sophomore students.

#### 18 **CLARIFY EMPLOYEE ACADEMIC ASSISTANCE**

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

20 "(b1) The State Board of Community Colleges shall not waive tuition and registration fees  
21 for community college faculty or staff members. Community colleges may, however, use State  
22 or local funds to pay tuition and registration fees for one course per semester for full-time  
23 community college faculty or staff members employed for a nine-, ten-, eleven-, or  
24 twelve-month term. Community colleges may also use State and local funds to pay tuition and  
25 registration fees for professional development courses and for other courses consistent with the  
26 academic assistance program authorized by the State Personnel Commission."  
27

#### 28 **REVISE TARGETED ASSISTANCE CRITERIA**

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

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

33 (1) Students who ~~do not qualify for need-based assistance but who~~ enroll in  
34 low-enrollment programs that prepare students for high-demand  
35 ~~occupations, and~~ occupations.

36 (2) Students with disabilities who have been referred by the Department of  
37 Health and Human Services, Division of Vocational Rehabilitation  
38 Rehabilitation, and are enrolled in a community college."  
39

#### 40 **REPURPOSE OF FUNDS**

41 **SECTION 10.14.(a)** Of the funds appropriated to Forsyth Technical Community  
42 College in fiscal year 2005-2006 for the construction of the Center for Emerging Technologies  
43 at Forsyth Technical Community College, the sum of three million dollars (\$3,000,000) for  
44 fiscal year 2013-2014 shall be transferred by the Office of State Budget and Management to  
45 Budget Code 26800 to be administered by the North Carolina Community Colleges System  
46 Office. The Community Colleges System Office shall allocate up to three hundred thousand  
47 dollars (\$300,000) of these funds each fiscal year to Forsyth Technical Community College for  
48 the operating costs and lease expenses for the community college's biotechnology,  
49 nanotechnology, design, and advanced information technology programs; Small Business  
50 Center; and Corporate and Industrial Training programs. The Community Colleges System  
51

1 Office shall continue to allocate these funds to Forsyth Technical Community College for this  
2 purpose until those funds are expended. No additional State funds shall be made available to  
3 Forsyth Technical Community College to be used for the purposes described in this section.

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

#### 10 11 **CLARIFY COMMUNITY COLLEGE AUDITS**

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

13 **SECTION 10.15.(b)** G.S. 115D-58.16 reads as rewritten:

#### 14 **"§ 115D-58.16. Audits.**

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

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

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

26 **SECTION 10.15.(c)** A study of the program audit function under G.S. 115D-5(m)  
27 shall be conducted by a committee, located administratively in the Community Colleges  
28 System Office, composed of the following 12 members:

- 29 (1) The Community Colleges System Office Chief Financial Officer.
- 30 (2) Three State Board of Community College members appointed by the chair  
31 of the State Board of Community Colleges.
- 32 (3) Three college presidents appointed by the North Carolina Association of  
33 Community College Presidents.
- 34 (4) Three college board of trustee members appointed by the chair of the North  
35 Carolina Association of Community College Trustees.
- 36 (5) The State Chief Information Officer or designee.
- 37 (6) The State Auditor or designee shall serve as a nonvoting member.

38 The Community Colleges System Office Chief Financial Officer shall chair the  
39 committee. The committee shall meet upon the call of the chair. A quorum of the committee  
40 shall be a majority of the members.

41 The committee shall determine how program audit procedures may be streamlined  
42 to minimize the administrative burden on the institutions being audited and how funding  
43 mechanisms may be changed to reduce reliance on contact hours. The committee shall seek  
44 input from community college staff members who are responsible for assistance with the  
45 program audits to study the problems associated with the program audit function and potential  
46 resolutions for those issues. The committee shall report the results of its study and  
47 recommendations to the Joint Legislative Education Oversight Committee by January 1, 2015.

#### 48 49 **NC BACK-TO-WORK FUNDS**

50 **SECTION 10.16.(a)** Of the funds appropriated in this act to the Community  
51 Colleges System Office for the 2013-2014 fiscal year, the sum of four million eight hundred

1 eight thousand dollars (\$4,808,000) shall be used for the North Carolina Back-to-Work  
2 Program, a retraining program focused on unemployed and underemployed North Carolinians,  
3 military veterans, and North Carolina National Guard members. The program shall provide  
4 students with occupational skills, employability skills, including a Career Readiness Certificate,  
5 and opportunities to earn third-party, industry recognized credentials. Funds may only be  
6 allocated to community colleges whose training plans include support for one or more of the  
7 following: (i) employers who have committed to assist colleges with the design and  
8 implementation of their training plans and to interview program completers for available jobs;  
9 (ii) companies with registered apprenticeship programs with the North Carolina Department of  
10 Labor; (iii) coordinated projects among two or more colleges that focus on serving the needs of  
11 an industry cluster; or (iv) programs developed in collaboration with the North Carolina  
12 National Guard or veterans' organizations. Funds may only be used for the following activities:  
13 student instruction, student support and coaching, and targeted financial assistance for students,  
14 including assistance with tuition, registration fees, books, and certification costs.

15 **SECTION 10.16.(b)** Funds appropriated for the North Carolina Back-to-Work  
16 Program for the 2012-2013 fiscal year shall not revert at the end of the fiscal year but shall  
17 remain available for the Program.

18 **SECTION 10.16.(c)** Subsection (b) of this section becomes effective June 30,  
19 2013.

## 20 21 **PART XI. UNIVERSITIES**

### 22 23 **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID** 24 **PROGRAMS/STUDY SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS** 25 **PROGRAM**

26 **SECTION 11.1.(a)** There is appropriated from the Escheat Fund income to the  
27 Board of Governors of The University of North Carolina the sum of sixty-four million two  
28 hundred eighty-seven thousand two hundred forty-two dollars (\$64,287,242) for the 2013-2014  
29 fiscal year and the sum of thirty-seven million two hundred eighty-seven thousand two hundred  
30 forty-two dollars (\$37,287,242) for the 2014-2015 fiscal year to be used for The University of  
31 North Carolina Need-Based Financial Aid Program.

32 **SECTION 11.1.(b)** There is appropriated from the Escheat Fund income to the  
33 State Board of Community Colleges the sum of fifteen million two hundred forty-six thousand  
34 three hundred seventy-three dollars (\$15,246,373) for the 2013-2014 fiscal year and the sum of  
35 sixteen million three hundred thirty-five thousand dollars (\$16,335,000) for the 2014-2015  
36 fiscal year to be used for community college grants.

37 **SECTION 11.1.(c)** There is appropriated from the Escheat Fund income to the  
38 Department of Administration, Division of Veterans Affairs, the sum of seven million six  
39 hundred nine thousand five hundred ninety-one dollars (\$7,609,591) for the 2013-2014 fiscal  
40 year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars  
41 (\$6,520,964) for the 2014-2015 fiscal year to be used for need-based student financial aid.

42 **SECTION 11.1.(d)** The funds appropriated by this section shall be allocated by the  
43 State Education Assistance Authority (SEAA) for need-based student financial aid in  
44 accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less  
45 than the amounts referenced in this section, the difference may be taken from the Escheat Fund  
46 principal to reach the appropriations referenced in this section; however, under no  
47 circumstances shall the Escheat Fund principal be reduced below the sum required in  
48 G.S. 116B-6(f). If any funds appropriated under this section remain uncommitted for  
49 need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat  
50 Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that  
51 fiscal year.

1           **SECTION 11.1.(e)** The State Education Assistance Authority shall perform all of  
2 the administrative functions necessary to implement this program of financial aid. The SEAA  
3 shall conduct periodic evaluations of expenditures of the scholarship programs to determine if  
4 allocations are utilized to ensure access to institutions of higher learning and to meet the goals  
5 of the respective programs. SEAA may make recommendations for redistribution of funds to  
6 The University of North Carolina, Department of Administration, and the President of the  
7 Community College System regarding their respective scholarship programs, who then may  
8 authorize redistribution of unutilized funds for a particular fiscal year.

9           **SECTION 11.1.(f)** G.S. 116B-7(a) reads as rewritten:

10          "(a) The income derived from the investment or deposit of the Escheat Fund shall be  
11 distributed annually on or before ~~July 15~~ August 15 to the State Education Assistance Authority  
12 for grants and loans to aid worthy and needy students who are residents of this State and are  
13 enrolled in public institutions of higher education in this State. Such grants and loans shall be  
14 made upon terms, consistent with the provisions of this Chapter, pursuant to which the State  
15 Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to  
16 116-209.23, Article 23 of Chapter 116 of the General Statutes, policies of the Board of  
17 Governors of The University of North Carolina regarding need-based grants for students of The  
18 University of North Carolina, and policies of the State Board of Community Colleges regarding  
19 need-based grants for students of the community colleges."

20           **SECTION 11.1.(g)** The Joint Legislative Education Oversight Committee shall  
21 study the Scholarships for Children of War Veterans Program in the Department of  
22 Administration and no later than March 1, 2014, shall report its findings to the Chairs of the  
23 House of Representatives Appropriations Subcommittee on General Government, to the Chairs  
24 of the Senate Appropriations Committee on General Government and Information Technology,  
25 and to the General Assembly. The report shall include findings and recommendations regarding  
26 all of the following:

- 27           (1) Which State agency is the appropriate entity to administer the program.
- 28           (2) Ways in which the Program could be redesigned so as to increase cost  
29 predictability. This part of the report shall specifically include  
30 recommendations regarding the desirability of imposing time limits and  
31 scholarship award maximums on scholarships made available under the  
32 Program.
- 33           (3) Methods of coordinating with other scholarship programs so as to ensure  
34 that non-State resources are maximized before Program resources are used.
- 35           (4) Feasibility of setting a lower tuition rate for recipients of the scholarships  
36 who attend a constituent institution of The University of North Carolina or a  
37 community college in the North Carolina Community College System.

## 39   **UNC NEED-BASED FINANCIAL AID FORWARD FUNDING RESERVE/PROVIDE** 40   **FUNDS FOR UNC NEED-BASED GRANTS**

41           **SECTION 11.2.(a)** It is the intent of the General Assembly to move the UNC  
42 Need-Based Financial Aid Program grant funding into a reserve in the North Carolina Student  
43 Loan Fund designated for that purpose so that funds appropriated for grants in a fiscal year are  
44 awarded to students for the following academic year. This change will provide additional  
45 program stability.

46           **SECTION 11.2.(b)** The UNC Need-Based Financial Aid Forward Funding  
47 Reserve (Reserve) is established as a reserve in the North Carolina Student Loan Fund. The  
48 funds in the UNC Need-Based Financial Aid Forward Funding Reserve shall be held in reserve  
49 for the 2013-2014 fiscal year and for the 2014-2015 fiscal year. Beginning with the 2015-2016  
50 fiscal year, the funds in the Reserve shall be used to fund grants from the UNC Need-Based  
51 Financial Aid Program for the 2015-2016 program year and each subsequent program year.

1           **SECTION 11.2.(c)** Section 6.11(e) of this act appropriates funds from the  
2 Education Lottery Fund in the amount of thirty-two million five hundred thirty thousand three  
3 hundred fifty-nine dollars (\$32,530,359) for the 2013-2014 fiscal year and in the amount of  
4 nineteen million one hundred thirty thousand seven hundred twenty-eight dollars (\$19,130,728)  
5 for the 2014-2015 fiscal year to the Reserve. The following funds shall also be transferred to  
6 the Reserve:

- 7           (1) The sum of fifty-nine million eight hundred fifty-nine thousand five hundred  
8 sixty-two dollars (\$59,859,562) shall be transferred from the North Carolina  
9 Student Loan Fund to the Reserve.
- 10          (2) Of the funds appropriated by this act to the Board of Governors of The  
11 University of North Carolina for the 2013-2015 fiscal biennium, the sum of  
12 three million four hundred seventy-five thousand five hundred thirty-eight  
13 dollars (\$3,475,538) for the 2013-2014 fiscal year and the sum of three  
14 million four hundred fifty-four thousand six hundred fifty-six dollars  
15 (\$3,454,656) for the 2014-2015 fiscal year shall be transferred to the  
16 Reserve.
- 17          (3) Notwithstanding G.S. 115C-296.2, the sum of three million five hundred  
18 twenty-five thousand dollars (\$3,525,000) shall be transferred from the fund  
19 balance of the National Board Certification Loan program to the Reserve.
- 20          (4) The sum of five hundred thousand dollars (\$500,000) shall be transferred  
21 from the John B. McLendon Scholarship Fund established in  
22 G.S. 116-209.40 to the Reserve.

23           **SECTION 11.2.(d)** G.S. 116-209.40 is repealed.  
24

#### 25 **COORDINATED RESIDENCY DETERMINATION PROCESS**

26           **SECTION 11.3.(a)** The General Assembly finds that it is in the best interest of the  
27 State for the University System, the Community College System, and the State Education  
28 Assistance Authority to apply the criteria in G.S. 116-143.1 to determine residency for tuition  
29 purposes in a coordinated and similar manner. Therefore, The University of North Carolina, the  
30 North Carolina Community College System, and the State Education Assistance Authority shall  
31 jointly develop and implement a coordinated and centralized process to be used by those three  
32 entities when determining the residency for tuition purposes of students who apply for  
33 admission and are admitted to a constituent institution of The University of North Carolina or a  
34 community college under the jurisdiction of the State Board of Community Colleges and for  
35 private college students receiving State-funded financial aid. In developing a centralized  
36 residency determination process, The University of North Carolina General Administration, the  
37 North Carolina Community College System, and the State Education Assistance Authority shall  
38 consult with the North Carolina Independent Colleges and Universities.

39           **SECTION 11.3.(b)** No later than January 1, 2014, The University of North  
40 Carolina, the North Carolina Community College System, and the State Education Assistance  
41 Authority shall report to the Joint Legislative Education Oversight Committee regarding the  
42 progress in developing and implementing a coordinated and centralized process and any  
43 necessary statutory changes.  
44

#### 45 **UNC MANAGEMENT FLEXIBILITY REDUCTION**

46           **SECTION 11.5.(a)** The management flexibility reduction for The University of  
47 North Carolina shall not be allocated by the Board of Governors to the constituent institutions  
48 and affiliated entities using an across-the-board method but shall be done in a manner that  
49 recognizes the importance of the academic missions and differences among The University of  
50 North Carolina entities.



1 Before taking reductions in instructional budgets, the Board of Governors and the  
2 campuses of the constituent institutions shall consider all of the following:

- 3 (1) Reducing State funding for centers and institutes, speaker series, and other  
4 nonacademic activities.
- 5 (2) Faculty workload adjustments.
- 6 (3) Restructuring of research activities.
- 7 (4) Implementing cost-saving span of control measures.
- 8 (5) Reducing the number of senior and middle management positions.
- 9 (6) Eliminating low-performing, redundant, or low-enrollment programs.
- 10 (7) Using alternative funding sources.
- 11 (8) Protecting direct classroom services.

12 The Board of Governors and the campuses of the constituent institutions also shall  
13 review the institutional trust funds and the special funds held by or on behalf of The University  
14 of North Carolina and its constituent institutions to determine whether there are monies  
15 available in those funds that can be used to assist with operating costs. In addition, the  
16 campuses of the constituent institutions also shall require their faculty to have a teaching  
17 workload equal to the national average in their Carnegie classification.

18 **SECTION 11.5.(b)** In allocating the management flexibility reduction, no  
19 reduction in State funds shall be allocated in either fiscal year of the 2013-2015 biennium to  
20 any of the following:

- 21 (1) UNC Need-Based Financial Aid.
- 22 (2) North Carolina Need-Based Scholarship.
- 23 (3) Any special responsibility constituent institution which has been granted a  
24 basic type designation of "Special Focus Institution" under the Carnegie  
25 Classification of Institutions of Higher Education.
- 26 (4) Any special responsibility constituent institution which has been granted a  
27 basic type designation of "Baccalaureate Colleges–Arts & Sciences" under  
28 the Carnegie Classification of Institutions of Higher Education.
- 29 (5) Any constituent high school of The University of North Carolina.

30 **SECTION 11.5.(c)** The University of North Carolina shall report on the  
31 implementation of the management flexibility reduction in subsection (a) of this section to the  
32 Office of State Budget and Management and the Fiscal Research Division no later than October  
33 1, 2013. This report shall identify both of the following by campus:

- 34 (1) The total number of positions eliminated by type (faculty/nonfaculty).
- 35 (2) The low-performing, redundant, and low-enrollment programs that were  
36 eliminated.

## 37 38 **UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

39 **SECTION 11.6.(a)** G.S. 116-11 is amended by adding a new subdivision to read:

40 "(9a) The Board of Governors shall report to the Joint Legislative Education  
41 Oversight Committee and the Office of State Budget and Management by  
42 March 1 of each year regarding the sum of facilities and administrative fees  
43 and overhead receipts for The University of North Carolina that are collected  
44 and expended by each constituent institution. The report shall include all of  
45 the following information:

- 46 a. The collection of facilities and administrative fees and overhead  
47 receipts by grant or program.
- 48 b. The use of facilities and administrative fees and overhead receipts  
49 showing expenditures by grant or program.
- 50 c. The sum of facilities and administrative fees and overhead receipts  
51 collected or expended by each constituent institution for maintenance

1                   and operation of facilities that were constructed with or at any time  
2                   operated by funds from the General Fund."

3                   **SECTION 11.6.(b)** Section 31.14 of S.L. 2001-424 is repealed.  
4

5                   **STUDENT CHARGES AT THE NORTH CAROLINA SCHOOL OF SCIENCE AND**  
6                   **MATH**

7                   **SECTION 11.7.(a)** G.S. 116-40.22 reads as rewritten:

8                   "**§ 116-40.22. Management flexibility.**

9                   ...

10                  (c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the General  
11 Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors  
12 pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the  
13 Board of Governors tuition and fees for program-specific and institution-specific needs at that  
14 institution without regard to whether an emergency situation exists and not inconsistent with  
15 the actions of the General Assembly. Any tuition and fees set pursuant to this subsection are  
16 appropriated for use by the institution. Notwithstanding this subsection, neither the Board of  
17 Governors of The University of North Carolina nor its Board of Trustees shall impose any  
18 tuition or mandatory fee at the North Carolina School of Science and Mathematics without the  
19 approval of the General ~~Assembly~~Assembly, except as provided in subsection (f) of this  
20 section.

21                  ...

22                  (f) The Board of Governors of The University of North Carolina may approve, upon  
23 the recommendation of the Board of Trustees of the North Carolina School of Science and  
24 Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for  
25 distance education services provided by the North Carolina School of Science and Mathematics  
26 to nonresidents and for students participating in extracurricular enrichment programs sponsored  
27 by the School."

28                  **SECTION 11.7.(b)** G.S. 116-143 reads as rewritten:

29                  "**§ 116-143. State-supported institutions of higher education required to charge tuition**  
30 **and fees.**

31                  ...

32                  (b) In the event that said students are unable to pay the cost of tuition and required  
33 academic fees as the same may become due, in cash, the said several boards of trustees are  
34 hereby authorized and empowered, in their discretion, to accept the obligation of the student or  
35 students together with such collateral or security as they may deem necessary and proper, it  
36 being the purpose of this Article that all students in State institutions of higher learning shall be  
37 required to pay tuition, and that free tuition is hereby abolished. Notwithstanding this section,  
38 neither the Board of Governors of The University of North Carolina nor its Board of Trustees  
39 shall impose any tuition or mandatory fee at the North Carolina School of Science and  
40 Mathematics without the approval of the General ~~Assembly~~Assembly, except as provided in  
41 subsection (e) of this section.

42                  ...

43                  (e) The Board of Governors of The University of North Carolina may approve, upon  
44 the recommendation of the Board of Trustees of the North Carolina School of Science and  
45 Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for  
46 distance education services provided by the North Carolina School of Science and Mathematics  
47 to nonresidents and for students participating in extracurricular enrichment programs sponsored  
48 by the School."

49                  **SECTION 11.7.(c)** This section applies to the 2013-2014 spring academic  
50 semester and each subsequent academic semester.  
51

**STUDENT CHARGES AT THE UNC SCHOOL OF THE ARTS**

**SECTION 11.8.(a)** Article 4 of Chapter 116 of the General Statutes is amended by adding a new section to read:

**"§ 116-68.1. Fees.**

The Board of Governors of The University of North Carolina may set fees, not inconsistent with the actions of the General Assembly, to be paid by in-State high school students enrolled at the University of North Carolina School of the Arts to assist with expenses of the institution. The Board of Trustees may recommend to the Board of Governors of The University of North Carolina that fees be set, not inconsistent with actions of the General Assembly, to be paid by in-State high school students enrolled at the University of North Carolina School of the Arts to assist with expenses of the institution. The University of North Carolina School of the Arts may charge and collect fees established as provided by this section from in-State high school students enrolled at the University of North Carolina School of the Arts."

**SECTION 11.8.(b)** This section applies to the 2014-2015 academic year and each subsequent academic year.

**AUTHORIZE STATE EDUCATION ASSISTANCE AUTHORITY TO CONTINUE TO COLLECT NORTH CAROLINA TEACHING FELLOWS REPAYMENTS**

**SECTION 11.9.** Subsection (b) of Section 1.38 of S.L. 2011-266 is repealed.

**UNC DISPOSITION AND ACQUISITION OF REAL PROPERTY**

**SECTION 11.10.(a)** G.S. 116-198.34(5) reads as rewritten:

**"§ 116-198.34. General powers of Board of Governors.**

The Board may exercise any one or more of the following powers:

...

- (5) To acquire, hold, lease, and dispose of real and personal property in the exercise of its powers and the performance of its duties hereunder and to lease all or any part of any project or projects and any existing facilities upon such terms and conditions as the Board determines, subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes.

Notwithstanding G.S. 143-341 and Chapter 146 of the General Statutes, an acquisition for a period of 10 years or less or a disposition of 65 years or less by easement, lease, or rental agreement of real property or space in any building on the Centennial Campus, on the Horace Williams Campus, on a Millennial Campus, or on a Kannapolis Research Campus made for a period of 10 years or less shall not require the approval of the Governor and the Council of State. The Board shall report the acquisitions or dispositions described in this paragraph of this subdivision to the Department of Administration for inclusion in the inventory maintained by Department pursuant to G.S. 143-341(4)a. and b. and the information regarding those transactions that is required by G.S. 143-341(4)a. and b. All other acquisitions and dispositions made under this subdivision for a period in excess of 10 years the terms described in this paragraph of this subdivision are subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes.

...."

**SECTION 11.10.(b)** Subsection (d) of Section 9.10 of S.L. 2012-142 is repealed.

**UNC/WAKE FOREST INSTITUTE FOR REGENERATIVE MEDICINE/PROFIT SHARING WITH STATE**

1           **SECTION 11.12.(a)** Of the funds appropriated by this act for the 2013-2015 fiscal  
2 biennium to the Board of Governors of The University of North Carolina the sum of seven  
3 million dollars (\$7,000,000) for the 2013-2014 fiscal year and the sum of seven million dollars  
4 (\$7,000,000) for the 2014-2015 fiscal year shall be allocated to Wake Forest University Health  
5 Sciences (hereinafter "Wake Forest") in support of the Wake Forest Institute for Regenerative  
6 Medicine (hereinafter "Institute") and its Department of Defense Armed Forces Institute for  
7 Regenerative Medicine and current good manufacturing practices (cGMP) facility.

8           **SECTION 11.12.(b)** Wake Forest shall reimburse the State for State funds  
9 appropriated for the Institute under subsection (a) of this section and in prior fiscal years by  
10 returning to the State five percent (5%) of the royalty revenue received by the Institute from  
11 commercialized projects arising under those research projects supported by the State funds,  
12 either through direct research support or through substantial utilization of the cGMP facility not  
13 reimbursed through other funds ("Subject Projects"). Royalty revenue reimbursed to the State  
14 shall be subject to all of the following:

- 15           (1) The total amount to be reimbursed to the State shall be limited to the  
16 aggregate amount of State funds allocated to Wake Forest for the Institute  
17 plus simple interest at the rate of four percent (4%) annually from the time of  
18 disbursement until reimbursement commences.
- 19           (2) Wake Forest shall be entitled to deduct the expenses reasonably incurred in  
20 prosecuting, defending, and enforcing patent rights for the Subject Projects,  
21 except to the extent the expenses are recovered from a third party, before  
22 calculating the amount to be paid to the State.
- 23           (3) Calculation of the payments to the State shall be based upon the formula  
24 provided in subsection (c) of this section.
- 25           (4) Payments shall be made to the State and used by the State in a manner  
26 consistent with federal law.

27           **SECTION 11.12.(c)** Wake Forest on behalf of the Institute shall annually calculate  
28 and remit reimbursement payments to the State based upon the following formula:

- 29           (1) Payments to the State shall be based on that share of royalty revenue  
30 proportional to the State funds used for the Subject Project, which shall be  
31 calculated as the ratio of State funds to total funds used to support the  
32 Subject Project, based on budgets developed consistent with federal research  
33 funding accounting guidelines and including the fair market value of  
34 unreimbursed cGMP facility utilization.
- 35           (2) Wake Forest shall calculate net royalty revenue on a Subject  
36 Project-by-Subject-Project basis by deducting any expenses authorized  
37 under subsection (b)(2) of this section from the total royalty revenue  
38 received from the Subject Project.
- 39           (3) Wake Forest shall multiply net royalty revenue by the support ratio  
40 calculated in subsection (c)(1) of this section and then multiply the product  
41 by five percent (5%) to determine the State royalty share ("State Royalty  
42 Share").
- 43           (4) The State Royalty Share shall be remitted to the State unless the cumulative  
44 State Royalty Share payments have satisfied the total aggregate amount to be  
45 reimbursed as provided in subsection (b)(1) of this section.

46           **SECTION 11.12.(d)** Wake Forest on behalf of the Institute shall comply with the  
47 following reporting requirements:

- 48           (1) By September 1 of each year, and more frequently as requested, report to the  
49 Joint Legislative Commission on Governmental Operations, the Fiscal  
50 Research Division, and the Board of Governors of The University of North  
51 Carolina on prior State fiscal year program activities, objectives, and

1 accomplishments and prior State fiscal year itemized expenditures and fund  
2 sources. The annual report shall include a report of royalty revenues  
3 generated from the Subject Projects.

- 4 (2) Provide to the Fiscal Research Division a copy of the Institute's annual  
5 audited financial statement within 30 days of issuance of the statement.

6 **SECTION 11.12.(e)** Remaining allotments after September 1 shall not be released  
7 to the Institute if the reporting requirements provided in subsection (d) of this section are not  
8 satisfied.

9 **SECTION 11.12.(f)** No more than one hundred twenty thousand dollars  
10 (\$120,000) in State funds shall be used for the annual salary of any one employee of the  
11 Institute. For purposes of this subsection, the term "State funds" means funds appropriated by  
12 the State to the Institute and interest earned on those funds.

13 **SECTION 11.12.(g)** No State funds shall be used by the Institute (i) to hire or  
14 facilitate the hiring of a lobbyist or any person performing the duties or activities of a lobbyist,  
15 without regard to the person's title; or (ii) to facilitate any lobbying efforts.

## 16 17 **UNC/STRATEGIC PLAN FUNDS**

18 **SECTION 11.13.** Of the funds appropriated by this act to the Board of Governors  
19 of The University of North Carolina for the 2013-2015 fiscal biennium, the Board of Governors  
20 may spend a sum of up to fifteen million dollars (\$15,000,000) for the 2013-2014 fiscal year  
21 and a sum of up to fifteen million dollars (\$15,000,000) for the 2014-2015 fiscal year to  
22 implement provisions of The University of North Carolina Strategic Plan as set out in the report  
23 "Our Time, Our Future: The University of North Carolina Compact with North Carolina."  
24

## 25 **STUDENT FINANCIAL AID/SEMESTER LIMIT**

26 **SECTION 11.15.(a)** G.S. 115C-499.2(6) is repealed.

27 **SECTION 11.15.(b)** Article 35A of Chapter 115C of the General Statutes is  
28 amended by adding a new section to read:

### 29 **"§ 115C-499.2A. Semester limitation on eligibility for scholarship.**

30 (a) Except as otherwise provided by subsection (c) of this section, a student with a  
31 matriculated status at a constituent institution of The University of North Carolina shall not  
32 receive a scholarship for more than 10 full-time academic semesters, or its equivalent if  
33 enrolled part-time, unless the student is enrolled in a program officially designated by the  
34 Board of Governors as a five-year degree program. If a student is enrolled in such a five-year  
35 degree program, then the student shall not receive a scholarship for more than 12 full-time  
36 academic semesters or the equivalent if enrolled part-time.

37 (b) Except as otherwise provided by subsection (c) of this section, a student with a  
38 matriculated status at a community college shall not receive a scholarship for more than six  
39 full-time academic semesters, or the equivalent if enrolled part-time.

40 (c) Upon application by a student, the appropriate postsecondary institution may grant a  
41 waiver to the student who may then receive a scholarship for the equivalent of one additional  
42 full-time academic semester if the student demonstrates that any of the following have  
43 substantially disrupted or interrupted the student's pursuit of a degree, diploma, or certificate:  
44 (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term  
45 disability, or (iv) other extraordinary hardship. The Board of Governors or the State Board of  
46 Community Colleges, as appropriate, shall establish policies and procedures to implement the  
47 waiver provided by this subsection."

48 **SECTION 11.15.(c)** Article 3 of Chapter 115D of the General Statutes is amended  
49 by adding a new section to read:

### 50 **"§ 115D-40.2. Semester limitation on eligibility for North Carolina Community College** 51 **grants.**

1       (a) Except as otherwise provided by this section, a student shall not receive a  
2 need-based grant from the North Carolina Community College Grant Program for more than  
3 six full-time academic semesters, or the equivalent if enrolled part-time.

4       (b) Upon application by a student, the community college may grant a waiver to the  
5 student who may then receive a grant from the North Carolina Community College Grant  
6 Program for the equivalent of one additional full-time academic semester if the student  
7 demonstrates that any of the following have substantially disrupted or interrupted the student's  
8 pursuit of a degree, diploma, or certificate: (i) a military service obligation, (ii) serious medical  
9 debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The  
10 State Board shall establish policies and procedures to implement the waiver provided by this  
11 subsection."

12       **SECTION 11.15.(d)** G.S. 116-25.1 reads as rewritten:

13       "**§ 116-25.1. Limit receipt of Semester limitation on eligibility for The University of North**  
14 **Carolina need-based financial aid grants to traditional time period required to**  
15 **earn baccalaureate degree grants.**

16       (a) Except as otherwise provided by this section, a student shall not receive a grant  
17 from The University of North Carolina Need-Based Financial Aid Program for more than ~~nine~~  
18 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the student is  
19 enrolled in a program officially designated by the Board of Governors as a five-year degree  
20 program. If a student is enrolled in such a five-year degree program, then the student shall not  
21 receive a need-based grant from The University of North Carolina Need-Based Financial Aid  
22 Program for more than ~~11~~ 12 full-time academic semesters or its equivalent if enrolled  
23 part-time.

24       (b) Upon application by a student, ~~the student may receive a grant for one additional~~  
25 ~~part time or full time academic semester as appropriate,~~ the constituent institution may grant a  
26 waiver to the student who may then receive a grant for the equivalent of one additional  
27 full-time academic semester if the student demonstrates that any of the following have  
28 substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service  
29 obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv)  
30 other extraordinary ~~hardship, including inability to enroll in the appropriate courses due to~~  
31 reduced course offerings. hardship. The Board of Governors shall establish ~~the~~  
32 appropriate policies and procedures to implement the ~~additional semester extension waiver~~  
33 provided by this subsection."

34       **SECTION 11.15.(e)** G.S. 116-281(6) is repealed.

35       **SECTION 11.15.(f)** Article 34 of Chapter 116 of the General Statutes is amended  
36 by adding a new section to read:

37       "**§ 116-281.1. Semester limitation on eligibility for scholarship.**

38       (a) A student shall not receive a scholarship under this Article for more than 10  
39 full-time academic semesters, or the equivalent if enrolled part-time, unless the student is  
40 enrolled in a program officially designated by the eligible private postsecondary institution as a  
41 five-year degree program. If a student is enrolled in such a five-year degree program, then the  
42 student shall not receive a scholarship under this Article for more than 12 full-time academic  
43 semesters or the equivalent if enrolled part-time.

44       (b) Upon application by a student, the eligible private postsecondary institution may  
45 grant a waiver to the student who may then receive a scholarship for the equivalent of one  
46 additional full-time academic semester if the student demonstrates that any of the following  
47 have substantially disrupted or interrupted the student's pursuit of a baccalaureate degree: (i) a  
48 military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term  
49 disability, or (iv) other extraordinary hardship. The eligible private postsecondary institution  
50 shall establish policies and procedures to implement the waiver provided by this subsection."

1           **SECTION 11.15.(g)** Article 23 of Chapter 116 of the General Statutes is amended  
2 by adding a new section to read:

3 **"§ 116-209.19A. Limit semesters eligible for need-based grants and scholarships.**

4           The Authority administers the following need-based grant and scholarship programs: the  
5 Education Lottery Scholarships, North Carolina Community College Grant Program, The  
6 University of North Carolina Need-Based Financial Aid Program, and Need-Based  
7 Scholarships for Students Attending Private Institutions of Higher Education.  
8 G.S. 115C-499.2A, 115D-40.2, 116-25.1, and 116-281.1 limit the number of semesters that a  
9 student may receive a grant or scholarship from any of those programs and also provide the  
10 circumstances in which a waiver to those limits may be granted by the appropriate  
11 postsecondary institution. The Authority shall enforce these limitations in administering these  
12 programs so that unless a waiver is granted by the appropriate postsecondary institution, no  
13 student shall receive a grant or scholarship from any of those programs or any combination of  
14 those financial aid programs while pursuing a degree, diploma, or certificate for more than any  
15 of the following time periods: (i) 10 full-time academic semesters or its equivalent if enrolled  
16 part-time or (ii) 12 full-time academic semesters or its equivalent if the student is enrolled in a  
17 program officially designated as a five-year degree program.

18           A postsecondary institution that grants a waiver under G.S. 115C-499.2A, 115D-40.2,  
19 116-25.1, or 116-281.1 shall certify the granting of the waiver in a manner acceptable to the  
20 Authority and shall also maintain documentation substantiating the reason for the waiver."

21           **SECTION 11.15.(h)** The State Education Assistance Authority shall structure its  
22 payment schedule to encourage students to complete an average of 30 credit hours per  
23 academic year. The State Education Assistance Authority shall report to the Joint Legislative  
24 Education Oversight Committee by March 1, 2014, regarding the measures implemented by the  
25 Authority pursuant to this subsection.

26           **SECTION 11.15.(i)** This section applies to the 2014-2015 academic year and each  
27 subsequent academic year.

28  
29 **STUDY SCHOOL OF SCIENCE AND MATHEMATICS/MORGANTON CAMPUS**

30           **SECTION 11.16.(a)** The Board of Governors of The University of North Carolina,  
31 the North Carolina School of Science and Mathematics (School of Science and Math), and the  
32 Department of Public Instruction shall jointly study the feasibility of establishing a western  
33 campus for the School of Science and Math at the School for the Deaf in Morganton. In its  
34 study, the Board of Governors, the School of Science and Math, and the Department of Public  
35 Instruction shall consider the number of students with excellent academic records who apply to  
36 the School of Science and Math but are not accepted because of the School's lack of physical  
37 space to accommodate additional students. They may also consult with the Department of  
38 Administration regarding what, if any, renovations would be required at the School for the Deaf  
39 if a western campus for the School of Science and Math were located at that facility.

40           If it is determined that the School for the Deaf is not a suitable site for the location  
41 of a western campus, the Board of Governors, School of Science and Math, and the Department  
42 of Public Instruction in consultation with the Department of Administration may consider other  
43 sites in western North Carolina that are available as a site.

44           **SECTION 11.16.(b)** The Department of Administration shall, upon request by the  
45 Board of Governors, the North Carolina School of Science and Math, and the Department of  
46 Public Instruction, provide information regarding renovations that may be required to locate a  
47 western campus for the School of Science and Math at the School for the Deaf and shall also  
48 provide, upon request, information regarding other State-owned real property that may be  
49 available for such a purpose.

50           **SECTION 11.16.(c)** The Board of Governors, the School of Science and Math, and  
51 the Department of Public Instruction shall report their findings and recommendations to the

1 House of Representatives and Senate Appropriations Subcommittees on Education by February  
2 1, 2014.

### 4 **STUDY NC GUARANTEED ADMISSION PROGRAM**

5 **SECTION 11.17.(a)** The Board of Governors of The University of North Carolina  
6 and the State Board of Community Colleges shall jointly study the feasibility of establishing an  
7 alternative undergraduate admission program to be known as the North Carolina Guaranteed  
8 Admission Program (NC GAP). The goals of NC GAP shall be to encourage and assist more  
9 students to obtain a baccalaureate degree within a shorter time period; to provide students with  
10 a college education at significantly lower costs for both the student and the State; to help  
11 decrease the amount of debt resulting from loans that a student may owe upon graduation; to  
12 provide a student with an interim degree that may increase a student's job opportunities if the  
13 student chooses not to continue postsecondary education; and to provide easier access to  
14 academic counseling that will assist a student in selecting coursework that reflects the student's  
15 educational and career goals and helps the student succeed academically.

16 NC GAP shall be designed as an alternative admission program for students who  
17 apply for admission to a constituent institution and satisfy the admission criteria but whose  
18 academic credentials are not as competitive as other students admitted to the institution. A  
19 student admitted to a constituent institution through NC GAP must agree to defer enrollment at  
20 the institution until the student earns an associate degree from one of the State's community  
21 colleges. Counseling and assistance shall be provided by the community college to any student  
22 in NC GAP to help the student in selecting coursework that reflects the student's educational  
23 and career goals and that provides a smooth transition from the community college to the  
24 constituent institution.

25 Once awarded the associate degree from the community college, the student is  
26 entitled to admission as a junior at the constituent institution.

27 Each constituent institution of higher education would be directed to establish NC  
28 GAP as part of its undergraduate admission program.

29 **SECTION 11.17.(b)** The Board of Governors of The University of North Carolina  
30 and the State Board of Community Colleges shall report their findings and recommendations  
31 regarding NC GAP to the Joint Legislative Education Oversight Committee by March 1, 2014.  
32 The report shall include a comprehensive description of the proposed program, including the  
33 criteria that would be used to determine which students would be required to participate in the  
34 program as a condition of enrollment and the academic counseling that would need to be  
35 available to help students in NC GAP succeed academically.

### 37 **UNC ISCHOOL/CAREER AND COLLEGE PROMISE PROGRAM**

38 **SECTION 11.18.** The University of North Carolina at Greensboro and the  
39 Department of Public Instruction shall jointly study the feasibility of restarting the UNC-G  
40 iSchool by incorporating it as a part of the Career and College Promise Program. As part of the  
41 study, the University of North Carolina at Greensboro and the Department of Public Instruction  
42 shall consider the cost of incorporating the iSchool within the existing structure of the Career  
43 and College Promise Program. The University of North Carolina at Greensboro and the  
44 Department of Public Instruction shall report to the Joint Legislative Education Oversight  
45 Committee by March 1, 2014, regarding their findings and recommendations.

## 47 **PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

### 49 **SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT**



**DEPARTMENT FLEXIBILITY TO ACHIEVE DEPARTMENTAL PRIORITIES AND ENHANCE FISCAL OVERSIGHT AND ACCOUNTABILITY**

**SECTION 12A.1.(a)** Notwithstanding any other provision of law to the contrary and consistent with G.S. 143B-10, the Secretary of the Department of Health and Human Services may reorganize positions and related operational costs within the Department (i) upon a demonstration by the Department of cost-effectiveness and (ii) after approval by the Office of State Budget and Management (OSBM) of a written proposal submitted by the Department to OSBM. Proposals submitted to OSBM under this section shall, at a minimum, identify the positions involved and the strategies to be implemented in order to achieve efficiencies.

**SECTION 12A.1.(b)** In order to enhance fiscal oversight and accountability, the Secretary of the Department of Health and Human Services may realign existing resources to expand its internal audit capacity. The Secretary may identify up to 32 existing positions for this purpose. Any realignment of resources and positions pursuant to this subsection is subject to the prior approval of OSBM. Notwithstanding any provision of law to the contrary, these realignments shall be reflected in the authorized budget. The expanded Office of Internal Audit shall provide the Department's management personnel with independent reviews and analyses of various functions and services within the Department, including operational audits, performance audits, compliance audits, financial audits, and other special reviews.

**SECTION 12A.1.(c)** By no later than June 30, 2014, the Department shall report any actions undertaken pursuant to this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall, at a minimum, identify the positions involved and the strategies implemented to achieve efficiencies, to expand internal audit capacity, or both.

**FUNDING FOR NONPROFIT ORGANIZATIONS/ESTABLISH COMPETITIVE GRANTS PROCESS**

**SECTION 12A.2.(a)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of nine million five hundred twenty-nine thousand one hundred thirty-four dollars (\$9,529,134) in recurring funds for each year of the 2013-2015 fiscal biennium, the sum of three hundred seventeen thousand four hundred dollars (\$317,400) in nonrecurring funds for each year of the 2013-2015 fiscal biennium, and the sum of three million eight hundred fifty-two thousand five hundred dollars (\$3,852,500) appropriated in Section 12J.1 of this act for each year of the 2013-2015 fiscal biennium shall be used to allocate funds for nonprofit organizations.

**SECTION 12A.2.(b)** For fiscal year 2013-2014 only, from funds appropriated under subsection (a) of this section, the Department shall allocate the designated amounts to the following nonprofit organizations:

(1)	North Carolina Senior Games, Inc.	\$ 121,481
(2)	ARC of North Carolina	305,598
(3)	ARC of North Carolina – Wilmington	51,048
(4)	Autism Society of North Carolina	2,941,818
(5)	The Mariposa School for Children with Autism	339,879
(6)	Easter Seals UCP of North Carolina	1,619,439
(7)	ABC of North Carolina Child Development Center	366,703
(8)	Residential Services, Inc.	246,424
(9)	Oxford House, Inc.	200,000
(10)	Brain Injury Association of North Carolina	225,223
(11)	Food Bank of Central and Eastern North Carolina, Inc.	500,001
(12)	Food Bank of the Albemarle	500,001
(13)	Manna Food Bank	500,001
(14)	Second Harvest Food Bank of Metrolina, Inc.	500,001

1	(15)	Second Harvest Food Bank of Northwest	
2		North Carolina, Inc.	500,001
3	(16)	Second Harvest Food Bank of Southeast	
4		North Carolina	499,999
5	(17)	Prevent Blindness NC	458,163
6	(18)	Maternity Homes	375,000
7	(19)	NC High School Athletic Association (NCHSAA)	332,491
8	(20)	Work First – Boys & Girls Clubs	2,452,500
9	(21)	Vocational Rehabilitation Services – Easter Seal	
10		Society/UCP North Carolina	188,263
11	(22)	ALS Jim "Catfish" Hunter	400,000
12	(23)	Accessible Electronic Information for Blind and	
13		Disabled Persons	75,000

14 **SECTION 12A.2.(c)** No later than December 1, 2013, each nonprofit organization  
 15 receiving funding pursuant to subsection (b) of this section shall submit to the Division of  
 16 Central Management and Support a written report of all activities funded by State  
 17 appropriations. The report shall include the following information about the fiscal year  
 18 preceding the year in which the report is due:

- 19 (1) The entity's mission, purpose, and governance structure.
- 20 (2) A description of the types of programs, services, and activities funded by  
 21 State appropriations.
- 22 (3) Statistical and demographical information on the number of persons served  
 23 by these programs, services, and activities, including the counties in which  
 24 services are provided.
- 25 (4) Outcome measures that demonstrate the impact and effectiveness of the  
 26 programs, services, and activities.
- 27 (5) A detailed program budget and list of expenditures, including all positions  
 28 funded and funding sources.
- 29 (6) The source and amount of any matching funds received by the entity.

30 **SECTION 12A.2.(d)** It is the intent of the General Assembly that, beginning fiscal  
 31 year 2014-2015, the Department implement a competitive grants process for nonprofit funding.  
 32 To that end, the Department shall develop a plan that establishes a competitive grants process  
 33 to be administered by the Division of Central Management and Support. The Department shall  
 34 develop a plan that, at a minimum, includes each of the following:

- 35 (1) A request for application (RFA) process to allow nonprofits to apply for and  
 36 receive State funds on a competitive basis.
- 37 (2) A requirement that nonprofits match a minimum of ten percent (10%) of the  
 38 total amount of the grant award.
- 39 (3) A requirement that the Secretary prioritize grant awards to those nonprofits  
 40 that are able to leverage non-State funds in addition to the grant award.
- 41 (4) A process that awards grants to nonprofits dedicated to providing services on  
 42 a statewide basis and that support any of the following State health and  
 43 wellness initiatives:
  - 44 a. A program targeting advocacy, support, education, or residential  
 45 services for persons diagnosed with autism.
  - 46 b. A comprehensive program of education, advocacy, and support  
 47 related to brain injury and those affected by brain injury.
  - 48 c. A system of residential supports for those afflicted with substance  
 49 abuse addiction.

- d. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.
  - e. Supports and services to children and adults with developmental disabilities or mental health diagnoses.
  - f. A food distribution system for needy individuals.
  - g. The provision and coordination of services for the homeless.
  - h. The provision of services for individuals aging out of foster care.
  - i. Programs promoting wellness, physical activity, and health education programming for North Carolinians.
  - j. A program focused on enhancing vision screening through the State's public school system.
  - k. Provision for the delivery of after-school services for at-risk youth.
  - l. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease.
  - m. The provision of assistive information technology services for blind and disabled persons.
- (5) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

**SECTION 12A.2.(e)** No later than February 1, 2014, the Secretary of Health and Human Services shall develop a plan for the implementation of the competitive grants process for nonprofit funding and shall report to the Joint Legislative Oversight Committee on Health and Human Services on the plan.

**SECTION 12A.2.(f)** No later than March 1, 2014, the Secretary of Health and Human Services shall implement the plan for the competitive grants process.

**SECTION 12A.2.(g)** No later than July 1, 2014, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the 2014-2015 fiscal year pursuant to the amounts designated under subsection (a) of this section. After awards have been granted, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:

- (1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.
- (2) The amount of funding awarded to each grantee.
- (3) The number of persons served by each grantee, broken down by program or initiative.

#### **SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES**

**SECTION 12A.2A.(a)** As used in this act, "group home" means any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G .5601(c)(3), and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses.

**SECTION 12A.2A.(b)** From the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of four million six hundred thousand dollars (\$4,600,000) in nonrecurring funds shall be used to provide temporary, short-term financial assistance in the form of a monthly payment to group homes on behalf of each resident who meets all of the following criteria:

- (1) Was eligible for Medicaid-covered personal care services (PCS) prior to January 1, 2013, but was determined to be ineligible for PCS on or after

1 January 1, 2013, due to Medicaid State Plan changes in PCS eligibility  
2 criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section  
3 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194.

4 (2) Has continuously resided in a group home since December 31, 2012.

5 **SECTION 12A.2A.(c)** These monthly payments shall be subject to all of the  
6 following requirements and limitations:

7 (1) The amount of the monthly payments authorized by this section shall not  
8 exceed four hundred sixty-four dollars and thirty cents (\$464.30) per month  
9 for each resident who meets all criteria specified in subsection (b) of this  
10 section.

11 (2) A group home that receives the monthly payments authorized by this section  
12 shall not, under any circumstances, use these payments for any purpose other  
13 than providing, as necessary, supervision and medication management for a  
14 resident who meets all criteria specified in subsection (b) of this section.

15 (3) The Department shall make monthly payments authorized by this section to  
16 a group home on behalf of each resident who meets all criteria specified in  
17 subsection (b) of this section only for the period commencing July 1, 2013,  
18 and ending June 30, 2014, or upon depletion of the four million six hundred  
19 thousand dollars (\$4,600,000) in nonrecurring funds appropriated in this act  
20 to the Division of Central Management and Support for the 2013-2014 fiscal  
21 year for the purpose of this section, whichever is earlier.

22 (4) The Department shall make monthly payments authorized by this section  
23 only to the extent sufficient funds are available from the four million six  
24 hundred thousand dollars (\$4,600,000) in nonrecurring funds appropriated in  
25 this act to the Division of Central Management and Support for the  
26 2013-2014 fiscal year for the purpose of this section.

27 (5) The Department shall not make monthly payments authorized by this section  
28 to a group home on behalf of a resident during the pendency of an appeal by  
29 or on behalf of the resident under G.S. 108A-70.9A.

30 (6) The Department shall terminate all monthly payments pursuant to this  
31 section on June 30, 2014, or upon depletion of the funds appropriated in this  
32 act to the Division of Central Management and Support for the 2013-2014  
33 fiscal year for the purpose of this section, whichever is earlier.

34 (7) Each group home that receives the monthly payments authorized by this  
35 section shall submit to the Department a list of all funding sources for the  
36 operational costs of the group home for the preceding two years, in  
37 accordance with the schedule and format prescribed by the Department.

38 **SECTION 12A.2A.(d)** The Department shall use an existing mechanism to  
39 administer these funds in the least restrictive manner that ensures compliance with this section  
40 and timely and accurate payments to group homes. The Department shall not, under any  
41 circumstances, use any portion of the four million six hundred thousand dollars (\$4,600,000)  
42 appropriated in this act to the Division of Central Management and Support for the purpose of  
43 this section for any other purpose.

44 **SECTION 12A.2A.(e)** By no later than April 1, 2014, the Department of Health  
45 and Human Services shall submit to the Joint Legislative Oversight Committee on Health and  
46 Human Services and the Fiscal Research Division:

47 (1) A plan for a long-term solution for individuals residing in group homes who  
48 would like to continue residing in this setting and, as a result of an  
49 independent assessment, have been determined to need only supervision,  
50 medication management, or both.

- 1 (2) A list of funding sources for each group home that receives assistance  
2 authorized by this section, based on the information provided to the  
3 Department pursuant to Section 12A.2A(c)(7).

4 **SECTION 12A.2A.(f)** Nothing in this section shall be construed as an obligation  
5 by the General Assembly to appropriate funds for the purpose of this section, or as an  
6 entitlement by any group home, resident of a group home, or other person to receive temporary,  
7 short-term financial assistance under this section.

8 **SECTION 12A.2A.(g)** This section expires June 30, 2014.  
9

## 10 **ESTABLISH STATEWIDE TELEPSYCHIATRY PROGRAM**

11 **SECTION 12A.2B.(a)** By no later than August 15, 2013, the Office of Rural  
12 Health and Community Care of the Department of Health and Human Services shall develop  
13 and submit to the Senate Appropriations Committee on Health and Human Services, the House  
14 Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight  
15 Committee on Health and Human Services, and the Fiscal Research Division a plan to  
16 implement a statewide telepsychiatry program to be administered by East Carolina University  
17 Center for Telepsychiatry and e-Behavioral Health (ECU Center for Telepsychiatry) pursuant  
18 to a contract between the Department and ECU Center for Telepsychiatry. The plan shall be  
19 substantially similar to the Albemarle Hospital Foundation telepsychiatry project currently  
20 operating in 14 hospitals in eastern North Carolina and shall allow all hospitals licensed to  
21 operate in the State under Chapter 131E or Chapter 122C of the General Statutes to participate  
22 in the telepsychiatry program, either as a consultant site or as a referring site. As used in this  
23 section, the terms "consultant site" and "referring site" are as defined in G.S. 143B-139.4B(a).  
24 In addition, the plan shall include at least all of the following:

- 25 (1) Specific steps to be taken by ECU Center for Telepsychiatry, within  
26 specified time periods, to work toward implementation of the telepsychiatry  
27 program on a statewide basis.  
28 (2) Specific steps to be taken by the Department to oversee and monitor  
29 establishment and administration of the program.  
30 (3) Estimated program costs and rates of payment for telepsychiatry services.  
31 (4) Requirements for liability coverage related to participation in telepsychiatry.

32 **SECTION 12A.2B.(b)** Article 3 of Chapter 143B of the General Statutes is  
33 amended by adding a new section to read:

34 **"§ 143B-139.4B. Office of Rural Health and Community Care to oversee and monitor**  
35 **establishment and administration of statewide telepsychiatry program.**

36 (a) The following definitions apply in this section:

- 37 (1) Consultant site. – The hospital or other site at which the consulting provider  
38 is physically located at the time the consulting provider delivers the acute  
39 mental health or substance abuse care by means of telepsychiatry.  
40 (2) Hospital. – A facility licensed under Chapter 131E or Chapter 122C of the  
41 General Statutes, or a State facility listed in G.S. 122C-181.  
42 (3) Referring site. – The hospital at which the patient is physically located.  
43 (4) Telepsychiatry. – The delivery of acute mental health or substance abuse  
44 care, including diagnosis or treatment, by means of two-way real-time  
45 interactive audio and video by a consulting provider at a consultant site to an  
46 individual patient at a referring site. The term does not include the standard  
47 use of telephones, facsimile transmissions, unsecured electronic mail, or a  
48 combination of these in the course of care.  
49 (5) Consulting provider. – A physician or other health care provider licensed in  
50 this State to provide acute mental health or substance abuse care.

1       **(b)**    The North Carolina Office of Rural Health and Community Care shall oversee the  
2 establishment and administration of a statewide telepsychiatry program that allows referring  
3 sites to utilize consulting providers at a consultant site to provide timely psychiatric assessment  
4 and rapid initiation of treatment for patients at the referring site experiencing an acute mental  
5 health or substance abuse crisis. Notwithstanding the provisions of Article 3 of Chapter 143 of  
6 the General Statutes or any other provision of law, the Office of Rural Health and Community  
7 Care shall contract with East Carolina University Center for Telepsychiatry and e-Behavioral  
8 Health to administer the telepsychiatry program. The contract shall include a provision  
9 requiring East Carolina University Center for Telepsychiatry and e-Behavioral Health to work  
10 toward implementing this program on a statewide basis by no later than January 1, 2014, and to  
11 report annually to the Office of Rural Health and Community Care on the following  
12 performance measures:

- 13       **(1)**    Number of consultant sites and referring sites participating in the program.
- 14       **(2)**    Number of psychiatric assessments conducted under the program, reported  
15 by site or region.
- 16       **(3)**    Length of stay of patients receiving telepsychiatry services in the emergency  
17 departments of hospitals participating in the program, reported by  
18 disposition.
- 19       **(4)**    Number of involuntary commitments recommended as a result of psychiatric  
20 assessments conducted by consulting providers under the program, reported  
21 by site or region and by year, and compared to the number of involuntary  
22 commitments recommended prior to implementation of this program.

23       **(c)**    The Office of Rural Health and Community Care shall have all of the following  
24 powers and duties relative to the statewide telepsychiatry program:

- 25       **(1)**    Ongoing oversight and monitoring of the program.
- 26       **(2)**    Ongoing monitoring of the performance of East Carolina University Center  
27 for Telepsychiatry and e-Behavioral Health under its contract with the  
28 Department, including all of the following:
  - 29       **a.**    Review of the performance measures described in subsection (b) of  
30 this section.
  - 31       **b.**    Annual site visits to East Carolina University Center for  
32 Telepsychiatry and e-Behavioral Health.
- 33       **(3)**    Facilitation of program linkages with critical access hospitals and small rural  
34 hospitals.
- 35       **(4)**    Conducting visits to referring sites and consultant sites to monitor  
36 implementation of the program; and upon implementation, conducting these  
37 site visits at least once annually.
- 38       **(5)**    Addressing barriers and concerns identified by consulting providers,  
39 consultant sites, and referring sites participating in the program.
- 40       **(6)**    Encouraging participation in the program by all potential consultant sites,  
41 consulting providers, and referring sites throughout the State and promoting  
42 continued participation in the program by consultant sites, consulting  
43 providers, and referring sites throughout the State.
- 44       **(7)**    Compiling a list of recommendations for future tele-health initiatives, based  
45 on operation of the statewide telepsychiatry program.
- 46       **(8)**    Reviewing on a quarterly basis the financial statements of East Carolina  
47 University Center for Telepsychiatry and e-Behavioral Health related to the  
48 telepsychiatry program in order to compare and monitor projected and actual  
49 program costs.
- 50       **(9)**    Annually reporting to the Legislative Oversight Committee on Health and  
51 Human Services and the Fiscal Research Division on or before November 1

1                   on the operation and effectiveness of the program. The report shall include  
2                   information on each of the performance measures described in subsection (b)  
3                   of this section.

4           (d)   The Department shall adopt rules necessary to ensure the health and safety of  
5   patients who receive care, diagnosis, or treatment under the telepsychiatry program authorized  
6   by this section."

7           **SECTION 12A.2B.(c)** From the funds appropriated in this act to the Department of  
8   Health and Human Services, Division of Central Management and Support, Office of Rural  
9   Health and Community Care, the sum of two million dollars (\$2,000,000) for the 2013-2014  
10   fiscal year and the sum of two million dollars (\$2,000,000) for the 2014-2015 fiscal year shall  
11   be used for the following purposes:

- 12           (1)   To enter into a contract with East Carolina University Center for  
13           Telepsychiatry and e-Behavioral Health for statewide implementation and  
14           administration of the telepsychiatry program authorized in  
15           G.S. 143B-139.4B of the General Statutes.
- 16           (2)   To purchase needed telepsychiatry equipment for the State facilities listed in  
17           G.S. 122C-181 that participate in the statewide telepsychiatry program.

## 18 19   **HEALTH INFORMATION TECHNOLOGY**

20           **SECTION 12A.3.(a)** The Department of Health and Human Services, in  
21   cooperation with the State Chief Information Officer, shall coordinate health information  
22   technology (HIT) policies and programs within the State of North Carolina. The Department's  
23   goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and  
24   to ensure that each State agency, public entity, and private entity that undertakes health  
25   information technology activities does so within the area of its greatest expertise and technical  
26   capability and in a manner that supports coordinated State and national goals, which shall  
27   include at least all of the following:

- 28           (1)   Ensuring that patient health information is secure and protected, in  
29           accordance with applicable law.
- 30           (2)   Improving health care quality, reducing medical errors, reducing health  
31           disparities, and advancing the delivery of patient-centered medical care.
- 32           (3)   Providing appropriate information to guide medical decisions at the time and  
33           place of care.
- 34           (4)   Ensuring meaningful public input into HIT infrastructure development.
- 35           (5)   Improving the coordination of information among hospitals, laboratories,  
36           physicians' offices, and other entities through an effective infrastructure for  
37           the secure and authorized exchange of health care information.
- 38           (6)   Improving public health services and facilitating early identification and  
39           rapid response to public health threats and emergencies, including  
40           bioterrorist events and infectious disease outbreaks.
- 41           (7)   Facilitating health and clinical research.
- 42           (8)   Promoting early detection, prevention, and management of chronic diseases.

43           **SECTION 12A.3.(b)** The Department of Health and Human Services shall  
44   establish and direct an HIT management structure that is efficient and transparent and that is  
45   compatible with the Office of the National Health Coordinator for Information Technology  
46   (National Coordinator) governance mechanism. The HIT management structure shall be  
47   responsible for all of the following:

- 48           (1)   Developing a State plan for implementing and ensuring compliance with  
49           national HIT standards and for the most efficient, effective, and widespread  
50           adoption of HIT.

- 1 (2) Ensuring that (i) specific populations are effectively integrated into the State  
2 plan, including aging populations, populations requiring mental health  
3 services, and populations utilizing the public health system, and (ii) unserved  
4 and underserved populations receive priority consideration for HIT support.
- 5 (3) Identifying all HIT stakeholders and soliciting feedback and participation  
6 from each stakeholder in the development of the State plan.
- 7 (4) Ensuring that existing HIT capabilities are considered and incorporated into  
8 the State plan.
- 9 (5) Identifying and eliminating conflicting HIT efforts where necessary.
- 10 (6) Identifying available resources for the implementation, operation, and  
11 maintenance of health information technology, including identifying  
12 resources and available opportunities for North Carolina institutions of  
13 higher education.
- 14 (7) Ensuring that potential State plan participants are aware of HIT policies and  
15 programs and the opportunity for improved health information technology.
- 16 (8) Monitoring HIT efforts and initiatives in other states and replicating  
17 successful efforts and initiatives in North Carolina.
- 18 (9) Monitoring the development of the National Coordinator's strategic plan and  
19 ensuring that all stakeholders are aware of and in compliance with its  
20 requirements.
- 21 (10) Monitoring the progress and recommendations of the HIT Policy and  
22 Standards Committee and ensuring that all stakeholders remain informed of  
23 the Committee's recommendations.
- 24 (11) Monitoring all studies and reports provided to the United States Congress  
25 and reporting to the Joint Legislative Oversight Committee on Information  
26 Technology and the Fiscal Research Division on the impact of report  
27 recommendations on State efforts to implement coordinated HIT.

28 **SECTION 12A.3.(c)** Section 10.24(c) of S.L. 2011-145 reads as rewritten:

29 ~~"SECTION 10.24.(c) Beginning October 1, 2011, the Department of Health and Human~~  
30 ~~Services shall provide quarterly written reports. By no later than January 15, 2015, the~~  
31 ~~Department of Health and Human Services shall provide a written report on the status of HIT~~  
32 ~~efforts to the Joint Legislative Oversight Committee on Health and Human Services and the~~  
33 ~~Fiscal Research Division. The reports due each January 1 and July 1 shall consist of updates to~~  
34 ~~substantial initiatives or challenges that have occurred since the most recent comprehensive~~  
35 ~~report. The reports due each October 1 and April 1 report shall be comprehensive and shall~~  
36 include all of the following:

- 37 (1) Current status of federal HIT initiatives.
- 38 (2) Current status of State HIT efforts and initiatives among both public and  
39 private entities.
- 40 (3) A breakdown of current public and private funding sources and dollar  
41 amounts for State HIT initiatives.
- 42 (4) Department efforts to coordinate HIT initiatives within the State and any  
43 obstacles or impediments to coordination.
- 44 (5) HIT research efforts being conducted within the State and sources of funding  
45 for research efforts.
- 46 (6) Opportunities for stakeholders to participate in HIT funding and other efforts  
47 and initiatives during the next quarter.
- 48 (7) Issues associated with the implementation of HIT in North Carolina and  
49 recommended solutions to these issues."  
50



1 **FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION**  
2 **SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS**

3 **SECTION 12A.4.(a)** The Secretary of the Department of Health and Human  
4 Services may utilize prior year earned revenue received for the replacement MMIS in the  
5 amount of nine million six hundred fifty-eight thousand one hundred fifty-two dollars  
6 (\$9,658,152) for the 2013-2014 fiscal year and in the amount of one million six hundred  
7 sixty-six thousand six hundred twenty-five dollars (\$1,666,625) for the 2014-2015 fiscal year.  
8 In the event the Department does not receive prior year earned revenues in the amounts  
9 authorized by this section, or funds are insufficient to advance the project, the Department may,  
10 with prior approval from the Office of State Budget and Management (OSBM), utilize  
11 overrealized receipts and funds appropriated to the Department to achieve the level of funding  
12 specified in this section for the replacement MMIS.

13 **SECTION 12A.4.(b)** The Department shall make full development of the  
14 replacement MMIS a top priority. During development and implementation of the replacement  
15 MMIS, the Department shall develop plans to ensure the timely and effective implementation  
16 of enhancements to the system to provide the following capabilities:

- 17 (1) Receiving and tracking premiums or other payments required by law.
- 18 (2) Compatibility with the Health Information System.

19 **SECTION 12A.4.(c)** The Department shall make every effort to expedite the  
20 implementation of the enhancements. The replacement MMIS shall have the capability to fully  
21 implement the administration of NC Health Choice, Ticket to Work, CAP Children's Program,  
22 all relevant Medicaid waivers, and the Medicare 646 waiver as it applies to Medicaid eligibles.

23 **SECTION 12A.4.(d)** The Office of the State Chief Information Officer (SCIO) and  
24 the Office of Information Technology Services (ITS) shall work in cooperation with the  
25 Department to ensure the timely and effective implementation of the replacement MMIS and  
26 any enhancements. The SCIO shall ensure that the replacement MMIS meets all State  
27 requirements for project management and shall immediately report any failure to meet these  
28 requirements to the Joint Legislative Oversight Committee on Health and Human Services, the  
29 Joint Legislative Oversight Committee on Information Technology, the Fiscal Research  
30 Division, and the Office of State Budget and Management. The SCIO shall also immediately  
31 report if any replacement MMIS project, or portion of a project, is listed as red in the project  
32 portfolio management tool.

33 **SECTION 12A.4.(e)** Notwithstanding G.S. 114-2.3, the Department shall consult  
34 with the Office of the SCIO concerning the retention of private counsel for the replacement  
35 MMIS, and as directed by the Office of the SCIO, retain private counsel with expertise in  
36 pertinent information technology and computer law to negotiate and review contract  
37 amendments associated with the replacement MMIS. The private counsel engaged by the  
38 Department shall review the replacement MMIS contract amendments between the Department  
39 and the vendors to ensure that the requirements of subsection (c) of this section are met in their  
40 entirety and that the terms of the contract amendments are in the State's best interest.

41 **SECTION 12A.4.(f)** The Department shall immediately report any changes to the  
42 replacement MMIS implementation schedules to the Joint Legislative Oversight Committee on  
43 Health and Human Services, the Joint Legislative Oversight Committee on Information  
44 Technology, the Fiscal Research Division, and the Office of State Budget and Management,  
45 with a full explanation of the reason for the change and any associated costs.

46 **SECTION 12A.4.(g)** The Department shall provide the following reports on the  
47 replacement MMIS by the dates specified in this subsection to the Joint Legislative Oversight  
48 Committee on Health and Human Services, the Joint Legislative Oversight Committee on  
49 Information Technology, the Fiscal Research Division, and the Office of State Budget and  
50 Management:

- 1 (1) By no later than September 1, 2013, a progress report on full implementation  
2 of the replacement MMIS, which shall include at least all of the following:  
3 a. Any issues encountered following the "go-live" date of July 1, 2013,  
4 and how each issue was resolved.  
5 b. Any system requirements for manual workarounds and the time line  
6 for implementing an automated solution for each manual  
7 workaround.  
8 c. Required capabilities that are not available in the replacement MMIS  
9 on the "go-live" date of July 1, 2013, with a date for the  
10 implementation of each.
- 11 (2) By no later than November 1, 2013, a progress report on full implementation  
12 of the replacement MMIS, which shall include at least all of the following:  
13 a. An updated estimate of the costs associated with operating and  
14 maintaining the system during the 2013-2014 and 2014-2015 fiscal  
15 years, with an explanation for any changes from previous  
16 submissions.  
17 b. The cost, if any, associated with the resolution of each issue  
18 encountered following the "go-live" date of July 1, 2013, and the  
19 source of funding for the associated cost.  
20 c. The cost, if any, associated with any system requirements for manual  
21 workarounds, the source of funding used to pay for the associated  
22 cost, the cost associated with transitioning to each automated  
23 solution, and the source of funding for each identified cost.  
24 d. A comparison of timeliness and accuracy of payments for legacy  
25 system and replacement system transactions, using the same criteria  
26 for both.  
27 e. The cost, if any, associated with implementation of any required  
28 capabilities that are not available in the replacement MMIS on the  
29 "go-live" date of July 1, 2013.
- 30 (3) By no later than December 1, 2013, a plan for the elimination of the Office  
31 of Medicaid Management Information System Services (OMMISS) and the  
32 transfer of its remaining operations to other Divisions within the Department  
33 of Health and Human Services. This plan shall include at least all of the  
34 following:  
35 a. The specific operations to be transferred to other Divisions within the  
36 Department, the specific Division to which each operation will be  
37 transferred, the State personnel that will be impacted by each  
38 transfer, costs associated with each transfer, and sources of funding  
39 to enable the identified Divisions to assume these transferred  
40 operations.  
41 b. Any State personnel costs that will result from the dissolution of  
42 OMMISS, including the costs of any severance payments and any  
43 compensatory time earned during the course of the project, broken  
44 down by employee; and any identified sources of funding to pay for  
45 these personnel costs.  
46 c. A plan for transitioning out of the space currently leased by the State  
47 for OMMISS, costs associated with this transition, and any savings  
48 that will result from the transition.
- 49 (4) By no later than January 15, 2014, a preliminary report on the Department's  
50 plan for achieving system certification, which shall include at least all of the  
51 following:

- 1 a. A description of the process.
- 2 b. A detailed time line.
- 3 c. Any issues that could impact the timing of system certification and
- 4 plans to mitigate identified issues.
- 5 d. Any costs associated with system certification.
- 6 e. Any identified funding sources to pay for costs associated with
- 7 system certification.

8 **SECTION 12A.4.(h)** The Department shall complete the Reporting and Analytics  
9 Project solution simultaneously with the implementation of the replacement MMIS.

10 **SECTION 12A.4.(i)** Notwithstanding any other provision of law and to the extent  
11 permitted by federal law, the Department shall not approve any overtime or compensatory time  
12 related to the replacement MMIS after August 1, 2013, without the prior written approval of the  
13 Office of State Personnel for each specific instance of overtime or compensatory time.  
14 Beginning August 1, 2013, the Department shall submit a monthly report to the Joint  
15 Legislative Oversight Committee on Health and Human Services, the Joint Legislative  
16 Oversight Committee on Information Technology, and the Fiscal Research Division on the total  
17 amount of approved overtime and compensatory time related to the replacement MMIS for the  
18 preceding calendar month.

19 **SECTION 12A.4.(j)** The Department shall plan and implement system  
20 modifications necessary to enable entities under contract with the Department to perform  
21 Medicaid claim adjudication in the replacement MMIS. The Department shall implement these  
22 system modifications by the earlier of January 1, 2015, or prior to renewing any contract  
23 currently in effect with an entity required to perform Medicaid claim adjudication in the  
24 replacement MMIS pursuant to this section. Upon implementation of these system  
25 modifications, the Department shall require all Medicaid claim adjudication to be performed by  
26 the replacement MMIS, including all Medicaid claim adjudication performed by entities under  
27 contract with the Department. The Department may require entities under contract with the  
28 Department to contract directly with the State's Medicaid fiscal agent to provide technical  
29 support for Medicaid claim adjudication performed by the replacement MMIS for these  
30 entities, subject to prior approval of contract terms by the Department. The Department may  
31 charge entities under contract with the Department a fee not to exceed the amount necessary to  
32 cover the full operating cost of Medicaid claim adjudication performed by the replacement  
33 MMIS for these entities.

34 **SECTION 12A.4.(k)** Subsection (j) of this section becomes effective July 1, 2014.

## 36 **FRAUD DETECTION THROUGH NORTH CAROLINA ACCOUNTABILITY AND** 37 **COMPLIANCE TECHNOLOGY SYSTEM**

38 **SECTION 12A.5.** The Department of Health and Human Services shall work with  
39 the Governmental Data Analytics Center (GDAC) to develop an integration plan to leverage  
40 the North Carolina Financial Accountability and Compliance Technology System (NC  
41 FACTS), which is the State's enterprise-level fraud detection system operated by GDAC, in an  
42 effort to detect and prevent potential fraud, waste, and improper payments.

43 The integration plan shall include a feasibility analysis, a proposed integration time  
44 line, and a cost estimate to integrate the following systems with NC FACTS:

- 45 (1) NCTracks, the replacement Medicaid Management Information System  
46 (MMIS).
- 47 (2) North Carolina Child Treatment Program (NC CTP) State-funded secure  
48 database.
- 49 (3) North Carolina Families Accessing Services through Technology (NC  
50 FAST).

1 The integration plan shall include opportunities to leverage existing data integration and  
2 analytics contracts and licenses for the purposes of optimizing cost effectiveness and generating  
3 greater efficiencies. The integration plan shall also include proposals for how to protect medical  
4 and other private information stored in the NCTracks, NC CTP, and NC FAST.

5 No later than April 1, 2014, the Department shall report a plan to integrate the  
6 systems listed in this section to the Joint Legislative Oversight Committee on Information  
7 Technology and the Joint Legislative Oversight Committee on Health and Human Services.

8  
9 **FUNDING FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES**  
10 **THROUGH TECHNOLOGY (NC FAST); REPORT ON ELIGIBILITY**  
11 **DETERMINATIONS FOR THE EXCHANGE**

12 **SECTION 12A.6.(a)** Funds appropriated in this act in the amount of eight hundred  
13 sixty-four thousand six hundred fifty-five dollars (\$864,655) for State fiscal year 2014-2015  
14 along with the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families  
15 Accessing Services through Technology (NC FAST) project shall be used to match federal  
16 funds in fiscal years 2013-2014 and 2014-2015 to expedite the development and  
17 implementation of the Eligibility Information System (EIS), Child Care, Low Income Energy  
18 Assistance, and Crisis Intervention Programs, and Child Service components of the NC FAST  
19 project.

20 **SECTION 12A.6.(b)** The Department of Health and Human Services shall report  
21 on NC FAST's performance in providing eligibility determinations for Medicaid applicants on  
22 the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by  
23 Section 2 of S.L. 2013-5. The report shall contain a description of the following:

- 24 (1) Funding sources, funding amounts, and expenditures for the project  
25 beginning in fiscal year 2012-2013 through the time of the report.
- 26 (2) Any challenges with the eligibility determination project and how NC FAST  
27 solved those challenges.
- 28 (3) The number of eligibility determinations performed for applicants on the  
29 federally facilitated Health Benefit Exchange, including an analysis of on  
30 what days and for how many persons eligibility determinations were  
31 performed as well as how many applicants were determined to be eligible.

32 The Department shall submit a report to the Joint Legislative Commission on Governmental  
33 Operations, the Joint Legislative Oversight Committee on Health and Human Services, and the  
34 Joint Legislative Oversight Committee on Information Technology three months after open  
35 enrollment begins for the federally facilitated Health Benefit Exchange.

36  
37 **LIABILITY INSURANCE**

38 **SECTION 12A.7.** Article 31 of Chapter 58 of the General Statutes is amended by  
39 adding a new section to read:

40 **"§ 58-31-26. Medical liability insurance for certain physicians and dentists.**

41 (a) The Secretary of the Department of Health and Human Services and the Secretary  
42 of the Department of Public Safety may provide medical liability insurance not to exceed one  
43 million dollars (\$1,000,000) per incident on behalf of employees of these Departments who are  
44 licensed to practice medicine or dentistry; on behalf of all licensed physicians who are faculty  
45 members of The University of North Carolina who perform work on a contractual basis for the  
46 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for  
47 incidents that occur in Division programs; and on behalf of physicians in all residency training  
48 programs from The University of North Carolina who are in training at institutions operated by  
49 the Department of Health and Human Services. This coverage may include commercial  
50 insurance or self-insurance and shall cover these individuals for their acts or omissions only

1 while they are engaged in providing medical and dental services pursuant to their State  
2 employment or training.

3 (b) The coverage provided pursuant to this section shall not cover any individual for  
4 any act or omission that the individual knows or reasonably should know constitutes a violation  
5 of the applicable criminal laws of any state or the United States, or that arises out of any sexual,  
6 fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton  
7 negligence.

8 (c) The coverage provided pursuant to this section shall not require any additional  
9 appropriations and, except as provided in subsection (a) of this section, shall not apply to any  
10 individual providing contractual service to the Department of Health and Human Services or  
11 the Department of Public Safety."

## 12 **ELIMINATION OF UNNECESSARY AND REDUNDANT REPORTS**

13 **SECTION 12A.8.(a)** Eliminate Outcomes Evaluation Study on the Effectiveness  
14 of Substance Abuse Services Provided to Person Convicted of DWI. – G.S. 122C-142.1(j) is  
15 repealed.

16 **SECTION 12A.8.(b)** Eliminate Evaluation of Efficiency and Effectiveness of  
17 Family Resource Center Grant Program. – G.S. 143B-152.15(b) is repealed.

18 **SECTION 12A.8.(c)** Eliminate Annual Report on Progress of MH/DD/SAS State  
19 Plan. – G.S. 122C-102(c) is repealed.

20 **SECTION 12A.8.(d)** Eliminate Annual Report on North Carolina State Plan on  
21 Healthcare Associated Infections. – G.S. 130A-150(e) is repealed.

22 **SECTION 12A.8.(e)** Eliminate Annual Report on The Health Insurance Program  
23 for Children. – G.S. 108A-70.27(b) is repealed.

24 **SECTION 12A.8.(f)** Eliminate Annual Report by State Child Fatality Review  
25 Team. – G.S. 143B-150.20(h) is repealed.

## 26 **CANCER COORDINATION REPORTING**

27 **SECTION 12A.9.** G.S. 130A-33.51(b) reads as rewritten:

28 "(b) The Committee shall submit a written report not later than May 1, 1994, and not  
29 later than October 1 of each subsequent year, ~~to the Governor and to the Joint Legislative~~  
30 ~~Commission on Governmental Operations.~~ the Secretary. The report shall address the progress  
31 in implementation of a cancer control program. The report shall include an accounting of funds  
32 expended and anticipated funding needs for full implementation of recommended programs."  
33  
34  
35

## 36 **MEETINGS OF CANCER COORDINATION COMMITTEE**

37 **SECTION 12A.10.** G.S. 130A-33.50(b) reads as rewritten:

38 "(b) The Committee shall have up to 34 members, including the Secretary of the  
39 Department or the Secretary's designee. The members of the Committee shall elect a chair and  
40 vice-chair from among the Committee membership. The Committee shall meet not more than  
41 twice a year at the call of the chair. Six of the members shall be legislators, three of whom shall  
42 be appointed by the Speaker of the House of Representatives, and three of whom shall be  
43 appointed by the President Pro Tempore of the Senate. Four of the members shall be cancer  
44 survivors, two of whom shall be appointed by the Speaker of the House of Representatives, and  
45 two of whom shall be appointed by the President Pro Tempore of the Senate. The remainder of  
46 the members shall be appointed by the Governor as follows:

47 (1) One member from the Department of Environment and Natural Resources;

48 (2) Three members, one from each of the following: the Department, the  
49 Department of Public Instruction, and the North Carolina Community  
50 College System;

- 1 (3) Four members representing the cancer control programs at North Carolina
- 2 medical schools, one from each of the following: the University of North
- 3 Carolina at Chapel Hill School of Medicine, the Bowman Gray School of
- 4 Medicine, the Duke University School of Medicine, and the East Carolina
- 5 University School of Medicine;
- 6 (4) One member who is an oncology nurse representing the North Carolina
- 7 Nurses Association;
- 8 (5) One member representing the Cancer Committee of the North Carolina
- 9 Medical Society;
- 10 (6) One member representing the Old North State Medical Society;
- 11 (7) One member representing the American Cancer Society, North Carolina
- 12 Division, Inc.;
- 13 (8) One member representing the North Carolina Hospital Association;
- 14 (9) One member representing the North Carolina Association of Local Health
- 15 Directors;
- 16 (10) One member who is a primary care physician licensed to practice medicine
- 17 in North Carolina;
- 18 (11) One member representing the American College of Surgeons;
- 19 (12) One member representing the North Carolina Oncology Society;
- 20 (13) One member representing the Association of North Carolina Cancer
- 21 Registrars;
- 22 (14) One member representing the Medical Directors of the North Carolina
- 23 Association of Health Plans; and
- 24 (15) Up to four additional members at large.

25 Except for the Secretary, the members shall be appointed for staggered four-year terms and  
 26 until their successors are appointed and qualify. The Governor may remove any member of the  
 27 Committee from office in accordance with the provisions of G.S. 143B-13. Members may  
 28 succeed themselves for one term and may be appointed again after being off the Committee for  
 29 one term."

### 31 ANNUAL REPORT OF LAPSED SALARY FUNDS

32 **SECTION 12A.11.** Section 10.20 of S.L. 2012-142 reads as rewritten:

33 "**SECTION 10.20.** Beginning no later than November 1, 2012, and annually thereafter, the  
 34 Department of Health and Human Services shall submit ~~quarterly reports~~ a report to the Joint  
 35 Legislative Oversight Committee on Health and Human Services, ~~the House Appropriations~~  
 36 ~~Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health~~  
 37 ~~and Human Services, Services~~ and the Fiscal Research Division on the use of lapsed salary  
 38 funds by each Division within the Department. For each Division, the report shall include the  
 39 following information about the preceding ~~calendar quarter~~ State fiscal year:

- 40 (1) The total amount of lapsed salary funds.
- 41 (2) The number of full-time equivalent positions comprising the lapsed salary
- 42 funds.
- 43 (3) The Fund Code for each full-time equivalent position included in the number
- 44 reported pursuant to subdivision (2) of this section.
- 45 (4) The purposes for which the Department expended lapsed salary funds."

### 47 PRISON REPORT

48 **SECTION 12A.12.** G.S. 148-19(d) reads as rewritten:

49 "(d) The Commission for Mental Health, Developmental Disabilities, and Substance  
 50 Abuse Services shall adopt standards for the delivery of mental health and mental retardation  
 51 services to inmates in the custody of the Division of Adult Correction of the Department of

1 Public Safety. The Commission for Mental Health, Developmental Disabilities, and Substance  
2 Abuse Services shall give the Secretary of Public Safety an opportunity to review and comment  
3 on proposed standards prior to promulgation of such standards; however, final authority to  
4 determine such standards remains with the Commission. The Secretary of the Department of  
5 Health and Human Services shall designate an agency or agencies within the Department of  
6 Health and Human Services to monitor the implementation by the Division of Adult Correction  
7 of the Department of Public Safety of these standards and of substance abuse standards adopted  
8 by the Division of Adult Correction of the Department of Public Safety. ~~The Secretary of~~  
9 ~~Health and Human Services shall send a written report on the progress which the Division of~~  
10 ~~Adult Correction of the Department of Public Safety has made on the implementation of such~~  
11 ~~standards to the Governor, the Lieutenant Governor, and the Speaker of the House. Such~~  
12 ~~reports shall be made on an annual basis beginning January 1, 1978."~~  
13

#### 14 MODIFICATIONS TO JUSTUS-WARREN TASK FORCE

15 SECTION 12A.13. G.S. 143B-216.60 reads as rewritten:

16 "§ 143B-216.60. The Justus-Warren Heart Disease and Stroke Prevention Task Force.

17 ...

18 (e) The Task Force shall meet ~~at least quarterly or more frequently~~ not more than twice  
19 annually at the call of the Chair.

20 (f) ~~The Task Force Chair may establish committees for the purpose of making special~~  
21 ~~studies pursuant to its duties, and may appoint non Task Force members to serve on each~~  
22 ~~committee as resource persons. Resource persons shall be voting members of the committees~~  
23 ~~and shall receive subsistence and travel expenses in accordance with G.S. 138-5 and~~  
24 ~~G.S. 138-6. Committees may meet with the frequency needed to accomplish the purposes of~~  
25 ~~this section.~~

26 ...."

#### 27 MODIFICATIONS TO COMMISSION FOR THE BLIND

28 SECTION 12A.14.(a) Eliminate Professional Advisory Committee. – Part 8 of  
29 Article 3 of Chapter 143B of the General Statutes is repealed.

30 SECTION 12A.14.(b) G.S. 143B-158 reads as rewritten:

31 "§ 143B-158. Commission for the Blind.

32 (a) The Commission for the Blind of the Department of Health and Human Services  
33 shall consist of ~~13~~19 members as follows:

- 34 (1) One representative of the Statewide Independent Living Council.
- 35 (2) One representative of a parent training and information center established  
36 pursuant to section 631(c) of the Individuals with Disabilities Education Act,  
37 20 U.S.C. § 1431(c).
- 38 (3) One representative of the State's Client Assistance Program.
- 39 (4) One vocational rehabilitation counselor who has knowledge of and  
40 experience in vocational rehabilitation services for the blind. A vocational  
41 rehabilitation counselor appointed pursuant to this subdivision shall serve as  
42 a nonvoting member of the Commission if the counselor is an employee of  
43 the Department of Health and Human Services.
- 44 (5) One representative of community rehabilitation program services providers.
- 45 (6) One current or former applicant for, or recipient of, vocational rehabilitation  
46 services.
- 47 (7) One representative of a disability advocacy group representing individuals  
48 who are blind.
- 49 (8) One parent, family member, guardian, advocate, or authorized representative  
50 of an individual who is blind, has multiple disabilities, and either has  
51

1 difficulty representing himself or herself or who is unable, due to  
2 disabilities, to represent himself or herself.

3 (9) One representative of business, industry, and labor.

4 (10) One representative of the directors of projects carried out under section 121  
5 of the Rehabilitation Act of 1973, 29 U.S.C. § 741, as amended, if there are  
6 any of these projects in the State.

7 (11) One representative of the Department of Public Instruction.

8 (12) One representative of the Commission on Workforce Development.

9 (12a) Two licensed physicians nominated by the North Carolina Medical Society  
10 whose practice is limited to ophthalmology.

11 (12b) Two optometrists nominated by the North Carolina State Optometric  
12 Society.

13 (12c) Two opticians nominated by the North Carolina Opticians Association.

14 (13) The Director of the Division of Services for the Blind shall serve as an ex  
15 officio, nonvoting member.

16 (b) The members of the Commission for the Blind shall be appointed by the Governor.  
17 The Governor shall appoint members after soliciting recommendations from representatives of  
18 organizations representing a broad range of individuals who have disabilities and organizations  
19 interested in those individuals. In making appointments to the Commission, the Governor shall  
20 consider, to the greatest extent practicable, the extent to which minority populations are  
21 represented on the Commission.

22 (c) ~~A-Except for individuals appointed to the Commission under subdivisions (12a),~~  
23 ~~(12b), and (12c) of subsection (a) of this section, a majority of Commission members shall be~~  
24 ~~persons who are blind, as defined in G.S. 111-11. A majority of Commission members shall be~~  
25 ~~persons who are G.S. 111-11 and who are not employed by the Division of Services for the~~  
26 ~~Blind.~~

27 (d) The Commission for the Blind shall select a Chairperson from among its members.

28 (e) The term of office of members of the Commission is three years. The term of  
29 members appointed under subdivisions (1), (2), (3), ~~and (4)-(4), and (12a)~~ of subsection (a) of  
30 this section shall expire on June 30 of years evenly divisible by three. The term of members  
31 appointed under subdivisions (5), (6), (7), ~~and (8)-(8), and (12b)~~ of subsection (a) of this section  
32 shall expire on June 30 of years that follow by one year those years that are evenly divisible by  
33 three. The term of members appointed under subdivisions (9), (10), (11), ~~and (12)-(12), and~~  
34 ~~(12c)~~ of subsection (a) of this section shall expire on June 30 of years that precede by one year  
35 those years that are evenly divisible by three.

36 (f) No individual may be appointed to more than two consecutive three-year terms.  
37 Upon the expiration of a term, a member shall continue to serve until a successor is appointed,  
38 as provided by G.S. 128-7. An appointment to fill a vacancy shall be for the unexpired balance  
39 of the term.

40 (g) A member of the Commission shall not vote on any issue before the Commission  
41 that would have a significant and predictable effect on the member's financial interest. The  
42 Governor shall have the power to remove any member of the Commission from office for  
43 misfeasance, malfeasance, or nonfeasance in accordance with the provisions of G.S. 143B-13  
44 of the Executive Organization Act of 1973.

45 (h) The members of the Commission shall receive per diem and necessary travel and  
46 subsistence expenses in accordance with the provisions of G.S. 138-5.

47 (i) A majority of the Commission shall constitute a quorum for the transaction of  
48 business.

49 (j) All clerical and other services required by the Commission shall be supplied by the  
50 Secretary of Health and Human Services."



1           **SECTION 12A.14.(c)** Subsection (b) of this section becomes effective August 1,  
2 2013.

3  
4 **SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION**

5  
6 **NC PRE-K**

7           **SECTION 12B.1.(a)** Eligibility. – The Department of Health and Human Services,  
8 Division of Child Development and Early Education, shall continue implementing the  
9 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four  
10 years of age on or before August 31 of the program year. In determining eligibility, the  
11 Division shall establish income eligibility requirements for the program not to exceed  
12 seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children  
13 enrolled may have family incomes in excess of seventy-five percent (75%) of median income if  
14 those children have other designated risk factors. Furthermore, any age-eligible child who is a  
15 child of either of the following shall be eligible for the program: (i) an active duty member of  
16 the Armed Forces of the United States, including the North Carolina National Guard, State  
17 military forces, or a reserve component of the Armed Forces who was ordered to active duty by  
18 the proper authority within the last 18 months or is expected to be ordered within the next 18  
19 months or (ii) a member of the Armed Forces of the United States, including the North  
20 Carolina National Guard, State military forces, or a reserve component of the Armed Forces  
21 who was injured or killed while serving on active duty. Eligibility determinations for  
22 prekindergarten participants may continue through local education agencies and local North  
23 Carolina Partnership for Children, Inc., partnerships.

24           Other than developmental disabilities or other chronic health issues, the Division  
25 shall not consider the health of a child as a factor in determining eligibility for participation in  
26 the NC Pre-K program.

27           **SECTION 12B.1.(b)** Multiyear Contracts. – The Division of Child Development  
28 and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for  
29 licensed private child care centers providing NC Pre-K classrooms.

30           **SECTION 12B.1.(c)** Programmatic Standards. – All entities operating  
31 prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of  
32 Child Development and Early Education regarding programmatic standards and classroom  
33 requirements.

34           **SECTION 12B.1.(d)** NC Pre-K Committees. – The Division of Child  
35 Development and Early Education shall establish a standard decision-making process to be  
36 used by local NC Pre-K committees in awarding prekindergarten classroom slots and student  
37 selection.

38           **SECTION 12B.1.(e)** SEEK. – All prekindergarten classrooms shall be required to  
39 participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline  
40 the payment function for these classrooms with a goal of eliminating duplicative systems and  
41 streamlining the accounting and payment processes among the subsidy reimbursement systems.  
42 Prekindergarten funds transferred may be used to add these programs to SEEK.

43           **SECTION 12B.1.(f)** Pilot Program. – The Division of Child Development and  
44 Early Education shall create a pilot program that provides funding for NC Pre-K classrooms on  
45 a per classroom basis. The pilot program shall include three different NC Pre-K contractual  
46 regions that are geographically diverse. The local NC Pre-K administrator shall contract with  
47 the provider for operation of a classroom established pursuant to the pilot program. The  
48 Division shall provide a report on the status of the pilot program to the Joint Legislative  
49 Oversight Committee on Health and Human Services and the Fiscal Research Division no later  
50 than January 31, 2014. The report shall include the following:

- 51           (1) The number of students served.

- 1 (2) The amount of funds paid for each classroom.
- 2 (3) The amount of funds paid per student.
- 3 (4) The attendance information on students in the pilot program as compared to
- 4 those students in a classroom having a traditional funding structure.
- 5 (5) Information on the number of students and students' families using the
- 6 Subsidized Early Education for Kids (SEEK) system.
- 7 (6) A cost comparison of the classroom pilots to the average cost per student
- 8 through the per student funding methodology.

9 **SECTION 12B.1.(g)** Reporting. – The Division of Child Development and Early  
10 Education shall submit an annual report no later than March 15 of each year to the Joint  
11 Legislative Commission on Governmental Operations, the Joint Legislative Oversight  
12 Committee on Health and Human Services, the Office of State Budget and Management, and  
13 the Fiscal Research Division. The report shall include the following:

- 14 (1) The number of children participating in the NC Pre-K program by county.
- 15 (2) The number of children participating in the NC Pre-K program who have
- 16 never been served in other early education programs such as child care,
- 17 public or private preschool, Head Start, Early Head Start, or early
- 18 intervention programs.
- 19 (3) The expected NC Pre-K expenditures for the programs and the source of the
- 20 local contributions.
- 21 (4) The results of an annual evaluation of the NC Pre-K program.

22 **SECTION 12B.1.(h)** Child Care Commission. – G.S. 143B-168.4(b) reads as  
23 rewritten:

24 "(b) Members shall be appointed as follows:

- 25 (1) Of the Governor's initial appointees, four shall be appointed for terms
- 26 expiring June 30, ~~1986,2015~~, and three shall be appointed for terms expiring
- 27 June 30, ~~1987,2016~~;
- 28 (2) Of the General Assembly's initial appointees appointed upon
- 29 recommendation of the President of the Senate, two shall be appointed for
- 30 terms expiring June 30, ~~1986,2015~~, and two shall be appointed for terms
- 31 expiring June 30, ~~1987,2016~~;
- 32 (3) Of the General Assembly's initial appointees appointed upon
- 33 recommendation of the Speaker of the House of Representatives, two shall
- 34 be appointed for terms expiring June 30, ~~1986,2015~~, and two shall be
- 35 appointed for terms expiring June 30, ~~1987,2016~~.

36 Appointments by the General Assembly shall be made in accordance with G.S. 120-121. After  
37 the initial appointees' terms have expired, all members shall be appointed to serve two-year  
38 terms. Any appointment to fill a vacancy on the Commission created by the resignation,  
39 dismissal, death, or disability of a member shall be for the balance of the unexpired term."

40 **SECTION 12B.1.(i)** The terms of all members currently serving on the Child Care  
41 Commission shall expire on the effective date of this act. A new Commission of 17 members  
42 shall be appointed in the manner provided by G.S. 143B-168.4(a) and (b), as amended in  
43 subsection (h) of this section. Members appointed pursuant to subsection (h) of this section  
44 shall be appointed no later than October 1, 2013.

#### 45 **CHILD CARE SUBSIDY RATES**

46 **SECTION 12B.3.(a)** The maximum gross annual income for initial eligibility,  
47 adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the  
48 State median income, adjusted for family size.  
49

1           **SECTION 12B.3.(b)** Fees for families who are required to share in the cost of care  
 2 shall be established based on a percent of gross family income and adjusted for family size.  
 3 Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%

9           **SECTION 12B.3.(c)** Payments for the purchase of child care services for  
 10 low-income children shall be in accordance with the following requirements:

- 11           (1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106  
 12 and licensed child care centers and homes that meet the minimum licensing  
 13 standards that are participating in the subsidized child care program shall be  
 14 paid the one-star county market rate or the rate they charge privately paying  
 15 parents, whichever is lower, unless prohibited by subsection (f) of this  
 16 section.
- 17           (2) Licensed child care centers and homes with two or more stars shall receive  
 18 the market rate for that rated license level for that age group or the rate they  
 19 charge privately paying parents, whichever is lower, unless prohibited by  
 20 subsection (f) of this section.
- 21           (3) Nonlicensed homes shall receive fifty percent (50%) of the county market  
 22 rate or the rate they charge privately paying parents, whichever is lower.
- 23           (4) No payments shall be made for transportation services or registration fees  
 24 charged by child care facilities.
- 25           (5) Payments for subsidized child care services for postsecondary education  
 26 shall be limited to a maximum of 20 months of enrollment.
- 27           (6) The Department of Health and Human Services shall implement necessary  
 28 rule changes to restructure services, including, but not limited to, targeting  
 29 benefits to employment.

30           **SECTION 12B.3.(d)** Provisions of payment rates for child care providers in  
 31 counties that do not have at least 50 children in each age group for center-based and  
 32 home-based care are as follows:

- 33           (1) Except as applicable in subdivision (2) of this subsection, payment rates  
 34 shall be set at the statewide or regional market rate for licensed child care  
 35 centers and homes.
- 36           (2) If it can be demonstrated that the application of the statewide or regional  
 37 market rate to a county with fewer than 50 children in each age group is  
 38 lower than the county market rate and would inhibit the ability of the county  
 39 to purchase child care for low-income children, then the county market rate  
 40 may be applied.

41           **SECTION 12B.3.(e)** A market rate shall be calculated for child care centers and  
 42 homes at each rated license level for each county and for each age group or age category of  
 43 enrollees and shall be representative of fees charged to parents for each age group of enrollees  
 44 within the county. The Division of Child Development and Early Education shall also calculate  
 45 a statewide rate and regional market rate for each rated license level for each age category.

46           **SECTION 12B.3.(f)** The Division of Child Development and Early Education  
 47 shall continue implementing policies that improve the quality of child care for subsidized  
 48 children, including a policy in which child care subsidies are paid, to the extent possible, for  
 49 child care in the higher quality centers and homes only. The Division shall define higher  
 50 quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those  
 51 counties with an inadequate number of four- and five-star rated facilities, the Division shall

1 continue a transition period that allows the facilities to continue to receive subsidy funds while  
2 the facilities work on the increased star ratings. The Division may allow exemptions in counties  
3 where there is an inadequate number of four- and five-star rated facilities for nonstar rated  
4 programs, such as religious programs.

5 **SECTION 12B.3.(g)** Facilities licensed pursuant to Article 7 of Chapter 110 of the  
6 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the  
7 program that provides for the purchase of care in child care facilities for minor children of  
8 needy families. Except as authorized by subsection (f) of this section, no separate licensing  
9 requirements shall be used to select facilities to participate. In addition, child care facilities  
10 shall be required to meet any additional applicable requirements of federal law or regulations.  
11 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of  
12 the General Statutes shall meet the requirements established by other State law and by the  
13 Social Services Commission.

14 County departments of social services or other local contracting agencies shall not use a  
15 provider's failure to comply with requirements in addition to those specified in this subsection  
16 as a condition for reducing the provider's subsidized child care rate.

17 **SECTION 12B.3.(h)** Payment for subsidized child care services provided with  
18 Work First Block Grant funds shall comply with all regulations and policies issued by the  
19 Division of Child Development for the subsidized child care program.

20 **SECTION 12B.3.(i)** Noncitizen families who reside in this State legally shall be  
21 eligible for child care subsidies if all other conditions of eligibility are met. If all other  
22 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be  
23 eligible for child care subsidies only if at least one of the following conditions is met:

- 24 (1) The child for whom a child care subsidy is sought is receiving child  
25 protective services or foster care services.
- 26 (2) The child for whom a child care subsidy is sought is developmentally  
27 delayed or at risk of being developmentally delayed.
- 28 (3) The child for whom a child care subsidy is sought is a citizen of the United  
29 States.

30 **SECTION 12B.3.(j)** Department of Health and Human Services, Division of Child  
31 Development and Early Education, shall require all county departments of social services to  
32 include on any forms used to determine eligibility for child care subsidy whether the family  
33 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

#### 34 **CHILD CARE ALLOCATION FORMULA**

35 **SECTION 12B.4.(a)** The Department of Health and Human Services shall allocate  
36 child care subsidy voucher funds to pay the costs of necessary child care for minor children of  
37 needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children,  
38 Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each  
39 county's child care subsidy allocation. The Department of Health and Human Services shall use  
40 the following method when allocating federal and State child care funds, not including the  
41 aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc.,  
42 subsidy allocation:

- 43 (1) Funds shall be allocated to a county based upon the projected cost of serving  
44 children under age 11 in families with all parents working who earn less than  
45 seventy-five percent (75%) of the State median income.
- 46 (2) No county's allocation shall be less than ninety percent (90%) of its State  
47 fiscal year 2001-2002 initial child care subsidy allocation.
- 48 (3) For fiscal years 2013-2014 and 2014-2015, the Division of Child  
49 Development and Early Education shall base the formula identified in  
50

1 subdivision (1) of this subsection on the same data source used for the  
2 2012-2013 fiscal year.

- 3 (4) The Department of Health and Human Services shall allocate to counties all  
4 State funds appropriated for child care subsidy and shall not withhold funds  
5 during the 2013-2014 and 2014-2015 fiscal years.

6 **SECTION 12B.4.(b)** The Department of Health and Human Services may  
7 reallocate unused child care subsidy voucher funds in order to meet the child care needs of  
8 low-income families. Any reallocation of funds shall be based upon the expenditures of all  
9 child care subsidy voucher funding, including North Carolina Partnership for Children, Inc.,  
10 funds within a county.

#### 11 12 **CHILD CARE FUNDS MATCHING REQUIREMENTS**

13 **SECTION 12B.5.** No local matching funds may be required by the Department of  
14 Health and Human Services as a condition of any locality's receiving its initial allocation of  
15 child care funds appropriated by this act unless federal law requires a match. If the Department  
16 reallocates additional funds above twenty-five thousand dollars (\$25,000) to local purchasing  
17 agencies beyond their initial allocation, local purchasing agencies must provide a twenty  
18 percent (20%) local match to receive the reallocated funds. Matching requirements shall not  
19 apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).  
20

#### 21 **CHILD CARE REVOLVING LOAN**

22 **SECTION 12B.6.** Notwithstanding any law to the contrary, funds budgeted for the  
23 Child Care Revolving Loan Fund may be transferred to and invested by the financial institution  
24 contracted to operate the Fund. The principal and any income to the Fund may be used to make  
25 loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's  
26 cost of operating the Fund, or pay the Department's cost of administering the program.  
27

#### 28 **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL** 29 **SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION**

30 **SECTION 12B.7.(a)** The Department of Health and Human Services, Division of  
31 Child Development and Early Education, shall fund the allowance that county departments of  
32 social services may use for administrative costs at four percent (4%) of the county's total child  
33 care subsidy funds allocated in the Child Care Development Fund Block Grant plan or eighty  
34 thousand dollars (\$80,000), whichever is greater.

35 **SECTION 12B.7.(b)** Each county department of social services may use up to two  
36 percent (2%) of child care subsidy funds allocated to the county for fraud detection and  
37 investigation initiatives.

38 **SECTION 12B.7.(c)** The Department of Health and Human Services, Division of  
39 Child Development and Early Education, shall submit a progress report on the use of child care  
40 subsidy funds under subsection (b) of this section to the Joint Legislative Committee on Health  
41 and Human Services and the Fiscal Research Division no later than May 1, 2014, and submit a  
42 follow-up report on the use of those funds no later than January 1, 2015.  
43

#### 44 **STUDY USE OF UNIQUE STUDENT IDENTIFIER/CHILD CARE SUBSIDY**

45 **SECTION 12B.8.(a)** In coordination with the Department of Public Instruction  
46 (DPI), the Department of Health and Human Services, Division of Child Development and  
47 Early Education (DCDEE), shall study assigning a unique student identifier to monitor,  
48 throughout their education, the performance levels of children receiving child care subsidies.  
49 The study shall be designed to provide data on the efficacy of child care facilities participating  
50 in the child care subsidy program or the North Carolina Partnership for Children, Inc. The  
51 study shall define the requirements for the following:

- 1 (1) Establishing the unique identifier.
- 2 (2) Collecting, maintaining, and analyzing data.
- 3 (3) Recommending a solution that will allow for the cost-effective acquisition
- 4 and maintenance of data from child care facilities.
- 5 (4) Recommending an interface with DPI applications that monitors and
- 6 analyzes student performance.
- 7 (5) Estimating the cost for developing an interface and implementing the
- 8 requirements identified in the study.

9 **SECTION 12B.8.(b)** DCDEE shall report the results of the study to the Joint  
10 Legislative Committee on Health and Human Services, the Joint Legislative Education  
11 Oversight Committee, the Joint Legislative Oversight Committee on Information Technology,  
12 and the Fiscal Research Division no later than April 1, 2014.

13  
14 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**  
15 **ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT**  
16 **ADJUSTMENTS**

17 **SECTION 12B.9.(a)** Policies. – The North Carolina Partnership for Children, Inc.,  
18 and its Board shall establish policies that focus the North Carolina Partnership for Children,  
19 Inc.'s mission on improving child care quality in North Carolina for children from birth to five  
20 years of age. North Carolina Partnership for Children, Inc.-funded activities shall include  
21 assisting child care facilities with (i) improving quality, including helping one-, two-, and  
22 three-star rated facilities increase their star ratings and (ii) implementing prekindergarten  
23 programs. State funding for local partnerships shall also be used for evidence-based or  
24 evidence-informed programs for children from birth to five years of age that do the following:

- 25 (1) Increase children's literacy.
- 26 (2) Increase the parents' ability to raise healthy, successful children.
- 27 (3) Improve children's health.
- 28 (4) Assist four- and five-star rated facilities in improving and maintaining
- 29 quality.

30 **SECTION 12B.9.(b)** Administration. – Administrative costs shall be equivalent to,  
31 on an average statewide basis for all local partnerships, not more than eight percent (8%) of the  
32 total statewide allocation to all local partnerships. For purposes of this subsection,  
33 administrative costs shall include costs associated with partnership oversight, business and  
34 financial management, general accounting, human resources, budgeting, purchasing,  
35 contracting, and information systems management. The North Carolina Partnership for  
36 Children, Inc., shall develop a single statewide contract management system that incorporates  
37 features of the required standard fiscal accountability plan described in  
38 G.S. 143B-168.12(a)(4). All local partnerships shall be required to participate in the contract  
39 management system and shall be directed by the North Carolina Partnership for Children, Inc.,  
40 to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency  
41 and effectiveness.

42 **SECTION 12B.9.(c)** Salaries. – The salary schedule developed and implemented  
43 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State  
44 funds that may be used for the salary of the Executive Director of the North Carolina  
45 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina  
46 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 47 (1) The population of the area serviced by a local partnership.
- 48 (2) The amount of State funds administered.
- 49 (3) The amount of total funds administered.
- 50 (4) The professional experience of the individual to be compensated.

- 1 (5) Any other relevant factors pertaining to salary, as determined by the North  
2 Carolina Partnership for Children, Inc.

3 The salary schedule shall be used only to determine the maximum amount of State funds that  
4 may be used for compensation. Nothing in this subsection shall be construed to prohibit a local  
5 partnership from using non-State funds to supplement an individual's salary in excess of the  
6 amount set by the salary schedule established under this subsection.

7 **SECTION 12B.9.(d)** Match Requirements. – It is the intent of the General  
8 Assembly to continue to increase the percentage of the match of cash and in-kind contributions  
9 required of the North Carolina Partnership for Children, Inc., and the local partnerships. The  
10 North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate,  
11 be required to match one hundred percent (100%) of the total amount budgeted for the program  
12 in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children,  
13 Inc., and the local partnerships are required to match, contributions of cash shall be equal to at  
14 least eleven percent (11%), and in-kind donated resources shall be equal to no more than three  
15 percent (3%) for a total match requirement of fourteen percent (14%) for the 2013-2014 fiscal  
16 year; and contributions of cash shall be equal to at least eleven percent (11%), and in-kind  
17 donated resources shall be equal to no more than four percent (4%) for a total match  
18 requirement of fifteen percent (15%) for the 2014-2015 fiscal year. The North Carolina  
19 Partnership for Children, Inc., may carry forward any amount in excess of the required match  
20 for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only  
21 in-kind contributions that are quantifiable shall be applied to the in-kind match requirement.  
22 Volunteer services may be treated as an in-kind contribution for the purpose of the match  
23 requirement of this subsection. Volunteer services that qualify as professional services shall be  
24 valued at the fair market value of those services. All other volunteer service hours shall be  
25 valued at the statewide average wage rate as calculated from data compiled by the Employment  
26 Security Commission in the Employment and Wages in North Carolina Annual Report for the  
27 most recent period for which data are available. Expenses, including both those paid by cash  
28 and in-kind contributions, incurred by other participating non-State entities contracting with the  
29 North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered  
30 resources available to meet the required private match. In order to qualify to meet the required  
31 private match, the expenses shall:

- 32 (1) Be verifiable from the contractor's records.  
33 (2) If in-kind, other than volunteer services, be quantifiable in accordance with  
34 generally accepted accounting principles for nonprofit organizations.  
35 (3) Not include expenses funded by State funds.  
36 (4) Be supplemental to and not supplant preexisting resources for related  
37 program activities.  
38 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and  
39 be necessary and reasonable for the proper and efficient accomplishment of  
40 the Program's objectives.  
41 (6) Be otherwise allowable under federal or State law.  
42 (7) Be required and described in the contractual agreements approved by the  
43 North Carolina Partnership for Children, Inc., or the local partnership.  
44 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local  
45 partnership by the contractor in the same manner as reimbursable expenses.

46 Failure to obtain a fourteen percent (14%) match by June 30 of the 2013-2014 fiscal  
47 year and a fifteen percent (15%) match by June 30 of the 2014-2015 fiscal year shall result in a  
48 dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year.  
49 The North Carolina Partnership for Children, Inc., shall be responsible for compiling  
50 information on the private cash and in-kind contributions into a report that is submitted to the  
51 Joint Legislative Commission on Governmental Operations in a format that allows verification

1 by the Department of Revenue. The same match requirements shall apply to any expansion  
2 funds appropriated by the General Assembly.

3 **SECTION 12B.9.(e)** Bidding. – The North Carolina Partnership for Children, Inc.,  
4 and all local partnerships shall use competitive bidding practices in contracting for goods and  
5 services on contract amounts as follows:

- 6 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures  
7 specified by a written policy to be developed by the Board of Directors of  
8 the North Carolina Partnership for Children, Inc.
- 9 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen  
10 thousand dollars (\$15,000), three written quotes.
- 11 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than  
12 forty thousand dollars (\$40,000), a request for proposal process.
- 13 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for  
14 proposal process and advertising in a major newspaper.

15 **SECTION 12B.9.(f)** Allocations. – The North Carolina Partnership for Children,  
16 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the  
17 2012-2013 funding level.

18 **SECTION 12B.9.(g)** Performance-Based Evaluation. – The Department of Health  
19 and Human Services shall continue to implement the performance-based evaluation system.

20 **SECTION 12B.9.(h)** Expenditure Restrictions. – The Department of Health and  
21 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the  
22 allocation of funds for Early Childhood Education and Development Initiatives for State fiscal  
23 years 2013-2014 and 2014-2015 shall be administered and distributed in the following manner:

- 24 (1) Capital expenditures are prohibited for fiscal years 2013-2014 and  
25 2014-2015. For the purposes of this section, "capital expenditures" means  
26 expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).
- 27 (2) Expenditures of State funds for advertising and promotional activities are  
28 prohibited for fiscal years 2013-2014 and 2014-2015.

29 For fiscal years 2013-2014 and 2014-2015, local partnerships shall not spend any State funds  
30 on marketing campaigns, advertising, or any associated materials. Local partnerships may  
31 spend any private funds the local partnerships receive on those activities.

## 32 **SUBPART XII-C. DIVISION OF SOCIAL SERVICES**

### 33 **REVISE DATES/TANF BENEFIT IMPLEMENTATION**

34  
35 **SECTION 12C.1.(a)** The General Assembly approves the plan titled "North  
36 Carolina Temporary Assistance for Needy Families State Plan 2012-2015," prepared by the  
37 Department of Health and Human Services and presented to the General Assembly. The North  
38 Carolina Temporary Assistance for Needy Families State Plan covers the period October 1,  
39 2012, through September 30, 2015. The Department shall submit the State Plan, as revised in  
40 accordance with subsection (b) of this section and as amended by this act or any other act of the  
41 2013 General Assembly, to the United States Department of Health and Human Services.

42 **SECTION 12C.1.(b)** The counties approved as Electing Counties in the North  
43 Carolina Temporary Assistance for Needy Families State Plan 2012-2015, as approved by this  
44 section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

45 **SECTION 12C.1.(c)** Counties that submitted the letter of intent to remain as an  
46 Electing County or to be redesignated as an Electing County and the accompanying county plan  
47 for years 2012 through 2015 pursuant to G.S. 108A-27(e) shall operate under the Electing  
48 County budget requirements effective July 1, 2012. For programmatic purposes, all counties  
49 referred to in this subsection shall remain under their current county designation through  
50 September 30, 2015.  
51



1           **SECTION 12C.1.(d)** For each year of the 2013-2015 fiscal biennium, Electing  
2 Counties shall be held harmless to their Work First Family Assistance allocations for the  
3 2012-2013 fiscal year, provided that remaining funds allocated for Work First Family  
4 Assistance and Work First Diversion Assistance are sufficient for payments made by the  
5 Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

6           **SECTION 12C.1.(e)** In the event that departmental projections of Work First  
7 Family Assistance and Work First Diversion Assistance for the 2013-2014 fiscal year or the  
8 2014-2015 fiscal year indicate that remaining funds are insufficient for Work First Family  
9 Assistance and Work First Diversion Assistance payments to be made on behalf of Standard  
10 Counties, the Department is authorized to deallocate funds, of those allocated to Electing  
11 Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11,  
12 up to the requisite amount for payments in Standard Counties. Prior to deallocation, the  
13 Department shall obtain approval by the Office of State Budget and Management. If the  
14 Department adjusts the allocation set forth in subsection (d) of this section, then a report shall  
15 be made to the Joint Legislative Commission on Governmental Operations, the House of  
16 Representatives Appropriations Subcommittee on Health and Human Services, the Senate  
17 Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

#### 18 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 19 **PERFORMANCE ENHANCEMENTS**

20           **SECTION 12C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the  
21 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to  
22 children and families in cases of abuse, neglect, and dependency where a child is at imminent  
23 risk of removal from the home and to children and families in cases of abuse where a child is  
24 not at imminent risk of removal. The Program shall be developed and implemented statewide  
25 on a regional basis. The IFPS shall ensure the application of standardized assessment criteria  
26 for determining imminent risk and clear criteria for determining out-of-home placement.

27           **SECTION 12C.2.(b)** The Department of Health and Human Services shall require  
28 that any program or entity that receives State, federal, or other funding for the purpose of IFPS  
29 shall provide information and data that allows for the following:

- 30           (1) An established follow-up system with a minimum of six months of  
31 follow-up services.
- 32           (2) Detailed information on the specific interventions applied, including  
33 utilization indicators and performance measurement.
- 34           (3) Cost-benefit data.
- 35           (4) Data on long-term benefits associated with IFPS. This data shall be obtained  
36 by tracking families through the intervention process.
- 37           (5) The number of families remaining intact and the associated interventions  
38 while in IFPS and 12 months thereafter.
- 39           (6) The number and percentage, by race, of children who received IFPS  
40 compared to the ratio of their distribution in the general population involved  
41 with Child Protective Services.

42           **SECTION 12C.2.(c)** The Department shall establish a performance-based funding  
43 protocol and shall only provide funding to those programs and entities providing the required  
44 information specified in subsection (b) of this section. The amount of funding shall be based on  
45 the individual performance of each program.

#### 46 **CHILD CARING INSTITUTIONS**

47           **SECTION 12C.3.** Until the Social Services Commission adopts rules setting  
48 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the  
49 maximum reimbursement for child caring institutions shall not exceed the rate established for  
50 the specific child caring institution shall not exceed the rate established for  
51 the specific child caring institution by the Department of Health and Human Services, Office of

1 the Controller. In determining the maximum reimbursement, the State shall include county and  
2 IV-E reimbursements.

#### 3 4 **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

5 **SECTION 12C.4.** Of the funds available for the provision of foster care services,  
6 the Department of Health and Human Services, Division of Social Services, may provide for  
7 the financial support of children who are deemed to be (i) in a permanent family placement  
8 setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency.  
9 The Division of Social Services shall design the Guardianship Assistance Program (GAP) in  
10 such a manner that no additional expenses are incurred beyond the funds budgeted for foster  
11 care. The Guardianship Assistance Program rates shall reimburse the legal guardian for room  
12 and board and be set at the same rate as the foster care room and board rates in accordance with  
13 rates established under G.S. 108A-49.1. The Social Services Board shall adopt rules  
14 establishing a Guardianship Assistance Program to implement this section, including defining  
15 the phrase "legal guardian" as used in this section.

#### 16 17 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

18 **SECTION 12C.5.(a)** Additional funds appropriated from the General Fund to the  
19 Department of Health and Human Services for the child welfare postsecondary support  
20 program in the amount of two hundred thousand dollars (\$200,000) for the 2013-2014 fiscal  
21 year and four hundred thousand dollars (\$400,000) for the 2014-2015 fiscal year shall be used  
22 for the expansion of the child welfare postsecondary support program. The funds shall be used  
23 to continue providing assistance with the "cost of attendance" as that term is defined in 20  
24 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system  
25 and special needs children adopted from foster care after age 12. These funds shall be allocated  
26 by the State Education Assistance Authority.

27 **SECTION 12C.5.(b)** Of the funds appropriated from the General Fund to the  
28 Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the  
29 2013-2014 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2014-2015 fiscal  
30 year shall be allocated to the North Carolina State Education Assistance Authority (SEAA).  
31 The SEAA shall use these funds only to perform administrative functions necessary to manage  
32 and distribute scholarship funds under the child welfare postsecondary support program.

33 **SECTION 12C.5.(c)** Of the funds appropriated from the General Fund to the  
34 Department of Health and Human Services, the sum of three hundred thirty-nine thousand four  
35 hundred ninety-three dollars (\$339,493) for the 2013-2014 fiscal year and the sum of three  
36 hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2014-2015  
37 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary  
38 support program described under subsection (a) of this section, which administration shall  
39 include the performance of case management services.

40 **SECTION 12C.5.(d)** Funds appropriated to the Department of Health and Human  
41 Services for the child welfare postsecondary support program shall be used only for students  
42 attending public institutions of higher education in this State.

#### 43 44 **DSS STUDY/PROCEDURES FOR REPORTING CHILD ABUSE**

45 **SECTION 12C.7.(a)** The Department of Health and Human Services, Division of  
46 Social Services, shall study the policies and procedures in place for reporting child abuse. In  
47 conducting the study, the Division shall review the following:

- 48 (1) Reports of child abuse in child care facilities.
- 49 (2) How reports of child abuse are received.
- 50 (3) The number of inaccurate reports of child abuse the Division receives
- 51 annually.

- 1 (4) The number of children the Division has placed in child protective services  
2 pursuant to a report of child abuse.
- 3 (5) The reasons a child is placed in child protective services pursuant to a report  
4 of child abuse.
- 5 (6) The procedures the Division follows after determining child abuse has  
6 occurred as well as the procedures the Division follows after determining  
7 child abuse has not occurred.
- 8 (7) The number of reports the Division has determined to be false and a  
9 summary of actions taken in response to false reports.
- 10 (8) Procedures and actions the Division follows in removing or redacting reports  
11 or other information made available to the public regarding an individual  
12 accused of child abuse or a child care facility where the alleged abuse  
13 occurred when there is a determination that no abuse has occurred.
- 14 (9) Any recommendations the Division has for improving the process for  
15 reporting instances of child abuse.

16 **SECTION 12C.7.(b)** The Division of Social Services shall report the results of the  
17 study and any recommendations to the Joint Legislative Committee on Health and Human  
18 Services and the Fiscal Research Division no later than April 1, 2014.

19  
20 **CODIFY WORK FIRST FAMILY ASSISTANCE ELIGIBILITY AND PAYMENT**  
21 **LEVELS**

22 **SECTION 12C.8.** Part 2 of Article 2 of Chapter 108A of the General Statutes is  
23 amended by adding a new section to read as follows:

24 **"§ 108A-27A. Income eligibility and payment level for Work First Family Assistance.**

25 The maximum net family annual income eligibility standards for Work First Family  
26 Assistance are the same standards of need for eligibility for the categorically needy under the  
27 Medicaid Program. The payment level for Work First Family Assistance shall be fifty percent  
28 (50%) of the standard of need."

29  
30 **A FAMILY FOR EVERY CHILD/PROVISION OF FOSTER CARE**

31 **SECTION 12C.10.(a)** Of the funds appropriated in this act to the Department of  
32 Health and Human Services, Division of Social Services, the sum of one million five hundred  
33 thousand dollars (\$1,500,000) for the 2013-2014 fiscal year and the sum of one million five  
34 hundred thousand dollars (\$1,500,000) for the 2014-2015 fiscal year shall be used to restore  
35 funding to the Adoption Promotion Fund to (i) reimburse private nonprofit organizations  
36 pursuant to performance-based contracts to support adoption programs and (ii) provide a  
37 financial incentive to public county departments of social services to complete adoptions above  
38 an established baseline.

39 **SECTION 12C.10.(b)** Of the funds appropriated in this act to the Department of  
40 Health and Human Services, Division of Social Services, the sum of one million dollars  
41 (\$1,000,000) for the 2013-2014 fiscal year and the sum of two million seven hundred fifty  
42 thousand dollars (\$2,750,000) for the 2014-2015 fiscal year shall be used solely for the  
43 Permanency Innovation Initiative Fund for services provided by the Children's Home Society  
44 of North Carolina as established by G.S. 131D-10.9B, enacted in subsection (e) of this section.

45 **SECTION 12C.10.(c)** G.S. 108A-50.2 reads as rewritten:

46 **"§ 108A-50.2. Special Children Adoption Promotion Fund.**

47 (a) Funds appropriated by the General Assembly to the Department of Health and  
48 Human Services, Division of Social Services, for the ~~Special Children Adoption Promotion~~  
49 Fund shall be used as provided in this section. The Division of Social Services of the  
50 Department of Health and Human Services, in consultation with the North Carolina  
51 Association of County Directors of Social Services and representatives of licensed private

1 adoption agencies, shall develop guidelines for the awarding of funds to licensed public and  
2 private adoption agencies upon the adoption of children described in G.S. 108A-50 and in  
3 foster care. Payments received from the ~~Special Children~~ Adoption Promotion Fund by  
4 participating agencies shall be used exclusively to enhance the adoption services. No local  
5 match shall be required as a condition for receipt of these funds. In accordance with State rules  
6 for allowable costs, the ~~Special Children~~ Adoption Promotion Fund may be used for  
7 post-adoption services for families whose income exceeds two hundred percent (200%) of the  
8 federal poverty level.

9 (b) Of the total funds appropriated for the ~~Special Children~~ Adoption Promotion Fund  
10 each year, twenty percent (20%) of the total funds available shall be reserved for payment to  
11 participating private adoption agencies. If the funds reserved in this subsection for payments to  
12 private agencies have not been spent on or before March 31 of each State fiscal year, the  
13 Division of Social Services may reallocate those funds, in accordance with this section, to other  
14 participating adoption agencies.

15 (c) The Division of Social Services shall monitor the total expenditures in the ~~Special~~  
16 ~~Children~~ Adoption Promotion Fund and redistribute unspent funds to ensure that the funds are  
17 used in accordance with the guidelines established in subsection (a) of this section."

18 **SECTION 12C.10.(d)** G.S. 131D-10.1 through G.S. 131D-10.9 are recodified as  
19 Part 1 of Article 1A of Chapter 131D of the General Statutes.

20 **SECTION 12C.10.(e)** Article 1A of Chapter 131D of the General Statutes is  
21 amended by adding the following new Part to read:

22 "Part 2. A Family for Every Child Initiative.

23 "**§ 131D-10.9A. Permanency Innovation Initiative Oversight Committee created.**

24 (a) Creation and Membership. – The Permanency Innovation Initiative Oversight  
25 Committee is established. The Committee shall be located administratively in the General  
26 Assembly. The Committee shall consist of 11 members serving staggered terms. In making  
27 appointments, each appointing authority shall select members who have appropriate experience  
28 and knowledge of the issues to be examined by the Committee and shall strive to ensure racial,  
29 gender, and geographical diversity among the membership. The initial Committee members  
30 shall be appointed on or after July 1, 2013, as follows:

31 (1) Four members shall be appointed by the General Assembly upon  
32 recommendation of the Speaker of the House of Representatives. Of the  
33 members appointed under this subdivision, at least one shall be a member of  
34 the judiciary who shall serve for a term of two years and at least one shall be  
35 a representative from the Children's Home Society of North Carolina who  
36 shall serve for a term of three years. One member of the House shall be  
37 appointed for a one-year term. The remaining appointee shall serve a  
38 one-year term.

39 (2) Four members shall be appointed by the General Assembly upon the  
40 recommendation of the President Pro Tempore of the Senate. Of the  
41 members appointed under this subdivision, at least one shall be a  
42 representative from the Department of Health and Human Services, Division  
43 of Social Services, who shall serve for a term of two years and at least one  
44 shall be a representative from The Duke Endowment who shall serve for a  
45 term of three years. One member of the Senate shall be appointed for a  
46 one-year term. The remaining appointee shall serve a one-year term.

47 (3) Three members shall be appointed by the Governor. Of the members  
48 appointed under this subdivision, at least one shall be a representative from a  
49 county department of social services who shall serve for a term of three  
50 years and at least one shall be a representative from the University of North

1 Carolina at Chapel Hill who shall serve for a term of two years. The  
2 remaining member shall serve a one-year term.

3 (b) Terms. – Upon the expiration of the terms of the initial Committee members, each  
4 member shall be appointed for a term of three years and shall serve until a successor is  
5 appointed. No member may serve more than two consecutive full terms. A vacancy shall be  
6 filled within 30 days by the authority making the initial appointment.

7 (c) Purpose and Powers. – The Committee shall:

8 (1) Design and implement a data tracking methodology to collect and analyze  
9 information to gauge the success of the initiative.

10 (2) Develop a methodology to identify short- and long-term cost-savings in the  
11 provision of foster care and any potential reinvestment strategies.

12 (3) Oversee program implementation to ensure fidelity to the program models  
13 identified under subdivisions (1) and (2) of G.S. 131D-10.9B(a).

14 (4) Study, review, and recommend other policies and services that may  
15 positively impact permanency and well-being outcomes.

16 (d) Reports. – The Committee shall report its analysis and any findings and  
17 recommendations to the General Assembly by September 15 of each year.

18 (e) Organization. – The President Pro Tempore of the Senate and the Speaker of the  
19 House of Representatives shall each designate a cochair of the Committee. The Committee  
20 shall meet at least once a quarter upon the joint call of the cochairs. A quorum of the  
21 Committee is seven members. No action may be taken except by a majority vote at a meeting at  
22 which a quorum is present.

23 (f) Funding. – From funds available to the General Assembly, the Legislative Services  
24 Commission shall allocate monies to fund the work of the Committee. Members of the  
25 Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1 and  
26 G.S. 138-5.

27 (g) Staff. – The Legislative Services Commission, through the Legislative Services  
28 Officer, shall assign professional staff to assist the Committee in its work. Upon the direction  
29 of the Legislative Services Commission, the Director of Legislative Assistants of the Senate  
30 and of the House of Representatives shall assign clerical staff to the Committee. The expenses  
31 for clerical employees shall be borne by the Committee.

32 **"§ 131D-10.9B. Permanency Innovation Initiative Fund.**

33 (a) There is created the Permanency Innovation Initiative Fund that will support a  
34 demonstration project with services provided by Children's Home Society of North Carolina to  
35 (i) improve permanency outcomes for children living in foster care through reunification with  
36 parents, providing placement or guardianship with other relatives, or adoption, (ii) improve  
37 engagement with biological relatives of children in or at risk of entering foster care, and (iii)  
38 reduce costs associated with maintaining children in foster care. In implementing these goals,  
39 the Permanency Innovation Initiative Fund shall support the following strategies:

40 (1) Family Finding, which is a program that uses intensive biological family  
41 engagement services to discover and engage biological relatives of children  
42 living in public foster care to provide permanent emotional and relational  
43 support, including adoption, legal guardianship, or legal custody.

44 (2) Child Specific Adoption Recruitment Services, which is a program that  
45 follows the Wendy's Wonderful Kids Model as developed by The Dave  
46 Thomas Foundation for Adoption and works with children in public foster  
47 care to develop and execute adoption recruitment plans tailored to the needs  
48 of the individual child.

49 (3) Permanency Training Services, which are services delivered by Children's  
50 Home Society of North Carolina to assess the readiness of county  
51 departments of social services to implement the permanency strategies under

1                    subdivisions (1) and (2) of this subsection and provide training services to  
2                    support the delivery of the services.  
3        (b)        This program shall not constitute an entitlement and is subject to the availability of  
4        funds.  
5        (c)        The Social Services Commission shall adopt rules to implement the provisions of  
6        this section."

## 8        **SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES**

### 10        **TIERED STATE-COUNTY SPECIAL ASSISTANCE PILOT**

11                **SECTION 12D.2.(a)** As used in this section, the term "group home" means any  
12        facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition  
13        of a supervised living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G  
14        .5601(c)(3), and (iii) serves adults whose primary diagnosis is mental illness or a  
15        developmental disability but may also have other diagnoses.

16                **SECTION 12D.2.(b)** It is the intent of the General Assembly to create a  
17        State-County Special Assistance program that allows counties greater flexibility in serving  
18        individual needs within their communities and greater control over how county funds are used  
19        to support this program in light of the fact that counties are required to pay for fifty percent  
20        (50%) of the costs of this program. To that end, the General Assembly directs the Department  
21        of Health and Human Services to establish a pilot program in accordance with subsection (c) of  
22        this section.

23                **SECTION 12D.2.(c)** The Department of Health and Human Services, Division of  
24        Aging and Adult Services (Department), shall establish a pilot program to implement a tiered  
25        rate structure within the State-County Special Assistance program for individuals residing in  
26        group homes, in-home living arrangements, and assisted living residences as defined in  
27        G.S. 131D-2.1. The purposes of the pilot program are to (i) determine the best way to  
28        implement a block grant for this program statewide and (ii) test the feasibility and effectiveness  
29        of implementing a tiered rate structure to address program participants' intensity of need,  
30        including medication management. The Department shall select a minimum of four and a  
31        maximum of six counties to participate in the pilot program, at least two of which shall be rural  
32        counties and at least two of which shall be urban counties. The pilot program shall (i) be  
33        implemented during the 2013-2014 fiscal year, (ii) operate for at least a 12-month period, and  
34        (iii) comply with any agreements in effect between the State of North Carolina and the United  
35        States government.

36                **SECTION 12D.2.(d)** The Department shall implement the pilot program in  
37        collaboration with the local departments of social services in the counties selected for  
38        participation. As part of the pilot program, the selected counties shall receive a State General  
39        Fund allocation as a block grant to be equally matched with county general funds. The General  
40        Fund allocation provided to each county participating in the pilot program shall be calculated  
41        based upon the average annual Special Assistance expenditures for that county during the  
42        2011-2013 fiscal biennium, adjusted for the amount of projected annual growth in the number  
43        of Special Assistance recipients in that county during the 2013-2015 fiscal biennium. These  
44        funds may be used to pay for room, board, and personal care services, including medication  
45        management, for individuals eligible to receive State-County Special Assistance, subject to the  
46        following limitations and requirements:

- 47                (1)        These funds shall not be used to cover any portion of the cost of providing  
48                services for which an individual receives Medicaid coverage.
- 49                (2)        The pilot program shall comply with all federal and State requirements  
50                governing the existing State-County Special Assistance program, except that  
51                Section 12D.3 does not apply to the pilot program.

- 1 (3) The tiered rate structure shall be based upon intensity of need, and an  
2 individual's placement within a tier shall be based upon an independent  
3 assessment of the individual's need for room, board, and assistance with  
4 activities of daily living, including medication management.

5 **SECTION 12D.2.(e)** By February 1, 2014, the Department shall submit a progress  
6 report on the implementation and operation of the pilot program, including any obstacles to  
7 implementation; and by February 1, 2015, the Department shall submit a final report on the  
8 results of the pilot program, along with any recommendations based on these results, to the  
9 Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
10 Division. The report due by February 1, 2015, shall include information from all participating  
11 counties on at least all of the following:

- 12 (1) The amount of the tiered rates implemented as part of the pilot program.  
13 (2) The cost methodology for determining these tiered rates.  
14 (3) The number of individuals participating in the pilot program while residing  
15 in a group home.  
16 (4) The number of individuals participating in the pilot program while residing  
17 in an in-home living arrangement.  
18 (5) The number of individuals participating in the pilot program while residing  
19 in an assisted living residence as defined by G.S. 131D-2.1, broken down by  
20 facility type.  
21 (6) A comparison of the number of recipients of State-County Special  
22 Assistance prior to and during the pilot program, broken down by county  
23 and living arrangement.  
24 (7) Any other information the Department deems relevant for determining the  
25 best way to implement a block grant statewide for the State-County Special  
26 Assistance program.  
27

## 28 STATE-COUNTY SPECIAL ASSISTANCE

29 **SECTION 12D.3.(a)** For each year of the 2013-2015 fiscal biennium, the  
30 maximum monthly rate for residents in adult care home facilities shall be one thousand one  
31 hundred eighty-two dollars (\$1,182) per month per resident.

32 **SECTION 12D.3.(b)** For each year of the 2013-2015 fiscal biennium, the  
33 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one  
34 thousand five hundred fifteen dollars (\$1,515) per month per resident.  
35

## 36 SUBPART XII-E. DIVISION OF PUBLIC HEALTH

### 37 38 INCREASE PERMIT FEES FOR CERTAIN FOOD AND LODGING 39 ESTABLISHMENTS

40 **SECTION 12E.1.(a)** G.S. 130A-247 is amended by adding a new subdivision to  
41 read:

- 42 "(8) "Temporary food establishment" means an establishment not otherwise  
43 exempted from this part pursuant to G.S. 130A-250 that (i) prepares or  
44 serves food, (ii) operates for a period of time not to exceed 21 days in one  
45 location, and (iii) is affiliated with and endorsed by a transitory fair,  
46 carnival, circus, festival, or public exhibition."

47 **SECTION 12E.1.(b)** G.S. 130A-248(d) reads as rewritten:

48 "(d) The Department shall charge each establishment subject to this section, except  
49 nutrition programs for the elderly administered by the Division of Aging and Adult Services of  
50 the Department of Health and Human Services, establishments that prepare and sell meat food  
51 products or poultry products, temporary food establishments, limited food services

1 establishments, and public school cafeterias, a fee of ~~seventy-five~~ one hundred twenty dollars  
2 (~~\$75.00~~)(\$120.00) for each permit issued. This fee shall be reassessed annually for permits that  
3 do not expire. The Commission shall adopt rules to implement this subsection. Fees collected  
4 under this subsection shall be used for State and local food, lodging, and institution sanitation  
5 programs and activities. No more than ~~thirty three and one third percent (33 1/3%)~~ of the  
6 fees fifty dollars (\$50.00) of each fee collected under this subsection may be used to support  
7 State health programs and activities."

8 **SECTION 12E.1.(c)** G.S. 130A-248(d1) reads as rewritten:

9 "(d1) The Department shall charge a twenty-five dollar (\$25.00) late payment fee to any  
10 establishment subject to this section, except nutrition programs for the elderly administered by  
11 the Division of Aging of the Department of Health and Human Services, establishments that  
12 prepare and sell meat food products or poultry products, temporary food establishments, limited  
13 food services establishments, and public school cafeterias, that fails to pay the fee required by  
14 subsection (d) of this section within 45 days after billing by the Department. The Department  
15 may, in accordance with G.S. 130A-23, suspend the permit of an establishment that fails to pay  
16 the required fee within 60 days after billing by the Department. The Department shall charge a  
17 reinstatement fee of one hundred fifty dollars (\$150.00) to any establishment that requests  
18 reinstatement of its permit after the permit has been suspended. The Commission shall adopt  
19 rules to implement this subsection.

20 The clear proceeds of civil penalties collected pursuant to this subsection shall be remitted  
21 to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

22 **SECTION 12E.1.(d)** G.S. 130A-248 is amended by adding a new subsection to  
23 read:

24 "(d2) A local health department shall charge each temporary food establishment and each  
25 limited food services establishment a fee of seventy-five dollars (\$75.00) for each permit  
26 issued. A local health department shall use all fees collected under this subsection for local  
27 food, lodging, and institution sanitation programs and activities."

28 **SECTION 12E.1.(e)** Subsections (a) through (d) of this section become effective  
29 on August 1, 2013, and apply to food and lodging permits effective or reassessed on or after  
30 August 1, 2013.

31 **SECTION 12E.1.(f)** Section 31.11A of S.L. 2011-145, as amended by Section 61A  
32 of S.L. 2011-391 and Section 10.15 of S.L. 2012-142, is repealed.

## 33 **MODIFICATIONS TO ORAL HEALTH STRATEGY**

34 **SECTION 12E.2.(a)** The General Assembly encourages local health departments  
35 to increase access to direct clinical care and preventive oral health services in the dental clinics  
36 operated or sponsored by local health departments.

37 **SECTION 12E.2.(b)** Effective October 1, 2013, the Secretary of Health and  
38 Human Services shall eliminate at least 15 full-time equivalent positions within the Oral Health  
39 Section of the Division of Public Health in order to achieve a savings of at least six hundred  
40 thirty-seven five hundred thousand dollars (\$637,500) during the 2013-2014 fiscal year and at  
41 least eight hundred fifty thousand dollars (\$850,000) during the 2014-2015 fiscal year.

42 **SECTION 12E.2.(c)** By no later than February 1, 2014, the Department shall  
43 submit a revised statewide oral health strategic plan to the Joint Legislative Oversight  
44 Committee on Health and Human Services and the Fiscal Research Division. The plan shall  
45 include at least all of the following:

- 46 (1) Recommendations for reorganizing the Department's Oral Health Section.
- 47 (2) Strategies for reducing oral diseases through prevention, education, and  
48 health promotion services.
- 49 (3) Strategies for monitoring public oral health.
- 50 (4) Strategies for increasing access to dental care.
- 51



**FUNDS FOR SCHOOL NURSES**

**SECTION 12E.3.(a)** All funds appropriated in this act for the School Nurse Funding Initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

- (1) School nurse-to-student ratio.
- (2) Percentage of students eligible for free or reduced meals.
- (3) Percentage of children in poverty.
- (4) Per capita income.
- (5) Eligibility as a low-wealth county.
- (6) Mortality rates for children between one and 19 years of age.
- (7) Percentage of students with chronic illnesses.
- (8) Percentage of county population consisting of minority persons.

**SECTION 12E.3.(b)** The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

- (1) Serve as the coordinator of the health services program and provide nursing care.
- (2) Provide health education to students, staff, and parents.
- (3) Identify health and safety concerns in the school environment and promote a nurturing school environment.
- (4) Support healthy food services programs.
- (5) Promote healthy physical education, sports policies, and practices.
- (6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
- (7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
- (8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.
- (9) Be available to assist the county health department during a public health emergency.

**SECTION 12E.3.(c)** Section 6.9(b) of S.L. 2011-145, as amended by Section 6.2 of S.L. 2012-142, is repealed.

**CHILDREN'S DEVELOPMENTAL SERVICE AGENCIES**

**SECTION 12E.4.** In order to achieve the reduced amount of State funds appropriated in this act for the Children's Developmental Service Agencies (CDSAs) program, the Department of Health and Human Services, Division of Public Health, may close up to four CDSAs, effective July 1, 2014. The Department shall retain the CDSA located in the City of Morganton and the CDSAs with the highest caseloads of children residing in rural and medically underserved areas. If the Department elects to close one or more CDSAs pursuant to this section, it shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than March 1, 2014, identifying the CDSAs selected for closure.

**AIDS DRUG ASSISTANCE PROGRAM**

1           **SECTION 12E.5.(a)** The Department of Health and Human Services shall work  
2 with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for  
3 the treatment of individuals in the custody of DPS who have been diagnosed with Human  
4 Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner  
5 that allows these funds to be accounted for as State matching funds in the Department of Health  
6 and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug  
7 Assistance Program (ADAP).

8           **SECTION 12E.5.(b)** By no later than April 1, 2014, and by no later than April 1,  
9 2015, the Department of Health and Human Services, Division of Public Health, shall submit a  
10 report to the Joint Legislative Oversight Committee on Health and Human Services and the  
11 Fiscal Research Division on alternative options for serving individuals diagnosed with  
12 HIV/AIDS who are eligible to receive services under ADAP, including the State Medicaid  
13 program and the federally facilitated Health Benefit Exchange that will operate in this State.  
14

### 15 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE**

16           **SECTION 12E.6.(a)** Funds appropriated in this act to the Department of Health  
17 and Human Services, Division of Public Health, for the Community-Focused Eliminating  
18 Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid  
19 to close the gap in the health status of African-Americans, Hispanics/Latinos, and American  
20 Indians as compared to the health status of white persons. These grants-in-aid shall focus on the  
21 use of measures to eliminate or reduce health disparities among minority populations in this  
22 State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer.  
23 The Office of Minority Health shall coordinate and implement the grants-in-aid program  
24 authorized by this section.

25           **SECTION 12E.6.(b)** In implementing the grants-in-aid program authorized by  
26 subsection (a) of this section, the Department shall ensure all of the following:

- 27           (1) The amount of any grant-in-aid is limited to three hundred thousand dollars  
28           (\$300,000).
- 29           (2) Only community-based organizations, faith-based organizations, local health  
30           departments, hospitals, and CCNC networks located in urban and rural areas  
31           of the western, eastern, and Piedmont areas of this State are eligible to apply  
32           for these grants-in-aid. No more than four grants-in-aid shall be awarded to  
33           applicants located in any one of the three areas specified in this subdivision.
- 34           (3) Each eligible applicant shall be required to demonstrate substantial  
35           participation and involvement with all other categories of eligible applicants,  
36           in order to ensure an evidence-based medical home model that will affect  
37           change in health and geographic disparities.
- 38           (4) Eligible applicants shall select one or more of the following chronic illnesses  
39           or conditions specific to the applicant's geographic area as the basis for  
40           applying for a grant-in-aid under this section to affect change in the health  
41           status of African-Americans, Hispanics/Latinos, or American Indians:
  - 42           a. Heart Disease.
  - 43           b. Stroke.
  - 44           c. Diabetes.
  - 45           d. Obesity.
  - 46           e. Asthma.
  - 47           f. HIV/AIDS.
  - 48           g. Cancer.
- 49           (5) The minimum duration of the grant period for any grant-in-aid is two years.
- 50           (6) The maximum duration of the grant period for any grant-in-aid is three  
51           years.

1 (7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight  
2 percent (8%) of the grant funds for overhead costs and (ii) shall be required  
3 at the end of the grant period to demonstrate significant gains in addressing  
4 one or more of the health disparity focus areas identified in subsection (a) of  
5 this section.

6 (8) An independent panel with expertise in the delivery of services to minority  
7 populations, health disparities, chronic illnesses and conditions, and  
8 HIV/AIDS shall conduct the review of applications for grants-in-aid. The  
9 Department shall establish the independent panel required by this section.

10 **SECTION 12E.6.(c)** The grants-in-aid awarded under this section shall be awarded  
11 in honor of the memory of the following deceased members of the General Assembly: Bernard  
12 Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne  
13 Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used  
14 for concerted efforts to address large gaps in health status among North Carolinians who are  
15 African-American, as well as disparities among other minority populations in North Carolina.

16 **SECTION 12E.6.(d)** Section 10.21(d) of S.L. 2011-145 reads as rewritten:

17 "**SECTION 10.21.(d)** By ~~October 1, 2012, and annually thereafter,~~ October 1, 2013, the  
18 Department shall submit a report to ~~the House of Representatives Appropriations~~  
19 ~~Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health~~  
20 ~~and Human Services, the Joint Legislative Oversight Committee on Health and Human~~  
21 ~~Services~~ and the Fiscal Research Division on funds appropriated to the CFEHDI. The report  
22 shall include specific activities undertaken pursuant to subsection (a) of this section to address  
23 large gaps in health status among North Carolinians who are African-American and other  
24 minority populations in this State, and shall also address all of the following:

- 25 (1) Which community-based organizations, faith-based organizations, local  
26 health departments, hospitals, and CCNC networks received CFEHDI  
27 grants-in-aid.  
28 (2) The amount of funding awarded to each grantee.  
29 (3) Which of the minority populations were served by each grantee.  
30 (4) Which community-based organizations, faith-based organizations, local  
31 health departments, hospitals, and CCNC networks were involved in  
32 fulfilling the goals and activities of each grant-in-aid awarded under this  
33 section and what activities were planned and implemented by the grantee to  
34 fulfill the community focus of the CFEHDI program.  
35 (5) How the activities implemented by the grantee fulfilled the goal of reducing  
36 health disparities among minority populations, and the specific success in  
37 reducing particular incidences."  
38

## 39 STRATEGIES FOR IMPROVING MEN'S HEALTH

40 **SECTION 12E.7.** Article 7 of Chapter 130A of the General Statutes is amended by  
41 adding a new Part to read:

42 "Part 5A. Men's Health.

43 "§ 130A-223.1. Department to establish strategies for improving men's health.

44 The Department of Health and Human Services, Division of Public Health, Chronic Disease  
45 and Injury Prevention Section, shall work to expand the State's attention and focus on the  
46 prevention of disease and improvement in the quality of life for men over their entire lifespan.  
47 The Department shall develop strategies for achieving these goals, which shall include, but not  
48 be limited to, all of the following:

- 49 (1) Developing a strategic plan to improve health care services.  
50 (2) Building public health awareness.  
51 (3) Developing initiatives within existing programs.

1           (4)    Pursuing federal and State funding for the screening, early detection, and  
2           treatment of prostate cancer and other diseases affecting men's health."  
3

#### 4   **INCREASE NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEES**

5           **SECTION 12E.8.(a)** G.S. 130A-389(a) reads as rewritten:

6           "(a)   If, in the opinion of the medical examiner investigating the case or of the Chief  
7   Medical Examiner, it is advisable and in the public interest that an autopsy or other study be  
8   made; or, if an autopsy or other study is requested by the district attorney of the county or by  
9   any superior court judge, an autopsy or other study shall be made by the Chief Medical  
10   Examiner or by a competent pathologist designated by the Chief Medical Examiner. A  
11   complete autopsy report of findings and interpretations, prepared on forms designated for the  
12   purpose, shall be submitted promptly to the Chief Medical Examiner. Subject to the limitations  
13   of G.S. 130A-389.1 relating to photographs and video or audio recordings of an autopsy, a  
14   copy of the report shall be furnished to any person upon request. A fee for the autopsy or other  
15   study shall be paid by the State. However, if the deceased is a resident of the county in which  
16   the death or fatal injury occurred, that county shall pay the fee. The fee shall be one thousand  
17   two hundred fifty dollars (~~\$1,000~~)-(\$1,250)."

18           **SECTION 12E.8.(b)** This section becomes effective August 1, 2013, and applies  
19   to fees imposed for autopsies performed on or after that date.  
20

#### 21   **SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED** 22           **HEALTHCARE FACILITIES**

#### 23           **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

24           **SECTION 12F.2.(a)** Use of Funds. – Of the funds appropriated in Section 2.1 of  
25   this act to the Department of Health and Human Services, Division of Mental Health,  
26   Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of  
27   thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars  
28   (\$38,121,644) for the 2013-2014 fiscal year and the sum of thirty-eight million one hundred  
29   twenty-one thousand six hundred forty-four dollars (\$38,121,644) for the 2014-2015 fiscal year  
30   shall be used to purchase additional local inpatient psychiatric beds or bed days not currently  
31   funded by or through LME/MCOs. The Department shall develop and implement a two-tiered  
32   system of payment for purchasing these local inpatient psychiatric beds or bed days based on  
33   acuity level, with an enhanced rate of payment for inpatient psychiatric beds or bed days for  
34   individuals with higher acuity levels, as defined by the Department. The enhanced rate of  
35   payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels  
36   shall not exceed the lowest average cost per patient bed day among the State psychiatric  
37   hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing  
38   funds allocated to LME/MCOs for community-based mental health, developmental disabilities,  
39   and substance abuse services may be used to purchase additional local inpatient psychiatric  
40   beds or bed days. Funds designated in this subsection for the purchase of local inpatient  
41   psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise  
42   available to the Department for the purchase of inpatient psychiatric services through contracts  
43   with local hospitals.  
44

45           **SECTION 12F.2.(b)** Distribution and Management of Beds or Bed Days. – The  
46   Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased  
47   in accordance with this section are distributed across the State in LME/MCO catchment areas  
48   and according to need as determined by the Department. The Department shall ensure that beds  
49   or bed days for individuals with higher acuity levels are distributed across the State in LME  
50   catchment areas, including any catchment areas served by managed care organizations, and  
51   according to greatest need based on hospital bed utilization data. The Department shall enter

1 into contracts with LME/MCOs and local hospitals for the management of these beds or bed  
2 days. The Department shall work to ensure that these contracts are awarded equitably around  
3 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric  
4 beds or bed days, including the determination of the specific local hospital or State psychiatric  
5 hospital to which an individual should be admitted pursuant to an involuntary commitment  
6 order.

7 **SECTION 12F.2.(c)** Funds to be Held in Statewide Reserve. – Funds appropriated  
8 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be  
9 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental  
10 Health, Developmental Disabilities, and Substance Abuse Services to pay for services  
11 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.  
12 LME/MCOs shall remit claims for payment to the Department within 15 working days after  
13 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days  
14 after receipt of payment from the Department.

15 **SECTION 12F.2.(d)** Ineffective LME/MCO Management of Beds or Bed Days. –  
16 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed  
17 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not  
18 being utilized while demand for services at the State psychiatric hospitals has not reduced, or  
19 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)  
20 of this section, the Department may contract with another LME/MCO to manage the beds or  
21 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital  
22 directly.

23 **SECTION 12F.2.(e)** Reporting by LME/MCOs. – The Department shall establish  
24 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

25 **SECTION 12F.2.(f)** Reporting by Department. – By no later than March 1, 2014,  
26 the Department shall report to the Joint Legislative Oversight Committee on Health and Human  
27 Services and the Fiscal Research Division on all of the following:

- 28 (1) A uniform system for beds or bed days purchased during the fiscal year  
29 ending June 30, 2013, from (i) funds appropriated in this act that are  
30 designated for this purpose in subsection (a) of this section, (ii) existing  
31 State appropriations, and (iii) local funds.
- 32 (2) Other Department initiatives funded by State appropriations to reduce State  
33 psychiatric hospital use.

34 **SECTION 12F.2.(g)** Repeal of Hospital Utilization Pilot. – Sections 10.49(s1)  
35 through 10.49(s5) of S.L. 2007-323 are repealed.

## 36 37 **FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM**

38 **SECTION 12F.3.(a)** Recurring funds appropriated in this act to the Department of  
39 Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
40 Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child  
41 Treatment Program (NC CTP) shall be used for the following purposes:

- 42 (1) To provide clinical training and coaching to licensed Medicaid clinicians on  
43 an array of evidence-based treatments and to provide a statewide platform to  
44 assure accountability and outcomes.
- 45 (2) To maintain and manage a public roster of program graduates, linking  
46 high-quality clinicians with children, families, and professionals.
- 47 (3) To partner with State, LME/MCO, and private sector leadership to bring  
48 effective mental health treatment to children in juvenile justice and mental  
49 health facilities.

50 **SECTION 12F.3.(b)** Nonrecurring funds appropriated in this act to the Department  
51 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and

1 Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child  
2 Treatment Program (NC CTP) shall be used to pay for the cost of developing a secure database  
3 for the NC CTP to track individual-level and aggregate-level data with interface capability to  
4 work with existing networks within State agencies. The data, including any entered or stored in  
5 the database, is and remains the sole property of the State.

#### 6 7 **SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

8 **SECTION 12F.4.(a)** For the purpose of mitigating cash flow problems that many  
9 LME/MCOs experience at the beginning of each fiscal year relative to single stream funding,  
10 the Department of Health and Human Services, Division of Mental Health, Developmental  
11 Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each  
12 LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount  
13 of that distribution from the LME/MCO's total reimbursements for the fiscal year.

14 **SECTION 12F.4.(b)** The Department of Health and Human Services, Division of  
15 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall periodically  
16 review and, as deemed necessary by the Department, update the set of standardized covered  
17 benefits developed and implemented by the Department pursuant to Section 10.11(b) of S.L.  
18 2011-145 for recipients of LME/MCO community service funds; provided, however, the  
19 Department shall not implement any updates that increase the overall cost of these standardized  
20 covered benefits.

#### 21 22 **BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE** 23 **MONITORING**

24 **SECTION 12F.4A.(a)** The Department of Health and Human Services shall  
25 require local management entities, including local management entities that have been  
26 approved to operate the 1915(b)/(c) Medicaid Waiver (LME/MCOs), to implement clinical  
27 integration activities with Community Care of North Carolina (CCNC) through Total Care, a  
28 collaborative initiative designed to improve and minimize the cost of care for patients who  
29 suffer from comorbid mental health or substance abuse and primary care or other chronic  
30 conditions.

31 **SECTION 12F.4A.(b)** The Department shall ensure that, by no later than January  
32 1, 2014, all LME/MCOs submit claims data, including to the extent practical, retrospective  
33 claims data and integrated payment and reporting system (IPRS) data, to the CCNC Informatics  
34 Center and to the Medicaid Management Information System. Upon receipt of this claims data,  
35 CCNC shall provide access to clinical data and care management information within the CCNC  
36 Informatics Center to LME/MCOs and authorized behavioral health providers to support (i)  
37 treatment, quality assessment, and improvement activities or (ii) coordination of appropriate  
38 and effective patient care, treatment, or habilitation.

39 **SECTION 12F.4A.(c)** The Department, in consultation with CCNC and the  
40 LME/MCOs, shall develop quality and performance statistics on the status of mental health,  
41 developmental disabilities, and substance abuse services, including, but not limited to,  
42 variations in total cost of care, clinical outcomes, and access to and utilization of services.

43 **SECTION 12F.4A.(d)** The Department shall, within available appropriations and  
44 as deemed necessary by the Department, expand or alter existing contracts by mutual  
45 agreement of all parties to the contract in order to implement the provisions of this section.

46 **SECTION 12F.4A.(e)** By no later than March 1, 2014, and semiannually  
47 thereafter, the Department shall submit a report to the Joint Legislative Oversight Committee  
48 on Health and Human Services and the Fiscal Research Division on the progress, outcomes,  
49 and savings associated with the implementation of clinical integration activities with CCNC  
50 pursuant to this section.

**MH/DD/SAS HEALTH CARE INFORMATION SYSTEM PROJECT**

**SECTION 12F.5.** The Department of Health and Human Services shall not take any further action or expend any funds appropriated or available to the Department to develop and implement the health care information system for State facilities operated by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services until each of the following conditions has been met:

- (1) By no later than March 1, 2014, the Department shall submit a detailed plan of this system to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. The plan shall include an explanation of at least all of the following:
  - a. The process the Department used to select the Veterans Health Information Systems and Technology Architecture (VisTA), whether or not the selection process was competitive, and if not, why it was not.
  - b. Requirements for vendor services to support system implementation and operation and the costs associated with this support.
  - c. Governance structure for the system.
  - d. Modules to be implemented in each facility and the reason for each.
  - e. Assignment of responsibility for system maintenance, codes fixes, application upgrades, and hardware upgrades.
  - f. Whether the application and database will be implemented at each facility or centrally managed by the Department and the reasons for the decision.
  - g. Identification of additional hardware that will be required to support a statewide rollout and the location at which the Department plans to host it.
  - h. Assignment of responsibility for backup and recovery.
  - i. If there will be redundant failover between facilities.
  - j. Plans, time lines, and costs for implementing any other modules currently offered by the United State Department of Veterans Affairs.
  - k. A process for ensuring that the system software is upgraded whenever the United States Department of Veterans Affairs upgrades its system.
  - l. Technology constraints for VisTA and State-supported facilities and how they will be addressed, by facility.
  - m. Facility on-boarding plan for the State psychiatric hospitals and other State facilities operated by the Division.
  - n. Costs and sources of funding for planning, development, and implementation at each facility and five years of costs and sources of funding for operations and maintenance at each facility.
  - o. Any other costs associated with system planning, development, implementation, operation, and maintenance.
  - p. Any issues associated with the planning, development, and implementation, identified by the Department, the Office of the State Chief Information Officer, the Office of Information Technology Services, or the Office of State Budget and Management, with a solution for each identified issue.
- (2) Upon submission of the plan required by subdivision (1) of this section, the Department shall obtain prior approval from the State Chief Information Officer in order to take any further action or expend any funds appropriated

1 or available to the Department to develop and implement the health care  
2 information system for State facilities operated by the Division of Mental  
3 Health, Developmental Disabilities, and Substance Abuse Services.  
4

#### 5 **LME/MCO FUNDS FOR SUBSTANCE ABUSE SERVICES**

6 **SECTION 12F.6.(a)** LME/MCOs shall use a portion of their allocated funds for  
7 substance abuse treatment services to support prevention and education activities at a level at  
8 least equivalent to the 2012-2013 fiscal year.

9 **SECTION 12F.6.(b)** In providing treatment and services for adult offenders and  
10 increasing the number of Treatment Accountability for Safer Communities (TASC) case  
11 managers, local management entities shall consult with TASC to improve offender access to  
12 substance abuse treatment and match evidence-based interventions to individual needs at each  
13 stage of substance abuse treatment. Special emphasis should be placed on intermediate  
14 punishment offenders, community punishment offenders at risk for revocation, and Department  
15 of Correction releases who have completed substance abuse treatment while in custody.

16 The Department shall allocate up to three hundred thousand dollars (\$300,000) of  
17 the funds appropriated in this act to the Department of Health and Human Services, Division of  
18 Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide  
19 substance abuse services for adult offenders and to increase the number of TASC case  
20 managers. These funds shall be allocated to TASC before funds are allocated to LMEs for  
21 mental health services, substance abuse services, and crisis services.  
22

#### 23 **STUDY WAYS TO IMPROVE OUTCOMES AND EFFICIENCIES IN ALCOHOL & 24 DRUG ABUSE TREATMENT PROGRAMS**

25 **SECTION 12F.7.(a)** By no later than April 1, 2014, the Department of Health and  
26 Human Services shall study and report to the Joint Legislative Oversight Committee on Health  
27 and Human Services and the Fiscal Research Division on ways to improve outcomes and  
28 reduce operating costs associated with inpatient treatment at the alcohol and drug abuse  
29 treatment centers operated by the Division of State-Operated Healthcare Facilities.

30 **SECTION 12F.7.(b)** The Joint Legislative Program Evaluation Oversight  
31 Committee shall consider including in the 2014 Work Plan for the Program Evaluation  
32 Division of the General Assembly a study of the most effective and efficient ways to operate  
33 inpatient alcohol and drug abuse treatment programs, including, but not limited to, (i) an  
34 examination and comparison of the practices, costs, and outcomes of private and State-operated  
35 programs in North Carolina, (ii) an examination of the practices, costs, and outcomes of private  
36 and state-operated programs in other states, and (iii) recommendations for best practices to  
37 achieve greater program efficiencies and outcomes in North Carolina.  
38

#### 39 **SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION**

#### 40 **THREE-YEAR MORATORIUM ON SPECIAL CARE UNIT LICENSES AND 41 REVIEW OF CURRENT SPECIAL CARE UNIT STAFFING REQUIREMENTS**

42 **SECTION 12G.1.(a)** For the period beginning July 31, 2013, and ending July 1,  
43 2016, the Department of Health and Human Services, Division of Health Service Regulation  
44 (Department), shall not issue any licenses for special care units as defined in G.S. 131D-4.6 and  
45 G.S. 131E-114. This prohibition shall not restrict the Department from doing any of the  
46 following:  
47

- 48 (1) Issuing a license to a facility that is acquiring an existing special care unit.
- 49 (2) Issuing a license for a special care unit in any area of the State upon a  
50 determination by the Secretary of the Department of Health and Human



1 Services that increased access to this type of care is necessary in that area  
2 during the three-year moratorium imposed by this section.

- 3 (3) Processing all completed applications for special care unit licenses received  
4 by the Division of Health Service Regulation along with the applicable  
5 license fee prior to June 1, 2013.

6 **SECTION 12G.1.(b)** By no later than April 1, 2014, the Department shall review  
7 the laws pertaining to staff ratios and other staffing requirements of special care units and  
8 report the results of its review to the Joint Legislative Oversight Committee on Health and  
9 Human Services and the Fiscal Research Division. The report shall compare special care unit  
10 staff ratios and staffing requirements in North Carolina to those of other states, including those  
11 states that border North Carolina. The report shall contain all of the following specific  
12 information:

- 13 (1) The rationale and justification for establishing the existing special care unit  
14 staff ratios and staffing requirements.  
15 (2) Recommendations for changes to existing staff ratios and staffing  
16 requirements based on findings of the Department's review.  
17

## 18 **ELIMINATE COMPREHENSIVE REPORT ON MEDICATION-RELATED ERRORS** 19 **IN NURSING HOMES**

20 **SECTION 12G.2.(a)** G.S. 131E-128.1(e) reads as rewritten:

21 "(e) Confidentiality. – The meetings or proceedings of the advisory committee, the  
22 records and materials it produces, and the materials it considers, including analyses and reports  
23 pertaining to medication-related error reporting under G.S. 131E-128.2 ~~and G.S. 131E-128.5~~  
24 and pharmacy reports on drug defects and adverse reactions under G.S. 131E-128.4, shall be  
25 confidential and not be considered public records within the meaning of G.S. 132-1. The  
26 meetings or proceedings and records and materials also shall not be subject to discovery or  
27 introduction into evidence in any civil action against a nursing home or a provider of  
28 professional health services resulting from matters that are the subject of evaluation and review  
29 by the committee. No person who was in attendance at a meeting of the committee shall testify  
30 in any civil action as to any evidence or other matters produced or presented during the  
31 meetings or proceedings of the committee or as to any findings, recommendations, evaluations,  
32 opinions, or other actions of the committee or its members. Notwithstanding the foregoing:

- 33 (1) Information, documents, or records otherwise available, including any  
34 deficiencies found in the course of an inspection conducted under  
35 G.S. 131E-105, shall not be immune from discovery or use in a civil action  
36 merely because they were presented during meetings or proceedings of the  
37 advisory committee. A member of the advisory committee or a person who  
38 testifies before the committee may testify in a civil action but cannot be  
39 asked about that person's testimony before the committee or any opinion  
40 formed as a result of the committee meetings or proceedings.  
41 (2) Information that is confidential and not subject to discovery or use in civil  
42 actions under this subsection may be released to a professional standards  
43 review organization that performs any accreditation or certification function.  
44 Information released to the professional standards review organization shall  
45 be limited to information reasonably necessary and relevant to the standards  
46 review organization's determination to grant or continue accreditation or  
47 certification. Information released to the standards review organization  
48 retains its confidentiality and is not subject to discovery or use in any civil  
49 action as provided under this subsection. The standards review organization  
50 shall keep the information confidential subject to this subsection.

1 (3) Information that is confidential and not subject to discovery or use in civil  
 2 actions under this subsection may be released to the Department of Health  
 3 and Human Services pursuant to its investigative authority under  
 4 G.S. 131E-105. Information released to the Department shall be limited to  
 5 information reasonably necessary and relevant to the Department's  
 6 investigation of compliance with Part 1 of Article 6 of this Chapter.  
 7 Information released to the Department retains its confidentiality and is not  
 8 subject to discovery or use in any civil action as provided in this subsection.  
 9 The Department shall keep the information confidential subject to this  
 10 subsection.

11 (4) Information that is confidential and is not subject to discovery or use in civil  
 12 actions under this subsection may be released to an occupational licensing  
 13 board having jurisdiction over the license of an individual involved in an  
 14 incident that is under review or investigation by the advisory committee.  
 15 Information released to the occupational licensing board shall be limited to  
 16 information reasonably necessary and relevant to an investigation being  
 17 conducted by the licensing board pertaining to the individual's involvement  
 18 in the incident under review by the advisory committee. Information  
 19 released to an occupational licensing board retains its confidentiality and is  
 20 not subject to discovery or use in any civil action as provided in this  
 21 subsection. The occupational licensing board shall keep the information  
 22 confidential subject to this subsection."

23 **SECTION 12G.2.(b)** G.S. 131E-128.1(g) reads as rewritten:

24 "(g) Penalty. – The Department may take adverse action against the license of a nursing  
 25 home upon a finding that the nursing home has failed to comply with this section,  
 26 G.S. 131E-128.2, 131E-128.3, ~~131E-128.4, or 131E-128.5~~ or 131E-128.4."

27 **SECTION 12G.2.(c)** G.S. 131E-128.5 is repealed.

28  
 29 **CERTIFICATE OF NEED EXEMPTION FOR REPLACEMENT OF PREVIOUSLY**  
 30 **APPROVED EQUIPMENT & FACILITIES LOCATED ON THE MAIN CAMPUS**  
 31 **OF A LICENSED HEALTH SERVICE FACILITY**

32 **SECTION 12G.3.(a)** G.S. 131E-176 is amended by adding a new subdivision to

33 read:

34 "(14n) "Main campus" means all of the following for the purposes of  
 35 G.S. 131E-184(f) and (g) only:

- 36 a. The site of the main building from which a licensed health service  
 37 facility provides clinical patient services and exercises financial and  
 38 administrative control over the entire facility, including the buildings  
 39 and grounds adjacent to that main building.  
 40 b. Other areas and structures that are not strictly contiguous to the main  
 41 building but are located within 250 yards of the main building."

42 **SECTION 12G.3.(b)** G.S. 131E-184 is amended by adding new subsections to

43 read:

44 "(f) The Department shall exempt from certificate of need review the purchase of any  
 45 replacement equipment that exceeds the two million dollar (\$2,000,000) threshold set forth in  
 46 G.S. 131E-176(22) if all of the following conditions are met:

- 47 (1) The equipment being replaced is located on the main campus.  
 48 (2) The Department has previously issued a certificate of need for the equipment  
 49 being replaced.  
 50 (3) The licensed health service facility proposing to purchase the replacement  
 51 equipment shall provide prior written notice to the Department, along with

1 supporting documentation to demonstrate that it meets the exemption criteria  
2 of this subsection.

3 (g) The Department shall exempt from certificate of need review any capital  
4 expenditure that exceeds the two million dollar (\$2,000,000) threshold set forth in  
5 G.S. 131E-176(16)b. if all of the following conditions are met:

6 (1) The sole purpose of the capital expenditure is to renovate, replace on the  
7 same site, or expand the entirety or a portion of an existing health service  
8 facility that is located on the main campus.

9 (2) The capital expenditure does not result in (i) a change in bed capacity as  
10 defined in G.S. 131E-176(5) or (ii) the addition of a health service facility or  
11 any other new institutional health service other than that allowed in  
12 G.S. 131E-176(16)b.

13 (3) The licensed health service facility proposing to incur the capital expenditure  
14 shall provide prior written notice to the Department, along with supporting  
15 documentation to demonstrate that it meets the exemption criteria of this  
16 subsection."

17 **SECTION 12G.3.(b)** This section applies to replacement equipment purchased,  
18 and capital expenditures for replacement facilities incurred, on or after the date this act  
19 becomes law.

## 20 21 **SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)**

### 22 23 **DETAILED MEDICAID REFORM PROPOSAL TO BE PREPARED BY** 24 **DEPARTMENT OF HEALTH AND HUMAN SERVICES; MEDICAID REFORM** 25 **ADVISORY GROUP ESTABLISHED**

26 **SECTION 12H.1.(a)** The Department of Health and Human Services, Division of  
27 Medical Assistance, (Department), in consultation with the Medicaid Reform Advisory Group  
28 created by subsection (e) of this section, shall create a detailed plan for, but not implement,  
29 significant reforms to the State's Medicaid Program that shall accomplish the following:

- 30 (1) Create a predictable and sustainable Medicaid program for North Carolina  
31 taxpayers.  
32 (2) Increase administrative ease and efficiency for North Carolina Medicaid  
33 providers.  
34 (3) Provide care for the whole person by uniting physical and behavioral health  
35 care.

36 **SECTION 12H.1.(b)** The Department shall submit its detailed proposal of how to  
37 reform the State's Medicaid Program to the General Assembly. The report shall contain the  
38 following:

- 39 (1) The details of the reform plan, including how the plan would accomplish the  
40 goals set out in subsection (a) of this section.  
41 (2) The Department's methodology for selecting the reform plan over  
42 alternatives.  
43 (3) Forecasts of the reform plan's potential to slow the growth of the costs of the  
44 Medicaid Program, including the assumptions and methodology used for the  
45 forecast, as well as an explanation of how the Department's forecast  
46 methodology has been improved to produce more accurate forecasting than  
47 in prior years.  
48 (4) The reform plan's impact, as compared to the existing Medicaid Program, on  
49 both providers and recipients in areas such as enrollment within the  
50 Medicaid system, access to services, quality of care, and payment

1 methodologies, and any other areas of comparison to help the General  
2 Assembly evaluate the reform plan.

- 3 (5) If regional demonstration projects, pilot projects, or similar projects will be  
4 used to test a proposal, how the Department will ensure that the test  
5 methodology is scientifically valid and consistent with social science  
6 research methods.
- 7 (6) How financial risks will be allocated under the reform plan.
- 8 (7) The mechanisms through which the Department and any contractors under  
9 the reform plan would be held accountable for the implementation and  
10 performance of the plan.
- 11 (8) Short-term costs to implement the plan and expected long-term savings in  
12 future years from slowing the growth of costs.
- 13 (9) A realistic time line for implementation.
- 14 (10) Draft Medicaid State Plan Amendments, Medicaid waivers, amendments to  
15 State law, or other changes necessary to legally allow the Department to  
16 implement its reform plan.
- 17 (11) Any other detailed information that would assist the General Assembly in  
18 evaluating the strength of the reform plan and the plan's ability to  
19 accomplish the goals set out in subsection (a) of this section.

20 **SECTION 12H.1.(c)** The Department is encouraged to and may submit draft  
21 Medicaid State Plan amendments, draft waiver applications, or other documents to the federal  
22 government to solicit feedback on the Department's proposal prior to reporting to the General  
23 Assembly. The Department shall not, however, submit any documents to the federal  
24 government to implement the reform plan without legislation authorizing the Department to  
25 implement the Department's reform plan.

26 **SECTION 12H.1.(d)** The Department shall submit its reform plan to the General  
27 Assembly no later than March 17, 2014, but is encouraged to submit its plan as early as it  
28 responsibly can.

29 **SECTION 12H.1.(e)** Advisory Group. – There is established the North Carolina  
30 Medicaid Reform Advisory Group (Advisory Group) in order to advise the Department of  
31 Health and Human Services in its development of its detailed plan to reform Medicaid. The  
32 Advisory Group shall meet in order to (i) provide stakeholder input in a public forum and (ii)  
33 ensure the transparency of the process of developing the reform proposal. The Advisory Group  
34 shall meet at the call of the chair.

35 The Advisory Group shall consist of the following five members, and the appointing  
36 officer shall fill vacancies:

- 37 (1) A Representative appointed by the Speaker of the House of Representatives.  
38 (2) A Senator appointed by the President Pro Tempore of the Senate.  
39 (3) Three persons appointed by the Governor, one of whom shall be designated  
40 as the chair.

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 per diem, subsistence, and travel expenses as allowed under G.S. 138-5 or, if the  
44 member is a State employee, lodging and travel expenses as allowed under G.S. 138-6.

45 The Secretary of Health and Human Services shall ensure adequate staff  
46 representation and support from the Department of Health and Human Services.

47 The Advisory Group shall terminate on July 1, 2014.

48 **SECTION 12H.1.(f)** Eligibility of Legislation. – Legislation based on the  
49 Department's reform proposal and recommended by the Advisory Group shall be eligible for  
50 consideration when the 2013 General Assembly reconvenes in 2014, and G.S. 143C-5-2 does  
51 not apply to such legislation.

1  
2 **CLARIFY STATE PLAN AMENDMENT PROCEDURES**

3 **SECTION 12H.2.(a)** Part 6 of Article 2 of Chapter 108A of the General Statutes is  
4 amended by adding a new section to read as follows:

5 **"§ 108A-54.1A. Amendments to Medicaid State Plan and Medicaid Waivers.**

6 (a) No provision in the Medicaid State Plan or in a Medicaid Waiver may expand or  
7 otherwise alter the scope or purpose of the Medicaid program from that authorized by law  
8 enacted by the General Assembly. For purposes of this section, the term "amendments to the  
9 State Plan" includes State Plan amendments, Waivers, and Waiver amendments.

10 (b) The Department may submit amendments to the State Plan only as required under  
11 any of the following circumstances:

12 (1) A law enacted by the General Assembly directs the Department to submit an  
13 amendment to the State Plan.

14 (2) A law enacted by the General Assembly makes a change to the Medicaid  
15 Program that requires approval by the federal government.

16 (3) A change in federal law, including regulatory law, or a change in the  
17 interpretation of federal law by the federal government requires an  
18 amendment to the State Plan.

19 (4) A change made by the Department to the Medicaid Program requires an  
20 amendment to the State Plan, if the change was within the authority granted  
21 to the Department by State law.

22 (5) An amendment to the State Plan is required in response to an order of a court  
23 of competent jurisdiction.

24 (6) An amendment to the State Plan is required to ensure continued federal  
25 financial participation.

26 (c) Amendments to the State Plan submitted to the federal government for approval  
27 shall contain only those changes that are allowed by the authority for submitting an amendment  
28 to the State Plan in subsection (b) of this section.

29 (d) No fewer than 10 days prior to submitting an amendment to the State Plan to the  
30 federal government, the Department shall post the amendment on its Web site and notify the  
31 members of the Joint Legislative Oversight Committee on Health and Human Services and the  
32 Fiscal Research Division that the amendment has been posted. This requirement shall not apply  
33 to draft or proposed amendments submitted to the federal government for comments but not  
34 submitted for approval. If the authority for submitting the amendment to the State Plan is  
35 pursuant to subdivision (3), (4), (5), or (6) of subsection (b) of this section, then, prior to  
36 submitting an amendment to the federal government, the Department shall submit to the  
37 General Assembly members receiving notice under this subsection and to the Fiscal Research  
38 Division an explanation of the amendment, the need for the amendment, and the federal time  
39 limits required for implementation of the amendment.

40 (e) The Department shall submit an amendment to the State Plan to the federal  
41 government by a date sufficient to provide the federal government adequate time to review and  
42 approve the amendment so the amendment may be effective by the date required by the  
43 directing authority in subsection (b) of this section."

44 **SECTION 12H.2.(b)** G.S. 108A-70.25 reads as rewritten:

45 **"§ 108A-70.25. State Plan for Health Insurance Program for Children.**

46 The Department shall develop and submit a State Plan to implement "The Health Insurance  
47 Program for Children" authorized under this Part to the federal government as application for  
48 federal funds under Title XXI. The State Plan submitted under this Part shall be developed by  
49 the Department only as authorized by and in accordance with this Part. No provision in the  
50 State Plan submitted under this Part may expand or otherwise alter the scope or purpose of the  
51 Program from that authorized under this Part. The Department shall include in the State Plan

1 ~~submitted only those items required by this Part and required by the federal government to~~  
2 ~~qualify for federal funds under Title XXI and necessary to secure the State's federal fund~~  
3 ~~allotment for the applicable fiscal period. Except as otherwise provided in this section, the~~  
4 ~~Department shall not amend the State Plan nor submit any amendments thereto to the federal~~  
5 ~~government for review or approval without the specific approval of the General Assembly. In~~  
6 ~~the event federal law requires that an amendment be made to the State Plan and further requires~~  
7 ~~that the amendment be submitted or implemented within a time period when the General~~  
8 ~~Assembly is not and will not be in session to approve the amendment, then the Department may~~  
9 ~~submit the amendment to the federal government for review and approval without the approval~~  
10 ~~of the General Assembly. Prior to submitting an amendment to the federal government without~~  
11 ~~General Assembly approval as authorized in this section, the Department shall report the~~  
12 ~~proposed amendment to the Joint Legislative Oversight Committee on Health and Human~~  
13 ~~Services and to members of the Joint Appropriations Subcommittee on Health and Human~~  
14 ~~Services. The report shall include an explanation of the amendment, the necessity therefor, and~~  
15 ~~the federal time limits required for implementation of the amendment.~~

16 (a) The NC Health Choice program shall be administered and operated in accordance  
17 with this Part and the NC Health Choice State Plan, as periodically amended by the Department  
18 of Health and Human Services and approved by the federal government.

19 (b) The requirements in G.S. 108A-54.1A shall apply to NC Health Choice State Plan  
20 amendments in the same manner in which they apply to Medicaid State Plan amendments."

21 **SECTION 12H.2.(c)** The Department of Health and Human Services shall take  
22 any and all action necessary to amend the Medicaid State Plan, Attachment 4.19-B, Section 5,  
23 Page 2, which pertains to supplemental payments that increase reimbursement to the average  
24 commercial rate for certain eligible medical professional providers, in order to limit the  
25 definition of eligible medical professional providers to only physicians employed by the East  
26 Carolina University School of Medicine or the University of North Carolina at Chapel Hill  
27 School of Medicine as academic faculty. The supplemental payments shall be made only for  
28 services provided at these schools of medicine.

29 **SECTION 12H.2.(d)** This section is effective when it becomes law.

### 30 31 **CODIFY GENERAL POLICIES**

32 **SECTION 12H.3.** G.S. 108A-54 reads as rewritten:

#### 33 **"§ 108A-54. Authorization of Medical Assistance Program.**

34 (a) The Department is authorized to establish a Medicaid Program in accordance with  
35 Title XIX of the federal Social Security Act. The Department may adopt rules to implement the  
36 Program. The State is responsible for the nonfederal share of the costs of medical services  
37 provided under the Program. In addition, the State shall pay one hundred percent (100%) of the  
38 federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004,  
39 P.L. 108-173, as amended. A county is responsible for the county's cost of administering the  
40 Program in that county.

41 ...

42 (c) The Medicaid Program shall be administered and operated in accordance with this  
43 Part and the North Carolina Medicaid State Plan and Waivers, as periodically amended by the  
44 Department of Health and Human Services in accordance with G.S. 108A-54.1A and approved  
45 by the federal government.

46 (d) The Department shall not take any actions that the Department determines would  
47 jeopardize the State's qualification to receive federal funds through the Medicaid Program."

### 48 49 **CODIFY MEDICAID AS SECONDARY PAYOR**

50 **SECTION 12H.4.** G.S. 108A-55 is amended by adding a new subsection to read as  
51 follows:

1 "§ 108A-55. Payments.

2 ...  
3 (e) Medicaid is a secondary payor of claims. The Department shall apply Medicaid  
4 medical policy to recipients who have primary insurance other than Medicare, Medicare  
5 Advantage, and Medicaid. For recipients who have primary insurance other than Medicare,  
6 Medicare Advantage, or Medicaid, the Department shall pay the lesser of the Medicaid  
7 Allowable Amount or an amount up to the actual coinsurance or deductible or both of the  
8 primary payor, in accordance with the State Plan, as approved by the Department of Health and  
9 Human Services. The Department may disregard application of this policy in cases where  
10 application of the policy would adversely affect patient care."

11  
12 **CODIFY COUNTIES SHARING IN FRAUD RECOVERY**

13 **SECTION 12H.5.** Part 6 of Article 2 of Chapter 108A of the General Statutes is  
14 amended by adding a new section to read as follows:

15 "**§ 108A-64.1. Incentives to counties to recover fraudulent Medicaid expenditures.**

16 The Department of Health and Human Services, Division of Medical Assistance, shall  
17 provide incentives to counties that successfully recover fraudulently spent Medicaid funds by  
18 sharing State savings with counties responsible for the recovery of the fraudulently spent  
19 funds."

20  
21 **CODIFY CHANGES TO MEDICAL POLICY**

22 **SECTION 12H.6.(a)** G.S. 108A-54.2 reads as rewritten:

23 "**§ 108A-54.2. Procedures for changing medical policy.**

24 (a) The Department shall adopt rules to develop, amend, and adopt medical coverage  
25 policy for Medicaid and NC Health Choice in accordance with this section.

26 (b) Medical coverage policy is defined as those policies, definitions, or guidelines  
27 utilized to evaluate, treat, or support the health or developmental conditions of a recipient so as  
28 to determine eligibility, authorization or continued authorization, medical necessity, course of  
29 treatment and supports, clinical outcomes, and clinical supports treatment practices for a  
30 covered procedure, product, or service. Medical coverage policy is subject to the following:

- 31 (1) During the development of new medical coverage policy or amendment to  
32 existing medical coverage policy, the Department shall consult with and  
33 seek the advice of the Physician Advisory Group and other organizations the  
34 Secretary deems appropriate. The Secretary shall also consult with and seek  
35 the advice of officials of the professional societies or associations  
36 representing providers who are affected by the new medical coverage policy  
37 or amendments to existing medical coverage policy.
- 38 (2) At least 45 days prior to the adoption of new or amended medical coverage  
39 policy, the Department shall:
- 40 a. Publish the proposed new or amended medical coverage policy on  
41 the Department's Web site;
  - 42 b. Notify all Medicaid and NC Health Choice providers of the  
43 proposed, new, or amended policy; and
  - 44 c. Upon request, provide persons copies of the proposed medical  
45 coverage policy.
- 46 (3) During the 45-day period immediately following publication of the proposed  
47 new or amended medical coverage policy, the Department shall accept oral  
48 and written comments on the proposed new or amended policy.
- 49 (4) If, following the comment period, the proposed new or amended medical  
50 coverage policy is modified, then the Department shall, at least 15 days prior  
51 to its adoption:

- 1 a. Notify all Medicaid and NC Health Choice providers of the proposed  
2 policy;  
3 b. Upon request, provide persons notice of amendments to the proposed  
4 policy; and  
5 c. Accept additional oral or written comments during this 15-day  
6 period.

7 (c) If the adoption of new or amended medical coverage policies is necessitated by an  
8 act of the General Assembly or a change in federal law, then the 45- and 15-day time periods  
9 specified in subsection (b) of this section shall instead be 30- and 10-day time periods.

10 (d) Unless directed to do so by the General Assembly, the Department shall not change  
11 medical policy affecting the amount, sufficiency, duration, and scope of health care services  
12 and who may provide services until the Division of Medical Assistance has prepared a  
13 five-year fiscal analysis documenting the increased cost of the proposed change in medical  
14 policy and submitted it for departmental review. Changes to medical policy affecting the  
15 amount, sufficiency, duration, and scope of health care services and who may provide services  
16 are subject to the following:

17 (1) If the fiscal impact indicated by the fiscal analysis for any proposed medical  
18 policy change exceeds five hundred thousand dollars (\$500,000) in total  
19 requirements for Medicaid or fifty thousand dollars (\$50,000) in total  
20 requirements for NC Health Choice for a given fiscal year, then the  
21 Department shall submit the proposed medical policy change to the fiscal  
22 analysis to the Office of State Budget and Management and the Fiscal  
23 Research Division. The Department shall not implement the proposed  
24 medical policy change unless the source of State funding is identified and  
25 approved by the Office of State Budget and Management.

26 (2) If the medical policy change meets the requirement thresholds specified in  
27 subdivision (1) of this subsection but is required for compliance with federal  
28 law, then the Department shall submit the proposed medical policy or policy  
29 interpretation change with the five-year fiscal analysis to the Office of State  
30 Budget and Management prior to implementing the change.

31 The Department shall annually report, by November 1 of each year, all medical policy changes  
32 with total requirements of less than the amount specified in subdivision (1) of this subsection to  
33 the Office of State Budget and Management and the Fiscal Research Division of the Legislative  
34 Services Commission."

35 **SECTION 12H.6.(b)** G.S. 108A-54.3 is repealed.

36 **SECTION 12H.6.(c)** G.S. 150B-1(d)(9) reads as rewritten:

37 "(9) The Department of Health and Human Services in adopting new or  
38 amending existing medical coverage policies ~~under~~ for the State Medicaid  
39 ~~Program~~ and NC Health Choice programs pursuant to G.S. 108A-54.2."

40 **SECTION 12H.6.(d)** This section is effective when it becomes law.

## 41 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

42 **SECTION 12H.7.** The Department of Health and Human Services, Division of  
43 Medical Assistance, shall charge an application fee of one hundred dollars (\$100.00), and the  
44 amount federally required, to each provider enrolling in the Medicaid Program for the first  
45 time. The fee shall be charged to all providers at recredentialing every three years.  
46  
47

## 48 **CODIFY ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS**

49 **SECTION 12H.8.** Chapter 108C of the General Statutes is amended by adding a  
50 new section to read as follows:

51 **"§ 108C-13. Electronic transactions.**



1       (a) Providers shall follow the Department's established procedures for securing  
2 electronic payments, and the Department shall not provide routine provider payments by check.  
3 Medicaid providers shall file claims electronically, except that nonelectronic claims submission  
4 may be required when it is in the best interest of the Department.

5       (b) Providers shall submit Preadmission Screening and Annual Resident Reviews  
6 (PASARR) through the Department's Web-based tool or through a vendor with interface  
7 capability to submit data into the Web-based PASARR.

8       (c) Providers shall submit requests for prior authorizations electronically via Web site.  
9 Providers shall access their authorizations via online portals rather than receiving hard copies  
10 by mail. Providers shall receive copies of adverse decisions electronically, although recipients  
11 shall receive adverse decisions via certified mail.

12       (d) Providers shall submit their provider enrollment applications online. The  
13 Department shall accept electronic signatures rather than require receipt of signed hard copies."  
14

#### 15 CLARIFY RULE MAKING

16       **SECTION 12H.9.(a)** G.S. 108A-54(b) is recodified as G.S. 108A-54.1B(a).

17       **SECTION 12H.9.(b)** G.S. 108A-54.1B, as created by subsection (a) of this  
18 section, reads as rewritten:

19       "**§ 108A-54.1B. Adoption of rules; State Plans, including amendments and waivers to**  
20 **State Plans, have effect of rules.**

21       (a) The Department is expressly authorized to adopt temporary and permanent rules to  
22 implement or define the federal laws and regulations, the North Carolina State Plan of Medical  
23 Assistance, and the North Carolina State Plan of the Health Insurance Program for Children,  
24 the terms and conditions of eligibility for applicants and recipients of the Medical Assistance  
25 Program and the Health Insurance Program for Children, audits and program integrity, the  
26 services, goods, supplies, or merchandise made available to recipients of the Medical  
27 Assistance Program and the Health Insurance Program for Children, and reimbursement for the  
28 services, goods, supplies, or merchandise made available to recipients of the Medical  
29 Assistance Program and the Health Insurance Program for Children.

30       (b) Rule-making authority granted under this section for particular circumstances or  
31 programs is in addition to any other rule-making authority granted to the Department under  
32 Chapter 150B of the General Statutes.

33       (c) Prior to filing a temporary rule authorized under G.S. 150B-21.1(a)(17) with the  
34 Rules Review Commission and the Office of Administrative Hearings, the Department shall  
35 consult with the Office of State Budget and Management on the possible fiscal impact of the  
36 temporary rule and its effect on State appropriations and local governments.

37       (d) State Plans, State Plan Amendments, and Waivers approved by the Centers for  
38 Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC  
39 Health Choice program shall have the force and effect of rules adopted pursuant to Article 2A  
40 of Chapter 150B of the General Statutes."

41       **SECTION 12H.9.(c)** G.S. 150B-1(d) is amended by adding a new subdivision to  
42 read as follows:

43       "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the  
44 following:

45       ...

46       (22) The Department of Health and Human Services with respect to the content  
47 of State Plans, State Plan Amendments, and Waivers approved by the  
48 Centers for Medicare and Medicaid Services (CMS) for the North Carolina  
49 Medicaid Program and the NC Health Choice program."

50       **SECTION 12H.9.(d)** G.S. 150B-21.1(a) is amended by adding a new subdivision  
51 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."

**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
8	9,256	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

**SECTION 12H.10.(b)** For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

- (1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.
- (2) Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.
- (3) Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.
- (4) Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.
- (5) Effective until January 1, 2014, children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

1 (6) Effective January 1, 2014, children aged six through 18 with family incomes  
2 equal to or less than one hundred thirty-three percent (133%) of the federal  
3 poverty guidelines and without regard to resources.

4 (7) Workers with disabilities described in G.S. 108A-66A with unearned income  
5 equal to or less than one hundred fifty percent (150%) of the federal poverty  
6 guidelines.

7 The Department of Health and Human Services, Division of Medical Assistance, shall also  
8 provide family planning services to men and women of childbearing age with family incomes  
9 equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines  
10 and without regard to resources.

11 **SECTION 12H.10.(c)** The Department of Health and Human Services, Division of  
12 Medical Assistance, shall provide Medicaid coverage to adoptive children with special or  
13 rehabilitative needs, regardless of the adoptive family's income.

14 **SECTION 12H.10.(d)** The Department of Health and Human Services, Division of  
15 Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents,"  
16 ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. §  
17 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

18 **SECTION 12H.10.(e)** The Department of Health and Human Services, Division of  
19 Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast  
20 or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

21 **SECTION 12H.10.(f)** G.S. 108A-54.1 is recodified as G.S. 108A-66.1.  
22 G.S. 108A-66.1(a), as recodified by this subsection, reads as rewritten:

23 "(a) Title. – This ~~act~~section may be cited as the Health Coverage for Workers With  
24 Disabilities Act. The Department shall implement a Medicaid buy-in eligibility category as  
25 permitted under P.L. 106-170, Ticket to Work and Work Incentives Improvement Act of 1999.  
26 The Department shall establish rules, policies, and procedures to implement this act in  
27 accordance with this section."

28 **SECTION 12H.10.(g)** Effective January 1, 2014, G.S. 108A-70.21(a)(1)d. reads as  
29 rewritten:

30 "**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing;**  
31 **coverage from private plans; purchase of extended coverage.**

32 (a) Eligibility. – The Department may enroll eligible children based on availability of  
33 funds. Following are eligibility and other requirements for participation in the Program:

- 34 (1) Children must:
- 35 a. Be between the ages of 6 through 18;
  - 36 b. Be ineligible for Medicaid, Medicare, or other federal  
37 government-sponsored health insurance;
  - 38 c. Be uninsured;
  - 39 d. Be in a family whose family income is above ~~one hundred percent~~  
40 ~~(100%)~~ one hundred thirty-three percent (133%) through two  
41 hundred percent (200%) of the federal poverty level;
  - 42 e. Be a resident of this State and eligible under federal law; and
  - 43 f. Have paid the Program enrollment fee required under this Part.

44 ...."

#### 45 **NC HEALTH CHOICE TEMPORARY EXTENDED COVERAGE**

46 **SECTION 12H.11.** An enrollee in the NC Health Choice program who loses  
47 eligibility due to reaching the age of 19 on or after June 1, 2013, may purchase at full premium  
48 cost continued coverage under the NC Health Choice program until the end of the month  
49 following the date on which the Secretary of the United States Department of Health and  
50 Human Services determines that the North Carolina federally facilitated Health Benefits  
51

1 Exchange is fully operational. The benefits, co-payments, and other conditions of enrollment  
2 under the NC Health Choice program applicable to extended coverage purchased in accordance  
3 with this section shall be the same as those applicable to an NC Health Choice enrollee who has  
4 not yet reached the age of 19.

## 6 **STUDY POTENTIAL SAVINGS THROUGH THE PURCHASE OF INSURANCE**

7 **SECTION 12H.12.** The Department of Health and Human Services shall study the  
8 opportunities for savings in overall State funding by purchasing health insurance for persons  
9 who are currently served by programs administered by the Department. The Department shall  
10 look broadly at all of its programs, including, but not limited to, Medicaid, AIDS Drug  
11 Assistance, and disability programs, for instances where purchasing private insurance for an  
12 individual may be less costly for the State than the current program serving the individual. The  
13 Department shall report on its findings to the Joint Legislative Oversight Committee on Health  
14 and Human Services no later than April 1, 2014.

## 16 **MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR 17 SERVICES**

18 **SECTION 12H.13.(a)** Except as otherwise provided in this act, the allowable State  
19 plan services, co-pays, reimbursement rates, and fees shall remain the same as those effective  
20 June 30, 2013. Except as otherwise provided in this act and to the extent allowable under  
21 federal law, the adjustments made in this section apply to both the Medicaid Program and the  
22 NC Health Choice program.

23 **SECTION 12H.13.(b)** Effective July 1, 2013, any rate methodologies that contain  
24 an automatic inflationary or increase factor shall not increase above the rate in effect on June  
25 30, 2013, unless the rate is otherwise increased by the General Assembly. Interim hospital  
26 outpatient services' percentage of cost used for payment shall be adjusted to compensate for  
27 expected inflation that hospitals would be eligible for, and cost settlement will only be up to the  
28 percentage in subsection (e) of this section. The following rates are excluded from this  
29 subsection: Federally Qualified Health Centers, Rural Health Centers, critical access hospitals,  
30 State-Operated services, Hospice, Part B and D Premiums, third-party and HMO premiums,  
31 drugs, MCO capitation payments, and nursing home direct care services case mix index  
32 increases.

33 **SECTION 12H.13.(c)** Effective November 1, 2013, nominal co-pays for Medicaid  
34 are increased to the maximum amount allowed by the Centers for Medicare and Medicaid  
35 Services (CMS) as of June 30, 2013.

36 **SECTION 12H.13.(d)** Effective January 1, 2014, the following changes are made  
37 to allowable State plan services:

- 38 (1) Of the 22 visits allowed per recipient per fiscal year for professional services  
39 provided by physicians, nurse practitioners, nurse-midwives, physician  
40 assistants, clinics, and health departments, prior authorization is required for  
41 visits in excess of 10 within a year. This limitation and prior authorization  
42 requirement does not apply to chronic conditions.
- 43 (2) Adult rehabilitation home visits for set-up and training are limited to three  
44 within a 12-month period.

45 **SECTION 12H.13.(e)** Effective January 1, 2014, the percentage of allowable costs  
46 for hospital outpatients is reduced from eighty percent (80%) to seventy percent (70%).

47 **SECTION 12H.13.(f)** Effective January 1, 2014, the following changes are made  
48 to drug reimbursements:

- 49 (1) Prices based on the Wholesale Acquisition Cost (WAC) shall be paid at one  
50 hundred one percent (101%) of WAC.

1 (2) Prices based on the State Medicaid Average Costs (SMAC) shall be paid at  
2 one hundred fifty percent (150%) of SMAC.

3 (3) The rate for dispensing brand drugs is reduced by one dollar (\$1.00).

4 **SECTION 12H.13.(g)** In order to achieve cost-savings and improve health  
5 outcomes, the Department of Health and Human Services, Division of Medical Assistance, may  
6 impose prior authorization requirements and other restrictions on medications prescribed to  
7 Medicaid and Health Choice recipients for the treatment of mental illness, including, but not  
8 limited to, prior authorization requirements and restrictions on (i) medications on the Preferred  
9 Drug List (PDL) that are prescribed for the treatment of mental illness and (ii) medications for  
10 attention deficit hyperactivity disorder (ADHD) or attention deficit disorder (ADD) that are  
11 prescribed to juveniles for off-label uses.

#### 12 **ADDITIONAL MANAGEMENT OF DRUG UTILIZATION**

13 **SECTION 12H.13A.** The Department of Health and Human Services shall work  
14 with Community Care of North Carolina (CCNC) to do the following:

15 (1) Ensure better pharmacy management, including compliance by Medicaid  
16 recipients with taking their prescription drugs and compliance by pharmacy  
17 providers with the CCNC protocols.

18 (2) Identify Medicaid recipients who are frequent users of pharmacy services  
19 and coordinate with physicians and pharmacists to implement steps to  
20 enhance CCNC care management programs.  
21

#### 22 **ADMINISTRATIVE HEARINGS FUNDING; CONTINGENCY FEES TO AUDIT 23 CONTRACTORS**

24 **SECTION 12H.16.(a)** The Department of Health and Human Services  
25 (Department) shall transfer the sum of one million dollars (\$1,000,000) for the 2013-2014  
26 fiscal year and the sum of one million dollars (\$1,000,000) for the 2014-2015 fiscal year to the  
27 Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for  
28 mediation services provided for Medicaid applicant and recipient appeals and to contract for  
29 other services necessary to conduct the appeals process. OAH shall continue the Memorandum  
30 of Agreement (MOA) with the Department for mediation services provided for Medicaid  
31 recipient appeals and contracted services necessary to conduct the appeals process. The MOA  
32 will facilitate the Department's ability to draw down federal Medicaid funds to support this  
33 administrative function. Upon receipt of invoices from OAH for covered services rendered in  
34 accordance with the MOA, the Department shall transfer the federal share of Medicaid funds  
35 drawn down for this purpose.  
36

37 **SECTION 12H.16.(b)** Chapter 108C of the General Statutes is amended by adding  
38 a new section to read as follows:

#### 39 **"§ 108C-5.1. Post-payment review and recovery audit contracts.**

40 The Department shall not pay contingent fees pursuant to any contract with an entity  
41 conducting Medicaid post-payment reviews or Recovery Audit Contractor (RAC) audits before  
42 all appeal rights have been exhausted. Any contingent fee for Medicaid post-payment reviews  
43 or RAC audits shall be calculated as a percentage of the amount of the final overpayment, as  
44 defined in G.S. 108C-2(5). The State share of the contingent fee paid for Medicaid  
45 post-payment reviews or RAC audits shall not exceed the State share of the amount actually  
46 recovered by the Department and applied to the final overpayment."

47 **SECTION 12H.16.(c)** Subsection (b) of this section applies only to contracts  
48 entered into or amended on or after the date this act becomes law.  
49

#### 50 **CODIFY PROVIDER PERFORMANCE BONDS**

1           **SECTION 12H.17.(a)** Chapter 108C of the General Statutes is amended by adding  
2 a new section to read as follows:

3 **"§ 108C-14. Provider performance bonds.**

4           (a) Subject to the provisions of this section, the Department may require  
5 Medicaid-enrolled providers to purchase a performance bond in an amount not to exceed one  
6 hundred thousand dollars (\$100,000) naming as beneficiary the Department of Health and  
7 Human Services, Division of Medical Assistance, or provide to the Department a validly  
8 executed letter of credit or other financial instrument issued by a financial institution or agency  
9 honoring a demand for payment in an equivalent amount. The Department may require the  
10 purchase of a performance bond or the submission of an executed letter of credit or financial  
11 instrument as a condition of initial enrollment, reenrollment, recredentialing, or reinstatement if  
12 any of the following are true:

13           (1) The provider fails to demonstrate financial viability.

14           (2) The Department determines there is significant potential for fraud and abuse.

15           (3) The Department otherwise finds it is in the best interest of the Medicaid  
16 program to do so.

17 The Department shall specify the circumstances under which a performance bond or executed  
18 letter of credit will be required.

19           (b) The Department may waive or limit the requirements of subsection (a) of this  
20 section for individual Medicaid-enrolled providers or for one or more classes of  
21 Medicaid-enrolled providers based on the following:

22           (1) The provider's or provider class's dollar amount of monthly billings to  
23 Medicaid.

24           (2) The length of time an individual provider has been licensed, endorsed,  
25 certified, or accredited in this State to provide services.

26           (3) The length of time an individual provider has been enrolled to provide  
27 Medicaid services in this State.

28           (4) The provider's demonstrated ability to ensure adequate record keeping,  
29 staffing, and services.

30           (5) The need to ensure adequate access to care.

31 In waiving or limiting requirements of this section, the Department shall take into consideration  
32 the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The  
33 Department shall provide to the affected provider written notice of the findings upon which its  
34 action is based and shall include the performance bond requirements and the conditions under  
35 which a waiver or limitation apply."

36           **SECTION 12H.17.(b)** The Department may adopt temporary rules in accordance  
37 with G.S. 150B-21.1 as necessary to implement G.S. 108C-14, as enacted by this section.

38  
39 **SHARED SAVINGS PLAN WITH PROVIDERS**

40           **SECTION 12H.18.(a)** The Department of Health and Human Services shall  
41 consult with providers affected by subsection (b) of this section to develop a shared savings  
42 plan that the Department shall implement by July 1, 2014, with provider payments beginning  
43 January 1, 2015. The shared savings plan shall provide incentives to provide effective and  
44 efficient care that results in positive outcomes for Medicaid and NC Health Choice recipients.  
45 Payments under the shared savings plan shall be paid from funds withheld under subsection (b)  
46 of this section, and payments to members of a particular provider group shall come from the  
47 funds withheld from that group.

48           **SECTION 12H.18.(b)** During the 2013-2015 fiscal biennium, the Department of  
49 Health and Human Services shall withhold three percent (3%) of payments for the following  
50 services rendered to Medicaid and NC Health Choice recipients on or after January 1, 2014:

51           (1) Inpatient hospital.

- 1 (2) Physician, excluding primary care until January 1, 2015.
- 2 (3) Dental.
- 3 (4) Optical services and supplies.
- 4 (5) Podiatry.
- 5 (6) Chiropractors.
- 6 (7) Hearing aids.
- 7 (8) Personal care services.
- 8 (9) Nursing homes.
- 9 (10) Adult care homes.
- 10 (11) Dispensing drugs.

11 Funds from payments withheld under this section that are budgeted to be shared with providers  
12 shall not revert to the General Fund.

13 **SECTION 12H.18.(c)** The Department of Health and Human Services shall report  
14 to the Joint Legislative Oversight Committee on Health and Human Services on the  
15 development of the shared savings program established by this section no later than March 1,  
16 2014.

17 **SECTION 12H.18.(d)** The Department of Health and Human Services shall use  
18 funds withheld from payments for drugs to develop with Community Care of North Carolina  
19 (CCNC) a program for Medicaid and Health Choice recipients based on the CheckMeds NC  
20 program. The program shall include the following:

- 21 (1) At least 50 community pharmacies by June 30, 2015.
- 22 (2) At least 500 community pharmacies in at least 70 counties by June 30, 2016.
- 23 (3) A per member per month (PMPM) payment for care coordination and  
24 population health services provided in conjunction with CCNC.
- 25 (4) A pay for performance payment.

26  
27 **MODIFY HOSPITAL PROVIDER ASSESSMENTS BY CHANGING AMOUNT**  
28 **RETAINED BY STATE TO A PERCENTAGE**

29 **SECTION 12H.19.(a)** G.S. 108A-121(8) reads as rewritten:

30 "(8) State's annual Medicaid payment. – ~~Forty three million dollars~~  
31 ~~(\$43,000,000).~~ For an assessment collected under this Article, an amount  
32 equal to twenty-five and nine-tenths percent (25.9%) of the total amount  
33 collected under the assessment."

34 **SECTION 12H.19.(b)** G.S. 108A-124 reads as rewritten:

35 "**§ 108A-124. Use of assessment proceeds.**

36 (a) Use. – The proceeds of the assessments imposed under this Article and all  
37 corresponding matching federal funds must be used to make the State annual Medicaid  
38 payment to the State and the Medicaid equity payments and UPL payments to hospitals.

39 (b) Quarterly Payments. – Within seven business days ~~of following~~ the due date for  
40 each quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:

- 41 ~~(1) Transfer to the State Controller twenty five percent (25%) of the State's~~  
42 ~~annual Medicaid payment amount.~~
- 43 ~~(2)~~(1) Pay to each hospital that has paid its equity assessment for the respective  
44 quarter twenty-five percent (25%) of its Medicaid equity payment amount. A  
45 hospital's Medicaid equity payment amount is the sum of the hospital's  
46 Medicaid inpatient and outpatient deficits after calculating all other  
47 Medicaid payments, excluding disproportionate share hospital payments and  
48 the UPL payment remitted to the hospital under subdivision ~~(3)~~(2) of this  
49 subsection.
- 50 ~~(3)~~(2) Pay to the primary affiliated teaching hospital for the East Carolina  
51 University Brody School of Medicine, to the critical access hospitals, and to

1 each hospital that has paid its UPL assessment for the respective quarter  
2 twenty-five percent (25%) of its UPL payment amount, as determined under  
3 subsection (c) of this section.

4 ...."

5 **SECTION 12H.19.(c)** Article 7 of Chapter 108A of the General Statutes is  
6 amended by adding a new section to read as follows:

7 **"§ 108A-128. Payment for providers formerly subject to this Article.**

8 If a hospital provider (i) is exempt from both the equity and UPL assessments under this  
9 Article, (ii) makes an intergovernmental transfer (IGT) to the Department of Health and Human  
10 Services to be used to draw down matching federal funds, and (iii) has acquired, merged,  
11 leased, or managed another provider on or after March 25, 2011, then the hospital provider  
12 shall transfer to the State an additional amount, which shall be retained by the State. The  
13 additional amount shall be twenty-five and nine-tenths percent (25.9%) of the amount of funds  
14 that (i) would be transferred to the State through such an IGT and (ii) are to be used to match  
15 additional federal funds that the hospital provider is able to receive because of the acquired,  
16 merged, leased, or managed provider."

17  
18 **MODIFY MEDICAID RATE METHODOLOGIES FOR RECENTLY ACQUIRED**  
19 **PROVIDERS; CREATE REGIONAL BASE RATES FOR HOSPITALS**

20 **SECTION 12H.20.(a)** The Department of Health and Human Services shall  
21 modify Medicaid rate methodologies to ensure that rates paid to hospital or physician providers  
22 that were acquired, merged, leased, or managed after December 31, 2011, do not exceed rates  
23 that would have been paid if the provider had not been acquired, merged, leased, or managed.

24 **SECTION 12H.20.(b)** The Department of Health and Human Services, Division of  
25 Medical Assistance, shall replace the existing base rates for individual hospitals with new  
26 regional base rates for all hospitals within a given region. The Department shall consult with  
27 hospitals to define the regions and to identify appropriate regional differences in order to  
28 establish regional base rates. The new regional base rates shall do the following:

- 29 (1) Maintain the same statewide total for the base rates for all hospitals as before  
30 the base rate revision, after first adjusting the statewide total based on the  
31 changes to rates made by subsection (a) of this section.  
32 (2) Ensure the sustainability of small rural hospitals, ensuring access to care.

33  
34 **COMMUNITY CARE OF NORTH CAROLINA COST-EFFECTIVENESS AND**  
35 **OUTCOMES STUDY; CONTINUED REPORTING**

36 **SECTION 12H.21.(a)** The Office of the State Auditor shall, as recommended in its  
37 January 2013 performance audit of the Medicaid Program, engage nationally recognized  
38 medical researchers to perform a scientifically valid study based upon actual data to determine  
39 whether the Community Care of North Carolina (CCNC) model saves money and improves  
40 health outcomes. This study shall begin during fiscal year 2013-2014 and shall, if possible, be  
41 completed by the end of that fiscal year. The Department of Health and Human Services shall,  
42 upon the direction of and in amounts specified by the Office of the State Auditor, make  
43 payments to the contractor hired by the Office of the State Auditor from the one hundred  
44 thousand dollars (\$100,000) appropriated elsewhere in this budget for this study as well as from  
45 federal Medicaid matching funds available for this study.

46 **SECTION 12H.21.(b)** North Carolina Community Care Networks, Inc. (NCCCN),  
47 shall report quarterly to the Department and to the Office of State Budget and Management  
48 (OSBM) on the development of the statewide Enhanced Primary Care Case Management  
49 System and its defined goals and deliverables as agreed upon in the contract. NCCCN shall  
50 submit biannual reports to the Secretary of Health and Human Services, OSBM, the House of  
51 Representatives Appropriations Subcommittee on Health and Human Services, the Senate



1 Appropriations Committee on Health and Human Services, and the Fiscal Research Division on  
2 the progress and results of implementing the quantitative, analytical, utilization, quality, cost  
3 containment, and access goals and deliverables set out in the contract. NCCCN shall conduct its  
4 own analysis of the CCNC system to identify any variations from the development plan for the  
5 Enhanced Primary Care Case Management System and its defined goals and deliverables set  
6 out in the contract between the Department of Health and Human Services, Division of Medical  
7 Assistance (DMA), and NCCCN. Upon identifying any variations, NCCCN shall develop and  
8 implement a plan to address the variations. NCCCN shall report the plan to DMA within 30  
9 days after taking any action to implement the plan.

10  
11 **COMMUNITY CARE OF NORTH CAROLINA TO SET AND PAY PER MEMBER**  
12 **PER MONTH PAYMENTS ON PERFORMANCE BASIS TO ENCOURAGE**  
13 **BETTER CARE MANAGEMENT**

14 **SECTION 12H.22.(a)** The Department of Health and Human Services shall  
15 contract with Community Care Networks, Inc. (NCCCN), to administer and distribute the funds  
16 currently allocated to per member per month (PMPM) payments for Community Care of North  
17 Carolina (CCNC) primary care providers. NCCCN shall distribute one hundred percent (100%)  
18 of the funds allocated to PMPM payments to primary care providers on a care management  
19 performance basis using criteria developed by NCCCN. In developing its pay for performance  
20 model, NCCCN shall (i) ensure an adequate statewide network of participating CCNC primary  
21 care providers and (ii) adopt a payment level of zero dollars (\$0.00) for providers who do not  
22 satisfactorily participate in CCNC care management initiatives. Performance-based payments  
23 shall begin on July 1, 2014.

24 **SECTION 12H.22.(b)** PMPM payments from the Department to CCNC primary  
25 care providers shall continue until the implementation of the performance-based payment  
26 system.

27 **SECTION 12H.22.(c)** The Department shall consult with the Joint Legislative  
28 Oversight Committee on Health and Human Services on the performance-based payment  
29 proposal from NCCCN to incentivize better care management from primary care providers. If  
30 the Department submits a report and requests a meeting for the consultation, but the Oversight  
31 Committee does not hear the consultation within 90 days of the request, then the consultation  
32 requirement shall be deemed waived by the Oversight Committee. The report submitted for  
33 consultation shall include the following:

- 34 (1) Measureable elements that will be used to differentiate care management  
35 performance-based payments from the existing PMPM payments.
- 36 (2) A comparison of the performance plan to other measures such as the  
37 Healthcare Effectiveness Data and Information Set (HEDIS) or other  
38 national performance or quality measures.
- 39 (3) The specific structure of when payments would be made.
- 40 (4) An impact calculation of prospective payments under the performance-based  
41 payment plan and the current PMPM rates.

42 **SECTION 12H.22.(d)** Subsection (a) of this section is contingent upon both of the  
43 following:

- 44 (1) The Department's successful renegotiation of and modification to the  
45 existing contract or entering into a new contract with NCCCN to administer  
46 and distribute performance-based payments, as provided in subsection (a) of  
47 this section.
- 48 (2) The consultation required under subsection (c) of this section or an implied  
49 waiver of the consultation requirement, as provided in subsection (c) of this  
50 section.

**ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

**SECTION 12H.24.(a)** Receivables reserved at the end of the 2013-2014 and 2014-2015 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

**SECTION 12H.24.(b)** For the 2013-2014 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred ten million dollars (\$110,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2014-2015 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred nine million dollars (\$109,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals which are used to provide indigent and non-indigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

**MEDICAID SPECIAL FUND TRANSFER**

**SECTION 12H.25.** Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars (\$43,000,000) for the 2013-2014 fiscal year and the sum of forty-three million dollars (\$43,000,000) for the 2014-2015 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

**MEDICAID COST CONTAINMENT ACTIVITIES**

**SECTION 12H.26.(a)** The Department of Health and Human Services may use up to five million dollars (\$5,000,000) in the 2013-2014 fiscal year and up to five million dollars (\$5,000,000) in the 2014-2015 fiscal year in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services, hiring additional staff, funding pilot programs, Health Information Exchange and Health Information Technology (HIE/HIT) administrative activities, or providing grants through the Office of Rural Health and Community Care to plan, develop, and implement cost containment programs.

Medicaid cost containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, plastic magnetic-stripped Medicaid identification cards for issuance to Medicaid enrollees, fraud detection software or other fraud detection activities, technology that improves clinical decision making, credit balance recovery and data mining services, and other cost containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost containment activity and documentation of the amount of savings expected to be realized from the cost containment activity.

**SECTION 12H.26.(b)** The Department shall report annually on the expenditures under this section to the House of Representatives Appropriations Subcommittee on Health and

1 Human Services, the Senate Appropriations Committee on Health and Human Services, and the  
2 Fiscal Research Division. The report shall include the methods used to achieve savings and the  
3 amount saved by these methods. The report is due to the House of Representatives  
4 Appropriations Subcommittee on Health and Human Services, the Senate Appropriations  
5 Committee on Health and Human Services, and the Fiscal Research Division not later than  
6 December 1 of each year for the activities of the previous State fiscal year.

## 7 8 **MISCELLANEOUS MEDICAID PROVISIONS**

9 **SECTION 12H.27.(a)** Volume Purchase Plans and Single Source Procurement. –  
10 The Department of Health and Human Services, Division of Medical Assistance, may, subject  
11 to the approval of a change in the State Medicaid Plan, contract for services, medical  
12 equipment, supplies, and appliances by implementation of volume purchase plans, single  
13 source procurement, or other contracting processes in order to improve cost containment.

14 **SECTION 12H.27.(b)** Cost Containment Programs. – The Department of Health  
15 and Human Services, Division of Medical Assistance, may undertake cost containment  
16 programs, including contracting for services, preadmissions to hospitals, and prior approval for  
17 certain outpatient surgeries before they may be performed in an inpatient setting.

18 **SECTION 12H.27.(c)** Posting of Notices on Web Site. – For any public notice of  
19 change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no  
20 later than seven business days after the date of publication, publish the same notice on its Web  
21 site on the same Web page as it publishes State Plan amendments, and the notice shall remain  
22 on the Web site continuously for 90 days.

23 **SECTION 12H.27.(d)** Medicaid Identification Cards. – The Department shall  
24 issue Medicaid identification cards to recipients on an annual basis with updates as needed.

## 25 26 **CONTINUE A+KIDS REGISTRY AND ASAP INITIATIVE**

27 **SECTION 12H.28.(a)** Community Care of North Carolina (CCNC) and the  
28 Department of Health and Human Services, Division of Medical Assistance, shall continue to  
29 do the following:

- 30 (1) Monitor the prescription and administration of atypical antipsychotic  
31 medications to Medicaid recipients under the age of 18 through the About  
32 the Antipsychotics – Keeping It Documented for Safety (A+KIDS) Registry.
- 33 (2) Utilize a prior authorization policy for off-label antipsychotic medication  
34 prescribing with safety monitoring for Medicaid recipients 18 and older  
35 through the Adult Safety with Antipsychotic Prescribing (ASAP) Initiative.

36 **SECTION 12H.28.(b)** No later than April 1, 2014, Community Care of North  
37 Carolina (CCNC) and the Department of Health and Human Services shall report to the Joint  
38 Legislative Oversight Committee on Health and Human Services on the effectiveness of the  
39 programs listed in subsection (a) of this section.

## 40 41 **SUBPART XII-I. MISCELLANEOUS**

### 42 43 **STUDY/ALLOW CERTIFIED NURSE-MIDWIVES GREATER FLEXIBILITY IN** 44 **PRACTICE OF MIDWIFERY**

45 **SECTION 12I.2.(a)** The Joint Legislative Oversight Committee on Health and  
46 Human Services shall appoint a subcommittee to study whether certified nurse-midwives  
47 should be given more flexibility in the practice of midwifery. In conducting the study, the  
48 subcommittee shall consider whether a certified nurse-midwife should be allowed to practice  
49 midwifery in collaboration with, rather than under the supervision of, a physician licensed to  
50 practice medicine under Article 1 of Chapter 90 of the General Statutes who is actively  
51 engaged in the practice of obstetrics.

1           **SECTION 12I.2.(b)** The subcommittee shall report its findings and  
 2 recommendations to the Joint Legislative Oversight Committee on Health and Human Services  
 3 on or before April 1, 2014, at which time it shall terminate.

4  
 5 **SUBPART XII-J. DHHS BLOCK GRANTS**

6  
 7 **DHHS BLOCK GRANTS**

8           **SECTION 12J.1.(a)** Except as otherwise provided, appropriations from federal  
 9 block grant funds are made for each year of the fiscal biennium ending June 30, 2015,  
 10 according to the following schedule:

11  
 12 **TEMPORARY ASSISTANCE TO NEEDY                      FY2013-2014                      FY2014-2015**  
 13 **FAMILIES (TANF) FUNDS**

14  
 15 Local Program Expenditures

16  
 17     Division of Social Services

18	01.	Work First Family Assistance	\$ 60,285,413	\$ 60,285,413	
19	20	02.	Work First County Block Grants	82,485,495	82,485,495
21	22	03.	Work First Electing Counties	2,352,521	2,352,521
23	24	04.	Adoption Services – Special Children Adoption Fund	2,026,877	2,026,877
25	26	05.	Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
27	28	06.	Child Welfare Collaborative	632,416	632,416

29  
 30  
 31  
 32  
 33     Division of Child Development

34	35	07.	Subsidized Child Care Program	57,172,097	55,409,695
36	37	08.	Swap Child Care Subsidy	6,352,644	6,352,644

38  
 39     Division of Public Health

40	41	09.	Teen Pregnancy Initiatives	2,500,000	2,500,000
----	----	-----	----------------------------	-----------	-----------

42  
 43 DHHS Administration

44	45	10.	Division of Social Services	2,482,260	2,482,260
46	47	11.	Office of the Secretary	34,042	34,042

48  
 49 Transfers to Other Block Grants

50  
 51     Division of Child Development

1			
2	12.	Transfer to the Child Care and	
3		Development Fund	71,773,001
4			71,773,001
5	13.	Transfer to Social Services Block	
6		Grant for Child Protective Services –	
7		Child Welfare Training in Counties	1,300,000
8			1,300,000
9	14.	Transfer to Social Services Block	
10		Grant for Child Protective Services	5,040,000
11			5,040,000
12	15.	Transfer to Social Services Block	
13		Grant for County Departments of	
14		Social Services for Children's Services	4,148,001
15			4,148,001
16	<b>TOTAL TEMPORARY ASSISTANCE TO</b>		
17	<b>NEEDY FAMILIES (TANF) FUNDS</b>		<b>\$307,997,158</b>
18			<b>\$306,234,756</b>
19	<b>TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)</b>		
20	<b>EMERGENCY CONTINGENCY FUNDS</b>		
21			
22	Local Program Expenditures		
23			
24	Division of Social Services		
25			
26	01.	Work First County Block Grants	\$ 5,580,925
27			\$ 5,580,925
28	02.	Work First Electing Counties	25,692
29			25,692
30	03.	Subsidized Child Care	6,549,469
31			6,549,469
32	<b>TOTAL TEMPORARY ASSISTANCE TO</b>		
33	<b>NEEDY FAMILIES (TANF) EMERGENCY</b>		
34	<b>CONTINGENCY FUNDS</b>		<b>\$12,156,086</b>
35			<b>\$ 12,156,086</b>
36	<b>SOCIAL SERVICES BLOCK GRANT</b>		
37			
38	Local Program Expenditures		
39			
40	Divisions of Social Services and Aging and Adult Services		
41			
42	01.	County Departments of Social Services	
43		(Transfer from TANF \$4,148,001)	\$ 29,422,137
44			\$ 29,422,137
45	02.	Child Protective Services	
46		(Transfer from TANF)	5,040,000
47			5,040,000
48	03.	State In-Home Services Fund	1,943,950
49			1,943,950
50	04.	Adult Protective Services	1,245,363
51			1,245,363

1	05.	State Adult Day Care Fund	1,994,084	1,994,084
2				
3	06.	Child Protective Services/CPS		
4		Investigative Services – Child Medical		
5		Evaluation Program	563,868	563,868
6				
7	07.	Special Children Adoption Incentive Fund	462,600	462,600
8				
9	08.	Child Protective Services – Child		
10		Welfare Training for Counties		
11		(Transfer from TANF)	1,300,000	1,300,000
12				
13	09.	Home and Community Care Block		
14		Grant (HCCBG)	1,696,888	1,696,888
15				
16	10.	Child Advocacy Centers	375,000	375,000
17				
18	11.	Guardianship	3,978,360	3,978,360
19				
20	12.	UNC Cares Contract	229,376	229,376
21				
22	13.	Foster Care Services	1,385,152	1,385,152
23				
24		Division of Central Management and Support		
25				
26	14.	DHHS Competitive Block Grants		
27		for Nonprofits	3,852,500	3,852,500
28				
29		Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
30				
31	15.	Mental Health Services – Adult and		
32		Child/Developmental Disabilities Program/		
33		Substance Abuse Services – Adult	4,030,730	4,030,730
34				
35		DHHS Program Expenditures		
36				
37		Division of Services for the Blind		
38				
39	16.	Independent Living Program	3,361,323	3,361,323
40				
41		Division of Health Service Regulation		
42				
43	17.	Adult Care Licensure Program	381,087	381,087
44				
45	18.	Mental Health Licensure and		
46		Certification Program	190,284	190,284
47				
48		DHHS Administration		
49				
50	19.	Division of Aging and Adult Services	577,745	577,745
51				

1	20.	Division of Social Services	559,109	559,109
2				
3	21.	Office of the Secretary/Controller's Office	127,731	127,731
4				
5	22.	Division of Child Development	13,878	13,878
6				
7	23.	Division of Mental Health, Developmental		
8		Disabilities, and Substance Abuse Services	27,446	27,446
9				
10	24.	Division of Health Service Regulation	118,946	118,946
11				
12	<b>TOTAL SOCIAL SERVICES BLOCK GRANT</b>		<b>\$ 62,877,557</b>	<b>\$ 62,877,557</b>
13				
14	<b>LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT</b>			
15				
16	Local Program Expenditures			
17				
18	Division of Social Services			
19				
20	01.	Low-Income Energy Assistance		
21		Program (LIEAP)	\$ 50,876,440	\$ 50,876,440
22				
23	02.	Crisis Intervention Program (CIP)	33,866,195	33,866,195
24				
25	Local Administration			
26				
27	Division of Social Services			
28				
29	03.	County DSS Administration	6,757,731	6,757,731
30				
31	DHHS Administration			
32				
33	04.	Office of the Secretary/DIRM	412,488	412,488
34				
35	05.	Office of the Secretary/Controller's Office	18,378	18,378
36				
37	Transfers to Other State Agencies			
38				
39	Department of Environment and Natural			
40	Resources (DENR)			
41				
42	06.	Weatherization Program	14,947,789	14,947,789
43				
44	07.	Heating Air Repair and Replacement		
45		Program (HARRP)	7,193,873	7,193,873
46				
47	08.	Local Residential Energy Efficiency Service		
48		Providers – Weatherization	37,257	37,257
49				
50	09.	Local Residential Energy Efficiency Service		
51		Providers – HARRP	338,352	338,352

1			
2	10.	DENR Administration – Weatherization	37,257 37,257
3			
4	11.	DENR Administration – HARRP	338,352 338,352
5			
6		Department of Administration	
7			
8	12.	N.C. Commission on Indian Affairs	87,736 87,736
9			
10		<b>TOTAL LOW-INCOME HOME ENERGY</b>	
11		<b>ASSISTANCE BLOCK GRANT</b>	<b>\$ 114,911,848 \$ 114,911,848</b>
12			
13		<b>CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT</b>	
14			
15		Local Program Expenditures	
16			
17		Division of Child Development	
18			
19	01.	Child Care Services	
20		(Smart Start \$7,000,000)	\$ 156,566,345 \$ 158,328,747
21			
22	02.	Electronic Tracking System	3,000,000 3,000,000
23			
24	03.	Transfer from TANF Block Grant	
25		for Child Care Subsidies	71,773,001 71,773,001
26			
27	04.	Quality and Availability Initiatives	
28		(TEACH Program \$3,800,000)	24,262,402 22,500,000
29			
30		DHHS Administration	
31			
32		Division of Child Development	
33			
34	05.	DCDEE Administrative Expenses	6,000,000 6,000,000
35			
36	06.	Local Subsidized Child Care	
37		Services Support	13,274,413 13,274,413
38			
39		Division of Central Administration	
40			
41	07.	DHHS Central Administration – DIRM	
42		Technical Services	775,000 775,000
43			
44		<b>TOTAL CHILD CARE AND DEVELOPMENT</b>	
45		<b>FUND BLOCK GRANT</b>	<b>\$ 275,651,161 \$ 275,651,161</b>
46			
47		<b>MENTAL HEALTH SERVICES BLOCK GRANT</b>	
48			
49		Local Program Expenditures	
50			
51	01.	Mental Health Services – Adult	\$ 10,717,607 \$ 10,717,607



1			
2	02.	Mental Health Services – Child	5,121,991 5,121,991
3			
4	03.	Administration	200,000 200,000
5			
6		<b>TOTAL MENTAL HEALTH SERVICES</b>	
7		<b>BLOCK GRANT</b>	<b>\$ 16,039,598 \$ 16,039,598</b>
8			
9		<b>SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT</b>	
10			
11		Local Program Expenditures	
12			
13		Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
14			
15	01.	Substance Abuse Services – Adult	\$ 14,960,371 \$ 14,960,371
16			
17	02.	Substance Abuse Treatment Alternative	
18		for Women	6,050,300 6,050,300
19			
20	03.	Substance Abuse – HIV and IV Drug	3,919,723 3,919,723
21			
22	04.	Substance Abuse Prevention – Child	7,186,857 7,186,857
23			
24	05.	Substance Abuse Services – Child	4,190,500 4,190,500
25			
26	06.	Administration	454,000 454,000
27			
28		Division of Public Health	
29			
30	07.	Risk Reduction Projects	575,654 575,654
31			
32	08.	Aid-to-Counties	190,295 190,295
33			
34		<b>TOTAL SUBSTANCE ABUSE PREVENTION</b>	
35		<b>AND TREATMENT BLOCK GRANT</b>	<b>\$ 37,527,700 \$ 37,527,700</b>
36			
37		<b>MATERNAL AND CHILD HEALTH BLOCK GRANT</b>	
38			
39		Local Program Expenditures	
40			
41		Division of Public Health	
42			
43	01.	Children's Health Services	
44		(Safe Sleep Campaign \$45,000)	\$ 8,042,531 \$ 8,042,531
45			
46	02.	Women's Health	
47		(March of Dimes \$350,000; Teen Pregnancy	
48		Prevention Initiatives \$650,000; Perinatal	
49		Quality Collaborative \$350,000;	
50		17P Project \$52,000; Carolina Pregnancy	
51		Care Fellowship \$250,000;	

1	Nurse-Family Partnership \$509,018)	8,532,935	8,532,935
2			
3	03. Oral Health	44,901	44,901
4			
5	DHHS Program Expenditures		
6			
7	Division of Public Health		
8			
9	04. Children's Health Services	1,301,504	1,301,504
10			
11	05. Women's Health – Maternal Health	105,419	105,419
12			
13	06. State Center for Health Statistics	164,487	164,487
14			
15	07. Health Promotion – Injury and		
16	Violence Prevention	89,374	89,374
17			
18	DHHS Administration		
19			
20	Division of Public Health		
21			
22	08. Division of Public Health Administration	573,108	573,108
23			
24	<b>TOTAL MATERNAL AND CHILD</b>		
25	<b>HEALTH BLOCK GRANT</b>	<b>\$ 18,854,259</b>	<b>\$ 18,854,259</b>
26			
27	<b>PREVENTIVE HEALTH SERVICES BLOCK GRANT</b>		
28			
29	Local Program Expenditures		
30			
31	01. Physical Activity and Prevention	\$ 1,186,142	\$ 1,186,142
32			
33	02. Injury and Violence Prevention		
34	(Services to Rape Victims – Set-Aside)	169,730	169,730
35			
36	DHHS Program Expenditures		
37			
38	Division of Public Health		
39			
40	03. HIV/STD Prevention and		
41	Community Planning	145,819	145,819
42			
43	04. Oral Health Preventive Services	46,302	46,302
44			
45	05. Laboratory Services – Testing,		
46	Training, and Consultation	10,980	10,980
47			
48	06. Injury and Violence Prevention		
49	(Services to Rape Victims – Set-Aside)	199,634	199,634
50			
51	07. Heart Disease and Stroke Prevention	162,249	162,249

1			
2	08.	Performance Improvement and Accountability	213,971
3			213,971
4	09.	Physical Activity and Nutrition	38,000
5			38,000
6	10.	State Center for Health Statistics	61,406
7			61,406
8	<b>TOTAL PREVENTIVE HEALTH</b>		
9	<b>SERVICES BLOCK GRANT</b>		<b>\$ 2,234,233</b>
10			<b>\$ 2,234,233</b>
11	<b>COMMUNITY SERVICES BLOCK GRANT</b>		
12	Local Program Expenditures		
13			
14			
15		Office of Economic Opportunity	
16			
17	01.	Community Action Agencies	\$ 22,402,724
18			\$ 22,402,724
19	02.	Limited Purpose Agencies	1,244,596
20			1,244,596
21	DHHS Administration		
22			
23	03.	Office of Economic Opportunity	1,244,596
24			1,244,596
25	<b>TOTAL COMMUNITY SERVICES</b>		
26	<b>BLOCK GRANT</b>		<b>\$ 24,891,916</b>
27			<b>\$ 24,891,916</b>

**GENERAL PROVISIONS**

29 **SECTION 12J.1.(b)** Information to Be Included in Block Grant Plans. – The  
30 Department of Health and Human Services shall submit a separate plan for each Block Grant  
31 received and administered by the Department, and each plan shall include the following:

- 32 (1) A delineation of the proposed allocations by program or activity, including  
33 State and federal match requirements.
- 34 (2) A delineation of the proposed State and local administrative expenditures.
- 35 (3) An identification of all new positions to be established through the Block  
36 Grant, including permanent, temporary, and time-limited positions.
- 37 (4) A comparison of the proposed allocations by program or activity with two  
38 prior years' program and activity budgets and two prior years' actual program  
39 or activity expenditures.
- 40 (5) A projection of current year expenditures by program or activity.
- 41 (6) A projection of federal Block Grant funds available, including unspent  
42 federal funds from the current and prior fiscal years.

43 **SECTION 12J.1.(c)** Changes in Federal Fund Availability. – If the Congress of the  
44 United States increases the federal fund availability for any of the Block Grants or contingency  
45 funds and other grants related to existing Block Grants administered by the Department of  
46 Health and Human Services from the amounts appropriated in this section, the Department  
47 shall allocate the increase proportionally across the program and activity appropriations  
48 identified for that Block Grant in this section. In allocating an increase in federal fund  
49 availability, the Office of State Budget and Management shall not approve funding for new  
50 programs or activities not appropriated in this section.

1 If the Congress of the United States decreases the federal fund availability for any of  
2 the Block Grants or contingency funds and other grants related to existing Block Grants  
3 administered by the Department of Health and Human Services from the amounts appropriated  
4 in this section, the Department shall develop a plan to adjust the block grants based on reduced  
5 federal funding.

6 Notwithstanding the provisions of this subsection, for fiscal years 2013-2014 and  
7 2014-2015, increases in the federal fund availability for the Temporary Assistance to Needy  
8 Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy  
9 program to pay for child care in four- or five-star rated facilities for four-year-old children.

10 Prior to allocating the change in federal fund availability, the proposed allocation  
11 must be approved by the Office of State Budget and Management. If the Department adjusts the  
12 allocation of any Block Grant due to changes in federal fund availability, then a report shall be  
13 made to the Joint Legislative Oversight Committee on Health and Human Services, the Joint  
14 Legislative Commission on Governmental Operations, and the Fiscal Research Division.

15 **SECTION 12J.1.(d)** Except as otherwise provided, appropriations from federal  
16 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2015,  
17 according to the schedule enacted for State fiscal years 2013-2014 and 2014-2015 or until a  
18 new schedule is enacted by the General Assembly.

19 **SECTION 12J.1.(e)** All changes to the budgeted allocations to the Block Grants or  
20 contingency funds and other grants related to existing Block Grants administered by the  
21 Department of Health and Human Services that are not specifically addressed in this section  
22 shall be approved by the Office of State Budget and Management, and the Office of State  
23 Budget and Management shall consult with the Joint Legislative Commission on Governmental  
24 Operations for review prior to implementing the changes. The report shall include an itemized  
25 listing of affected programs, including associated changes in budgeted allocations. All changes  
26 to the budgeted allocations to the Block Grants shall be reported immediately to the Joint  
27 Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
28 Division. This subsection does not apply to Block Grant changes caused by legislative salary  
29 increases and benefit adjustments.  
30

### 31 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

32 **SECTION 12J.1.(f)** The sum of eighty-two million four hundred eighty-five  
33 thousand four hundred ninety-five dollars (\$82,485,495) appropriated in this section in TANF  
34 funds to the Department of Health and Human Services, Division of Social Services, for each  
35 year of the 2013-2015 fiscal biennium shall be used for Work First County Block Grants. The  
36 Division shall certify these funds in the appropriate State-level services based on prior year  
37 actual expenditures. The Division has the authority to realign the authorized budget for these  
38 funds among the State-level services based on current year actual expenditures.

39 **SECTION 12J.1.(g)** The sum of two million four hundred eighty-two thousand  
40 two hundred sixty dollars (\$2,482,260) appropriated in this section in TANF funds to the  
41 Department of Health and Human Services, Division of Social Services, for each year of the  
42 2013-2015 fiscal biennium shall be used to support administration of TANF-funded programs.

43 **SECTION 12J.1.(h)** The sum of nine million four hundred twelve thousand three  
44 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of  
45 Health and Human Services, Division of Social Services, in TANF funds for each year of the  
46 2013-2015 fiscal biennium for child welfare improvements shall be allocated to the county  
47 departments of social services for hiring or contracting staff to investigate and provide services  
48 in Child Protective Services cases; to provide foster care and support services; to recruit, train,  
49 license, and support prospective foster and adoptive families; and to provide interstate and  
50 post-adoption services for eligible families.

1 Counties shall maintain their level of expenditures in local funds for Child  
2 Protective Services workers. Of the Block Grant funds appropriated for Child Protective  
3 Services workers, the total expenditures from State and local funds for fiscal years 2013-2014  
4 and 2014-2015 shall not be less than the total expended from State and local funds for the  
5 2012-2013 fiscal year.

6 **SECTION 12J.1.(i)** The sum of two million twenty-six thousand eight hundred  
7 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the  
8 Department of Health and Human Services, Special Children Adoption Fund, for each year of  
9 the 2013-2015 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division  
10 of Social Services, in consultation with the North Carolina Association of County Directors of  
11 Social Services and representatives of licensed private adoption agencies, shall develop  
12 guidelines for the awarding of funds to licensed public and private adoption agencies upon the  
13 adoption of children described in G.S. 108A-50 and in foster care. Payments received from the  
14 Special Children Adoption Fund by participating agencies shall be used exclusively to enhance  
15 the adoption services program. No local match shall be required as a condition for receipt of  
16 these funds.

17 **SECTION 12J.1.(j)** The sum of six hundred thirty-two thousand four hundred  
18 sixteen dollars (\$632,416) appropriated in this section to the Department of Health and Human  
19 Services in TANF funds for each year of the 2013-2015 fiscal biennium shall be used to  
20 continue support for the Child Welfare Collaborative.

## 21 **SOCIAL SERVICES BLOCK GRANT**

22 **SECTION 12J.1.(k)** The sum of twenty-nine million four hundred twenty-two  
23 thousand one hundred thirty-seven dollars (\$29,422,137) appropriated in this section in the  
24 Social Services Block Grant to the Department of Health and Human Services, Division of  
25 Social Services, for each year of the 2013-2015 fiscal biennium shall be used for county block  
26 grants. The Division shall certify these funds in the appropriate State-level services based on  
27 prior year actual expenditures. The Division has the authority to realign the authorized budget  
28 for these funds among the State-level services based on current year actual expenditures.

29 **SECTION 12J.1.(l)** The sum of one million three hundred thousand dollars  
30 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department  
31 of Health and Human Services, Division of Social Services, for each year of the 2013-2015  
32 fiscal biennium shall be used to support various child welfare training projects as follows:

- 33 (1) Provide a regional training center in southeastern North Carolina.
- 34 (2) Provide training for residential child caring facilities.
- 35 (3) Provide for various other child welfare training initiatives.

36 **SECTION 12J.1.(m)** The Department of Health and Human Services is  
37 authorized, subject to the approval of the Office of State Budget and Management, to transfer  
38 Social Services Block Grant funding allocated for departmental administration between  
39 divisions that have received administrative allocations from the Social Services Block Grant.

40 **SECTION 12J.1.(n)** Social Services Block Grant funds appropriated for the  
41 Special Childrens Adoption Incentive Fund will require a fifty percent (50%) local match.

42 **SECTION 12J.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)  
43 appropriated in this section in the Social Services Block Grant for each year of the 2013-2015  
44 fiscal biennium shall be allocated to the Department of Health and Human Services, Division  
45 of Social Services. The Division shall allocate these funds to local departments of social  
46 services to replace the loss of Child Protective Services State funds that are currently used by  
47 county government to pay for Child Protective Services staff at the local level. These funds  
48 shall be used to maintain the number of Child Protective Services workers throughout the State.  
49 These Social Services Block Grant funds shall be used to pay for salaries and related expenses  
50

1 only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five  
2 percent (25%).

3 **SECTION 12J.1.(p)** The sum of three million eight hundred fifty-two thousand  
4 five hundred dollars (\$3,852,500) appropriated in this section in the Social Services Block  
5 Grant to the Department of Health and Human Services, Division of Central Management and  
6 Support, shall be used for DHHS competitive block grants pursuant to Section 12A.2 of this act  
7 for each year of the 2013-2015 fiscal biennium. These funds are exempt from the provisions of  
8 10A NCAC 71R .0201(3).

9 **SECTION 12J.1.(q)** The sum of three hundred seventy-five thousand dollars  
10 (\$375,000) appropriated in this section in the Social Services Block Grant for each year of the  
11 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of  
12 Social Services, shall be used to continue support for the Child Advocacy Centers and are  
13 exempt from the provisions of 10A NCAC 71R .0201(3).

14 **SECTION 12J.1.(r)** The sum of three million nine hundred seventy-eight thousand  
15 three hundred sixty dollars (\$3,978,360) appropriated in this section in the Social Services  
16 Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and  
17 Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for  
18 guardianship services pursuant to Chapter 35A of the General Statutes. The Department may  
19 expend funds appropriated in this section to support (i) existing corporate guardianship  
20 contracts during the 2013-2014 and 2014-2015 fiscal years and (ii) guardianship contracts  
21 transferred to the State from local management entities or managed care organizations during  
22 the 2013-2014 and 2014-2015 fiscal years.

#### 23 24 **LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

25 **SECTION 12J.1.(s)** Additional emergency contingency funds received may be  
26 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior  
27 consultation with the Joint Legislative Commission on Governmental Operations. Additional  
28 funds received shall be reported to the Joint Legislative Commission on Governmental  
29 Operations and the Fiscal Research Division upon notification of the award. The Department of  
30 Health and Human Services shall not allocate funds for any activities, including increasing  
31 administration, other than assistance payments, without prior consultation with the Joint  
32 Legislative Commission on Governmental Operations.

33 **SECTION 12J.1.(t)** The sum of fifty million eight hundred seventy-six thousand  
34 four hundred forty dollars (\$50,876,440) appropriated in this section in the Low-Income Home  
35 Energy Assistance Block Grant for each year of the 2013-2015 fiscal biennium to the  
36 Department of Health and Human Services, Division of Social Services, shall be used for  
37 energy assistance payments for the households of (i) elderly persons age 60 and above with  
38 income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled  
39 persons eligible for services funded through the Division of Aging and Adult Services. County  
40 departments of social services shall submit to the Division of Social Services an outreach plan  
41 for targeting households with 60-year-old household members no later than August 1 of each  
42 year.

#### 43 44 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

45 **SECTION 12J.1.(u)** Payment for subsidized child care services provided with  
46 federal TANF funds shall comply with all regulations and policies issued by the Division of  
47 Child Development for the subsidized child care program.

48 **SECTION 12J.1.(v)** If funds appropriated through the Child Care and  
49 Development Fund Block Grant for any program cannot be obligated or spent in that program  
50 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 August 1, 2013, and applies to  
47 submissions received by the Department for testing or analysis on or after that date.  
48

#### 49 **AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM FUNDING**

50 **SECTION 13.2.** The Division of Soil and Water Conservation of the Department  
51 of Agriculture and Consumer Services may use up to fifteen percent (15%) of the funds

1 appropriated for the Agriculture Water Resources Assistance program to provide engineering,  
2 technical, and administrative assistance.

#### 3 4 **TVA SETTLEMENT FUNDS**

5 **SECTION 13.3.(a)** In each fiscal year of the 2013-2015 biennium, the Department  
6 of Agriculture and Consumer Services shall apply for two million two hundred forty thousand  
7 dollars (\$2,240,000) from the Tennessee Valley Authority Settlement Agreement in compliance  
8 with the requirements of paragraphs 122 through 128 of the Consent Decree entered into by the  
9 State in *State of Alabama et al. v. Tennessee Valley Authority*, Civil Action 3:11-cv-00170 in  
10 the United States District Court for the Eastern District of Tennessee, and Appendix C to the  
11 Compliance Agreement. The funds received by the State under this section shall be allocated as  
12 follows:

- 13 (1) Five hundred thousand dollars (\$500,000) for each fiscal year of the  
14 2013-2015 biennium to award grants for "Environmental Mitigation  
15 Projects" of the types specified in paragraph 128 of the Consent Decree in  
16 the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham,  
17 Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell,  
18 Swain, Transylvania, Watauga, Yancey.
- 19 (2) Five hundred thousand dollars (\$500,000) for each fiscal year of the  
20 2013-2015 biennium to the North Carolina Agricultural Water Resources  
21 Assistance Program to fund projects in the following counties: Avery,  
22 Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson,  
23 Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga,  
24 Yancey.
- 25 (3) One million dollars (\$1,000,000) for each fiscal year of the 2013-2015  
26 biennium to North Carolina Agricultural Development and Farmland  
27 Preservation Trust Fund to be used, notwithstanding G.S. 106-744, to award  
28 funds in the following counties: Avery, Buncombe, Burke, Cherokee, Clay,  
29 Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell,  
30 Mitchell, Swain, Transylvania, Watauga, Yancey.
- 31 (4) Two hundred forty thousand dollars (\$240,000) for each fiscal year of the  
32 2013-2015 biennium to the Appalachian Energy Center at Appalachian State  
33 University.

34 **SECTION 13.3(b)** Funds allocated under subdivision (1) of subsection (a) of this  
35 section shall not be used to acquire land.

#### 36 37 **SUSTAINABLE LOCAL FOOD ADVISORY COUNCIL SUNSET**

38 **SECTION 13.4.** Section 1 of S.L. 2012-75 reads as rewritten:

39 **"SECTION 1.** Section 4 of S.L. 2009-530 reads as rewritten:

40 **'SECTION 4.** This act is effective when it becomes law and shall expire on ~~July 31,~~  
41 2015; July 31, 2013."

#### 42 43 **TOBACCO TRUST FUND**

44 **SECTION 13.5.** Notwithstanding any other provisions of G.S. 143-720 or the  
45 provisions of G.S. 143-721, the funds appropriated from the General Fund to the Tobacco Trust  
46 Fund for the 2013-2014 fiscal year and for the 2014-2015 fiscal year shall be used as follows:

- 47 (1) Up to three hundred fifty thousand dollars (\$350,000) may be used for  
48 administrative expenses each fiscal year.
- 49 (2) Of the remaining funds appropriated to the Tobacco Trust Fund, preference  
50 shall be given to provide direct financial assistance to tobacco producers as  
51 permitted under G.S. 143-720.



1  
2 **STATE FAIR ADMISSION**

3 **SECTION 13.6.** Notwithstanding 02 NCAC 20B .0104, the Board of Agriculture  
4 may set admission fees for the 2013 State Fair without complying with the requirements of  
5 Article 2A of Chapter 150B of the General Statutes. When this act becomes law, the Board  
6 shall post the 2013 admission fee schedule on its Web site and provide notice of the fee  
7 schedule, along with a citation to this section, to all persons named on the mailing list  
8 maintained pursuant to G.S. 150B-21.2(d).  
9

10 **FUTURE FARMERS OF AMERICA PROGRAM FUNDS/REPORTING**  
11 **REQUIREMENTS**

12 **SECTION 13.7.(a)** Up to forty thousand dollars (\$40,000) of the funds  
13 appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal  
14 year and up to one hundred forty thousand dollars (\$140,000) of the funds appropriated to the  
15 Department of Agriculture and Consumer Services for the 2014-2015 fiscal year may be used  
16 as a grant-in-aid to the North Carolina Agricultural Foundation, Inc., for the Future Farmers of  
17 America program for each of these fiscal years.

18 **SECTION 13.7.(b)** North Carolina Agricultural Foundation – FFA Foundation  
19 (hereinafter "FFA Foundation") shall do the following if the Department of Agriculture and  
20 Consumer Services allocates funds to the entity:

- 21 (1) By September 1 of each year, and more frequently as requested, report to the  
22 Joint Legislative Commission on Governmental Operations and the Fiscal  
23 Research Division on prior State fiscal year program activities, objectives,  
24 and accomplishments and prior State fiscal year itemized expenditures and  
25 fund sources.  
26 (2) Provide to the Fiscal Research Division a copy of the organization's annual  
27 audited financial statement within 30 days of issuance of the statement.  
28

29 **ALLOW BOARD TO ESTABLISH EXAMINATION FEE/SOIL SCIENTISTS**

30 **SECTION 13.8.** G.S. 89F-25 reads as rewritten:

31 "**§ 89F-25. Fees.**

32 (a) The Board shall determine fees for the following services that shall not exceed the  
33 amounts specified in this section:

34 Application	\$ 50.00
35 <del>Examination</del>	<del>125.00</del>
36 License	85.00
37 Renewal	85.00
38 Restoration	110.00
39 Replacement license	50.00
40 Seal	30.00.

41 (b) The Board may charge the applicant the actual cost of preparation, administration,  
42 and grading of examinations for soil scientists, in addition to its other fees."  
43

44 **INCREASE CERTAIN COMMERCIAL FERTILIZER FEES FOR PACKAGES OF**  
45 **FIVE POUNDS OR LESS**

46 **SECTION 13.9.(a)** G.S. 106-660(a) reads as rewritten:

47 "(a) Each brand of commercial fertilizer for tobacco, specialty fertilizer, fertilizer  
48 materials, manipulated manure and fortified mulch shall be registered by the person whose  
49 name appears upon the label before being offered for sale, sold or distributed in this State,  
50 except those brands expressly produced for experimental and demonstration purposes only.  
51 Other fertilizers may be manufactured and sold without registration after obtaining a license as

1 required in G.S. 106-661(a). The application for registration shall be submitted in duplicate to  
2 the Commissioner for his approval on forms furnished by the Commissioner, and shall include  
3 a fee of five dollars (\$5.00) per brand and grade for all packages greater than five pounds. The  
4 registration fee for packages of five pounds or less shall be ~~thirty dollars (\$30.00)~~ fifty-five  
5 dollars (\$55.00). All approved registrations expire on June 30 of each year. The application  
6 shall include such information as deemed necessary by the Board of Agriculture."

7 **SECTION 13.9.(b)** G.S. 106-671(a) reads as rewritten:

8 "(a) For the purpose of defraying expenses on the inspection and of otherwise  
9 determining the value of commercial fertilizers in this State, there shall be paid to the  
10 Department of Agriculture and Consumer Services a charge of fifty cents (50¢) per ton on all  
11 commercial fertilizers other than packages of five pounds or less. Inspection fees shall be paid  
12 on all tonnage distributed into North Carolina to any person not having a valid reporting permit.  
13 ~~On individual~~ Individual packages of five pounds or less ~~there shall be paid in lieu of the~~  
14 ~~tonnage fee an annual registration fee of twenty five dollars (\$25.00) for each brand offered for~~  
15 ~~sale, sold, or distributed;~~ shall be exempt from the tonnage fee; provided that any per annum  
16 (fiscal) tonnage of any brand sold in excess of one hundred tons ~~may~~ shall be subject to the  
17 charge of fifty cents (50¢) per ton on any amount in excess of one hundred tons as provided  
18 herein. Whenever any manufacturer of commercial fertilizer shall have paid the charges  
19 required by this section his goods shall not be liable to further tax, whether by city, town, or  
20 county; provided, this shall not exempt the commercial fertilizers from an ad valorem tax."

21 **SECTION 13.9.(c)** This section becomes effective August 1, 2013.

## 22 23 **DEPARTMENT OF LABOR CREATE AND CONDUCT SAFETY PROGRAM FOR** 24 **HISTORICAL BOILER OPERATORS**

25 **SECTION 13.10.(a)** Chapter 95 of the General Statutes is amended by adding the  
26 following new Article to read:

27 "Article 7B.

28 "Historical Boilers.

### 29 **"§ 95-69.30. Safety Program for Operators and Apprentices.**

30 The Department of Labor shall create and conduct a safety program for the purpose of  
31 providing instruction on how to properly care, maintain, operate, and exhibit historical boilers.  
32 The program shall also include instruction on how to train an apprentice to properly care,  
33 maintain, operate, and exhibit historical boilers. For purposes of this section, the term  
34 "historical boiler" means a steam boiler of riveted construction that is preserved, restored, or  
35 maintained for hobby or demonstration."

36 **SECTION 13.10.(b)** This section is effective when it becomes law.

## 37 38 **PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

### 39 40 **DEVELOP PLAN FOR AQUARIUMS TO RAISE PRIVATE FUNDS FOR SUPPORT** 41 **ASSISTANCE**

42 **SECTION 14.1.** No later than April 1, 2014, the Division of North Carolina  
43 Aquariums of the Department of Environment and Natural Resources shall develop a plan for  
44 the North Carolina Aquariums established under Article 5C of Chapter 143B of the General  
45 Statutes to increase the amount of private funds raised through the direct efforts of each North  
46 Carolina Aquarium in order to make the North Carolina Aquariums become more financially  
47 self-sustaining. No later than April 1, 2014, the Division of North Carolina Aquariums of the  
48 Department of Environment and Natural Resources shall report its plan under this section to the  
49 Senate Appropriations Committee on Natural and Economic Resources, the House of  
50 Representatives Appropriations Subcommittee on Natural and Economic Resources, and the  
51 Fiscal Research Division.

**EARLY SUNSET FOR NC SUSTAINABLE COMMUNITIES TASK FORCE**

**SECTION 14.2.** Section 13.5(e) of S.L. 2010-31 reads as rewritten:

"**SECTION 13.5.(e)** Sunset. – This section expires ~~June 30, 2016~~ July 31, 2013."

**CLEAN WATER MANAGEMENT TRUST FUND UNDER DENR; NHTF REPEALED; CWMTF CHANGES**

**SECTION 14.3.(a)** All staff that are supported by the Clean Water Management Trust Fund and employed by the Clean Water Management Trust Fund Board of Trustees are transferred to the Department of Environment and Natural Resources and shall continue to be supported by the Clean Water Management Trust Fund, established in G.S. 113A-253, and shall be employed by the Department of Environment and Natural Resources. The Clean Water Management Trust Fund shall be administered by the Department of Environment and Natural Resources.

**SECTION 14.3.(b)** Article 5A of Chapter 113 of the General Statutes is repealed.

**SECTION 14.3.(c)** G.S. 20-79.7(b) reads as rewritten:

"(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate and Cultural Attraction Plate Account are established within the Highway Fund. The Division must credit the additional fee imposed for the special registration plates listed in subsection (a) of this section among the Special Registration Plate Account (SRPA), the Collegiate and Cultural Attraction Plate Account (CCAPA), the ~~Natural Heritage Trust Fund (NHTF), Clean Water Management Trust Fund (CWMTF),~~ which is established under ~~G.S. 113-77.7, G.S. 113A-253,~~ and the Parks and Recreation Trust Fund, which is established under G.S. 113-44.15, as follows:

<u>Special Plate</u>	<u>SRPA</u>	<u>CCAPA</u>	<u>NHTFCWMTF</u>	<u>PRTF</u>
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...."

**SECTION 14.3.(d)** G.S. 113A-253 reads as rewritten:

**"§ 113A-253. Clean Water Management Trust Fund.**

(a) Fund Established. – The Clean Water Management Trust Fund is established as a special revenue ~~fund~~ fund to be administered by the Department of Environment and Natural Resources. The Fund receives revenue from the following sources and may receive revenue from other sources:

- (1) Annual appropriations.
- (2) ~~Seemie River special~~ Special registration plates under G.S. 20-81.12.
- (3) Other special registration plates under G.S. 20-79.7.

(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. Investment earnings credited to the assets of the Fund shall become part of the Fund. Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the Chair of the Board of Trustees.

(c) Fund Purposes. – Moneys from the Fund are appropriated annually to finance projects to clean up or prevent surface water pollution and for land preservation in accordance with this Article. Revenue in the Fund may be used for any of the following purposes:

- (1) To acquire land for riparian buffers for the purposes of providing environmental protection for surface waters and urban drinking water supplies and establishing a network of riparian greenways for environmental, educational, and recreational ~~uses and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.~~ uses.
- (2) To acquire conservation easements or other interests in real property for the purpose of protecting and conserving surface waters and enhancing drinking water supplies, including the development of water supply ~~reservoirs, and to~~

- 1                    ~~retire debt incurred for this purpose under Article 9 of Chapter 142 of the~~  
 2                    ~~General Statutes.reservoirs.~~  
 3                    (3)    To coordinate with other public programs involved with lands adjoining  
 4                    water bodies to gain the most public benefit while protecting and improving  
 5                    water ~~quality and to retire debt incurred for this purpose under Article 9 of~~  
 6                    ~~Chapter 142 of the General Statutes.quality.~~  
 7                    (4)    To restore previously degraded lands to reestablish their ability to protect  
 8                    water ~~quality and to retire debt incurred for this purpose under Article 9 of~~  
 9                    ~~Chapter 142 of the General Statutes.quality.~~  
 10                    (5)    ~~To repair failing wastewater collection systems and wastewater treatment~~  
 11                    ~~works if the repair is a reasonable remedy for resolving an existing waste~~  
 12                    ~~treatment problem and the repair is not for the purpose of expanding the~~  
 13                    ~~system to accommodate future anticipated growth of a community.~~  
 14                    (6)    ~~To repair and eliminate failing septic tank systems, to eliminate illegal~~  
 15                    ~~drainage connections, and to expand a wastewater collection system or~~  
 16                    ~~wastewater treatment works if the expansion eliminates failing septic tank~~  
 17                    ~~systems or illegal drainage connections.~~  
 18                    (7)    ~~To finance stormwater quality projects.~~  
 19                    (8)    To facilitate planning that targets reductions in surface water pollution.  
 20                    (8a)   To finance innovative efforts, including pilot projects, to improve  
 21                    stormwater management, to reduce pollutants entering the State's waterways,  
 22                    to improve water quality, and to research alternative solutions to the State's  
 23                    water quality problems.  
 24                    (8b)   To provide buffers around military bases or for State matching funds for the  
 25                    Readiness and Environmental Protection Initiative, a federal funding  
 26                    initiative that provides funds for military buffers.  
 27                    (8c)   To acquire land that represents the ecological diversity of North Carolina,  
 28                    including natural features such as riverine, montane, coastal, and geologic  
 29                    systems and other natural areas to ensure their preservation and conservation  
 30                    for recreational, scientific, educational, cultural, and aesthetic purposes.  
 31                    (8d)   To acquire land that contributes to the development of a balanced State  
 32                    program of historic properties.  
 33                    (8e)   To authorize expenditures from the Fund not to exceed seven hundred fifty  
 34                    thousand dollars (\$750,000) to pay for the inventory of natural areas  
 35                    conducted under the Natural Heritage Program established pursuant to the  
 36                    Nature Preserves Act, Article 9A of Chapter 113A of the General Statutes,  
 37                    and to pay for conservation and protection planning and for informational  
 38                    programs for owners of natural areas, as defined in G.S. 113A-164.3.  
 39                    (9)    To fund operating expenses of the Board of Trustees and its staff.  
 40                    (d)    ~~Limit on Operating and Administrative Expenses. – No more than two percent (2%)~~  
 41                    ~~of the annual balance of the Fund on 1 July or a total sum of one million two hundred fifty~~  
 42                    ~~thousand dollars (\$1,250,000), whichever is greater, may be used each fiscal year for~~  
 43                    ~~administrative and operating expenses of the Board of Trustees and its staff.~~  
 44                    ~~For the fiscal year~~  
 45                    ~~beginning July 1, 2013, the limit on operating and administrative expenses of the Board of~~  
 46                    ~~Trustees and its staff is one million two hundred fifty thousand dollars (\$1,250,000). For fiscal~~  
 47                    ~~years beginning on or after July 1, 2014, the limit on operating and administrative expenses of~~  
 48                    ~~the Board of Trustees and its staff is the amount for the preceding year, adjusted to include any~~  
 49                    ~~change in the distribution of statewide salary and benefits reserves."~~

SECTION 14.3.(e) G.S. 113A-255 reads as rewritten:

"§ 113A-255. **Clean Water Management Trust Fund: Board of Trustees established; membership qualifications; vacancies; meetings and meeting facilities.**

1 (a) Board of Trustees Established. – There is established the Clean Water Management  
2 Trust Fund Board of Trustees. The Clean Water Management Trust Fund Board of Trustees  
3 shall be administratively located within the Department of Environment and Natural Resources  
4 ~~but shall be independent of the Department Resources.~~

5 (b) Membership. – The Clean Water Management Trust Fund Board of Trustees shall  
6 be composed of ~~21 members appointed to four year terms as follows:~~nine members appointed  
7 to three-year terms as follows:

- 8 (1) ~~One member appointed by the Governor to a term that expires on 1 July of~~  
9 ~~years that precede by one year those years that are evenly divisible by four.~~
- 10 (2) ~~One member appointed by the Governor to a term that expires on 1 July of~~  
11 ~~years that precede by one year those years that are evenly divisible by four.~~
- 12 (3) ~~One member appointed by the Governor to a term that expires on 1 July of~~  
13 ~~years that are evenly divisible by four.~~
- 14 (4) ~~One member appointed by the Governor to a term that expires on 1 July of~~  
15 ~~years that are evenly divisible by four.~~
- 16 (5) ~~One member appointed by the Governor to a term that expires on 1 July of~~  
17 ~~years that follow by one year those years that are evenly divisible by four.~~
- 18 (6) ~~One member appointed by the Governor to a term that expires on 1 July of~~  
19 ~~years that follow by two years those years that are evenly divisible by four.~~
- 20 (7) ~~One member appointed by the Governor to a term that expires on 1 July of~~  
21 ~~years that follow by two years those years that are evenly divisible by four.~~
- 22 (8) ~~One member appointed by the General Assembly upon the recommendation~~  
23 ~~of the President Pro Tempore of the Senate to a term that expires on 1 July~~  
24 ~~of years that precede by one year those years that are evenly divisible by~~  
25 ~~four.~~
- 26 (9) ~~One member appointed by the General Assembly upon the recommendation~~  
27 ~~of the President Pro Tempore of the Senate to a term that expires on 1 July~~  
28 ~~of years that precede by one year those years that are evenly divisible by~~  
29 ~~four.~~
- 30 (10) ~~One member appointed by the General Assembly upon the recommendation~~  
31 ~~of the President Pro Tempore of the Senate to a term that expires on 1 July~~  
32 ~~of years that are evenly divisible by four.~~
- 33 (11) ~~One member appointed by the General Assembly upon the recommendation~~  
34 ~~of the President Pro Tempore of the Senate to a term that expires on 1 July~~  
35 ~~of years that follow by one year those years that are evenly divisible by four.~~
- 36 (12) ~~One member appointed by the General Assembly upon the recommendation~~  
37 ~~of the President Pro Tempore of the Senate to a term that expires on 1 July~~  
38 ~~of years that follow by one year those years that are evenly divisible by four.~~
- 39 (13) ~~One member appointed by the General Assembly upon the recommendation~~  
40 ~~of the President Pro Tempore of the Senate to a term that expires on 1 July~~  
41 ~~of years that follow by two years those years that are evenly divisible by~~  
42 ~~four.~~
- 43 (14) ~~One member appointed by the General Assembly upon the recommendation~~  
44 ~~of the President Pro Tempore of the Senate to a term that expires on 1 July~~  
45 ~~of years that follow by two years those years that are evenly divisible by~~  
46 ~~four.~~
- 47 (15) ~~One member appointed by the General Assembly upon the recommendation~~  
48 ~~of the Speaker of the House of Representatives to a term that expires on 1~~  
49 ~~July of years that precede by one year those years that are evenly divisible~~  
50 ~~by four.~~

- 1           (16) ~~One member appointed by the General Assembly upon the recommendation~~  
2           ~~of the Speaker of the House of Representatives to a term that expires on 1~~  
3           ~~July of years that are evenly divisible by four.~~
- 4           (17) ~~One member appointed by the General Assembly upon the recommendation~~  
5           ~~of the Speaker of the House of Representatives to a term that expires on 1~~  
6           ~~July of years that are evenly divisible by four.~~
- 7           (18) ~~One member appointed by the General Assembly upon the recommendation~~  
8           ~~of the Speaker of the House of Representatives to a term that expires on 1~~  
9           ~~July of years that follow by one year those years that are evenly divisible by~~  
10          ~~four.~~
- 11          (19) ~~One member appointed by the General Assembly upon the recommendation~~  
12          ~~of the Speaker of the House of Representatives to a term that expires on 1~~  
13          ~~July of years that follow by one year those years that are evenly divisible by~~  
14          ~~four.~~
- 15          (20) ~~One member appointed by the General Assembly upon the recommendation~~  
16          ~~of the Speaker of the House of Representatives to a term that expires on 1~~  
17          ~~July of years that follow by two years those years that are evenly divisible by~~  
18          ~~four.~~
- 19          (21) ~~One member appointed by the General Assembly upon the recommendation~~  
20          ~~of the Speaker of the House of Representatives to a term that expires on 1~~  
21          ~~July of years that follow by two years those years that are evenly divisible by~~  
22          ~~four.~~
- 23          (1) One member appointed by the Governor to a term that expires on July 1 of  
24          years that precede by one year those years that are evenly divisible by three.
- 25          (2) One member appointed by the Governor to a term that expires on July 1 of  
26          years that follow by one year those years that are evenly divisible by three.
- 27          (3) One member appointed by the Governor to a term that expires on July 1 of  
28          years that are evenly divisible by three.
- 29          (4) One member appointed by the General Assembly upon the recommendation  
30          of the President Pro Tempore of the Senate to a term that expires on July 1  
31          of years that precede by one year those years that are evenly divisible by  
32          three.
- 33          (5) One member appointed by the General Assembly upon the recommendation  
34          of the President Pro Tempore of the Senate to a term that expires on July 1  
35          of years that follow by one year those years that are evenly divisible by  
36          three.
- 37          (6) One member appointed by the General Assembly upon the recommendation  
38          of the President Pro Tempore of the Senate to a term that expires on July 1  
39          of years that are evenly divisible by three.
- 40          (7) One member appointed by the General Assembly upon the recommendation  
41          of the Speaker of the House of Representatives to a term that expires on July  
42          1 of years that precede by one year those years that are evenly divisible by  
43          three.
- 44          (8) One member appointed by the General Assembly upon the recommendation  
45          of the Speaker of the House of Representatives to a term that expires on July  
46          1 of years that follow by one year those years that are evenly divisible by  
47          three.
- 48          (9) One member appointed by the General Assembly upon the recommendation  
49          of the Speaker of the House of Representatives to a term that expires on July  
50          1 of years that are evenly divisible by three.

1 (b1) Qualifications. – The office of Trustee is declared to be an office that may be held  
2 concurrently with any other executive or appointive office, under the authority of Article VI,  
3 Section 9, of the North Carolina Constitution. ~~Persons appointed shall be knowledgeable in at~~  
4 ~~least one of the following areas:~~ When appointing members of the Authority, the Governor, the  
5 President Pro Tempore of the Senate, and the Speaker of the House of Representatives shall  
6 give consideration to adequate representation from the various regions of the State and shall  
7 give consideration to the appointment of members who are knowledgeable in any of the  
8 following areas:

- 9 (1) Acquisition and management of natural areas.
- 10 (2) Conservation and restoration of water quality.
- 11 (3) Wildlife and fisheries habitats and resources.
- 12 (4) Environmental management.

13 (b2) Limitation on Length of Service. – No member of the Board of Trustees shall serve  
14 more than two consecutive ~~four-year~~ three-year terms or a total of 10 years.

15 ...  
16 (f) Per Diem and Expenses. – Each member of the Board of Trustees shall receive per  
17 diem and necessary travel and subsistence expenses in accordance with the provisions of  
18 ~~G.S. 138-5.~~ G.S. 120-3.1, 138-5, and 138-6, as applicable. Per diem, subsistence, and travel  
19 expenses of the Trustees shall be paid from the Fund.

20 ~~(g) Meeting Facilities. – The Secretary of Environment and Natural Resources shall~~  
21 ~~provide meeting facilities for the Board of Trustees and its staff as requested by the Chair."~~

22 **SECTION 14.3.(f)** G.S. 113A-256 reads as rewritten:

23 **"§ 113A-256. Clean Water Management Trust Fund Board of Trustees: powers and**  
24 **duties.**

25 (a) Allocate Grant Funds. – The Trustees shall allocate moneys from the Fund as  
26 grants. A grant may be awarded only for a project or activity that satisfies the criteria and  
27 furthers the purposes of this Article.

28 (b) Develop Grant Criteria. – The Trustees shall develop criteria for awarding grants  
29 under this Article. The criteria developed shall include consideration of the following:

- 30 (1) The significant enhancement and conservation of water quality in the State.
- 31 (2) The objectives of the basinwide management plans for the State's river  
32 basins and watersheds.
- 33 (3) The promotion of regional integrated ecological networks insofar as they  
34 affect water quality.
- 35 (4) The specific areas targeted as being environmentally sensitive.
- 36 (5) The geographic distribution of funds as appropriate.
- 37 (6) The preservation of water resources with significant recreational or  
38 economic value and uses.
- 39 (7) The development of a network of riparian buffer-greenways bordering and  
40 connecting the State's waterways that will serve environmental, educational,  
41 and recreational uses.
- 42 (8) Water supply availability and the public's need for resources adequate to  
43 meet demand for essential water uses. Criteria developed pursuant to this  
44 subdivision may include consideration of the likelihood of a proposed water  
45 supply project ultimately being permitted and built.
- 46 (9) The protection or preservation of land with outstanding natural or cultural  
47 heritage values.
- 48 (10) The protection or preservation of land that contains a relatively undisturbed  
49 and outstanding example of a native North Carolina ecological community  
50 that is now uncommon; contains a major river or tributary, watershed,  
51 wetland, significant littoral, estuarine, or aquatic site, or important geologic

1 feature; or represents a type of landscape, natural feature, or natural area that  
2 is not currently in the State's inventory of parks and natural areas.

3 (11) The protection or preservation of a site or structure that is of such historical  
4 significance as to be essential to the development of a balanced State  
5 program of historic properties.

6 (c) Develop Additional Guidelines. – The Trustees may develop guidelines in addition  
7 to the grant criteria consistent with and as necessary to implement this Article.

8 (d) Acquisition of Land. – The Trustees may acquire land by purchase, negotiation, gift,  
9 or devise. Any acquisition of land by the Trustees must be reviewed and approved by the  
10 Council of State and the deed for the land subject to approval of the Attorney General before  
11 the acquisition can become effective. In determining whether to acquire land as permitted by  
12 this Article, the Trustees shall consider whether the acquisition furthers the purposes of this  
13 Article and may also consider recommendations from the Council. Nothing in this section shall  
14 allow the Trustees to acquire land under the right of eminent domain.

15 (e) Exchange of Land. – The Trustees may exchange any land they acquire in carrying  
16 out the powers conferred on the Trustees by this Article.

17 (f) Land Management. – The Trustees may designate managers or managing agencies  
18 of the lands acquired under this Article.

19 (g) Tax Credit Certification. – The Trustees shall develop guidelines to determine  
20 whether land donated for a tax credit under G.S. 105-130.34 or G.S. 105-151.12 are suitable for  
21 one of the purposes under this Article and may be certified for a tax credit.

22 (h) Rule-making Authority. – The Trustees may adopt rules to implement this Article.  
23 Chapter 150B of the General Statutes applies to the adoption of rules by the Trustees.

24 (i) Repealed by Session Laws 1999-237, s. 15.11, effective July 1, 1999.

25 (j) ~~Debt.—Of the funds credited annually to the Fund, the Trustees may authorize~~  
26 ~~expenditure of a portion to reimburse the General Fund for debt service on special indebtedness~~  
27 ~~to be issued or incurred under Article 9 of Chapter 142 of the General Statutes for the purposes~~  
28 ~~provided in G.S. 113A-253(e)(1) through (4).(4) and G.S. 113A-253(e)(8c). In order to~~  
29 ~~authorize expenditure of funds for debt service reimbursement, the Trustees must identify to the~~  
30 ~~State Treasurer and the Department of Administration the specific capital projects for which~~  
31 ~~they would like special indebtedness to be issued or incurred and the annual amount they intend~~  
32 ~~to make available, and request the State Treasurer to issue or incur the indebtedness. After~~  
33 ~~special indebtedness has been issued or incurred for a capital project requested by the Trustees,~~  
34 ~~the Trustees must direct the State Treasurer to credit to the General Fund each year the actual~~  
35 ~~aggregate principal and interest payments to be made in that year on the special indebtedness,~~  
36 ~~as identified by the State Treasurer."~~

37 **SECTION 14.3.(g)** G.S. 113A-258 reads as rewritten:

38 **"§ 113A-258. Clean Water Management Trust Fund: Executive Director and staff.**

39 ~~The Clean Water Management Trust Fund Board of Trustees, as soon as practicable after its~~  
40 ~~organization,~~ The Secretary of Environment and Natural Resources shall select and appoint a  
41 competent person in accordance with this section as Executive Director of the Clean Water  
42 Management Trust Fund Board of Trustees. The Executive Director shall be charged with the  
43 supervision of all activities under the jurisdiction of the Trustees and shall serve as the chief  
44 administrative officer of the Trustees. Subject to the approval of ~~the Trustees and the Director~~  
45 ~~of the Budget,~~ the Secretary of Environment and Natural Resources, the Executive Director  
46 may employ such clerical and other assistants as may be deemed necessary.

47 The person selected as Executive Director shall have had training and experience in  
48 conservation, protection, and management of surface water resources. The salary of the  
49 Executive Director shall be fixed by the ~~Trustees,~~ Secretary of Environment and Natural  
50 Resources, and the Executive Director shall be allowed travel and subsistence expenses in  
51 accordance with G.S. 138 6. The Executive Director's salary and expenses shall be paid from



1 the Fund. The term of office of the Executive Director shall be at the pleasure of the  
2 ~~Trustees.~~Secretary of Environment and Natural Resources.

3 These employees shall be exempt from the State Personnel Act, as provided in  
4 G.S. 126-5(c1)."

5 **SECTION 14.3.(h)** G.S. 106-887(a) reads as rewritten:

6 "(a) DuPont State Forest is designated as a State Recreational Forest. The Department  
7 shall manage DuPont State Recreational Forest: (i) primarily for natural resource preservation,  
8 scenic enjoyment and recreational purposes, including horseback riding, hiking, bicycling,  
9 hunting, and fishing; (ii) so as to provide an exemplary model of scientifically sound,  
10 ecologically based natural resource management for the social and economic benefit of the  
11 forest's diverse community of users; and (iii) consistent with the grant agreement ~~between the~~  
12 ~~Natural Heritage Trust Fund and the North Carolina Forest Service, which grant~~that designates  
13 a portion of the forest as a North Carolina Nature Preserve. In addition, the Department may  
14 use the forest for the demonstration of different forest management and resource protection  
15 techniques for local landowners, natural resource professionals, students, and other forest  
16 visitors."

17 **SECTION 14.3.(i)** G.S. 120-123 reads as rewritten:

18 "**§ 120-123. Service by members of the General Assembly on certain boards and**  
19 **commissions.**

20 No member of the General Assembly may serve on any of the following boards or  
21 commissions:

22 ...

23 ~~(67) The Board of Trustees of the Natural Heritage Trust Fund, as established by~~  
24 ~~G.S. 113-77.8.~~

25 ...."

26 **SECTION 14.3.(j)** G.S. 143B-279.3(b)(18) and G.S. 143B-344.38(a)(8)d. are  
27 repealed.

28 **SECTION 14.3.(k)** The Natural Heritage Trust Fund shall be closed and the  
29 remaining fund balance in the Fund shall be transferred to the Clean Water Management Trust  
30 Fund established in G.S. 113A-253 as provided in this subsection. It is the intent of the General  
31 Assembly to honor the obligations from the Natural Heritage Trust Fund that were authorized  
32 prior to the effective date of this section and to ensure that any tax proceeds credited to the  
33 Natural Heritage Trust Fund are used for the purposes for which they were collected. Any  
34 encumbered funds transferred from the Natural Heritage Trust Fund to the Clean Water  
35 Management Trust Fund shall be used for the purpose for which the grant was awarded. The  
36 funds transferred from the Natural Heritage Trust Fund to the Clean Water Management Trust  
37 Fund that are unencumbered and any funds transferred from the Natural Heritage Trust Fund to  
38 the Clean Water Management Trust Fund that were encumbered but become unencumbered  
39 after the effective date of this section shall be used to acquire land under G.S. 113A-253(c)(8c)  
40 or G.S. 113A-253(c)(8d), as amended by subsection (d) of this section, or shall be used for the  
41 continued payment of debt service authorized before the effective date of this section to  
42 reimburse the General Fund for debt service on special indebtedness issued or incurred under  
43 Article 9 of Chapter 142 of the General Statutes for a natural heritage purpose.

44 **SECTION 14.3.(l)** The Revisor of Statutes may conform names and titles changed  
45 by this section, and may correct statutory references as required by this section, throughout the  
46 General Statutes. In making the changes authorized by this section, the Revisor may also adjust  
47 subject and verb agreement and the placement of conjunctions.

48 **SECTION 14.3.(m)** This section becomes effective August 1, 2013.

49  
50 **JORDAN LAKE WATER QUALITY IMPROVEMENT DEMONSTRATION**  
51 **PROJECT**

1           **SECTION 14.3A.(a)** Jordan Lake Nutrient Mitigation Demonstration Project. –  
2 The Department of Environment and Natural Resources shall establish a twenty-four-month  
3 demonstration project for the management of nutrients in Jordan Lake. The demonstration  
4 project shall specifically focus on preventing and reducing harmful algal blooms and excessive  
5 chlorophyll as well providing other nutrient mitigation measures in the Haw River arm and the  
6 Morgan Creek arm of Jordan Lake. In conducting the demonstration project, the Department  
7 shall enter into a contract with a third party that can deploy floating arrays of in-lake,  
8 long-distance circulators to reduce or prevent the adverse impacts of excessive nutrient loads,  
9 such as algal blooms, taste and odor problems in drinking water, and low levels of dissolved  
10 oxygen. At a minimum, the in-lake mechanical system chosen must meet the following criteria:

- 11           (1) Floating equipment shall be capable of continuous operation on solar power  
12 only during day, night, and extended overcast conditions 365 days per year.  
13 Continuous operation shall be defined as operating a minimum of  
14 ninety-seven percent (97%) of the total hours during the course of one year  
15 on solar power without reliance on any connection to the alternating current  
16 power grid.
- 17           (2) Achieve a total flow rate through the impellers on a continuous basis for 24  
18 hours per day of 72,000 gallons per minute in the Morgan Creek arm and  
19 36,000 gallons per minute in the Haw River arm.
- 20           (3) The circulation equipment shall be constructed primarily of Type 316  
21 stainless steel metal for strength and superior corrosion resistance. Each  
22 machine shall also undergo a passivation bath, also known as stainless steel  
23 pickling, to restore corrosion resistance to the welds and other areas of  
24 imperfection.
- 25           (4) The circulation equipment shall be mechanically operated by a motor that  
26 has the following characteristics:
  - 27           a. Is brushless (brush motors requiring brush replacement are not  
28 acceptable).
  - 29           b. Uses a direct drive with no gearbox to avoid lubrication maintenance.
  - 30           c. Contains stainless steel bearings requiring no scheduled lubrication  
31 with a rated bearing life expectancy greater than 100,000 hours of  
32 continuous operation.
  - 33           d. Is designed for a marine outdoor environment by having a sealed  
34 housing with polymeric encapsulated internal windings for superior  
35 corrosion resistance capable of withstanding environmental  
36 conditions of one hundred percent (100%) humidity, -40 degree to  
37 140 degree Fahrenheit ambient temperature range, freeze resistance,  
38 condensation resistance, and splash resistance.
  - 39           e. Has a 10 year or greater replacement warranty.
- 40           (5) The circulation equipment shall be supplied with a motor controller and  
41 power management with the following features:
  - 42           a. An anti-jam reverse feature that is automated and self-clearing for a  
43 locked rotor triggered by high current occurrences caused by a  
44 jammed impeller.
  - 45           b. Scheduled reverse cycles with daily reverse impeller cycling for  
46 self-clearing of impeller to minimize fouling.
  - 47           c. Motor health status monitoring and recording that includes scheduled  
48 speed, commanded speed, actual speed, motor current, motor  
49 voltage, and motor controller errors.

- 1 d. Temperature-compensated charging so that battery charging
- 2 parameters are automatically adjusted for optimum results based on
- 3 battery temperature.
- 4 e. Power conservation and continued operation mode managed by a
- 5 programmed algorithm for reducing motor load and continuing
- 6 operation by incremental speed reduction that is automatically
- 7 enabled when extended low-sunlight conditions occur or battery
- 8 reserve power is reduced.
- 9 f. A NEMA 4 enclosure for protection against condensation and
- 10 moisture in a marine environment with internal circuit boards that are
- 11 conformal coated for added protection against moisture.
- 12 (6) The battery power storage shall be a single battery (unless multiple batteries
- 13 are connected in series) to avoid charging problems and shall have the
- 14 following characteristics:
- 15 a. A battery rating capacity, at a 24-hour discharge rate in watt hours, at
- 16 least 50 times the motor load in watts during normal operation (full
- 17 speed, peak load).
- 18 b. Is a submersible battery to avoid temperature extremes and extend
- 19 battery life.
- 20 c. Complies with DOT HMR49 nonspillable battery requirements.
- 21 d. Is UL listed and compliant to UL 1989.
- 22 e. Is maintenance-free and does not require rewatering.
- 23 f. Has a temperature sensor that monitors battery housing temperature
- 24 and not ambient temperature to optimize charging cycles and extend
- 25 battery life.
- 26 g. Is encased in double wall plastic and mounted in a stainless steel
- 27 cage for safety and battery protection purposes.
- 28 (7) The photovoltaic modules on the unit shall have the following
- 29 characteristics:
- 30 a. Have a nominal wattage rating that is five times the normal operating
- 31 wattage of the motor to ensure continuous operation of the motor and
- 32 impeller in all seasons.
- 33 b. Are monocrystalline and not multicrystalline to ensure adequate
- 34 power collection during low-sunlight conditions.
- 35 c. Are certified to UL 1703 Class C, IEC 61215, and IEC 60364
- 36 standards.
- 37 d. Have 25-year manufacturer performance warranties.
- 38 (8) The digital controller of the machine shall have the following features:
- 39 a. Flashing light-emitting diodes in the control box readily accessible
- 40 by service personnel and providing continuous electrical diagnostics
- 41 so the state of the power system can easily be determined.
- 42 b. Capability to store within controller memory a 30-day rolling log of
- 43 all primary machine operation parameters.
- 44 (9) The machine shall have an adjustable horizontal water intake that is capable
- 45 of being field adjusted to a set level below the water surface without
- 46 requiring machine removal or reinstallation. The intake shall bring a
- 47 one-foot thick horizontal layer of water into the machine and include a
- 48 singular hose of adequate length to reach the required intake depth setting.
- 49 The flow through the hose and intake shall not exceed one foot per second.
- 50 (10) The circulation equipment shall operate normally with the following
- 51 maintenance features:

- 1 a. No scheduled lubrication requirements for any system component,  
2 including motor and motor bearings.
- 3 b. No brush replacement on motor, gearbox replacement, or motor  
4 replacement to be expected during a 25-year expected life of the  
5 circulation equipment.
- 6 c. No spare parts shall be required to be kept on hand.
- 7 d. The impeller assembly shall be removable without the use of tools.
- 8 e. The circulator equipment shall have a bird deterrent system to  
9 minimize bird roostings and droppings on photovoltaic modules.
- 10 (11) The flotation equipment shall have the following features and  
11 characteristics:
  - 12 a. Adjustable float arms with a one-inch diameter shaft and turnbuckle  
13 to achieve optimal performance setting. The arms shall be a closed  
14 frame to minimize torsion forces on the circulation equipment and  
15 provide balanced flotation.
  - 16 b. The flotation buoyancy shall be 1,350 pounds or more to support the  
17 weight of the assembled circulation equipment with a safety factor  
18 greater than 1.5. Each machine shall weigh approximately 850  
19 pounds.
  - 20 c. Flotation shall contain expanded polystyrene foam beads that are  
21 steamed together to minimize water adsorption.
  - 22 d. The flotation shall not sink should the flotation encasement be  
23 punctured. Encasements shall be resistant to damage due to animals,  
24 ice, bumps by watercraft, and contact deterioration from petroleum  
25 products and should be suitable for marine use.
- 26 (12) The circulation equipment shall be capable of being held in position by  
27 either attachment to mooring blocks at the bottom of the reservoir or  
28 tethering to the shore.

29 Any contract entered into under this subsection shall not be subject to Article 3 or  
30 Article 8 of Chapter 143 of the General Statutes. Once installed, the Department shall monitor  
31 and evaluate the performance of the circulators in reducing the adverse impacts of harmful  
32 algal blooms and excessive chlorophyll and in providing other nutrient mitigation measures in  
33 the Haw River arm and the Morgan Creek arm of Jordan Lake and report the results of the  
34 monitoring and evaluation as provided in subsection (b) of this section.

35 **SECTION 14.3A.(b)** Report. – No later than October 1, 2015, the Department of  
36 Environment and Natural Resources shall submit an interim report on implementation of the  
37 demonstration project to the Environmental Review Commission and the Fiscal Research  
38 Division of the General Assembly. No later than April 1, 2016, the Department of Environment  
39 and Natural Resources shall submit a final report on implementation of the demonstration  
40 project to the Environmental Review Commission and the Fiscal Research Division of the  
41 General Assembly.

42 **SECTION 14.3A.(c)** Funding. – Of the funds appropriated by this act to the Clean  
43 Water Management Trust Fund, a total of one million three hundred fifty thousand dollars  
44 (\$1,350,000) for fiscal year 2013-2014 and three hundred thousand dollars (\$300,000) for fiscal  
45 year 2014-2015 shall be transferred to the Department of Environment and Natural Resources  
46 to be used to implement the Jordan Lake Water Quality Improvement Demonstration Project.  
47 In addition, the Department of Environment and Natural Resources shall contribute one  
48 hundred fifty thousand dollars (\$150,000) for fiscal year 2014-2015 and one hundred fifty  
49 thousand dollars (\$150,000) for fiscal year 2015-2016 from available funds, including those  
50 appropriated by this act, to support the Department's Division of Water Resources activities to  
51 manage and carry out the project, including water sampling, water testing, and water analysis

1 of samples in the lake and connecting creeks prior to and during the demonstration project  
2 defined in subsection (a) of this section.  
3

#### 4 **SPECIAL LICENSE PLATE REVENUE FOR FRIENDS OF STATE PARKS, INC.**

5 **SECTION 14.3B.** G.S. 20-81.12(b2)(5) reads as rewritten:

6 "(5) North Carolina State Parks. – ~~One half of the revenue derived from the~~  
7 ~~special plate shall be transferred quarterly to Natural Heritage Trust Fund~~  
8 ~~established under G.S. 113-77.7, and the remaining revenue shall be~~  
9 ~~transferred quarterly to the Parks and Recreation Trust Fund established~~  
10 ~~under G.S. 113-44.15.~~ The revenue derived from the special plate shall be  
11 transferred quarterly to Friends of State Parks, Inc., for its educational,  
12 conservation, and other programs in support of the operations of the State  
13 Parks System established in Article 2C of Chapter 113 of the General  
14 Statutes."  
15

#### 16 **DEED STAMP TAX PROCEEDS CREDITED TO GENERAL FUND**

17 **SECTION 14.4.(a)** G.S. 105-228.30(b) reads as rewritten:

18 "(b) The register of deeds of each county must remit the proceeds of the tax levied by  
19 this section to the county finance officer. The finance officer of each county must credit  
20 one-half of the proceeds to the county's general fund and remit the remaining one-half of the  
21 proceeds, less taxes refunded and the county's allowance for administrative expenses, to the  
22 Department of Revenue on a monthly basis. A county may retain two percent (2%) of the  
23 amount of tax proceeds allocated for remittance to the Department of Revenue as compensation  
24 for the county's cost in collecting and remitting the State's share of the tax. ~~Of the funds~~  
25 ~~remitted to it pursuant to this section, the Department of Revenue must credit seventy five~~  
26 ~~percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and~~  
27 ~~twenty five percent (25%) to the Natural Heritage Trust Fund established under G.S. 113-77.7.~~  
28 The Department of Revenue shall credit the funds remitted to the Department of Revenue under  
29 this subsection to the General Fund."  
30

31 **SECTION 14.4.(b)** G.S. 113-44.15(a) reads as rewritten:

32 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State  
33 Treasurer's Office. The Trust Fund shall be a ~~nonreverting~~ special revenue fund consisting of  
34 gifts and grants to the Trust Fund, ~~monies credited to the Trust Fund pursuant to~~  
35 ~~G.S. 105-228.30(b),~~ Fund and other monies appropriated to the Trust Fund by the General  
36 Assembly. Investment earnings credited to the assets of the Fund shall become part of the  
37 Fund."  
38

39 **SECTION 14.4.(c)** Money collected pursuant to Article 8E of Chapter 105 of the  
40 General Statutes between July 1, 2013, and the date this act becomes law shall be credited to  
41 the General Fund. The money shall be used for the purposes provided in G.S. 113-44.15 and  
42 G.S. 113-253(c)(8b)-(8d), as enacted by this act.  
43

#### 44 **PARKS AND RECREATION AUTHORITY**

45 **SECTION 14.5.(a)** G.S. 143B-313.2 reads as rewritten:

46 "§ 143B-313.2. **North Carolina Parks and Recreation Authority; members; selection;**  
47 **compensation; meetings.**

48 (a) Membership. – The North Carolina Parks and Recreation Authority shall consist of  
49 ~~15~~ nine members. The members shall include persons who are knowledgeable about park and  
50 recreation issues in North Carolina or with expertise in finance. In making appointments, each  
51 appointing authority shall specify under which subdivision of this subsection the person is  
appointed. Members shall be appointed as follows:

(1) One member appointed by the Governor.

- 1 (2) One member appointed by the Governor.
- 2 (3) One member appointed by the Governor.
- 3 ~~(3a) One member appointed by the Governor.~~
- 4 ~~(3b) One member appointed by the Governor.~~
- 5 (4) One member appointed by the General Assembly upon the recommendation
- 6 of the Speaker of the House of Representatives, as provided in G.S. 120-121.
- 7 (5) One member appointed by the General Assembly upon the recommendation
- 8 of the Speaker of the House of Representatives, as provided in G.S. 120-121.
- 9 (6) One member appointed by the General Assembly upon the recommendation
- 10 of the Speaker of the House of Representatives, as provided in G.S. 120-121.
- 11 ~~(7) One member appointed by the General Assembly upon the recommendation~~
- 12 ~~of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~
- 13 ~~(7a) One member appointed by the General Assembly upon the recommendation~~
- 14 ~~of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~
- 15 (8) One member appointed by the General Assembly upon the recommendation
- 16 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
- 17 (9) One member appointed by the General Assembly upon the recommendation
- 18 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
- 19 (10) One member appointed by the General Assembly upon the recommendation
- 20 of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
- 21 ~~(11) One member appointed by the General Assembly upon the recommendation~~
- 22 ~~of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~
- 23 ~~(12) One member appointed by the General Assembly upon the recommendation~~
- 24 ~~of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~

25 (b) Terms. – Members shall serve staggered terms of office of three years. Members  
26 shall serve no more than two consecutive three-year terms. After serving two consecutive  
27 three-year terms, a member is not eligible for appointment to the Authority for at least one year  
28 after the expiration date of that member's most recent term. Upon the expiration of a three-year  
29 term, a member may continue to serve until a successor is appointed and duly qualified as  
30 provided by G.S. 128-7. The terms of members appointed under subdivision (1), ~~(3a)~~, (5), ~~(7)~~,  
31 or (9) of subsection (a) of this section shall expire on July 1 of years that are evenly divisible by  
32 three. The terms of members appointed under subdivision (2), ~~(3b)~~, (4), ~~(8)~~, ~~or (11)~~ or (8) of  
33 subsection (a) of this section shall expire on July 1 of years that follow by one year those years  
34 that are evenly divisible by three. The terms of members appointed under subdivision (3), (6),  
35 ~~(7a)~~, ~~(10)~~, ~~or (12)~~ or (10) of subsection (a) of this section shall expire on July 1 of years that  
36 precede by one year those years that are evenly divisible by three.

37 (c) Chair. – The Governor shall appoint one member of the North Carolina Parks and  
38 Recreation Authority to serve as Chair.

39 (d) Vacancies. – A vacancy on the North Carolina Parks and Recreation Authority shall  
40 be filled by the appointing authority responsible for making the appointment to that position as  
41 provided in subsection (a) of this section. An appointment to fill a vacancy shall be for the  
42 unexpired balance of the term.

43 (e) Removal. – The Governor may remove, as provided in Article 10 of Chapter 143C  
44 of the General Statutes any member of the North Carolina Parks and Recreation Authority  
45 appointed by the Governor for misfeasance, malfeasance, or nonfeasance. The General  
46 Assembly may remove any member of the North Carolina Parks and Recreation Authority  
47 appointed by the General Assembly for misfeasance, malfeasance, or nonfeasance.

48 (f) Compensation. – The members of the North Carolina Parks and Recreation  
49 Authority shall receive per diem and necessary travel and subsistence expenses according to the  
50 provisions of G.S. 138-5.

1 (g) Meetings. – The North Carolina Parks and Recreation Authority shall meet at least  
2 quarterly at a time and place designated by the Chair.

3 (h) Quorum. – A majority of the North Carolina Parks and Recreation Authority shall  
4 constitute a quorum for the transaction of business.

5 (i) Staff. – All clerical and other services required by the North Carolina Parks and  
6 Recreation Authority shall be provided by the Secretary of Environment and Natural  
7 Resources."

8 **SECTION 14.5.(b)** The terms of all members of the North Carolina Parks and  
9 Recreation Authority shall expire on July 31, 2013. A new Authority consisting of nine  
10 members shall be appointed as provided in G.S. 143B-313.2, as amended by subsection (a) of  
11 this section. This subsection becomes effective on July 31, 2013.

### 12 **FISHERY RESOURCE GRANT PROGRAM REPEAL**

13 **SECTION 14.7.(a)** G.S. 113-200 is repealed.

14 **SECTION 14.7.(b)** G.S. 143B-289.54(c) reads as rewritten:

15 "(c) Additional Considerations. – In making appointments to the Commission, the  
16 Governor shall provide for appropriate representation of women and minorities on the  
17 Commission. ~~The Governor shall make appointments to the Commission consistent with the~~  
18 ~~restrictions of G.S. 113-200(g)."~~  
19

### 20 **MARINE FISHERIES LICENSE AND PERMIT FEES; LICENSE AND PERMIT** 21 **REQUIREMENTS; FEE INCREASES FUND DMF AT-SEA OBSERVER** 22 **PROGRAM**

23 **SECTION 14.8.(a)** G.S. 113-168.1(h) reads as rewritten:

24 "(h) Replacement Licenses and Endorsements. – The Division shall issue a replacement  
25 license, including any endorsements, to a licensee for a license that has not been suspended or  
26 revoked. A licensee may apply for a replacement license for a license that has been lost, stolen,  
27 or destroyed and shall apply for a replacement license within 30 days of a change in the  
28 licensee's name or address. A licensee may apply for a replacement license in person at any  
29 office of the Division or by mail to the Morehead City office of the Division. A licensee may  
30 use a copy of the application for a replacement license that has been filed with the Division as a  
31 temporary license until the licensee receives the replacement license. The Commission may  
32 establish a fee for each type of replacement license, not to exceed ~~ten dollars (\$10.00), twelve~~  
33 dollars and fifty cents (\$12.50), that compensates the Division for the administrative costs  
34 associated with issuing the replacement license."  
35

36 **SECTION 14.8.(b)** G.S. 113-168.2 reads as rewritten:

#### 37 **§ 113-168.2. Standard Commercial Fishing License.**

38 (a) Requirement. – Except as otherwise provided in this Article, it is unlawful for any  
39 person to engage in a commercial fishing operation in the coastal fishing waters without  
40 holding a SCFL issued by the Division. A person who works as a member of the crew of a  
41 vessel engaged in a commercial fishing operation under the direction of a person who holds a  
42 valid SCFL is not required to hold a SCFL. A person who holds a SCFL is not authorized to  
43 take shellfish unless the SCFL is endorsed as provided in ~~G.S. 113-168.5(d) or the person holds~~  
44 ~~a shellfish license issued pursuant to G.S. 113-169.2.G.S. 113-168.5.~~

45 (a1) Use of Vessels. – The holder of a SCFL is authorized to use only one vessel in a  
46 commercial fishing operation at any given time. The Commission may adopt a rule to exempt  
47 from this requirement a person in command of a vessel that is auxiliary to a vessel engaged in a  
48 pound net operation, long-haul operation, beach seine operation, or menhaden operation. A  
49 person who works as a member of the crew of a vessel engaged in a mechanical shellfish  
50 operation under the direction of a person who holds a valid SCFL with a shellfish endorsement  
51 is not required to hold a shellfish license.

1 (b) through (d) Repealed by Session Laws 1998-225, s. 4.11.

2 (e) Fees. – The annual SCFL fee for a resident of this State shall be ~~two hundred dollars~~  
3 ~~(\$200.00)~~ two hundred fifty dollars (\$250.00). The annual SCFL fee for a person who is not a  
4 resident of this State shall be ~~eight hundred dollars (\$800.00)~~ or the amount charged to a  
5 resident of this State in the nonresident's ~~state, whichever is less.~~ state. In no event, however,  
6 may the fee be less than ~~two hundred dollars (\$200.00)~~ two hundred fifty dollars (\$250.00). For  
7 purposes of this subsection, a "resident of this State" is a person who is a resident within the  
8 meaning of:

9 (1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State  
10 income tax return as a resident of North Carolina for the previous calendar  
11 or tax year, or

12 (2) G.S. 113-130(4)e.

13 (f) Assignment. – The holder of a SCFL may assign the SCFL to any individual who is  
14 eligible to hold a SCFL under this Article. It is unlawful for the holder of an SCFL to assign a  
15 shellfish endorsement of an SCFL to any individual who is not a resident of this State. The  
16 assignment shall be in writing on a form provided by the Division and shall include the name of  
17 the licensee, the license number, any endorsements, the assignee's name, mailing address,  
18 physical or residence address, and the duration of the assignment. If a notarized copy of an  
19 assignment is not filed with the Morehead City office of the Division within five days of the  
20 date of the assignment, the assignment shall expire. It is unlawful for the assignee of a SCFL to  
21 assign the SCFL. The assignment shall terminate:

22 (1) Upon written notification by the assignor to the assignee and the Division  
23 that the assignment has been terminated.

24 (2) Upon written notification by the estate of the assignor to the assignee and the  
25 Division that the assignment has been terminated.

26 (3) If the Division determines that the assignee is operating in violation of the  
27 terms and conditions applicable to the assignment.

28 (4) If the assignee becomes ineligible to hold a license under this Article.

29 (5) Upon the death of the assignee.

30 (6) If the Division suspends or revokes the assigned SCFL.

31 (7) At the end of the license year.

32 (g) Transfer. – A SCFL may be transferred only by the Division. A SCFL may be  
33 transferred pursuant to rules adopted by the Commission or upon the request of:

34 (1) A licensee, from the licensee to a member of the licensee's immediate family  
35 who is eligible to hold a SCFL under this Article.

36 (2) The administrator or executor of the estate of a deceased licensee, to the  
37 administrator or executor of the estate if a surviving member of the deceased  
38 licensee's immediate family is eligible to hold a SCFL under this Article.  
39 The administrator or executor must request a transfer under this subdivision  
40 within six months after the administrator or executor qualifies under Chapter  
41 28A of the General Statutes. An administrator or executor who holds a  
42 SCFL under this subdivision may, for the benefit of the estate of the  
43 deceased licensee:

44 a. Engage in a commercial fishing operation under the SCFL if the  
45 administrator or executor is eligible to hold a SCFL under this  
46 Article.

47 b. Assign the SCFL as provided in subsection (f) of this section.

48 c. Renew the SCFL as provided in G.S. 113-168.1.

49 (3) An administrator or executor to whom a SCFL was transferred pursuant to  
50 subdivision (2) of this subsection, to a surviving member of the deceased



- 1 licensee's immediate family who is eligible to hold a SCFL under this  
2 Article.
- 3 (4) The surviving member of the deceased licensee's immediate family to whom  
4 a SCFL was transferred pursuant to subdivision (3) of this subsection, to a  
5 third-party purchaser of the deceased licensee's fishing vessel.
- 6 (5) A licensee who is retiring from commercial fishing, to a third-party  
7 purchaser of the licensee's fishing vessel.

8 (h) Identification as Commercial Fisherman. – The receipt of a current and valid SCFL  
9 or shellfish license issued by the Division shall serve as proper identification of the licensee as  
10 a commercial fisherman.

11 (i) Record-Keeping Requirements. – The fish dealer shall record each transaction at the  
12 time and place of landing on a form provided by the Division. The transaction form shall  
13 include the information on the SCFL or shellfish license, the quantity of the fish, the identity of  
14 the fish dealer, and other information as the Division deems necessary to accomplish the  
15 purposes of this Subchapter. The person who records the transaction shall provide a completed  
16 copy of the transaction form to the Division and to the other party of the transaction. The  
17 Division's copy of each transaction form shall be transmitted to the Division by the fish dealer  
18 on or before the tenth day of the month following the transaction."

19 **SECTION 14.8.(c)** G.S. 113-168.3(b) reads as rewritten:

20 "(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is  
21 eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant  
22 for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a  
23 RSCFL for a resident of this State shall be ~~one hundred dollars (\$100.00)~~ one hundred  
24 twenty-five dollars (\$125.00). The annual fee for a RSCFL for a person who is not a resident of  
25 this State shall be ~~eight hundred dollars (\$800.00)~~ or the amount charged to a resident of this  
26 State in the nonresident's state, whichever is less. In no event, however, shall the fee be less  
27 than one hundred dollars (\$100.00) one hundred sixty-two dollars and fifty cents (\$162.50). For  
28 purposes of this subsection, a "resident of this State" is a person who is a resident within the  
29 meaning of:

- 30 (1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State  
31 income tax return as a resident of North Carolina for the previous calendar  
32 or tax year, or
- 33 (2) G.S. 113-130(4)e."

34 **SECTION 14.8.(d)** G.S. 113-168.4(c) reads as rewritten:

35 "(c) A person who organizes a recreational fishing tournament may sell fish taken in  
36 connection with the tournament pursuant to a recreational fishing tournament license to sell  
37 fish. A person who organizes a recreational fishing tournament may obtain a recreational  
38 fishing tournament license to sell fish upon application to the Division and payment of a fee of  
39 ~~one hundred dollars (\$100.00)~~ one hundred twenty-five dollars (\$125.00). It is unlawful for any  
40 person licensed under this subsection to sell fish to any person other than a fish dealer licensed  
41 under G.S. 113-169.3 unless the seller is also a licensed fish dealer. A recreational fishing  
42 tournament is an organized fishing competition occurring within a specified time period not to  
43 exceed one week and that is not a commercial fishing operation. Gross proceeds from the sale  
44 of fish may be used only for charitable, religious, educational, civic, or conservation purposes  
45 and shall not be used to pay tournament expenses."

46 **SECTION 14.8.(e)** G.S. 113-168.6 reads as rewritten:

47 **"§ 113-168.6. Commercial fishing vessel registration.**

48 (a) As used in this subsection, a North Carolina vessel is a vessel that has its primary  
49 situs in the State. A vessel has its primary situs in the State if:

- 50 (1) A certificate of number has been issued for the vessel under Article 1 of  
51 Chapter 75A of the General Statutes;

1 (2) A certificate of title has been issued for the vessel under Article 4 of Chapter  
2 75A of the General Statutes; or

3 (3) A certification of documentation has been issued for the vessel that lists a  
4 home port in the State under 46 U.S.C. § 12101, et seq., as amended.

5 (b) The owner of a vessel used in a commercial fishing operation in the coastal fishing  
6 waters of the State or a North Carolina vessel used to land or sell fish in the State shall register  
7 the vessel with the Division. It is unlawful to use a vessel that is not registered with the  
8 Division in a commercial fishing operation or a for-hire operation in the coastal fishing waters  
9 of the State. It is unlawful to use a North Carolina vessel that is not registered with the Division  
10 to land or sell fish in the State. No registration is required for a vessel of any length that does  
11 not have a motor if the vessel is used only in connection with another vessel that is properly  
12 registered.

13 (b1) The vessel owner at the time of application for registration under subsection (b) of  
14 this section shall obtain either a commercial vessel endorsement if the vessel is intended to be  
15 used primarily for the harvest of fish for sale, a for-hire endorsement if the vessel is intended to  
16 be used primarily for for-hire activities, or both endorsements if the vessel is intended to be  
17 engaged in both activities. The owner of a vessel applying for a commercial fishing vessel  
18 registration with a for-hire endorsement must affirm liability coverage and knowledge of  
19 applicable United States Coast Guard safety requirements.

20 (c) The annual fee for a commercial fishing vessel registration shall be determined by  
21 the length of the vessel and shall be in addition to the fee for other licenses issued under this  
22 Article. The length of a vessel shall be determined by measuring the distance between the ends  
23 of the vessel along the deck and through the cabin, excluding the sheer. The annual fee for a  
24 commercial fishing vessel registration is:

25 (1) ~~One dollar (\$1.00)~~ One dollar and twenty-five cents (\$1.25) per foot for a  
26 vessel not over 18 feet in length.

27 (2) ~~One dollar and fifty cents (\$1.50)~~ One dollar and ninety cents (\$1.90) per  
28 foot for a vessel over 18 feet but not over 38 feet in length.

29 (3) ~~Three dollars (\$3.00)~~ Three dollars and seventy-five cents (\$3.75) per foot  
30 for a vessel over 38 feet but not over 50 feet in length.

31 (4) ~~Six dollars (\$6.00)~~ Seven dollars and fifty cents (\$7.50) per foot for a vessel  
32 over 50 feet in length.

33 (d) A vessel may be registered at any office of the Division. A commercial fishing  
34 vessel registration expires on the last day of the license year.

35 (e) Within 30 days of the date on which the owner of a registered vessel transfers  
36 ownership of the vessel, the new owner of the vessel shall notify the Division of the change in  
37 ownership and apply for a replacement commercial fishing vessel registration. An application  
38 for a replacement commercial fishing vessel registration shall be accompanied by proof of the  
39 transfer of the vessel. The provisions of G.S. 113-168.1(h) apply to a replacement commercial  
40 fishing vessel registration."

41 **SECTION 14.8.(f)** G.S. 113-169.1 reads as rewritten:

42 **"§ 113-169.1. Permits for gear, equipment, and other specialized activities authorized.**

43 (a) The Commission may adopt rules to establish permits for gear, equipment, and  
44 specialized activities, including commercial fishing operations that do not involve the use of a  
45 vessel and transplanting oysters or clams. The Commission may establish a fee for each permit  
46 established pursuant to this subsection in an amount that compensates the Division for the  
47 administrative costs associated with the permit but that does not exceed one hundred dollars  
48 (\$100.00) per permit.

49 (b) The Commission may adopt rules to establish gear specific permits to take striped  
50 bass from the Atlantic Ocean and to limit the number and type of these permits that may be  
51 issued to a person. The Commission may establish a fee for each permit established pursuant to

1 this subsection in an amount that compensates the Division for the administrative costs  
2 associated with the permit but that does not exceed ~~ten dollars (\$10.00)~~thirty dollars (\$30.00)  
3 per permit.

4 (c) To ensure an orderly transition from one permit year to the next, the Division may  
5 issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the  
6 Division receives for the issuance of a permit prior to the beginning of a permit year shall not  
7 revert at the end of the fiscal year in which the revenue is received and shall be credited and  
8 available to the Division for the permit year in which the permit is valid."

9 **SECTION 14.8.(g)** G.S. 113-169.2 reads as rewritten:

10 "**§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.**

11 (a) License or Endorsement Necessary to Take or Sell ~~Shellfish~~Shellfish Taken by  
12 Hand Methods. – It is unlawful for an individual to take shellfish from the public or private  
13 grounds of the State ~~by mechanical means or~~ as part of a commercial fishing operation by ~~any~~  
14 ~~means~~hand methods without holding either a shellfish license or a shellfish endorsement of a  
15 SCFL. A North Carolina resident who seeks only to take shellfish by hand methods and sell  
16 such shellfish shall be eligible to obtain a shellfish license without holding a SCFL. The  
17 shellfish license authorizes the licensee to sell shellfish.

18 (a1) License Necessary to Take or Sell Shellfish Taken by Mechanical Means. – Subject  
19 to subsection (i) of this section, an individual who takes shellfish from the public or private  
20 grounds of the State by mechanical means must obtain an SCFL under the provisions of  
21 G.S. 113-168.2.

22 (b) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

23 (c) Fees. – Shellfish licenses issued under this section shall be issued annually upon  
24 payment of a fee of ~~twenty-five dollars (\$25.00)~~thirty-one dollars and twenty-five cents  
25 (\$31.25) upon proof that the license applicant is a North Carolina resident.

26 (d) License Available for Inspection. – It is unlawful for any individual to take shellfish  
27 as part of a commercial fishing operation from the public or private grounds of the State  
28 without having ready at hand for inspection a current and valid shellfish license issued to the  
29 licensee personally and bearing the licensee's correct name and address. It is unlawful for any  
30 individual taking or possessing freshly taken shellfish to refuse to exhibit the individual's  
31 license upon the request of an officer authorized to enforce the fishing laws.

32 (e) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

33 (f) Name or Address Change. – In the event of a change in name or address or upon  
34 receipt of an erroneous shellfish license, the licensee shall, within 30 days, apply for a  
35 replacement shellfish license bearing the correct name and address. Upon a showing by the  
36 individual that the name or address change occurred within the past 30 days, the trial court or  
37 prosecutor shall dismiss any charges brought pursuant to this subsection.

38 (g) Transfer Prohibited. – It is unlawful for an individual issued a shellfish license to  
39 transfer or offer to transfer the license, either temporarily or permanently, to another. It is  
40 unlawful for an individual to secure or attempt to secure a shellfish license from a source not  
41 authorized by the Commission.

42 (h) Exemption. – Persons under 16 years of age are exempt from the license  
43 requirements of this section if accompanied by a parent, grandparent, or guardian who is in  
44 compliance with the requirements of this section or if in possession of a parent's, grandparent's  
45 or guardian's shellfish license.

46 (i) Taking Shellfish Without a License for Personal Use. – Shellfish may be taken  
47 without a license for personal use in quantities established by rules of the Marine Fisheries  
48 Commission."

49 **SECTION 14.8.(h)** G.S. 113-169.3(e) reads as rewritten:

1 "(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license  
2 shall pay a nonrefundable application fee of ~~fifty dollars (\$50.00)~~sixty-two dollars and fifty  
3 cents (\$62.50) in addition to the license category fees set forth in this section."

4 **SECTION 14.8.(i)** G.S. 113-169.3(f) reads as rewritten:

5 "(f) License Category Fees. – Every fish dealer subject to licensing requirements shall  
6 secure an annual license at each established location for each of the following activities  
7 transacted there, upon payment of the fee set out:

8 (1) Dealing in oysters: ~~\$50.00;~~\$62.50.

9 (2) Dealing in scallops: ~~\$50.00;~~\$62.50.

10 (3) Dealing in clams: ~~\$50.00;~~\$62.50.

11 (4) Dealing in hard or soft crabs: ~~\$50.00;~~\$62.50.

12 (5) Dealing in shrimp, including bait: ~~\$50.00;~~\$62.50.

13 (6) Dealing in finfish, including bait: ~~\$50.00;~~\$62.50.

14 (7) Operating menhaden or other fish-dehydrating or oil-extracting processing  
15 plants: ~~\$50.00; or~~\$62.50.

16 (8) Consolidated license (all categories): ~~\$300.00;~~\$375.00."

17 **SECTION 14.8.(j)** G.S. 113-169.4 reads as rewritten:

18 **"§ 113-169.4. Licensing of ocean fishing piers; fees.**

19 (a) The owner or operator of an ocean fishing pier within the coastal fishing waters who  
20 charges the public a fee to fish in any manner from the pier shall secure a current and valid pier  
21 license from the Division. An application for a pier license shall disclose the names of all  
22 parties involved in the pier operations, including the owner of the property, owner of the pier if  
23 different, and all leasehold or other corporate arrangements, and all persons with a substantial  
24 financial interest in the pier.

25 (b) Within 30 days following a change of ownership of a pier, or a change as to the  
26 manager, the manager or new manager shall secure a replacement pier license as provided in  
27 G.S. 113-168.1(h).

28 (c) Pier licenses are issued upon payment of ~~fifty cents (50¢)~~four dollars and fifty cents  
29 (\$4.50) per linear foot, to the nearest foot, that the pier extends into coastal fishing waters  
30 beyond the mean high waterline. The length of the pier shall be measured to include all  
31 extensions of the pier.

32 (d) The manager who secures the pier license shall be the individual with the duty of  
33 executive-level supervision of pier operations.

34 (e) The pier license issued under this section authorizes any individual who does not  
35 hold a Coastal Recreational Fishing License under Article 14B or Article 25A of this Chapter  
36 to engage in recreational fishing while on the pier."

37 **SECTION 14.8.(k)** G.S. 113-169.5(b) reads as rewritten:

38 "(b) The fee for a land or sell license for a vessel not having its primary situs in North  
39 Carolina is ~~two hundred dollars (\$200.00);~~two hundred fifty dollars (\$250.00), or an amount  
40 equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons  
41 aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels  
42 without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell  
43 their catch in the State without complying with this section if the persons are in possession of a  
44 valid license from their state of residence."

45 **SECTION 14.8.(l)** G.S. 113-171.1(b) reads as rewritten:

46 "(b) License. – Before an aircraft is used as a spotter plane in a commercial fishing  
47 operation, the owner or operator of the aircraft must obtain a license for the aircraft from the  
48 Division. The fee for a license for a spotter plane is ~~one hundred dollars (\$100.00);~~one hundred  
49 twenty-five dollars (\$125.00). An applicant for a license for a spotter plane shall include in the  
50 application the identity, either by boat or by company, of the specific commercial fishing  
51 operations in which the spotter plane will be used during the license year. If, during the course

1 of the license year, the aircraft is used as a spotter plane in a commercial fishing operation that  
2 is not identified in the original license application, the owner or operator of the aircraft shall  
3 amend the license application to add the identity of the additional commercial fishing  
4 operation."

5 **SECTION 14.8.(m)** G.S. 113-173(f) reads as rewritten:

6 "(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of  
7 purchase. The fee for a RCGL for a North Carolina resident shall be ~~thirty-five dollars~~  
8 ~~(\$35.00)~~ forty-three dollars and seventy-five cents (\$43.75). The fee for a RCGL for an  
9 individual who is not a North Carolina resident shall be ~~two hundred fifty dollars~~  
10 ~~(\$250.00)~~ three hundred twelve dollars and fifty cents (\$312.50)."

11 **SECTION 14.8.(n)** G.S. 113-174(2a) reads as rewritten:

12 "(2a) 'For Hire ~~Boat~~' Vessel' means a charter boat, head boat, dive boat, or other  
13 ~~boat-vessel~~ hired to allow individuals to engage in recreational fishing."

14 **SECTION 14.8.(o)** G.S. 113-174.3 reads as rewritten:

15 "**§ 113-174.3. For Hire Blanket CRFL, For-Hire Licenses.**

16 (a) ~~License.—A person who operates a for hire boat may purchase a For Hire Blanket~~  
17 ~~CRFL issued by the Division for the for hire boat. A For Hire Blanket CRFL authorizes all~~  
18 ~~individuals on the for hire boat who do not hold a license issued under this Article or Article~~  
19 ~~25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint~~  
20 ~~fishing waters. A For Hire Blanket CRFL does not authorize individuals to engage in~~  
21 ~~recreational fishing in joint fishing waters or inland fishing waters. A For Hire Blanket CRFL is~~  
22 ~~valid for a period of one year from the date of issuance. The fee for a For Hire Blanket CRFL~~  
23 ~~is:~~

24 (1) ~~Two hundred fifty dollars (\$250.00) for a vessel that will carry six or fewer~~  
25 ~~passengers.~~

26 (2) ~~Three hundred fifty dollars (\$350.00) for a vessel that will carry greater than~~  
27 ~~six passengers.~~

28 (b) ~~Implementation.—Except as provided in this section and G.S. 113-174.2(d), each~~  
29 ~~individual on board a for hire boat engaged in recreational fishing, other than crew members~~  
30 ~~who do not engage in recreational fishing, must hold a license issued under this Article or~~  
31 ~~Article 25A of this Chapter. An owner, operator, or crew member of a for hire boat is not~~  
32 ~~responsible for the licensure of a customer fishing from the boat.~~

33 (c) License. – It is unlawful for a person to engage in a for-hire operation without  
34 having obtained one of the following licenses issued by the Division:

35 (1) Blanket For-Hire Captain's CRFL. – This license allows individuals properly  
36 licensed by the United States Coast Guard to carry passengers on any vessel  
37 with a commercial vessel registration with a for-hire endorsement. A  
38 Blanket For-Hire Captain's CRFL authorizes all individuals on the for-hire  
39 vessel who do not hold a license issued under this Article or Article 25A of  
40 this Chapter to engage in recreational fishing in coastal fishing waters that  
41 are not joint fishing waters. The resident fees for a Blanket For-Hire  
42 Captain's CRFL are two hundred fifty dollars (\$250.00) for a vessel carrying  
43 six or fewer passengers and three hundred fifty dollars (\$350.00) for a vessel  
44 carrying more than six passengers. The nonresident fees for a Blanket  
45 For-Hire Captain's CRFL are three hundred twelve dollars and fifty cents  
46 (\$312.50) for a vessel carrying six or fewer passengers and four hundred  
47 thirty-seven dollars and fifty cents (\$437.50) for a vessel carrying more than  
48 six passengers. Any vessel whose operator is licensed under this subdivision  
49 and that is engaged in for-hire fishing must obtain a Commercial Fishing  
50 Vessel Registration with a for-hire endorsement.

1           (2) Blanket For-Hire Vessel CRFL. – This license allows any United States  
2 Coast Guard licensed operator to carry passengers aboard the licensed  
3 vessel. A Blanket For-Hire Vessel CRFL authorizes all individuals on the  
4 for-hire vessel who do not hold a license issued under this Article or Article  
5 25A of this Chapter to engage in recreational fishing in coastal fishing  
6 waters that are not joint fishing waters. The resident fees for a Blanket  
7 For-Hire Vessel CRFL are two hundred fifty dollars (\$250.00) for a vessel  
8 carrying six or fewer passengers and three hundred fifty dollars (\$350.00)  
9 for a vessel carrying more than six passengers. The nonresident fees for a  
10 Blanket For-Hire Vessel CRFL are three hundred twelve dollars and fifty  
11 cents (\$312.50) for a vessel carrying six or fewer passengers and four  
12 hundred thirty-seven dollars and fifty cents (\$437.50) for a vessel carrying  
13 more than six passengers. Any vessel whose operator is licensed under this  
14 subdivision and that is engaged in for-hire fishing is not required to obtain a  
15 Commercial Fishing Vessel Registration with a for-hire endorsement.

16           (3) Non-Blanket For-Hire Vessel License. – This license allows any United  
17 States Coast Guard licensed operator to carry passengers aboard the licensed  
18 vessel. This license does not authorize individuals aboard the vessel to  
19 engage in recreational fishing unless they hold an individual CRFL issued  
20 under this Article or Article 25A of this Chapter. The fee for the  
21 Non-Blanket For-Hire Vessel License is twenty-five dollars (\$25.00) for a  
22 vessel operated by a resident operator and thirty-seven dollars and fifty cents  
23 (\$37.50) for a vessel operated by a nonresident operator. Any vessel whose  
24 operator is licensed under this subdivision and that is engaged in for-hire  
25 fishing is not required to obtain a Commercial Fishing Vessel Registration  
26 with a for-hire endorsement.

27           (d) A license issued under this section does not authorize individuals to engage in  
28 recreational fishing in joint fishing waters or inland fishing waters. All for-hire licenses expire  
29 on the last day of the license year.

30           (e) Each individual who obtains a for-hire license shall submit to the Division logbooks  
31 summarizing catch and effort statistical data to the Division. The Commission may adopt rules  
32 that determine the means and methods to satisfy the requirements of this subsection."

33           **SECTION 14.8.(p)** G.S. 113-174.4 is repealed.

34           **SECTION 14.8.(q)** G.S. 113–174.5(a) reads as rewritten:

35           "(a) The owner of a vessel that is 23 feet or more in length and that is either documented  
36 with the United States Coast Guard or registered with the Wildlife Resources Commission  
37 pursuant to G.S. 75A-4 may purchase a block of 10 Ten-Day CRFLs issued by the Division. A  
38 vessel owner who wishes to obtain a block of 10 Ten-Day CRFLs shall provide the Division  
39 with all information required by the Division, including information identifying the vessel on  
40 which the Ten-Day CRFLs will be used. Each individual Ten-Day CRFL shall identify the  
41 vessel for which the block of 10 Ten-Day CRFLs is issued. An individual Ten-Day CRFL  
42 issued as part of a block of 10 Ten-Day CRFLs may only be used on the vessel for which it was  
43 issued. An individual Ten-Day CRFL issued as part of a block of 10 Ten-Day CRFLs may not  
44 be used on a for hire ~~boat~~-vessel. A block of 10 Ten-Day CRFLs shall expire two years from  
45 the date of purchase."

46           **SECTION 14.8.(r)** G.S. 113–182.1(b) reads as rewritten:

47           "(b) The goal of the plans shall be to ensure the long-term viability of the State's  
48 commercially and recreationally significant species or fisheries. Each plan shall be designed to  
49 reflect fishing practices so that one plan may apply to a specific fishery, while other plans may  
50 be based on gear or geographic areas. Each plan shall:

51           ...

1 (5) Specify a time period, not to exceed two years from the date of the adoption  
2 of the plan, ~~for ending to end~~ overfishing. ~~This subdivision shall only apply~~  
3 ~~to a plan for a fishery that is not producing a sustainable harvest.~~ This  
4 subdivision shall not apply if the Fisheries Director determines that the  
5 biology of the fish, environmental conditions, or lack of sufficient data make  
6 implementing the requirements of this subdivision incompatible with  
7 professional standards for fisheries management.

8 ...."

9 SECTION 14.8.(s) G.S. 113-203 is amended by adding two new subsections to  
10 read:

11 "(f) The Commission may establish a fee for each permit established pursuant to this  
12 subsection in an amount that compensates the Division for the administrative costs associated  
13 with the permit but that does not exceed one hundred dollars (\$100.00) per permit.

14 (g) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from  
15 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year  
16 for which the permit is valid. Revenue that the Division receives for the issuance of a permit  
17 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the  
18 revenue is received and shall be credited and available to the Division for the permit year in  
19 which the permit is valid."

20 SECTION 14.8.(t) G.S. 113–210 is amended by adding two new subsections to  
21 read:

22 "(l) Fees. – Under Dock Oyster Culture Permit shall be issued annually upon payment of  
23 a fee of one hundred dollars (\$100.00).

24 (m) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from  
25 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year  
26 for which the permit is valid. Revenue that the Division receives for the issuance of a permit  
27 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the  
28 revenue is received and shall be credited and available to the Division for the permit year in  
29 which the permit is valid."

30 SECTION 14.8.(u) G.S. 113–221.2 reads as rewritten:

31 "**§ 113-221.2. Additional rules to establish sanitation requirements for scallops, shellfish,**  
32 **and ~~erustacea~~.crustacea; permits and permit fees authorized.**

33 (a) Authority to Adopt Certain Rules and Establish Permits. – For the protection of the  
34 public health, the Marine Fisheries Commission shall adopt rules establishing sanitation  
35 requirements for the harvesting, processing and handling of scallops, shellfish, and crustacea of  
36 in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops,  
37 shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce  
38 the rules and may issue and revoke permits according to the rules. The Department is  
39 authorized to establish a fee for each permit not to exceed one hundred dollars (\$100.00).

40 (b) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from  
41 one permit year to the next, the Division may issue a permit prior to July 1 of the permit year  
42 for which the permit is valid. Revenue that the Division receives for the issuance of a permit  
43 prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the  
44 revenue is received and shall be credited and available to the Division for the permit year in  
45 which the permit is valid."

46 SECTION 14.8.(v) G.S. 143B-289.52(d1) reads as rewritten:

47 "(d1) The Commission may regulate participation in a fishery that is subject to a federal  
48 fishery management plan if that plan imposes a quota on the State for the harvest or landing of  
49 fish in the fishery. ~~If the Commission regulates participation in a fishery under this subsection,~~  
50 ~~the Division may issue a license to participate in the fishery to a person who:~~

- 1           (1) ~~Held a valid license issued by the Division to harvest, land, or sell fish~~  
2 ~~during at least two of the three license years immediately preceding the date~~  
3 ~~adopted by the Commission to determine participation in the fishery; and~~  
4           (2) ~~Participated in the fishery during at least two of those license years by~~  
5 ~~landing in the State at least the minimum number of pounds of fish adopted~~  
6 ~~by the Commission to determine participation in the fishery. The~~  
7 ~~Commission may use any additional criteria aside from holding a Standard~~  
8 ~~Commercial Fishing License to develop limited-entry fisheries. The~~  
9 ~~Commission may establish a fee for each license established pursuant to this~~  
10 ~~subsection in an amount that does not exceed five hundred dollars~~  
11 ~~(\$500.00)."~~

12           **SECTION 14.8.(w)** G.S. 143B-289.52 is amended by adding a new subsection to  
13 read:

14           "(d2) To ensure an orderly transition from one permit year to the next, the Division may  
15 issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the  
16 Division receives for the issuance of a permit prior to the beginning of a permit year shall not  
17 revert at the end of the fiscal year in which the revenue is received and shall be credited and  
18 available to the Division for the permit year in which the permit is valid."

19           **SECTION 14.8.(x)** The Division of Marine Fisheries of the Department of  
20 Environment and Natural Resources shall seek the involvement of the commercial fishing  
21 industry in North Carolina in the Division's development of a plan to determine a source of  
22 funding necessary to support the Marine Fisheries At-Sea Observer Program that is in addition  
23 to the fee increases under this section. As part of this effort, the Division of Marine Fisheries  
24 shall conduct at least three public hearings in different coastal county locations to seek the  
25 input of, and receive comments of potential additional recurring funding sources from, the  
26 individuals involved in the commercial fishing industry. The Division shall receive written  
27 comments at the public hearings and take minutes of the public hearings. The minutes shall be  
28 made available to the public on the Department's Internet Web site.

29           **SECTION 14.8.(y)** Following the public hearings under subsection (x) of this  
30 section and the Division's consideration of written and oral comments resulting from the public  
31 hearings, the Division of Marine Fisheries shall submit its plan for an additional recurring  
32 funding source to support the Marine Fisheries At-Sea Observer Program to the Marine  
33 Fisheries Commission. The Marine Fisheries Commission shall vote on whether it endorses the  
34 plan.

35           **SECTION 14.8.(z)** No later than March 1, 2014, the Marine Fisheries Commission  
36 shall submit a report to the Senate Appropriations Committee on Natural and Economic  
37 Resources, the House of Representatives Appropriations Subcommittee on Natural and  
38 Economic Resources, and the Fiscal Research Division. This report shall include the results of  
39 the Commission's vote under subsection (y) of this section and its findings and  
40 recommendations for an additional source of funding necessary to support the Marine Fisheries  
41 At-Sea Observer Program in the event the Commission votes against endorsing the plan.

42           **SECTION 14.8.(aa)** The Division of Marine Fisheries shall use the proceeds it  
43 receives as a result of the fee increases under this section to provide support for the 2014-2015  
44 fiscal year for the Marine Fisheries At-Sea Observer Program. In addition, the Division of  
45 Marine Fisheries shall provide available funds for the 2014-2015 fiscal year to provide any  
46 additional support that is needed to continue the Marine Fisheries At-Sea Observer Program.

47           **SECTION 14.8.(ab)** This section becomes effective August 1, 2013.

48  
49 **MARINE RESOURCES FUND AND MARINE RESOURCES ENDOWMENT FUND**  
50 **DISBURSEMENTS**

51           **SECTION 14.9.(a)** G.S. 113-175.1(b) reads as rewritten:



1       "(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from  
2 all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine  
3 Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all  
4 marine resources investment income shall be deposited to the credit of the Marine Resources  
5 Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and  
6 marine resources investment income only upon the written direction of ~~both~~ the Marine  
7 Fisheries ~~Commission and the Wildlife Resources Commission.~~Commission."

8           **SECTION 14.9.(b)** G.S. 113-175.1(c) reads as rewritten:

9       "(c) The Marine Fisheries ~~Commission and the Wildlife Resources Commission~~ may  
10 authorize the disbursement of the principal of the Marine Resources Fund and marine resources  
11 investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance  
12 the marine resources of the State. The Marine Fisheries ~~Commission and the Wildlife~~  
13 ~~Resources Commission~~ are is encouraged to consider supporting the Oyster Sanctuary Program  
14 managed by the Division of Marine Fisheries. The Marine Fisheries ~~Commission and the~~  
15 ~~Wildlife Resources Commission~~ may not authorize the disbursement of the principal of the  
16 Marine Resources Fund and marine resources investment income to establish positions without  
17 specific authorization from the General Assembly. All proposals to the Marine Fisheries  
18 ~~Commission and the Wildlife Resources Commission~~ for the disbursement of funds from the  
19 Marine Resources Fund shall be made by and through the Fisheries Director. Prior to  
20 authorizing disbursements from the Marine Resources Fund, the Marine Fisheries Commission  
21 shall consult with the Wildlife Resources Commission about these proposals. Expenditure of  
22 the assets of the Marine Resources Fund shall be made through the State budget accounts of the  
23 Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act.  
24 The Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article  
25 5A of Chapter 147 of the General Statutes."

26           **SECTION 14.9.(c)** G.S. 113-175.5(b) reads as rewritten:

27       "(b) The State Treasurer shall hold the Endowment Fund separate and apart from all  
28 other moneys, funds, and accounts. The State Treasurer shall invest the assets of the  
29 Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The  
30 State Treasurer shall disburse the endowment investment income only upon the written  
31 direction of both the Marine Fisheries ~~Commission and the Wildlife Resources~~  
32 ~~Commission.~~Commission."

33           **SECTION 14.9.(d)** G.S. 113-175.5(c) reads as rewritten:

34       "(c) Subject to the limitations set out in subsection (d) of this section, the Marine  
35 Fisheries ~~Commission and the Wildlife Resources Commission~~ may authorize the disbursement  
36 of endowment investment income only to manage, protect, restore, develop, cultivate,  
37 conserve, and enhance the marine resources of the State. The Marine Fisheries Commission  
38 ~~and the Wildlife Resources Commission~~ may not authorize the disbursement of endowment  
39 investment income to establish positions without specific authorization from the General  
40 Assembly. All proposals to the Marine Fisheries ~~Commission and the Wildlife Resources~~  
41 ~~Commission~~ for the disbursement of funds from the Endowment Fund shall be made by and  
42 through the Fisheries Director. Prior to authorizing disbursements from the Marine Resources  
43 Endowment Fund, the Marine Fisheries Commission shall consult with the Wildlife Resources  
44 Commission about these proposals."

#### 45 46 **MARINE FISHERIES ENDOWMENT FUND REPEALED**

47           **SECTION 14.10.** G.S. 143B-289.58 is repealed.

#### 48 49 **BOATING SAFETY ENFORCEMENT AGREEMENT**

50           **SECTION 14.11.(a)** The Director of the Division of Marine Fisheries of the  
51 Department of Environment and Natural Resources and the Director of the Wildlife Resources

1 Commission shall develop and implement an agreement that includes at least all of the  
2 following provisions:

- 3 (1) Provisions to authorize the Division of Marine Fisheries marine patrol to  
4 perform any needed boating safety inspection.
- 5 (2) To avoid the duplication of enforcement activities by the Division of Marine  
6 Fisheries marine patrol and the Wildlife Resources Commission law  
7 enforcement officers, a schedule for high-volume areas that is developed to  
8 take into account that the Division of Marine Fisheries marine patrol must  
9 confine their enforcement activities to the coastal waters.
- 10 (3) To further encourage more efficient management of the State's resources, a  
11 protocol that sets forth appropriate circumstances when the Division of  
12 Marine Fisheries marine patrol is authorized or required to investigate  
13 boating accidents in coastal waters and within the joint jurisdiction of the  
14 Division of Marine Fisheries and the Wildlife Resources Commission.
- 15 (4) A provision to prohibit, except in the instances of investigations of boating  
16 accidents, the Division of Marine Fisheries from receiving any federal  
17 boating safety funds.
- 18 (5) A provision to provide mutual aid that authorizes the Division of Marine  
19 Fisheries marine patrol to enter into inland waters in winter to conduct a  
20 normal investigation of suspected illegal netting activity.

21 **SECTION 14.11.(b)** No later than April 1, 2014, the Division of Marine Fisheries  
22 of the Department of Environment and Natural Resources and the Wildlife Resources  
23 Commission shall submit a joint report to the Senate Appropriations Committee on Natural and  
24 Economic Resources, the House of Representatives Appropriations Subcommittee on Natural  
25 and Economic Resources, and the Fiscal Research Division. The report shall include any  
26 findings and recommendations, including any legislative proposals. The report shall include  
27 findings regarding at least the following issues:

- 28 (1) Whether the agreement developed pursuant to subsection (a) of this section  
29 has been successful from the perspective of the Division of Marine Fisheries,  
30 the Wildlife Resources Commission and the public in clarifying enforcement  
31 activities and reducing the duplication of enforcement activities by the  
32 Division of Marine Fisheries marine patrol and the Wildlife Resources  
33 Commission law enforcement officers.
- 34 (2) As an alternative to the agreement developed under the provisions of  
35 subsection (a) of this section, whether it would be preferable to confer law  
36 enforcement powers upon the Division of Marine Fisheries marine patrol to  
37 authorize the Division of Marine Fisheries marine patrol to engage in  
38 enforcement activity related to only fisheries under the jurisdiction of the  
39 Division of Marine Fisheries or subject to the management of the Division of  
40 Marine Fisheries.
- 41 (3) Any other issue the Division of Marine Fisheries or the Wildlife Resources  
42 Commission deems pertinent to include in the report.

#### 43 44 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**

45 **SECTION 14.14.** G.S. 87-98 reads as rewritten:

46 **"§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

47 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under  
48 the control and direction of the Department. The Fund shall be a nonreverting, interest-bearing  
49 fund consisting of monies appropriated by the General Assembly or made available to the Fund  
50 from any other source and investment interest credited to the Fund.

51 (b) The Fund may be used to pay ~~for notification,~~for:

- 1           (1) Notification, to the extent practicable, of persons aged 18 and older who  
2           reside in any dwelling unit, and the senior official in charge of any business,  
3           at which drinking water is supplied from a private drinking water well or  
4           improved spring that is located within 1,500 feet of, and at risk from, known  
5           groundwater contamination. The senior official in charge of the business  
6           shall take reasonable measures to notify all employees of the business of the  
7           groundwater contamination, including posting a notice of the contamination  
8           in a form and at a location that is readily accessible to the employees of the  
9           business. ~~The Fund may also be used by the Department to pay the~~  
10          (2) The costs of testing of private drinking water wells and improved springs for  
11          suspected contamination up to once every three years upon request by a  
12          person who uses the well and for the well, or more frequent testing if the  
13          concentration of one or more contaminants in a private drinking water well  
14          is increasing over time and there is a significant risk that the concentration of  
15          a contaminant will exceed the drinking water action levels set forth in  
16          subsection (c) of this section within a three-year period.  
17          (3) Additional testing to confirm the results of a previous test.  
18          (4) The temporary or permanent provision of alternative drinking water supplies  
19          to persons whose drinking water well or improved spring is contaminated.  
20          Under this subsection, section, an alternative drinking water supply includes  
21          the repair, such as use of a filtration system, or replacement of a  
22          contaminated well or the connection to a public water supply.  
23          (5) Monitoring of filtration systems used in connection with temporary or  
24          permanent alternative drinking water supplies provided pursuant to this  
25          section.

26          (c) The Department shall disburse monies from the Fund based on financial need and  
27          on the risk to public health posed by groundwater contamination and shall give priority to the  
28          provision of services under this section to instances when an alternative source of funds is not  
29          available. The Fund shall not be used to provide alternative water supply to households with  
30          incomes greater than three hundred percent (300%) of the current federal poverty level. The  
31          Fund may be used to provide alternative drinking water supplies if the Department determines  
32          that the concentration of one or more contaminants in the private drinking water well or  
33          improved spring exceeds the federal maximum contaminant level, or the federal drinking water  
34          action level as defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July  
35          2007) and 40 Code of Federal Regulations § 143.3 (1 July 2007). For a contaminant for which  
36          a federal maximum contaminant level or drinking water action level has not been established,  
37          the State groundwater standard established by the Environmental Management Commission for  
38          the concentration of that contaminant shall be used to determine whether the Fund may be used  
39          to provide alternative drinking water supplies. The Fund may also be used to provide  
40          alternative drinking water supplies as provided in this section if the Department determines that  
41          the concentration of one or more contaminants in a private drinking water well is increasing  
42          over time and that there is a significant risk that the concentration of a contaminant will exceed  
43          the federal maximum contaminant level or drinking water action level, or the State groundwater  
44          standard. A determination of the concentration of a contaminant shall be based on a sample of  
45          water collected from the private drinking water well within the past 12 months.

46          (c1) In disbursing monies from the Fund, the Department shall give preference to  
47          provision of permanent replacement water supplies by connection to public water supplies and  
48          repair or replacement of contaminated wells over the provision of temporary water supplies. In  
49          providing alternative drinking water supplies, the Department shall give preference to  
50          connection to a public water supply system or to construction of a new private drinking water  
51          well over the use of a filtration system if the Department determines that the costs of periodic

1 required maintenance of the filtration system would be cost-prohibitive for users of the  
2 alternative drinking water supply.

3 (c2) If the Department provides an alternative drinking water supply by extension of a  
4 waterline, the Department may disburse from the Fund no more than ~~ten~~fifty thousand dollars  
5 ~~(\$10,000)~~(\$50,000) per household or other service connection. For projects where more than 10  
6 residences are eligible for alternative water supplies under this section, no ~~No~~ more than  
7 one-third of the total cost of the project may be paid from the Fund. The Department may  
8 combine monies from the Fund with monies from other sources in order to pay the total cost of  
9 the project.

10 (c3) The Fund shall be used to provide alternative drinking water supplies only if the  
11 Department determines that the person or persons who are responsible for the contamination of  
12 the private drinking water well is or are not financially viable or cannot be identified or located  
13 and if the Department determines that one of the following applies:

14 (1) The contamination of the private drinking water well is naturally occurring.

15 (2) The owner of the property on which the private drinking water well is  
16 located did not cause or contribute to the contamination or control the source  
17 of the contamination.

18 (3) The source of the contamination is the application or disposal of a hazardous  
19 substance or pesticide that occurred without the consent of the owner of the  
20 property on which the private drinking water well is located.

21 (c4) The Department may use up to one hundred thousand dollars (\$100,000) annually of  
22 the monies in the Fund to pay the personnel and other direct costs associated with the  
23 implementation of this section.

24 (c5) The Fund shall not be used for remediation of groundwater contamination.

25 (c6) Nothing in this section expands, contracts, or modifies the obligation of responsible  
26 parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article  
27 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or  
28 soil contamination.

29 (c7) In disbursing monies from the Fund for replacement water supplies, the Department  
30 shall give priority to circumstances in which a well is contaminated as the result of  
31 nonnaturally occurring groundwater contamination in the area over circumstances in which a  
32 well has naturally occurring contamination.

33 (d) The Department shall establish criteria by which the Department is to evaluate  
34 applications and disburse monies from this Fund and may adopt any rules necessary to  
35 implement this section.

36 (e) The Department, in consultation with the Commission for Public Health and local  
37 health departments, shall report no later than ~~1 October~~October 1 of each year to the  
38 Environmental Review Commission, the House of Representatives Appropriations  
39 Subcommittee on Natural and Economic Resources, Senate Appropriations Committee on  
40 Natural and Economic Resources, and the Fiscal Research Division on the implementation of  
41 this section. The report shall include the purpose and amount of all expenditures from the Fund  
42 during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of  
43 the section, and may also include recommendations for any legislative action."  
44

#### 45 **NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK** 46 **CLEANUP FUND; DENR STUDY**

47 **SECTION 14.15.(a)** G.S. 143-215.94D(b1) reads as rewritten:

48 "(b1) The Noncommercial Fund shall be used for the payment of the costs of:

49 (1) The ~~For~~ releases discovered or reported to the Department prior to August 1,  
50 2013, the cleanup of environmental damage as required by  
51 G.S. 143-215.94E(a).

- 1           (1a) For releases discovered or reported to the Department on or after August 1,  
2           2013, the cleanup of environmental damage as required by  
3           G.S.143-215.94E(a) in excess of two thousand dollars (\$2,000) or the sum of  
4           the following amounts, whichever is less:  
5           a.     A deductible of one thousand dollars (\$1,000) per occurrence.  
6           b.     A co-payment equal to ten percent (10%) of the costs of the cleanup  
7           of environmental damage, per occurrence.  
8           (2) Compensation to third parties for bodily injury and property damage in  
9           excess of one hundred thousand dollars (\$100,000) per occurrence.  
10          (3) Reimbursing the State for damages or other costs incurred as a result of a  
11          loan from the Loan Fund. The per occurrence limit does not apply to  
12          reimbursements to the State under this subdivision.  
13          (4) Recordation of residual petroleum as required by G.S. 143B-279.11 if the  
14          Noncommercial Fund is responsible for the payment of costs under  
15          subdivisions (1) through (3) of this subsection and subsection (b) of this  
16          section."

17           **SECTION 14.15.(b)** The Department of Environment and Natural Resources  
18 (Department) shall study the costs and benefits of the noncommercial underground storage tank  
19 program and explore options for continued use of the Noncommercial Leaking Petroleum  
20 Underground Storage Tank Cleanup Fund (Fund) and ways to improve the solvency of the  
21 Fund. The study shall consider all of the following:

- 22          (1) The usual, average, historic costs of various phases of assessment and  
23          cleanup of noncommercial UST releases in order to determine areas of  
24          potential costs savings.  
25          (2) The feasibility of determining levels of soil and groundwater contamination  
26          at noncommercial UST releases earlier in the assessment and cleanup  
27          process in order to identify lower risks sites and limit reimbursement of costs  
28          of initial abatement actions.  
29          (3) The feasibility of assigning risk to noncommercial UST releases earlier in  
30          the assessment and cleanup process in order to limit reimbursement of costs  
31          of initial abatement actions.  
32          (4) The feasibility of partial cleanup at lower priority noncommercial UST  
33          releases.  
34          (5) The feasibility of issuing notices similar to the Notices of No Further Action  
35          for partially cleaned up, stabilized, lower priority noncommercial UST sites  
36          in order to facilitate property transfers.  
37          (6) Methods to strengthen liability protections for buyers and lenders of  
38          residential properties that have known noncommercial UST releases in order  
39          to facilitate property transfers.  
40          (7) Methods to employ land-use restrictions on residential properties where  
41          petroleum contamination remains at lower risk sites in order to limit cleanup  
42          at these sites, while still informing the public of risk, and facilitating  
43          property transfers.  
44          (8) Methods to increase the participation of noncommercial UST owners in the  
45          costs of assessments and cleanups.  
46          (9) Any other matter the Department deems relevant to improve the solvency of  
47          the Fund.

48           **SECTION 14.15.(c)** The Department shall report its findings and  
49 recommendations, including any legislative proposals, to the Environmental Review  
50 Commission, the Senate Appropriations Committee on Natural and Economic Resources, the

1 House of Representatives Appropriations Subcommittee on Natural and Economic Resources,  
2 and the Fiscal Research Division no later than April 1, 2014.

3  
4 **PORTION OF SCRAP TIRE DISPOSAL TAX CREDITED TO GENERAL FUND;  
5 REPEAL SCRAP TIRE DISPOSAL ACCOUNT**

6 **SECTION 14.16.(a)** G.S. 105-187.19(b) reads as rewritten:

7 "(b) Each quarter, the Secretary shall credit ~~eight percent (8%) of the net tax proceeds to~~  
8 ~~the Solid Waste Management Trust Fund, seventeen percent (17%) of the net tax proceeds to~~  
9 ~~the Scrap Tire Disposal Account, two and one-half percent (2.5%) of the net tax proceeds to the~~  
10 ~~Inactive Hazardous Sites Cleanup Fund, and two and one-half percent (2.5%) of the net tax~~  
11 ~~proceeds to the Bernard Allen Memorial Emergency Drinking Water Fund~~ thirty percent (30%)  
12 of the net tax proceeds to the General Fund. The Secretary shall distribute the remaining  
13 seventy percent (70%) of the net tax proceeds among the counties on a per capita basis  
14 according to the most recent annual population estimates certified to the Secretary by the State  
15 Budget Officer."

16 **SECTION 14.16.(b)** G.S. 130A-309.63 is repealed.

17 **SECTION 14.16.(c)** Part 2B of Article 9 of Chapter 130A of the General Statutes  
18 is amended by adding a new section to read:

19 **"§ 130A-309.64. Scrap Tire Disposal Program; other Department activities related to**  
20 **scrap tires.**

21 (a) The Department may make grants to units of local government to assist them in  
22 disposing of scrap tires. To administer the grants, the Department shall establish procedures for  
23 applying for a grant and the criteria for selecting among grant applicants. The criteria shall  
24 include the financial ability of a unit of local government to provide for scrap tire disposal, the  
25 severity of a unit of local government's scrap tire disposal problem, the effort made by a unit of  
26 local government to ensure that only tires generated in the normal course of business in this  
27 State are provided free disposal, and the effort made by a unit of local government to provide  
28 for scrap tire disposal within the resources available to it.

29 (b) A unit of local government is not eligible for a grant under subsection (a) of this  
30 section unless its costs for disposing of scrap tires for the six-month period preceding the date  
31 the unit of local government files an application for a grant exceeded the amount the unit of  
32 local government received during that period from the proceeds of the scrap tire tax under  
33 G.S. 105-187.19. A grant to a unit of local government for scrap tire disposal may not exceed  
34 the unit of local government's unreimbursed cost for the six-month period.

35 (c) The Department may support a position to provide local governments with  
36 assistance in developing and implementing scrap tire management programs designed to  
37 complete the cleanup of nuisance tire collection sites and prevent scrap tires generated from  
38 outside of the State from being presented for free disposal in the State.

39 (d) The Department may clean up scrap tire collection sites that the Department has  
40 determined are a nuisance. The Department may use funds to clean up a nuisance tire collection  
41 site only if no other funds are available for that purpose.

42 (e) The Department shall include in the report to be delivered to the Environmental  
43 Review Commission on or before January 15 of each year pursuant to G.S. 130A-309.06(c) a  
44 description of the implementation of the North Carolina Scrap Tire Disposal Act under this Part  
45 for the fiscal year ending the preceding June 30. The description of the implementation of the  
46 North Carolina Scrap Tire Disposal Act shall include a list of the recipients of grants under  
47 subsection (a) of this section and the amount of each grant for the previous 12-month period.  
48 The report also shall include the amount of funds used to clean up nuisance sites under  
49 subsection (d) of this section.

50 (f) It is the intent of the General Assembly to allow the Department to satisfy grant  
51 obligations that extend beyond the end of the fiscal year.

1       (g) The Department may adopt any rules necessary to implement this section."

2       **SECTION 14.16.(d)** G.S. 130A-309.06(c) reads as rewritten:

3       "(c) The Department shall report to the Environmental Review Commission on or before  
4 15 January of each year on the status of solid waste management efforts in the State. The report  
5 shall include:

6       ...

7       (10) A description of the implementation of the North Carolina Scrap Tire  
8 Disposal Act that includes ~~the beginning and ending balances in the Scrap~~  
9 ~~Tire Disposal Account for the reporting period, the amount credited to the~~  
10 ~~Scrap Tire Disposal Account during the reporting period, and the amount of~~  
11 ~~revenue used for grants and to clean up nuisance tire collection sites, as~~  
12 ~~required by G.S. 130A-309.63(e), under the provisions of G.S 130A-309.64.~~

13       ...."

14       **SECTION 14.16.(e)** G.S. 130A-309.09C(g) reads as rewritten:

15       "(g) In addition to any other penalties provided by law, a unit of local government that  
16 does not comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a)  
17 shall not be eligible for grants from the Solid Waste Management Trust Fund, ~~the Scrap Tire~~  
18 ~~Disposal Account, Fund~~ or the White Goods Management Account and shall not receive the  
19 proceeds of the scrap tire disposal tax imposed by Article 5B of Chapter 105 of the General  
20 Statutes or the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105  
21 of the General Statutes to which the unit of local government would otherwise be entitled. The  
22 Secretary shall notify the Secretary of Revenue to withhold payment of these funds to any unit  
23 of local government that fails to comply with the requirements of G.S. 130A-309.09A(b) and  
24 G.S. 130A-309.09B(a). Proceeds of the scrap tire disposal tax that are withheld pursuant to this  
25 subsection shall be credited to the ~~Scrap Tire Disposal Account~~ General Fund and may be used  
26 as provided in ~~G.S. 130A-309.63~~ G.S. 130A-309.64. Proceeds of the white goods disposal tax  
27 that are withheld pursuant to this subsection shall be credited to the White Goods Management  
28 Account and may be used as provided in G.S. 130A-309.83."

29       **SECTION 14.16.(f)** The funds appropriated to the Department of Environment and  
30 Natural Resources for the 2013-2015 biennium for the Scrap Tire Disposal Program established  
31 under G.S. 130A-309.64, as enacted by subsection (b) of this section, shall be allocated as  
32 follows:

33       (1) Up to eighty thousand dollars (\$80,000) shall be used by the Department of  
34 Environment and Natural Resources to support a position in the same  
35 manner as revenue in the Scrap Tire Disposal Account may be used under  
36 G.S. 130A-309.63(b)(3), and

37       (2) Four hundred twenty thousand dollars (\$420,000) shall be used by the  
38 Department of Environment and Natural Resources in the same manner as  
39 revenue in the Scrap Tire Disposal Account may be used under  
40 G.S. 130A-309.63, as amended by this section.

41       **SECTION 14.16.(g)** Any tax proceeds remaining in the Scrap Tire Disposal  
42 Account, repealed under subsection (b) of this section, as of the effective date of this section  
43 shall continue to be used for the same purposes and in the same manner as the Scrap Tire  
44 Disposal Account, except the funds in the Scrap Tire Disposal Account shall not be used for  
45 grants to encourage the use of processed scrap tire materials.

46       **SECTION 14.16.(h)** Money collected pursuant to Article 5B of Chapter 105 of the  
47 General Statutes between July 1, 2013, and the date this act becomes law shall be credited to  
48 the General Fund. The money shall be used for the purposes provided in this section.

49  
50 **PORTION OF WHITE GOODS DISPOSAL TAX CREDITED TO GENERAL FUND**

51       **SECTION 14.17.(a)** G.S. 105-187.24 reads as rewritten:

1 **"§ 105-187.24. Use of tax proceeds.**

2 The Secretary shall distribute the taxes collected under this Article, less the Department of  
3 Revenue's allowance for administrative expenses, in accordance with this section. The  
4 Secretary may retain the Department's cost of collection, not to exceed four hundred  
5 twenty-five thousand dollars (\$425,000) a year, as reimbursement to the Department.

6 Each quarter, the Secretary shall credit ~~eight percent (8%) of the net tax proceeds to the~~  
7 ~~Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the net tax~~  
8 ~~proceeds to the White Goods Management Account.~~ twenty-eight percent (28%) of the net tax  
9 proceeds to the General Fund. The Secretary shall distribute the remaining seventy-two percent  
10 (72%) of the net tax proceeds among the counties on a per capita basis according to the most  
11 recent annual population estimates certified to the Secretary by the State Budget Officer. The  
12 Department shall not distribute the tax proceeds to a county when notified not to do so by the  
13 Department of Environment and Natural Resources under G.S. 130A-309.87. If a county is not  
14 entitled to a distribution, the proceeds allocated for that county will be credited to the White  
15 Goods Management Account.

16 A county may use funds distributed to it under this section only as provided in  
17 G.S. 130A-309.82. A county that receives funds under this section and that has an interlocal  
18 agreement with another unit of local government under which the other unit provides for the  
19 disposal of solid waste for the county must transfer the amount received under this section to  
20 that other unit. A unit to which funds are transferred is subject to the same restrictions on use of  
21 the funds as the county."

22 **SECTION 14.17.(b)** G.S. 130A-309.83(a) reads as rewritten:

23 "(a) The White Goods Management Account is established within the Department. ~~The~~  
24 ~~Account consists of revenue credited to the Account from the proceeds of the white goods~~  
25 ~~disposal tax imposed by Article 5C of Chapter 105 of the General Statutes."~~

26 **SECTION 14.17.(c)** G.S. 130A-309.87(a) reads as rewritten:

27 "(a) Receipt of Funds. – A county may not receive a quarterly distribution of the white  
28 goods disposal tax proceeds under G.S. 105-187.24 unless the undesignated balance in the  
29 county's white goods account at the end of its fiscal year is less than the threshold amount.  
30 Based upon the information in a county's Annual Financial Information Report, the Department  
31 must notify the Department of Revenue by March 1 of each year which counties may not  
32 receive a distribution of the white goods disposal tax for the current calendar year. The  
33 Department of Revenue will credit the undistributed tax proceeds to the ~~White Goods~~  
34 ~~Management Account.~~ General Fund."

35 **SECTION 14.17.(d)** G.S. 130A-309.09C(g) reads as rewritten:

36 "(g) In addition to any other penalties provided by law, a unit of local government that  
37 does not comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a)  
38 shall not be eligible for grants from the Solid Waste Management Trust Fund, the Scrap Tire  
39 Disposal Account, or the White Goods Management Account and shall not receive the proceeds  
40 of the scrap tire disposal tax imposed by Article 5B of Chapter 105 of the General Statutes or  
41 the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105 of the  
42 General Statutes to which the unit of local government would otherwise be entitled. The  
43 Secretary shall notify the Secretary of Revenue to withhold payment of these funds to any unit  
44 of local government that fails to comply with the requirements of G.S. 130A-309.09A(b) and  
45 G.S. 130A-309.09B(a). Proceeds of the scrap tire disposal tax that are withheld pursuant to this  
46 subsection shall be credited to the Scrap Tire Disposal Account and may be used as provided in  
47 G.S. 130A-309.63. Proceeds of the white goods disposal tax that are withheld pursuant to this  
48 subsection shall be credited to the ~~White Goods Management Account~~ General Fund and may  
49 be used as provided in G.S. 130A-309.83."

50 **SECTION 14.17.(e)** G.S. 130A-309.83 is repealed.

51 **SECTION 14.17.(f)** G.S. 130A-309.85(3) is repealed.



1           **SECTION 14.17.(g)** G.S. 130A-309.87, as amended by subsection (c) of this  
2 section, reads as rewritten:

3 **"§ 130A-309.87. Eligibility for disposal tax proceeds.**

4 ...

5       (b) Annual Financial Information Report. – On or before November 1 of each year, a  
6 county must submit a copy of its Annual Financial Information Report, prepared in accordance  
7 with G.S. 159-33.1, to the Department. The Secretary of the Local Government Commission  
8 must require the following information in that report:

9 ...

10       (2) The amount of revenue credited to its white goods account. This revenue  
11 should include all receipts derived from the white goods disposal tax, and  
12 the sale of white goods scrap metals and ~~freon, and a grant from the White~~  
13 ~~Goods Management Account.~~freon.

14 ...."

15       **SECTION 14.17.(h)** Subsection (e) through subsection (g) of this section become  
16 effective June 30, 2017.

17       **SECTION 14.17.(i)** This section is effective August 1, 2013.

18  
19 **PORTION OF SOLID WASTE DISPOSAL TAX CREDITED TO GENERAL FUND;  
20 REPEAL SOLID WASTE MANAGEMENT TRUST FUND**

21       **SECTION 14.18.(a)** G.S. 105-187.63 reads as rewritten:

22 **"§ 105-187.63. Use of tax proceeds.**

23 From the taxes received pursuant to this Article, the Secretary may retain the costs of  
24 collection, not to exceed two hundred twenty-five thousand dollars (\$225,000) a year, as  
25 reimbursement to the Department. The Secretary must credit or distribute taxes received  
26 pursuant to this Article, less the cost of collection, on a quarterly basis as follows:

27       (1) Fifty percent (50%) to the Inactive Hazardous Sites Cleanup Fund  
28 established by G.S. 130A-310.11.

29       (2) Thirty-seven and one-half percent (37.5%) to cities and counties in the State  
30 on a per capita basis, using the most recent annual estimate of population  
31 certified by the State Budget Officer. One-half of this amount must be distributed to  
32 cities, and one-half of this amount must be distributed to  
33 counties. For purposes of this distribution, the population of a county does  
34 not include the population of a city located in the county.

35           A city or county is excluded from the distribution under this subdivision  
36 if it does not provide solid waste management programs and services and is  
37 not responsible by contract for payment for these programs and services. The  
38 Department of Environment and Natural Resources must provide the  
39 Secretary with a list of the cities and counties that are excluded under this  
40 subdivision. The list must be provided by May 15 of each year and applies to  
41 distributions made in the fiscal year that begins on July 1 of that year.

42           Funds distributed under this subdivision must be used by a city or county  
43 solely for solid waste management programs and services.

44       (3) Twelve and one-half percent (12.5%) to the ~~Solid Waste Management Trust~~  
45 ~~Fund established by G.S. 130A-309.12.~~General Fund."

46       **SECTION 14.18.(b)** G.S. 130A-309.12 is repealed.

47       **SECTION 14.18.(c)** Part 2A of Article 9 of Chapter 130A of the General Statutes  
48 is amended by adding a new section to read:

49 **"§ 130A-309.13. Solid Waste Management Outreach Program.**

1       (a) The Department shall develop an outreach program to promote waste reduction and  
2 recycling. From funds available to the Department for this program, the Department may  
3 engage in any of the following outreach activities:

4           (1) Provide public education regarding waste reduction and recycling.

5           (2) Provide technical assistance regarding waste reduction and recycling to units  
6 of local government.

7           (3) Conduct research on the solid waste stream in North Carolina.

8           (4) Develop secondary materials markets by providing technical and financial  
9 support, including providing technical and financial support to private  
10 recycling businesses, including use of processed scrap tire materials.

11          (5) Provide funding for the activities of the Division of Environmental  
12 Assistance and Outreach.

13       (b) It is the intent of the General Assembly to allow the Department to satisfy grant  
14 obligations that extend beyond the end of the fiscal year.

15       (c) The Department shall include in the report required by G.S. 130A-309.06(c) a  
16 description of the outreach program under this section. This report shall specify the type of  
17 outreach activity under each of subdivisions (1) through (5) under subsection (a) of this section  
18 and the amount of program funds the Department expended for each activity during the  
19 previous year."

20       **SECTION 14.18.(d)** Of the funds appropriated to the Department of Environment  
21 and Natural Resources for the 2013-2015 fiscal biennium for the Solid Waste Management  
22 Outreach Program, established under G.S. 130A-309.13, as enacted by subsection (c) of this  
23 section, up to one million one hundred thousand dollars (\$1,100,000) may be used by the  
24 Department of Environment and Natural Resources for recycling grants.

25       **SECTION 14.18.(e)** Any tax proceeds remaining in the Solid Waste Management  
26 Trust Fund, repealed under subsection (b) of this section, as of the effective date of this section,  
27 shall be used only for one or more of the following purposes:

28           (1) Funding activities of the Department to promote waste reduction and  
29 recycling, including, but not limited to, public education programs and  
30 technical assistance to units of local government.

31           (2) Funding research on the solid waste stream in North Carolina.

32           (3) Funding activities related to the development of secondary materials  
33 markets.

34           (4) Providing funding for demonstration projects as provided by this Part.

35           (5) Providing funding for research by The University of North Carolina and  
36 independent nonprofit colleges and universities within the State which are  
37 accredited by the Southern Association of Colleges and Schools as provided  
38 by this Part.

39           (6) Providing funding for the activities of the Division of Environmental  
40 Assistance and Outreach.

41       **SECTION 14.18.(f)** Money collected pursuant to Article 5G of Chapter 105 of the  
42 General Statutes between July 1, 2013, and the date this act becomes law shall be credited to  
43 the General Fund. The money shall be used for the purposes provided in this section.  
44  
45

#### 46 **DRINKING WATER STATE REVOLVING FUND**

47       **SECTION 14.20.** Notwithstanding G.S. 159G-22, the Department of Environment  
48 and Natural Resources may transfer State funds from the Drinking Water Reserve to the  
49 Drinking Water State Revolving Fund for the 2013-2014 fiscal year and shall use any such  
50 funds to match maximum available federal grant monies authorized by section 1453 of the  
51 federal Safe Drinking Water Act of 1996, 42 U.S.C. § 300j-12, as amended.

1  
2 **CREATE NEW DIVISION OF WATER INFRASTRUCTURE IN DENR; NEW STATE**  
3 **WATER INFRASTRUCTURE AUTHORITY; TRANSFER WATER**  
4 **INFRASTRUCTURE FUND TO NEW DIVISION**

5 **SECTION 14.21.(a)** The Division of Water Infrastructure is established as a new  
6 division within the environmental area of the Department of Environment and Natural  
7 Resources. All functions, powers, duties, and obligations previously vested in the Division of  
8 Water Quality of the Department of Environment and Natural Resources pertaining to the  
9 implementation and administration of Chapter 159G of the General Statutes are transferred to  
10 and vested in the Division of Water Infrastructure by a Type II transfer, as defined in  
11 G.S. 143A-6. All functions, powers, duties, and obligations previously vested in the Division of  
12 Water Resources of the Department of Environment and Natural Resources pertaining to the  
13 implementation and administration of Chapter 159G of the General Statutes are transferred to  
14 and vested in the Division of Water Infrastructure by a Type II transfer, as defined in  
15 G.S. 143A-6. The Water Infrastructure Fund established under G.S. 159G-22 and all accounts  
16 within the Water Infrastructure Fund under G.S. 159G-22 shall be transferred to and  
17 administered by the Division of Water Infrastructure. In addition to its other duties set forth in  
18 Chapter 159G, the Division of Water Infrastructure shall be responsible for administering the  
19 program whereby local government units are awarded funds by the State Water Infrastructure  
20 Authority created by this section for infrastructure projects from community development  
21 block grant funds.

22 **SECTION 14.21.(b)** Chapter 159G of the General Statutes is amended by adding a  
23 new Article to read:

24 "Article 5.

25 "State Water Infrastructure Authority.

26 **"§ 159G-70. State Water Infrastructure Authority created.**

27 (a) Authority Established. – The State Water Infrastructure Authority is created within  
28 the Department of Environment and Natural Resources.

29 (b) Membership. – The Authority consists of nine members as follows:

- 30 (1) The Director of the Division of Water Infrastructure of the Department or  
31 the Director's designee who is familiar with the water infrastructure  
32 financing, regulatory, and technical assistance programs of the Department.  
33 (2) The Secretary of Commerce or the Secretary's designee who is familiar with  
34 the State programs that fund water or other infrastructure improvements for  
35 the purpose of promoting economic development.  
36 (3) The Director of the Local Government Commission or the Director's  
37 designee who is familiar with the functions of the Commission.  
38 (4) One member who is a professional engineer in the private sector and is  
39 familiar with the development of infrastructure necessary for wastewater  
40 systems, to be appointed by the Governor to a term that expires on July 1 of  
41 even-numbered years.  
42 (5) One member who is knowledgeable about, and has experience related to,  
43 direct federal funding programs for wastewater and public water systems, to  
44 be appointed by the Governor to a term that expires on July 1 of  
45 odd-numbered years.  
46 (6) One member who is a representative of an urban local government  
47 wastewater system or public water system, to be appointed by the General  
48 Assembly upon the recommendation of the President Pro Tempore of the  
49 Senate to a term that expires on July 1 of even-numbered years.  
50 (7) One member who is a representative of a rural local government wastewater  
51 system or public water system, to be appointed by the General Assembly

1 upon the recommendation of the President Pro Tempore of the Senate to a  
2 term that expires on July 1 of odd-numbered years.

3 (8) One member who either (i) is a county commissioner of a rural county or (ii)  
4 resides in a rural county and is knowledgeable about, and has experience  
5 related to, public health services, to be appointed by the General Assembly  
6 upon the recommendation of the Speaker of the House of Representatives to  
7 a term that expires on July 1 of even-numbered years.

8 (9) One member who is familiar with wastewater, drinking water, and  
9 stormwater issues and related State funding sources, to be appointed by the  
10 General Assembly upon the recommendation of the Speaker of the House of  
11 Representatives to a term that expires on July 1 of odd-numbered years.

12 (c) Terms. – The members appointed by the Governor, the President Pro Tempore of  
13 the Senate, and the Speaker of the House of Representatives shall serve two-year terms. The  
14 other members, who are ex officio members or designees of those members, shall serve until  
15 they are no longer in office or are replaced with another designee.

16 (d) Chair. – The Director of the Division of Water Infrastructure, or the Director's  
17 designee, shall serve as Chair of the Authority. The Chair must call the first meeting. The Chair  
18 shall serve as a nonvoting member, provided, however, that the Chair shall vote to break a tie.

19 (e) Meetings. – The Authority shall meet at least four times a year and may meet as  
20 often as needed. A majority of the members of the Authority constitutes a quorum for the  
21 transaction of business. The affirmative vote of a majority of the members present at a meeting  
22 of the Authority is required for action to be taken by the Authority.

23 (f) Vacancies. – A vacancy in the Authority or as Chair of the Authority resulting from  
24 the resignation of a member or otherwise is filled in the same manner in which the original  
25 appointment was made. The term of an appointment to fill a vacancy is for the balance of the  
26 unexpired term.

27 (g) Compensation. – Each member of the Authority shall receive no salary as a result of  
28 servicing on the Authority but shall receive per diem, subsistence, and travel expenses in  
29 accordance with the provisions of G.S. 120-3.1, 138-5, and 138-6, as applicable.

30 **"§ 159G-71. State Water Infrastructure Authority; powers and duties.**

31 The Authority has the following additional duties:

32 (1) After reviewing the recommendations for grants and loans submitted to it by  
33 the Division, to determine the rank of applications and to select the  
34 applications that are eligible to receive grants and loans, consistent with  
35 federal law.

36 (2) To establish priorities for making loans and grants under this Chapter,  
37 consistent with federal law.

38 (3) To review the criteria for making loans and grants under G.S. 159G-23 and  
39 make recommendations, if any, to the Department for additional criteria or  
40 changes to the criteria, consistent with federal law.

41 (4) To develop guidelines for making loans and grants under this Chapter,  
42 consistent with federal law.

43 (5) To develop a master plan to meet the State's water infrastructure needs.

44 (6) To assess and make recommendations on the role of the State in the  
45 development and funding of wastewater, drinking water, and stormwater  
46 infrastructure in the State.

47 (7) To analyze the adequacy of projected funding to meet projected needs over  
48 the next five years.

49 (8) To make recommendations on ways to maximize the use of current funding  
50 resources, whether federal, State, or local, and to ensure that funds are used  
51 in a coordinated manner.

- 1           (9)    To review the application of management practices in wastewater, drinking  
 2           water, and stormwater utilities and to determine the best practices.  
 3           (10)   To assess the role of public-private partnerships in the future provision of  
 4           utility service.  
 5           (11)   To assess the application of the river basin approach to utility planning and  
 6           management.  
 7           (12)   To assess the need for a "troubled system" protocol.

8 **"§ 159G-72. State Water Infrastructure Authority; reports.**

9           No later than November 1 of each year, the Authority shall submit a report of its activity  
 10          and findings, including any recommendations or legislative proposals, to the Senate  
 11          Appropriations Committee on Natural and Economic Resources, the House of Representatives  
 12          Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research  
 13          Division of the Legislative Services Commission."

14           **SECTION 14.21.(c)** Article 4 of Chapter 159G of the General Statutes is repealed.

15           **SECTION 14.21.(d)** G.S. 159G-20 reads as rewritten:

16 **"§ 159G-20. Definitions.**

17           The following definitions apply in this Chapter:

18           ...

19           ~~(5)    Division of Water Quality.— The Division of Water Quality of the~~  
 20           ~~Department of Environment and Natural Resources.~~

21           ~~(5a)   Division of Water Resources.— The Division of Water Resources of the~~  
 22           ~~Department of Environment and Natural Resources.~~

23           (5b)   Division. – Division of Water Infrastructure.

24           ...."

25           **SECTION 14.21.(e)** G.S. 159G-23 reads as rewritten:

26 **"§ 159G-23. Common criteria for loan or grant from Wastewater Reserve or Drinking**  
 27          **Water Reserve.**

28           The criteria in this section apply to a loan or grant from the Wastewater Reserve or the  
 29          Drinking Water Reserve. The Division of Water ~~Quality and the Division of Water~~  
 30          ~~Resources~~Infrastructure must each establish a system of assigning points to applications based  
 31          on the following criteria:

- 32           (1)    Public necessity. – An applicant must explain how the project promotes  
 33           public health and protects the environment. A project that improves a system  
 34           that is not in compliance with permit requirements or is under orders from  
 35           the Department, enables a moratorium to be lifted, or replaces failing septic  
 36           tanks with a wastewater collection system has priority.

37           ...."

38           **SECTION 14.21.(f)** G.S. 159G-26(a) reads as rewritten:

39           "(a)   Requirement. – The Department must publish a report each year on the accounts in  
 40          the Water Infrastructure Fund that are administered by the Division of Water ~~Quality or the~~  
 41          ~~Division of Water Resources-Infrastructure.~~ The report must be published by 1 November of  
 42          each year and cover the preceding fiscal year. The Department must make the report available  
 43          to the public and must give a copy of the report to the Environmental Review Commission and  
 44          the Fiscal Research Division of the ~~General Assembly-Legislative Services Commission."~~

45           **SECTION 14.21.(g)** G.S. 159G-30 reads as rewritten:

46 **"§ 159G-30. Department's responsibility.**

47           The Department, through the Division of Water ~~Quality and the Division of Water~~  
 48          ~~Resources,Infrastructure,~~ administers loans and grants made from the CWSRF, the DWSRF,  
 49          the Wastewater Reserve, and the Drinking Water Reserve. ~~The Division of Water Quality~~  
 50          ~~administers loans and grants from the CWSRF and the Wastewater Reserve. The Division of~~

1 ~~Water Resources administers loans and grants from the DWSRF and the Drinking Water~~  
2 ~~Reserve."~~

3 **SECTION 14.21.(h)** G.S. 159G-32(b) reads as rewritten:

4 "(b) Wastewater Reserve. – The Department is authorized to make loans and grants from  
5 the Wastewater Reserve for the following types of projects:

6 (1) Wastewater collection system.

7 (2) Wastewater treatment works.

8 (3) Stormwater quality ~~project~~projects, including innovative stormwater  
9 management projects and pilot projects.

10 (4) Nonpoint source pollution project."

11 **SECTION 14.21.(i)** G.S. 159G-37 reads as rewritten:

12 "**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, and Drinking Water**  
13 **Reserve.**

14 An application for a loan or grant from the ~~CWSRF or the Wastewater Reserve~~CWSRF, the  
15 DWSRF, the Wastewater Reserve, or the Drinking Water Reserve must be filed with the  
16 Division of Water ~~Quality of the Department. An application for a loan or grant from the~~  
17 ~~DWSRF or the Drinking Water Reserve must be filed with the Division of Water~~  
18 ~~Resources~~Infrastructure of the Department. An application must be submitted on a form  
19 prescribed by the Division and must contain the information required by the Division. An  
20 applicant must submit to the Division any additional information requested by the Division to  
21 enable the Division to make a determination on the application. An application that does not  
22 contain information required on the application or requested by the Division is incomplete and  
23 is not eligible for consideration. An applicant may submit an application in as many categories  
24 as it is eligible for consideration under this Article."

25 **SECTION 14.21.(j)** G.S. 159G-38 reads as rewritten:

26 "**§ 159G-38. Environmental assessment and public hearing.**

27 (a) Required Information. – An application submitted under this Article for a loan or  
28 grant for a project must state whether the project requires an environmental assessment. If the  
29 application indicates that an environmental assessment is not required, it must identify the  
30 exclusion in the North Carolina Environmental Policy Act, Article 1 of Chapter 113A of the  
31 General Statutes, that applies to the project. If the application does not identify an exclusion in  
32 the North Carolina Environmental Policy Act, it must include an environmental assessment of  
33 the project's probable impacts on the environment.

34 (b) Division Review. – If, after reviewing an application, the Division of Water ~~Quality~~  
35 ~~or the Division of Water Resources, as appropriate, Infrastructure~~ determines that a project  
36 requires an environmental assessment, the assessment must be submitted before the Division  
37 continues its review of the application. If, after reviewing an environmental assessment, the  
38 Division concludes that an environmental impact statement is required, the Division may not  
39 continue its review of the application until a final environmental impact statement has been  
40 completed and approved as provided in the North Carolina Environmental Policy Act.

41 (c) Hearing. – The Division of Water ~~Quality or the Division of Water Resources, as~~  
42 ~~appropriate, Infrastructure~~ may hold a public hearing on an application for a loan or grant under  
43 this Article if it determines that holding a hearing will serve the public interest. An individual  
44 who is a resident of any county in which a proposed project is located may submit a written  
45 request for a public hearing. The request must set forth each objection to the proposed project  
46 or other reason for requesting a hearing and must include the name and address of the  
47 individual making the request. The Division may consider all written objections to the proposed  
48 project, any statement submitted with the hearing request, and any significant adverse effects  
49 the proposed project may have on the environment. The Division's decision on whether to hold  
50 a hearing is conclusive. The Division must keep all written requests for a hearing on an  
51 application as part of the records pertaining to the application."

1           **SECTION 14.21.(k)** G.S. 159G-39 reads as rewritten:

2   "**§ 159G-39. Review of applications and award of loan or grant.**

3       (a) Point Assignment. – The Division of Water ~~Quality or the Division of Water~~  
4 ~~Resources, as appropriate, Infrastructure~~ must review all applications filed for a loan or grant  
5 under this Article for an application period. The Division must rank each application in  
6 accordance with the points assigned to the evaluation criteria. The Division must make a  
7 written determination of an application's rank and attach the determination to the ~~application.~~  
8 ~~The Division's determination of rank is conclusive.~~ application for the Authority's review. The  
9 Authority must consider the Division's determination of rank when the Authority determines an  
10 application's rank. The Authority's determination of rank is conclusive.

11       (b) Initial Consideration. – The Division may consider an application for an emergency  
12 loan from the Wastewater Reserve or the Drinking Water Reserve at any time. The Division  
13 must consider all other loan applications and all grant applications filed during an application  
14 period at the same time in order to rank the applications. The Division shall forward all  
15 applications received for the application period to the State Water Infrastructure Authority.

16       (c) Reconsideration. – When the Authority determines an application's rank is too low  
17 to receive an award of a loan or grant for an application period, the Division must include the  
18 application with those considered for the next application period. If the application's rank is  
19 again too low to receive an award, the application is not eligible for consideration in a  
20 subsequent application period. An applicant whose application does not receive an award after  
21 review in two application periods may file a new application.

22       (d) Notification of Decision. – When the ~~Division~~ Authority determines that an  
23 application's rank makes it eligible for an award of a loan or grant, the Division must send the  
24 applicant a letter of intent to award the loan or grant. The notice must set out any conditions the  
25 applicant must meet to receive an award of a loan or grant. When the applicant satisfies the  
26 conditions set out in the letter of intent, the Division must send the applicant an offer to award a  
27 loan or grant. The applicant must give the Division written notice of whether it accepts or  
28 rejects the offer. A loan or grant is considered awarded when an offer to award the loan or grant  
29 is issued."

30           **SECTION 14.21.(l)** G.S. 143-355.4(b) reads as rewritten:

31       "(b) To be eligible for State water infrastructure funds from the Drinking Water State  
32 Revolving Fund or the Drinking Water Reserve or any other grant or loan of funds allocated by  
33 the General Assembly whether the allocation of funds is to a State agency or to a nonprofit  
34 organization for the purpose of extending waterlines or expanding water treatment capacity, a  
35 local government or large community water system must demonstrate that the system:

36       (1) Has established a water rate structure that is adequate to pay the cost of  
37 maintaining, repairing, and operating the system, including reserves for  
38 payment of principal and interest on indebtedness incurred for maintenance  
39 or improvement of the water system during periods of normal use and  
40 periods of reduced water use due to implementation of water conservation  
41 measures. The funding agency shall apply guidelines developed by the State  
42 Water Infrastructure ~~Commission~~ Authority in determining the adequacy of  
43 the water rate structure to support operation and maintenance of the system.

44       ...."

45           **SECTION 14.21.(m)** Of the funds appropriated to the Department of Environment  
46 and Natural Resources in this act, at least three million two hundred thousand dollars  
47 (\$3,500,000) for the 2013-2014 fiscal year and at least five million dollars (\$5,000,000) for the  
48 2014-2015 fiscal year shall be used for grants to local government units for public water  
49 system-related projects and wastewater-related projects. The State Water Infrastructure  
50 Authority established by G.S. 159G-70, as enacted by subsection (b) of this section, shall  
51 determine the distribution of funds between public water system-related projects and

1 wastewater-related projects, depending upon the number of applications for grants received and  
2 the priorities established by the State Water Infrastructure Authority. Grants awarded to local  
3 government units for public water system-related projects shall be credited to the Drinking  
4 Water Reserve established in G.S. 159G-22 to be used for grants to local government units in  
5 accordance with the provisions of Chapter 159G of the General Statutes, as amended by this  
6 section. Grants awarded to local government units for wastewater-related projects shall be  
7 credited to the Wastewater Reserve established in G.S. 159G-22 to be used for grants to local  
8 government units in accordance with the provisions of Chapter 159G of the General Statutes, as  
9 amended by this section. Funds allocated by this subsection are limited to projects in  
10 development tier one or two areas, as defined by G.S. 143B-437.08. The State Water  
11 Infrastructure Authority shall report no later than May 1, 2014, to the Environmental Review  
12 Commission, the Senate Appropriations Committee on Natural and Economic Resources, the  
13 House of Representatives Appropriations Subcommittee on Natural and Economic Resources,  
14 and the Fiscal Research Division on the distribution of grant funds awarded under Chapter  
15 159G of the General Statutes, as amended by the section, and whether changes are needed to  
16 the existing grant program under Chapter 159G of the General Statutes or other available grant  
17 programs to better facilitate the dissemination of funds and meet the project needs of rural,  
18 economically distressed local governments.

19 **SECTION 14.21.(n)** The terms for the members who are appointed initially to the  
20 State Water Infrastructure Authority established by G.S. 159G-70, as enacted by subsection (b)  
21 of this section, shall commence July 1, 2013. Notwithstanding the provisions of G.S. 159G-70,  
22 as enacted by subsection (b) of this section, in order to establish staggered terms, the terms for  
23 the members who are appointed initially to the State Water Infrastructure Authority under  
24 G.S. 159G-70(b)(4), (6), and (8) shall expire July 1, 2016.

25 **SECTION 14.21.(o)** The Revisor of Statutes may conform names and titles  
26 changed by this section and may correct statutory references as required by this section  
27 throughout the General Statutes. In making the changes authorized by this section, the Revisor  
28 may also adjust subject and verb agreement and the placement of conjunctions.

## 30 INCREASE FUNDING FOR DREDGING

31 **SECTION 14.22.(a)** G.S. 75A-3 reads as rewritten:

32 "**§ 75A-3. Wildlife Resources Commission to administer Chapter; Vessel Committee;**  
33 **funds for administration.**

34 (a) The Commission shall enforce and administer the provisions of this Chapter.

35 (b) The chair of the Commission shall designate from among the members of the  
36 Commission three members who shall serve as the Vessel Committee of the Commission, and  
37 who shall, in their activities with the Commission, place special emphasis on the administration  
38 and enforcement of this Chapter.

39 (c) The Boating Account is established within the Wildlife Resources Fund created  
40 under G.S. 143-250. Interest and other investment income earned by the Account accrues to the  
41 Account. All moneys collected pursuant to the numbering and titling provisions of this Chapter  
42 shall be credited to this Account. Motor fuel excise tax revenue is credited to the Account  
43 under G.S. 105-449.126. The Commission shall use revenue in the Account, subject to the  
44 Executive Budget Act and the Personnel Act, for the administration and enforcement of this  
45 Chapter; for activities relating to boating and water safety including education and waterway  
46 marking and improvement; and for boating access area acquisition, development, and  
47 maintenance. The Commission shall use at least three dollars (\$3.00) of each one-year  
48 certificate of number fee and at least nine dollars (\$9.00) of each three-year certificate of  
49 number fee collected under the numbering provisions of G.S. 75A-5 for boating access area  
50 acquisition, development, and maintenance. The Commission shall transfer on a quarterly basis  
51 fifty percent (50%) of each one-year certificate of number fee and fifty percent (50%) of each



1 three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 to  
2 the Shallow Draft Navigation Channel and Lake Dredging Fund established by  
3 G.S. 143-215.73F."

4 **SECTION 14.22.(b)** G.S. 75A-5 reads as rewritten:

5 "**§ 75A-5. Application for certificate of ~~number and fees; number; fees; reciprocity;~~**  
6 **change of ownership; conformity with federal regulations; records; award of**  
7 **certificates; renewal of certificates; transfer of partial interest; destroyed or**  
8 **junked vessels; abandonment; change of address; duplicate certificates;**  
9 **display.**

10 (a) Application for Certificate of ~~Number and Fees~~Number. – The owner of each  
11 vessel requiring numbering by this State shall file an application for a certificate of number  
12 with the Commission. The Commission shall furnish application forms and shall prescribe the  
13 information contained in the application form. The application shall be signed by the owner of  
14 the vessel or the owner's agent and shall be accompanied by a ~~fee. The fee is fifteen dollars~~  
15 ~~(\$15.00) for a one-year period or forty dollars (\$40.00) for a three-year period.~~fee, as set out in  
16 subsection (a1) of this section. The fee does not apply to vessels owned and operated by  
17 nonprofit rescue squads if they are operated exclusively for rescue purposes, including rescue  
18 training. The owner shall have the option of selecting a one-year numbering period or a  
19 three-year numbering period. Upon receipt of the application in approved form, the  
20 Commission shall enter the application in its records and issue the owner a certificate of  
21 number stating the identification number awarded to the vessel and the name and address of the  
22 owner, and a validation decal indicating the expiration date of the certificate of number. The  
23 owner shall paint on or attach to each side of the bow of the vessel the identification number in  
24 such manner as may be prescribed by rules of the Commission in order that it may be clearly  
25 visible. The identification number shall be maintained in legible condition. The validation decal  
26 shall be displayed on the starboard bow of the vessel immediately following the number. The  
27 certificate of number shall be pocket size and shall be available for inspection on the vessel for  
28 which the certificate is issued at all times the vessel is in operation. Any person charged with  
29 failing to so carry a certificate of number shall not be convicted if the person produces in court  
30 a certificate of number previously issued to the owner that was valid at the time of the alleged  
31 violation.

32 (a1) Fees. – The fees for certificates of number are as set out in this subsection:

33 (1) The fee for a certificate of number for a one-year period is:

34 a. Thirty dollars (\$30.00) for a vessel that is less than 26 feet in length.

35 b. Fifty dollars (\$50.00) for a vessel that is 26 feet or more in length.

36 (2) The fee for a certificate of number for a three-year period is:

37 a. Ninety dollars (\$90.00) for a vessel that is less than 26 feet in length.

38 b. One hundred fifty dollars (\$150.00) for a vessel that is 26 feet or  
39 more in length.

40 ...

41 (h) **Renewal of Certificates.** – An owner of a vessel awarded a certificate of number  
42 pursuant to this Chapter shall renew the certificate on or before the first day of the month after  
43 which the certificate expires; otherwise, the certificate shall lapse and be void until such time as  
44 it may thereafter be renewed. Application for renewal shall be submitted on a form approved by  
45 the Commission and shall be accompanied by a fee in the amount set in subsection ~~(a)~~(a1)  
46 of this section. ~~No fee is required for a period of one year for renewal of certificates of number~~  
47 ~~that have been previously issued to commercial fishing vessels as defined in G.S. 75A-5.1,~~  
48 ~~upon compliance with all of the requirements of that section.~~

49 ...."

50 **SECTION 14.22.(c)** G.S. 75A-5.1 is repealed.

51 **SECTION 14.22.(d)** G.S. 75A-7 reads as rewritten:

**"§ 75A-7. Exemption from numbering requirements.**

(a) A vessel shall not be required to be numbered under this Chapter if it is:

- (1) A vessel that is required to be awarded an identification number pursuant to federal law or a federally approved numbering system of another state, and for which an identification number has been so awarded: Provided, that any such vessel shall not have been within this State for a period in excess of 90 consecutive days.
- (2) A vessel from a country other than the United States temporarily using the waters of this State.
- (3) A vessel whose owner is the United States, a state or a subdivision thereof.
- (4) A ship's lifeboat.
- ~~(5) A vessel that has a valid marine document issued by the federal Bureau of Customs or any federal agency successor thereto.~~
- (6) A sailboat of not more than 14 feet on the load water line (LWL).
- (7) A vessel with no means of propulsion other than drifting or manual paddling, poling, or rowing.

(b) The Commission is hereby empowered to permit the voluntary numbering of vessels owned by the United States, a state or a subdivision thereof.

(c) Those vessels owned by the United States, a state or a subdivision thereof and those owned by nonprofit rescue squads may be assigned a certificate of number bearing no expiration date but which shall be stamped with the word "permanent" and shall not be renewable so long as the vessel remains the property of the governmental entity or nonprofit rescue squad. If the ownership of any such vessel is transferred from one governmental entity to another or to a nonprofit rescue squad or if a vessel owned by a nonprofit rescue squad is transferred to another nonprofit rescue squad or governmental entity, the Commission shall issue a new permanent certificate of number, displaying the same identification number, without charge to the successor entity. When any such vessel is sold to a private owner or is otherwise transferred to private ownership, the applicable certificate of number shall be deemed to have expired immediately prior to the transfer. Prior to further use on the waters of this State, the new owner shall obtain a certificate of number pursuant to the provisions of this Chapter. The provisions of this subsection applicable to a vessel owned by a nonprofit rescue squad apply only to a vessel operated exclusively for rescue purposes, including rescue training."

**SECTION 14.22.(e)** G.S. 75A-34 reads as rewritten:

**"§ 75A-34. Who may apply for certificate of title; authority of employees of Commission.**

(a) Any owner of a motorized vessel or sailboat 14 feet or longer or any personal watercraft, as defined in G.S. 75A-13.3(a), that is applying for a certificate of number for the first time in this State pursuant to G.S. 75A-5(a), and any new owner of a motorized vessel or sailboat 14 feet or longer or any personal watercraft to whom ownership is being transferred under G.S. 75A-5(c) shall apply to the Commission for a certificate of title for that vessel. Any other vessel may be titled in this State at the owner's option. A vessel may not be titled in this State if it is titled in another state, unless the current title is surrendered along with the application for a certificate of title in this State. The Commission shall issue a certificate of title upon reasonable evidence of ownership, which may be established by affidavit, bill of sale, manufacturer's statement of origin, certificate of title in this State, certificate of number or title from another state, or other document satisfactory to the Commission. Only one certificate of title may be issued for any vessel in this State. A vessel may not be titled in this State if it is documented with the United States Coast ~~Guard.~~ Guard, unless the documentation has expired or been deleted by the United States Coast Guard. The Commission shall issue a certificate of title upon receipt of a completed application, along with the appropriate fee and reasonable evidence of ownership. The Commission shall require a manufacturer's statement of origin for all new vessels being issued a certificate of number and a certificate of title for the first time.

1 The Commission may request a pencil tracing of the hull identification number (serial number)  
2 for vessels being transferred, in order to positively identify the vessel before issuance of a  
3 certificate of title for that vessel.

4 (b) Employees of the Commission are vested with the power to administer oaths and to  
5 take acknowledgements and affidavits incidental to the administration and enforcement of this  
6 section. They shall receive no compensation for these services."

7 **SECTION 14.22.(f)** G.S. 75A-38 reads as rewritten:

8 "**§ 75A-38. Commission's records; fees.**

9 (a) The Commission shall maintain a record of any title it issues.

10 (b) The Commission shall charge a fee of ~~twenty dollars (\$20.00)~~ thirty dollars (\$30.00)  
11 to issue a new or transfer certificate of title. The Commission shall transfer on a quarterly basis  
12 at least ten dollars (\$10.00) of each new or transfer certificate of title to the Shallow Draft  
13 Navigation Channel and Lake Dredging Fund established by G.S. 143-215.73F. The  
14 Commission shall charge a fee of ten dollars (\$10.00) for each duplicate title it issues and for  
15 the recording of a supplemental lien."

16 **SECTION 14.22.(g)** G.S. 105-449.126 reads as rewritten:

17 "**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources**  
18 **Fund, Fund and Shallow Draft Navigation Channel and Lake Dredging Fund.**

19 (a) The Secretary shall credit to the Wildlife Resources Fund one-sixth of one percent  
20 (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is  
21 from the excise tax on motor fuel. Revenue credited to the Wildlife Resources Fund under this  
22 section may be used only for the boating and water safety activities described in G.S. 75A-3(c).  
23 The Secretary must credit revenue to the Wildlife Resources Fund on an annual basis.

24 (b) The Secretary shall credit to the Shallow Draft Navigation Channel and Lake  
25 Dredging Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the  
26 Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue  
27 credited to the Shallow Draft Navigation Channel and Lake Dredging Fund under this section  
28 may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall  
29 credit revenue to the Shallow Draft Navigation Channel and Lake Dredging Fund on an annual  
30 basis."

31 **SECTION 14.22.(h)** Article 21 of Chapter 143 of the General Statutes is amended  
32 by adding a new Part to read:

33 "Part 8B. Shallow Draft Navigation Channel and Lake Dredging Fund.

34 "**§ 143-215.73F. Shallow Draft Navigation Channel and Lake Dredging Fund.**

35 The Shallow Draft Navigation Channel and Lake Dredging Fund is established as a special  
36 revenue fund. The Fund consists of fees credited to it under G.S. 75A-3, 75A-38, and  
37 105-449.126. Revenue in the Fund may only be used to provide the State's share of the costs  
38 associated with any dredging project designed to keep shallow draft navigation channels  
39 located in State waters or waters of the state located within lakes navigable and safe. Any  
40 project funded by revenue from the Fund must be cost-shared with non-State dollars on a  
41 one-to-one basis. For purposes of this section, "shallow draft navigation channel" means (i) a  
42 waterway connection with a maximum depth of 16 feet between the Atlantic Ocean and a bay  
43 or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through which  
44 tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft navigation  
45 channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort Harbor,  
46 Bogue Inlet, Carolina Beach Inlet, the channel from Back Sound to Lookout Back, channels  
47 connected to federal navigation channels, Lockwoods Folly River, Manteo/Shallowbag Bay,  
48 including Oregon Inlet, Masonboro Inlet, New River, New Topsail Inlet, Rodanthe, Rollinson,  
49 Shallotte River, Silver Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort  
50 Harbor."

1           **SECTION 14.22.(i)** Nothing in this section shall affect the validity, term, or cost of  
2 any certificate of number or certificate of title issued prior to October 1, 2013.

3           **SECTION 14.22.(j)** This section authorizes a Long Term Dredging Memorandum  
4 of Agreement with the U.S. Army Corps of Engineers which may last beyond the current fiscal  
5 biennium and which shall provide for all of the following:

- 6           (1) Prioritization of projects through joint consultation with the State, applicable  
7 units of local government, and the U.S. Army Corps of Engineers.
- 8           (2) Compliance with G.S. 143-215.73F. Funds in the Shallow Draft Navigation  
9 Channel Dredging Fund shall be used in accordance with that section.
- 10          (3) Annual reporting by the Department on the use of funds provided to the U.S.  
11 Army Corps of Engineers under the Long Term Dredging Memorandum of  
12 Agreement. These reports shall be made to the Joint Legislative Commission  
13 on Governmental Operations, the Fiscal Research Division, and the Office of  
14 State Budget and Management and shall include all of the following:
  - 15           a. A list of all projects commenced.
  - 16           b. The estimated cost of each project.
  - 17           c. The date that work on each project commenced or is expected to  
18 commence.
  - 19           d. The date that work on each project was completed or is expected to  
20 be completed.
  - 21           e. The actual cost of each project.

22           **SECTION 14.22.(k)** The Department of Environment and Natural Resources may  
23 use available funds for the 2013-2014 fiscal year and the 2014-2015 fiscal year in the Shallow  
24 Draft Navigation Channel and Lake Dredging Fund established in G.S. 143-215.73F, as  
25 enacted by subsection (h) of this section, to provide the State's share of costs associated with  
26 projects that comply with that section. These funds are hereby appropriated for that purpose,  
27 but the Department of Environment and Natural Resources shall approve a project before it is  
28 eligible to receive any funds under this section.

29           **SECTION 14.22.(l)** Subsection (b) of this section becomes effective October 1,  
30 2013, and applies to applications submitted on or after that date. Subsection (f) of this section  
31 becomes effective October 1, 2013, and applies to new or transfer certificates of title issued on  
32 or after that date. The remainder of this section becomes effective October 1, 2013.

## 33 34 **ENVIRONMENTAL MANAGEMENT COMMISSION**

35           **SECTION 14.23.(a)** G.S. 143B-283 reads as rewritten:

36 **"§ 143B-283. Environmental Management Commission – members; selection; removal;  
37 compensation; quorum; services.**

38           ~~(a) The Environmental Management Commission shall consist of 13 members  
39 appointed by the Governor. The Governor shall select the members so that the membership of  
40 the Commission shall consist of:~~

- 41           ~~(1) One who shall be a licensed physician with specialized training and  
42 experience in the health effects of environmental pollution;~~
- 43           ~~(2) One who shall, at the time of appointment, be actively connected with the  
44 Commission for Public Health or local board of health or have experience in  
45 health sciences;~~
- 46           ~~(3) One who shall, at the time of appointment, be actively connected with or  
47 have had experience in agriculture;~~
- 48           ~~(4) One who shall, at the time of appointment, be a registered engineer with  
49 specialized training and experience in water supply or water or air pollution  
50 control;~~

- 1           (5)    ~~One who shall, at the time of appointment, be actively connected with or~~  
2           ~~have had experience in the fish and wildlife conservation activities of the~~  
3           ~~State;~~  
4           (6)    ~~One who shall, at the time of appointment, have special training and~~  
5           ~~scientific expertise in hydrogeology or groundwater hydrology;~~  
6           (7)    ~~Three members interested in water and air pollution control, appointed from~~  
7           ~~the public at large;~~  
8           (8)    ~~One who shall, at the time of appointment, be actively employed by, or~~  
9           ~~recently retired from, an industrial manufacturing facility and~~  
10          ~~knowledgeable in the field of industrial air and water pollution control;~~  
11          (9)    ~~One who shall, at the time of appointment, be actively connected with or~~  
12          ~~have had experience in pollution control problems of municipal or county~~  
13          ~~government;~~  
14          (10)   ~~One who shall, at the time of appointment, have special training and~~  
15          ~~scientific expertise in air pollution control and the effects of air pollution;~~  
16          ~~and~~  
17          (11)   ~~One who shall, at the time of appointment, have special training and~~  
18          ~~scientific expertise in freshwater, estuarine, marine biological, or ecological~~  
19          ~~sciences.~~

20          (a1)   The Environmental Management Commission shall consist of 15 members as  
21          follows:

- 22           (1)    One appointed by the Governor who shall be a licensed physician.  
23           (2)    One appointed by the Governor who shall at the time of appointment have  
24           special training or scientific expertise in hydrology, water pollution control,  
25           or the effects of water pollution.  
26           (3)    One appointed by the Governor who shall at the time of appointment have  
27           special training or scientific expertise in hydrology, water pollution control,  
28           or the effects of water pollution.  
29           (4)    One appointed by the Governor who shall at the time of appointment have  
30           special training or scientific expertise in air pollution control or the effects of  
31           air pollution.  
32           (5)    One appointed by the Governor who shall at the time of appointment be  
33           actively connected with or have had experience in agriculture.  
34           (6)    One appointed by the Governor who shall at the time of appointment have  
35           special training and scientific expertise in freshwater, estuarine, marine  
36           biological, or ecological sciences or be actively connected with or have had  
37           experience in the fish and wildlife conservation activities of the State.  
38           (7)    One appointed by the Governor who shall at the time of appointment be  
39           actively employed by, or recently retired from, an industrial manufacturing  
40           facility and shall be knowledgeable in the field of industrial pollution  
41           control.  
42           (8)    One appointed by the Governor who shall at the time of appointment be a  
43           licensed engineer with specialized training and experience in water supply or  
44           water or air pollution control.  
45           (9)    One appointed by the Governor who shall serve at large.  
46           (10)   One appointed by the General Assembly upon recommendation of the  
47           Speaker of the House of Representatives in accordance with G.S. 120-121  
48           who shall serve at large.  
49           (11)   One appointed by the General Assembly upon recommendation of the  
50           Speaker of the House of Representatives in accordance with G.S. 120-121  
51           who shall serve at large.

1           (12) One appointed by the General Assembly upon recommendation of the  
2           Speaker of the House of Representatives in accordance with G.S. 120-121  
3           who shall serve at large.

4           (13) One appointed by the General Assembly upon recommendation of the  
5           President Pro Tempore of the Senate in accordance with G.S. 120-121 who  
6           shall serve at large.

7           (14) One appointed by the General Assembly upon recommendation of the  
8           President Pro Tempore of the Senate in accordance with G.S. 120-121 who  
9           shall serve at large.

10          (15) One appointed by the General Assembly upon recommendation of the  
11          President Pro Tempore of the Senate in accordance with G.S. 120-121 who  
12          shall serve at large.

13          (b) ~~Members appointed by the Governor shall serve terms of office of six years.~~ Any  
14          appointment to fill a vacancy on the Commission created by the resignation, dismissal, death or  
15          disability of a member shall be for the balance of the unexpired term. The Governor may  
16          reappoint a member of the Commission to an additional term if, at the time of the  
17          reappointment, the member qualifies for membership on the Commission under subdivisions  
18          (1) through (9) of subsection (a)(a1) of this section. Appointments by the General Assembly  
19          shall be made in accordance with G.S. 120-121, and vacancies in those appointments shall be  
20          filled in accordance with G.S. 120-122.

21          (b1) The Governor shall have the power to remove any member of the Commission from  
22          office for misfeasance, malfeasance, or nonfeasance in accordance with the provisions of  
23          G.S. 143B-13 of the Executive Organization Act of 1973.

24          (b2) The members of the Commission shall receive per diem and necessary travel and  
25          subsistence expenses in accordance with the provisions of G.S. 138-5.

26          (b3) A majority of the Commission shall constitute a quorum for the transaction of  
27          business.

28          (b4) All clerical and other services required by the Commission shall be supplied by the  
29          Secretary of Environment and Natural Resources.

30          (c) ~~Nine of the members appointed by the Governor under this section shall be persons~~  
31          ~~who do not derive any significant portion of their income from persons subject to permits or~~  
32          ~~enforcement orders under this Chapter.~~ The Governor shall require adequate disclosure of  
33          potential conflicts of interest by members. The Governor, by executive order, shall promulgate  
34          criteria regarding conflicts of interest and disclosure thereof for determining the eligibility of  
35          persons under this section, subsection, giving due regard to the requirements of federal  
36          legislation, and for this purpose may promulgate rules, regulations or guidelines in  
37          conformance with those established by any federal agency interpreting and applying provisions  
38          of federal law.

39          (c1) All members of the Commission are covered persons for the purposes of Chapter  
40          138A of the General Statutes, the State Government Ethics Act. As covered persons, members  
41          of the Commission shall comply with the applicable requirements of the State Government  
42          Ethics Act, including mandatory training, the public disclosure of economic interests, and  
43          ethical standards for covered persons. Members of the Commission shall comply with the  
44          provisions of the State Government Ethics Act to avoid conflicts of interest.

45          (d) ~~In addition to the members designated by subsection (a) of this section, the General~~  
46          ~~Assembly shall appoint six members, three upon the recommendation of the Speaker of the~~  
47          ~~House of Representatives, and three upon the recommendation of the President Pro Tempore of~~  
48          ~~the Senate. Appointments by the General Assembly shall be made in accordance with~~  
49          ~~G.S. 120-121, and vacancies in those appointments shall be filled in accordance with~~  
50          ~~G.S. 120-122. Members appointed by the General Assembly shall serve terms of two years.~~

51          (e) Members of the Commission shall serve terms of four years."

1           **SECTION 14.23.(b)** Transition of Membership of the Environmental Management  
2 Commission. –

- 3           (1) The terms of all members of the Environmental Management Commission  
4 serving on January 1, 2013, shall expire on July 31, 2013. A new  
5 Commission of 15 members shall be appointed in the manner provided by  
6 G.S. 143B-283(a1), as enacted by subsection (a) of this section.
- 7           (2) Members of the Commission whose qualifications are described by  
8 subdivisions (3), (5), (7), (8), (9), (11), (13), and (15) of G.S. 143B-283(a1),  
9 as enacted by subsection (a) of this section, shall, notwithstanding  
10 G.S. 143B-283(e), as enacted by subsection (a) of this section, be appointed  
11 for an initial term of two years and subsequent appointments shall be for  
12 four-year terms thereafter. Members of the Commission whose  
13 qualifications are described by subdivisions (1), (2), (4), (6), (10), (12), and  
14 (14) of G.S. 143B-283(a1), as enacted by subsection (a) of this section, shall  
15 be appointed for an initial term of four years and subsequent appointments  
16 shall be for four-year terms thereafter. Initial terms shall begin on August 1,  
17 2013, and expire on June 30 of the year of expiration as set forth in this  
18 subsection.
- 19           (3) Members of the Commission appointed to any other State board or  
20 commission as a representative of the Commission shall no longer serve as a  
21 member of those boards or commissions after this section becomes law, and  
22 a new Commission representative shall be appointed as provided by law.

## 23 24 **COASTAL RESOURCES COMMISSION**

25           **SECTION 14.24.(a)** G.S. 113A-104 reads as rewritten:

### 26 **"§ 113A-104. Coastal Resources Commission.**

27           (a) Established. – The General Assembly hereby establishes within the Department of  
28 Environment and Natural Resources a commission to be designated the Coastal Resources  
29 Commission.

30           ~~(b) Composition. — The Coastal Resources Commission shall consist of 15 members~~  
31 ~~appointed by the Governor, as follows:~~

- 32           ~~(1) One who shall at the time of appointment be actively connected with or have~~  
33 ~~experience in commercial fishing.~~
- 34           ~~(2) One who shall at the time of appointment be actively connected with or have~~  
35 ~~experience in wildlife or sports fishing.~~
- 36           ~~(3) One who shall at the time of appointment be actively connected with or have~~  
37 ~~experience in marine ecology.~~
- 38           ~~(4) One who shall at the time of appointment be actively connected with or have~~  
39 ~~experience in coastal agriculture.~~
- 40           ~~(5) One who shall at the time of appointment be actively connected with or have~~  
41 ~~experience in coastal forestry.~~
- 42           ~~(6) One who shall at the time of appointment be actively connected with or have~~  
43 ~~experience in coastal land development.~~
- 44           ~~(7) One who shall at the time of appointment be actively connected with or have~~  
45 ~~experience in marine related business (other than fishing and wildlife).~~
- 46           ~~(8) One who shall at the time of appointment be actively connected with or have~~  
47 ~~experience in engineering in the coastal area.~~
- 48           ~~(9) One who shall at the time of appointment be actively associated with a State~~  
49 ~~or national conservation organization.~~
- 50           ~~(10) One who shall at the time of appointment be actively connected with or have~~  
51 ~~experience in financing of coastal land development.~~

1           ~~(11) Two who shall at the time of appointment be actively connected with or~~  
2           ~~have experience in local government within the coastal area.~~

3           ~~(12) Three at-large members.~~

4           **(b1) Composition.** – The Coastal Resources Commission shall consist of 13 members as  
5 follows:

6           (1) One appointed by the Governor who shall at the time of appointment be a  
7 coastal property owner or experienced in land development.

8           (2) One appointed by the Governor who shall at the time of appointment be a  
9 coastal property owner or experienced in land development.

10          (3) One appointed by the Governor who shall at the time of appointment be  
11 actively connected with or have experience in engineering in the coastal area  
12 or a marine-related science.

13          (4) One appointed by the Governor who shall at the time of appointment be  
14 actively connected with or have experience in engineering in the coastal area  
15 or a marine-related science.

16          (5) One appointed by the Governor who shall at the time of appointment be  
17 actively connected with or have experience in coastal-related business.

18          (6) One appointed by the Governor who shall at the time of appointment be  
19 actively connected with or have experience in local government within the  
20 coastal area.

21          (7) One appointed by the Governor who shall at the time of appointment be  
22 actively connected with or have experience in coastal agriculture.

23          (8) One appointed by the Governor who shall at the time of appointment be  
24 actively connected with or have experience in commercial fishing.

25          (9) One appointed by the Governor who shall at the time of appointment be  
26 actively connected with or have experience in coastal forestry.

27          (10) One appointed by the General Assembly upon recommendation of the  
28 Speaker of the House of Representatives in accordance with G.S. 120-121  
29 who shall at the time of appointment be actively connected with or have  
30 experience in sports fishing.

31          (11) One appointed by the General Assembly upon recommendation of the  
32 Speaker of the House of Representatives in accordance with G.S. 120-121  
33 who shall serve at large.

34          (12) One appointed by the General Assembly upon recommendation of the  
35 President Pro Tempore of the Senate in accordance with G.S. 120-121 who  
36 shall at the time of appointment be actively connected with or have  
37 experience in wildlife.

38          (13) One appointed by the General Assembly upon recommendation of the  
39 President Pro Tempore of the Senate in accordance with G.S. 120-121 who  
40 shall serve at large.

41          **(c) Appointment of Members.** – As used in this section, the term "appointing authority"  
42 means the Governor in the case of members appointed by the Governor and means the General  
43 Assembly in the case of members appointed by the General Assembly. Appointments to the  
44 Commission shall be made to provide knowledge and experience in a diverse range of coastal  
45 interests. The members of the Commission shall serve and act on the Commission solely for the  
46 best interests of the public and public trust, and shall bring their particular knowledge and  
47 experience to the Commission for that end alone. Counties and cities in the coastal area may  
48 designate and transmit to the appointing authorities no later than May 1 of each even-numbered  
49 year qualified persons in the categories set out in subsection (b1) of this section corresponding  
50 to the Commission positions to be filled that year.



1 The Governor shall appoint in his sole discretion those members of the Commission whose  
2 qualifications are described in subdivisions (6) and (10), and one of the three members  
3 described in subdivision (12) of subsection (b) of this section.

4 The remaining members of the Commission shall be appointed by the Governor after  
5 completion of the nominating procedures prescribed by subsection (d) of this section.

6 (c1) The members of the Commission whose qualifications are described in subdivisions  
7 (1) through (5), (9), and (11); (3), (6), (7), (8), (9), (11), and (12) of subsection (b1) of this  
8 section shall be persons who do not derive any significant portion of their income from land  
9 development, construction, real estate sales, or lobbying and do not otherwise serve as agents  
10 for development-related business activities. The Governor shall require adequate disclosure of  
11 potential conflicts of interest by these members. The Governor, by executive order, shall  
12 promulgate criteria regarding conflicts of interest and disclosure thereof for determining the  
13 eligibility of persons under this section. subsection.

14 (c2) All members of the Commission are covered persons for the purposes of Chapter  
15 138A of the General Statutes, the State Government Ethics Act. As covered persons, members  
16 of the Commission shall comply with the applicable requirements of the State Government  
17 Ethics Act, including mandatory training, the public disclosure of economic interests, and  
18 ethical standards for covered persons. Members of the Commission shall comply with the  
19 provisions of the State Government Ethics Act to avoid conflicts of interest.

20 (d) Nominations for Membership.— On or before May 1 in every even numbered year  
21 the Governor shall designate and transmit to the board of commissioners in each county in the  
22 coastal area four nominating categories applicable to that county for that year. Said nominating  
23 categories shall be selected by the Governor from among the categories represented,  
24 respectively by subdivisions (1), (2), (3), (4), (5), (7), (8), (9), (11) — two persons, and (12) —  
25 two persons, of subsection (b) of this section (or so many of the above listed paragraphs as may  
26 correspond to vacancies by expiration of term that are subject to being filled in that year). On or  
27 before June 1 in every even numbered year the board of commissioners of each county in the  
28 coastal area shall nominate (and transmit to the Governor the names of) one qualified person in  
29 each of the four nominating categories that was designated by the Governor for that county for  
30 that year. In designating nominating categories from biennium to biennium, the Governor shall  
31 equitably rotate said categories among the several counties of the coastal area as in his  
32 judgment he deems best; and he shall assign, as near as may be, an even number of nominees to  
33 each nominating category and shall assign in his best judgment any excess above such even  
34 number of nominees. On or before June 1 in every even numbered year the governing body of  
35 each incorporated city within the coastal area shall nominate and transmit to the Governor the  
36 name of one person as a nominee to the Commission. In making nominations, the boards of  
37 county commissioners and city governing bodies shall give due consideration to the nomination  
38 of women and minorities. The Governor shall appoint 12 persons from among said city and  
39 county nominees to the Commission. The several boards of county commissioners and city  
40 governing bodies shall transmit the names, addresses, and a brief summary of the qualifications  
41 of their nominees to the Governor on or before June 1 in each even numbered year, beginning  
42 in 1974; provided, that the Governor, by registered or certified mail, shall notify the chairman  
43 or the mayors of the said local governing boards by May 20 in each such even numbered year  
44 of the duties of local governing boards under this sentence. If any board of commissioners or  
45 city governing body fails to transmit its list of nominations to the Governor by June 1, the  
46 Governor may add to the nominations a list of qualified nominees in lieu of those that were not  
47 transmitted by the board of commissioners or city governing body; Provided however, the  
48 Governor may not add to the list a nominee in lieu of one not transmitted by an incorporated  
49 city within the coastal area that neither has a population of 2,000 or more nor is contiguous  
50 with the Atlantic Ocean. Within the meaning of this section, the "governing body" is the mayor  
51 and council of a city as defined in G.S. 160A-66. The population of cities shall be determined

1 according to the most recent annual estimates of population as certified to the Secretary of  
2 Revenue by the Secretary of Administration.

3 (e) ~~Residential Qualifications.~~ All nominees of the several boards of county  
4 commissioners and city governing bodies must reside within the coastal area, but need not  
5 reside in the county from which they were nominated. No more than one of those members  
6 appointed by the Governor from among said nominees may reside in a particular county. No  
7 more than two members of the entire Commission, at any time, may reside in a particular  
8 county. No more than two members of the entire Commission, at any time, may reside outside  
9 the coastal area.

10 (f) Office May Be Held Concurrently with Others. – Membership on the Coastal  
11 Resources Commission is hereby declared to be an office that may be held concurrently with  
12 other elective or appointive offices in addition to the maximum number of offices permitted to  
13 be held by one person under G.S. 128-1.1.

14 (g) Terms. – The members shall serve staggered terms of office of four years. At the  
15 expiration of each member's term, the Governor appointing authority shall reappoint or replace  
16 the member with a new member of like qualification ~~(as~~ specified in subsection ~~(b)(b1)~~  
17 ~~this section)~~, in the manner provided by subsections (c) and (d) of this section. ~~The initial term~~  
18 ~~shall be determined by the Governor in accordance with customary practice but eight of the~~  
19 ~~initial members shall be appointed for two years and seven for four years.~~ section.

20 (h) Vacancies. – In the event of a vacancy arising otherwise than by expiration of term,  
21 the Governor appointing authority shall appoint a successor of like qualification ~~(as~~ specified  
22 in subsection ~~(b)(b1)~~ of this section) section who shall then serve the remainder of his  
23 predecessor's term. ~~When any such vacancy arises, the Governor shall immediately notify the~~  
24 ~~board of commissioners of each county in the coastal area and the governing body of each~~  
25 ~~incorporated city within the coastal area. Within 30 days after receipt of such notification each~~  
26 ~~such county board and city governing body shall nominate and transmit to the Governor the~~  
27 ~~name and address of one person who is qualified in the category represented by the position to~~  
28 ~~be filled, together with a brief summary of the qualifications of the nominee. The Governor~~  
29 ~~shall make the appointment from among said city and county nominees. If any county board or~~  
30 ~~city governing body fails to make a timely transmittal of its nominee, the Governor may add to~~  
31 ~~the nominations a qualified person in lieu of said nominee; Provided however, the Governor~~  
32 ~~may not add to the list a nominee in lieu of one not transmitted by an incorporated city within~~  
33 ~~the coastal area that neither has a population of 2,000 or more nor is contiguous with the~~  
34 ~~Atlantic Ocean.~~

35 (i) Officers. – The chairman shall be designated by the Governor from among the  
36 members of the Commission to serve as chairman at the pleasure of the Governor. The  
37 vice-chairman shall be elected by and from the members of the Commission and shall serve for  
38 a term of two years or until the expiration of ~~his~~ the vice-chairman's regularly appointed term.

39 (j) Compensation. – The members of the Commission shall receive per diem and  
40 necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

41 ~~(k) In making appointments to and filling vacancies upon the Commission, the~~  
42 ~~Governor shall give due consideration to securing appropriate representation of women and~~  
43 ~~minorities.~~

44 (l) Attendance. – Regular attendance at Commission meetings is a duty of each  
45 member. The Commission shall develop procedures for declaring any seat on the Commission  
46 to be vacant upon failure by a member to perform this duty.

47 (m) Quorum. – A majority of the Commission shall constitute a quorum."

48 **SECTION 14.24.(b)** Transition of Membership of the Coastal Resources  
49 Commission. – Except as otherwise provided in this section, the terms of all members of the  
50 Coastal Resources Commission serving on January 1, 2013, shall expire July 31, 2013. A new  
51 Commission of 13 members shall be appointed in the manner provided by G.S. 113A-104(b1),

1 as enacted by subsection (a) of this section. Members appointed in the manner provided by  
2 G.S. 113A-104(b1), as enacted by subsection (a) of this section, shall be appointed no later than  
3 August 1, 2013.

4 (1) The member serving pursuant to G.S. 113A-104(b)(1) on January 1, 2013,  
5 shall continue to serve pursuant to G.S. 113A-104(b1)(8), as enacted by  
6 subsection (a) of this section, until June 30, 2014.

7 (2) The member serving pursuant to G.S. 113A-104(b)(2) on January 1, 2013,  
8 shall continue to serve pursuant to G.S. 113A-104(b1)(10), as enacted by  
9 subsection (a) of this section, until June 30, 2014.

10 (3) The member serving pursuant to G.S. 113A-104(b)(11) on January 1, 2013,  
11 whose term would otherwise expire on June 30, 2014, shall continue to serve  
12 pursuant to G.S. 113A-104(b1)(6), as enacted by subsection (a) of this  
13 section, until June 30, 2014.

14 (4) The member serving pursuant to G.S. 113A-104(b)(5) on January 1, 2013,  
15 whose term would otherwise expire on June 30, 2014, shall continue to serve  
16 pursuant to G.S. 113A-104(b1)(9), as enacted by subsection (a) of this  
17 section, until June 30, 2014.

18 Members of the Commission whose qualifications are described by subdivisions (1), (3),  
19 (5), (7), (11), and (13) of G.S. 113A-104(b1), as enacted by subsection (a) of this section, shall  
20 be appointed for an initial term expiring on June 30, 2015, and subsequent appointments shall  
21 be for four-year terms thereafter. Members of the Commission whose qualifications are  
22 described by subdivisions (2), (4), (6), (8), (9), (10), and (12) of G.S. 113A-104(b1), as enacted  
23 by subsection (a) of this section, shall be appointed for an initial term expiring on June 30,  
24 2014, and subsequent appointments shall be for four-year terms thereafter.

## 25 26 **COASTAL RESOURCES ADVISORY COMMISSION**

27 **SECTION 14.25.** G.S. 113A-105 reads as rewritten:

### 28 **"§ 113A-105. Coastal Resources Advisory Council.**

29 (a) Creation. – There is hereby created and established a council to be known as the  
30 Coastal Resources Advisory Council.

31 (b) Membership and Terms. – The Coastal Resources Advisory Council shall consist of  
32 not more than ~~45~~20 members appointed or designated as follows:

33 ~~(1) Two individuals designated by the Secretary from among the employees of~~  
34 ~~the Department;~~

35 ~~(1a) The Secretary of Commerce or person designated by the Secretary of~~  
36 ~~Commerce;~~

37 ~~(2) The Secretary of Administration or person designated by the Secretary of~~  
38 ~~Administration;~~

39 ~~(3) The Secretary of Transportation or person designated by the Secretary of~~  
40 ~~Transportation; and one additional member selected by the Secretary of~~  
41 ~~Transportation from the Department of Transportation;~~

42 ~~(4) The State Health Director or the person designated by the State Health~~  
43 ~~Director;~~

44 ~~(5) The Commissioner of Agriculture or person designated by the~~  
45 ~~Commissioner of Agriculture;~~

46 ~~(6) The Secretary of Cultural Resources or person designated by the Secretary~~  
47 ~~of Cultural Resources;~~

48 ~~(7) One member from each of the four multi-county planning districts of the~~  
49 ~~coastal area to be appointed by the lead regional agency of each district;~~

50 ~~(8) One representative from each of the counties in the coastal area to be~~  
51 ~~designated by the respective boards of county commissioners;~~

- 1           (9)    No more than eight additional members representative of cities in the coastal  
2           area and to be designated by the Commission;  
3           (10)   Three members selected by the Commission who are marine scientists or  
4           technologists;  
5           (11)   One member who is a local health director selected by the Commission upon  
6           the recommendation of the Secretary.

7 by the Coastal Resources Commission. Counties and cities in the coastal area may nominate  
8 candidates for consideration by the Commission. The terms of all Council members serving on  
9 the Council on January 1, 2013, shall expire on July 31, 2013. A new Council shall be  
10 appointed in the manner provided by this subsection with terms beginning on August 1, 2013,  
11 and expiring on June 30, 2015. Members may be reappointed at the discretion of the  
12 Commission, provided that one-half of the membership at the beginning of any two-year term  
13 are residents of counties in the coastal area.

14       ...."

## 16 **PART XV. DEPARTMENT OF COMMERCE**

### 18 **SET REGULATORY FEE FOR UTILITIES COMMISSION**

19       **SECTION 15.1.(a)** The percentage rate to be used in calculating the public utility  
20 regulatory fee under G.S. 62-302(b)(2) is thirteen one-hundredths of one percent (0.13%) for  
21 each public utility's North Carolina jurisdictional revenues earned during each quarter that  
22 begins on or after July 1, 2013, and on or after July 1, 2014.

23       **SECTION 15.1.(b)** The electric membership corporation regulatory fee imposed  
24 under G.S. 62-302(b1) for the 2013-2014 and the 2014-2015 fiscal year is two hundred  
25 thousand dollars (\$200,000).

### 27 **REPEAL UWHARRIE REGIONAL RESOURCES ACT**

28       **SECTION 15.1A.** Chapter 153C of the General Statutes is repealed.

### 30 **INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT**

31       **SECTION 15.2.** For the 2013-2014 fiscal year and the 2014-2015 fiscal year, the  
32 Industrial Commission may, in consultation with the State Chief Information Officer, use up to  
33 one million eight hundred thousand dollars (\$1,800,000) of available funds in Budget Code  
34 24611 to replace the Electronic Document Management System (EDMS).

### 36 **UNEMPLOYMENT INSURANCE RESERVE**

37       **SECTION 15.3.(a)** The Office of State Budget and Management, in conjunction  
38 with the Office of the State Controller and the Department of Commerce, shall transfer to the  
39 Unemployment Insurance Reserve within the Office of State Budget and Management any  
40 unencumbered cash balance as of June 30, 2013, of each of the following special funds within  
41 the Department of Commerce and then close each of these special funds:

- 42           (1)    Worker Training Trust Fund (Special Fund Code 64654-6400).  
43           (2)    Training and Employment Account (Special Fund Code 64655-6601).

44       **SECTION 15.3.(b)** The Office of State Budget and Management, in conjunction  
45 with the Office of the State Controller and the Department of Commerce, shall transfer the sum  
46 of ten million dollars (\$10,000,000) for the 2013-2014 fiscal year from the Special  
47 Employment Security Administration Fund (Fund Code 64650-6100) to the Unemployment  
48 Insurance Reserve within the Office of State Budget and Management.

### 50 **EMPLOYMENT SECURITY RESERVE FUND**

1           **SECTION 15.4.(a)** There is appropriated from the Employment Security Reserve  
2 Fund to the Department of Commerce, Division of Employment Security, the amount needed  
3 for the 2013-2014 fiscal year to fund the interest payment due to the federal government for the  
4 debt owed to the U.S. Treasury for unemployment benefits.

5           **SECTION 15.4.(b)** Of the funds credited to and held in the State of North  
6 Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the  
7 United States pursuant to and in accordance with section 903 of the Social Security Act and  
8 pursuant to Title II of Division B of P.L. 111-5, the Assistance for Unemployed Workers and  
9 Struggling Families Act, the Department of Commerce, Division of Employment Security, may  
10 expend the sum of two hundred five million sixty-three thousand five hundred fifty-two dollars  
11 (\$205,063,552) as follows: (i) one hundred million dollars (\$100,000,000) shall be used to  
12 design and build the integrated unemployment insurance benefit and tax accounting system and  
13 (ii) the remaining funds shall be used for the operation of the unemployment insurance  
14 program.

15  
16           **WORKFORCE INVESTMENT ACT FUNDS/TRANSFER OF FUNDS TO**  
17           **DEPARTMENT OF LABOR**

18           **SECTION 15.5.** Of the Workforce Investment Act funds awarded to the  
19 Department of Commerce by the United States Department of Labor, the sum of three hundred  
20 fifty thousand dollars (\$350,000) shall be transferred to the Department of Labor for the  
21 Apprenticeship Program on a recurring basis for the 2013-2015 biennium.

22  
23           **SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION**  
24           **GENERAL FUND APPROPRIATION**

25           **SECTION 15.6.(a)** 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 balances in the following funds as of June 30, 2013, to Commerce  
28 Administration (Budget Code 14600-1111):

- 29           (1)     24609-2537 – Energy Research Grants  
30           (2)     24609-2535 – NC Green Business Fund

31           **SECTION 15.6.(b)** The Office of State Budget and Management, in conjunction  
32 with the Office of the State Controller and the Department of Commerce, shall transfer the  
33 unencumbered cash balance in the International Trade Show Special Fund (Budget Code  
34 24610-2431) as of June 30, 2013, to Commerce Administration (Budget Code 14600-1111)  
35 and, upon the transfer, close the Fund.

36           **SECTION 15.6.(c)** The transfers in subsections (a) and (b) of this section are to  
37 offset General Fund appropriations to the Department of Commerce for administration.

38  
39           **SECRETARY DESIGNATE SUPERVISOR OF BLNC EMPLOYEES**

40           **SECTION 15.7.** The Secretary of Commerce shall designate the person or persons  
41 who shall supervise the employees in Business Link North Carolina (BLNC). The person or  
42 persons designated under this section shall have the powers and duties authorized by the  
43 Secretary.

44  
45           **COMMERCE FLEXIBILITY TO REORGANIZE DEPARTMENT TO ESTABLISH**  
46           **PUBLIC-PRIVATE PARTNERSHIP**

47           **SECTION 15.7A.(a)** Notwithstanding any other provision of law, and consistent  
48 with the authority granted in G.S. 143B-10, the Secretary of the Department of Commerce may  
49 reorganize positions and related operational costs within the Department to establish a  
50 public-private partnership which includes cost containment measures. Actions under this  
51 section may only be implemented after the Office of State Budget and Management has

1 approved a proposal submitted by the Department. Proposals under this section shall include, at  
2 a minimum, the positions involved and strategies to achieve efficiencies. The Department of  
3 Commerce may use up to one million dollars (\$1,000,000) in the 2013-2014 fiscal year of the  
4 cost-savings resulting from the establishment of the public-private partnership to cover the  
5 costs of reorganizing positions as provided in this subsection.

6 **SECTION 15.7A.(b)** Not later than April 1, 2014, the Department shall report on  
7 any actions under this section to the House of Representatives Appropriations Subcommittee on  
8 Natural and Economic Resources, the Senate Appropriations Committee on Natural and  
9 Economic Resources, and the Fiscal Research Division.

## 10 11 **COMMON FOLLOW-UP/CONTINUATION REVIEW**

12 **SECTION 15.8.(a)** The Department of Commerce, Labor and Economic Analysis  
13 Division (LEAD), shall conduct a continuation review of the Common Follow-Up Information  
14 Management System (hereinafter "Common Follow-Up") created pursuant to G.S. 96-32.  
15 LEAD shall report the preliminary findings of the continuation review to the Fiscal Research  
16 Division no later than December 1, 2013, and shall submit a final report to the Joint Legislative  
17 Commission on Governmental Operations, the Senate Appropriations Committee on Natural  
18 and Economic Resources, and the House Appropriations Subcommittee on Natural and  
19 Economic Resources no later than March 1, 2014.

20 **SECTION 15.8.(b)** The continuation review report required by subsection (a) of  
21 this section shall include the following information:

- 22 (1) A description of Common Follow-Up and the goals of the program.
- 23 (2) The statutory objectives for Common Follow-Up and the problem or need  
24 addressed.
- 25 (3) The extent to which the objectives of Common Follow-Up have been  
26 achieved.
- 27 (4) Any functions or programs of Common Follow-Up performed without  
28 specific statutory authority.
- 29 (5) The performance measures for Common Follow-Up and the process by  
30 which the performance measures determine efficiency and effectiveness.
- 31 (6) Recommendations for statutory, budgetary, or administrative changes  
32 needed to improve efficiency and effectiveness of services delivered to the  
33 public.
- 34 (7) The consequences of discontinuing funding.
- 35 (8) Recommendations for improving services or reducing costs or duplication.
- 36 (9) The identification of policy issues that should be brought to the attention of  
37 the General Assembly.

## 38 39 **RURAL ECONOMIC DEVELOPMENT DIVISION CREATED**

40 **SECTION 15.10.(a)** Article 10 of Chapter 143B of the General Statutes is  
41 amended by adding a new Part to read as follows:

42 "Part 22. Rural Economic Development Division.

### 43 **"§ 143B-472.126. Rural Economic Development Division created.**

44 There is hereby created in the Department of Commerce a division to be known as the  
45 Rural Economic Development Division. The Secretary shall appoint an Assistant Secretary to  
46 administer this Division, who shall be subject to the direction and supervision of the Secretary.  
47 The Assistant Secretary, subject to the approval of the Secretary, shall select a professional  
48 staff of qualified and competent employees to assist in the administration of the duties and  
49 responsibilities prescribed in this Part.

### 50 **"§ 143B-472.127. Programs administered.**

1        (a) The Rural Economic Development Division shall be responsible for administering  
2 the program whereby economic development grants or loans are awarded by the Rural  
3 Infrastructure Authority as provided in G.S. 143B-472.128 to local government units of the  
4 counties that have one of the 80 highest rankings under G.S. 143B-437.08 after the adjustment  
5 of that section. The funds available for grants or loans under this program may be used as  
6 follows:

- 7            (1) To construct critical water and wastewater facilities or to provide other  
8 infrastructure needs, including, but not limited to, natural gas, broadband,  
9 and rail to sites where these facilities will generate private job-creating  
10 investment. The grants under this subdivision shall not be subject to the  
11 provisions of G.S. 143-355.4.
- 12            (2) To provide matching grants or loans to local government units in an  
13 economically distressed county that will productively reuse vacant buildings  
14 and properties or construct or expand rural health care facilities with priority  
15 given to towns or communities with populations of less than 5,000. For  
16 purposes of this section, the term "economically distressed county" has the  
17 same meaning as in G.S. 143B-437.01.
- 18            (3) Recipients of grant funds under this Part shall contribute a cash match for  
19 the grant that is equivalent to at least five percent (5%) of the grant amount.  
20 The cash match shall come from local resources and may not be derived  
21 from other State or federal grant funds.
- 22            (4) In awarding grants under this Part, preference shall be given to a project  
23 involving a resident company. For purposes of this Part, the term "resident  
24 company" means a company that has paid unemployment taxes or income  
25 taxes in this State and whose principal place of business is located in this  
26 State. An application for a project that serves an economically distressed  
27 area shall have priority over a project that does not. A grant to assist with  
28 water infrastructure needs is not subject to the provisions of G.S. 143-355.4.
- 29            (5) Under no circumstances shall a grant for a project be awarded in excess of  
30 twelve thousand five hundred dollars (\$12,500) per projected job created or  
31 saved.

32        (b) In addition to the duties under subsection (a) of this section, the Rural Economic  
33 Development Division shall also be responsible for (i) administering the program whereby  
34 local government units are awarded funds by the Rural Infrastructure Authority from the Utility  
35 Account under G.S. 143B-437.01 and (ii) administering the program whereby local government  
36 units are awarded funds by the Rural Infrastructure Authority for economic development  
37 projects from community development block grant funds.

38        (c) The Rural Economic Development Division may make recommendations to the  
39 Rural Infrastructure Authority as to any matters related to the administration of the programs  
40 under subsections (a) and (b) of this section.

41 **"§ 143B-472.128. Rural Infrastructure Authority created; powers.**

42        (a) Creation. – The Rural Infrastructure Authority is created within the Department of  
43 Commerce.

44        (b) Membership. – The Authority shall consist of 16 members who shall be appointed  
45 as follows:

- 46            (1) The Secretary of Commerce, who shall serve as a nonvoting ex officio  
47 member, except in the case of a tie.
- 48            (2) Five members appointed by the General Assembly upon the  
49 recommendation of the President Pro Tempore of the Senate, and they shall  
50 each represent a Tier 1 or Tier 2 county.

1           (3) Five members appointed by the General Assembly upon the  
2           recommendation of the Speaker of the House of Representatives, and they  
3           shall each represent a Tier 1 or Tier 2 county.

4           (4) Five members appointed by the Governor, and they shall each represent a  
5           Tier 1 or Tier 2 county.

6           (c) Terms. – Members shall serve for a term of three years, except for initial terms as  
7           provided in this section. No member of the Authority shall serve for more than two consecutive  
8           terms, but a person who has been a member for two consecutive terms may be reappointed after  
9           being off the Authority for a period of at least three years. An initial term that is two years or  
10           less shall not be counted in determining the limitation on consecutive terms. Initial terms shall  
11           commence on July 1, 2013.

12           In order to provide for staggered terms, two persons appointed to the positions designated  
13           in subdivision (b)(2) of this section, one person appointed to the positions designated in  
14           subdivision (b)(3) of this section, and two persons appointed to the positions designated in  
15           subdivision (b)(4) of this section shall be appointed for initial terms ending on June 30, 2014.  
16           One person appointed to the positions designated in subdivision (b)(2) of this section, two  
17           persons appointed to the positions designated in subdivision (b)(3) of this section, and two  
18           persons appointed to the positions designated in subdivision (b)(4) of this section shall be  
19           appointed for initial terms ending on June 30, 2015. Two persons appointed to the positions  
20           designated in subdivision (b)(2) of this section, two persons appointed to the positions  
21           designated in subdivision (b)(3) of this section, and one person appointed to the positions  
22           designated in subdivision (b)(4) of this section shall be appointed for initial terms ending on  
23           June 30, 2016.

24           (d) Officers. – The Authority members shall select from among the membership of the  
25           Authority a person to serve as chair and vice-chair. The chair and vice-chair shall each serve for  
26           a term of one year, but may be re-elected to serve successive terms.

27           (e) Compensation. – Authority members shall receive no salary as a result of serving on  
28           the Authority, but are entitled to per diem and allowances in accordance with G.S. 138-5 and  
29           G.S. 138-6, as appropriate.

30           (f) Meetings. – The Secretary shall convene the first meeting of the Authority within 30  
31           days after the appointment of Authority members under subsection (b) of this section. Meetings  
32           shall be held as necessary as determined by the Authority.

33           (g) Quorum. – A majority of the members of the Authority constitutes a quorum for the  
34           transaction of business. A vacancy in the membership of the Authority does not impair the right  
35           of the quorum to exercise all rights and to perform all duties of the Authority.

36           (h) Vacancies. – A vacancy on the Authority shall be filled in the same manner in  
37           which the original appointment was made, and the term of the member filling the vacancy shall  
38           be for the balance of the unexpired term. Vacancies in appointments made by the General  
39           Assembly shall be filled in accordance with G.S. 120-122.

40           (i) Removal. – Members may be removed in accordance with G.S. 143B-13. A member  
41           who misses three consecutive meetings of the Authority may be removed for nonfeasance.

42           (j) Powers and Duties. – The Authority has the following powers and duties:

43           (1) To receive and review applications from local government units for grants or  
44           loans authorized under G.S. 143B-472.127.

45           (2) To award grants or loans as provided in G.S. 143B-472.127.

46           (3) To formulate policies and priorities for grant and loan making under  
47           G.S. 143B-472.127, which shall include, among other things, providing for  
48           (i) at least four grant application cycles during each fiscal year, (ii) the  
49           timely distribution of grants and loans so as to allow local government units  
50           to undertake infrastructure and other projects authorized under this Part  
51           without undue delay, and (iii) the use of federal funds first instead of



1 General Fund appropriations where the project meets federal requirements or  
 2 guidelines.

3 (4) To establish a threshold amount for emergency grants and loans that may be  
 4 awarded by the Assistant Secretary without the prior approval of the  
 5 Authority. Any emergency grants or loans awarded by the Assistant  
 6 Secretary pursuant to this subdivision shall meet the requirements of  
 7 G.S. 143B-472.127(a) or (b), and shall comply with policies and procedures  
 8 adopted by the Authority. The Assistant Secretary shall, as soon as  
 9 practicable, inform the Authority of any emergency grants or loans made  
 10 under this subdivision, including the name of the local government unit to  
 11 which the grant or loan was made, the amount of the grant or loan, and the  
 12 project for which the grant or loan was requested.

13 (5) To determine ways in which the Rural Economic Development Division can  
 14 aid local government units in meeting the costs for preliminary project  
 15 planning needed for making an application for a grant or loan under  
 16 G.S. 143B-472.127.

17 (6) To determine ways in which the Rural Economic Development Division can  
 18 effectively disseminate information to local government units about the  
 19 availability of grants or loans under G.S. 143B-472.127, the application and  
 20 review process, and any other information that may be deemed useful to  
 21 local government units in obtaining grants or loans.

22 (7) To review from time to time the effectiveness of the grant or loan programs  
 23 under G.S. 143B-472.127 and to determine ways in which the programs may  
 24 be improved to better serve local government units.

25 (8) No later than September 1 of each year, to submit a report to the Senate  
 26 Appropriations Committee on Natural and Economic Resources, the House  
 27 Appropriations Subcommittee on Natural and Economic Resources, and the  
 28 Fiscal Research Division that details all of the following:

29 a. Total number of awards made in the previous fiscal year.

30 b. Geographic display of awards made.

31 c. Total number of jobs created in the previous fiscal year.

32 d. Recommended policy changes that would benefit economic  
 33 development in rural areas of the State."

34 **SECTION 15.10.(b)** For the 2013-2015 fiscal biennium, the Department of  
 35 Commerce, Rural Economic Development Division, as established in subsection (a) of this  
 36 section, may use up to five percent (5%) of the funds appropriated in this act to the programs to  
 37 be administered by the Division, and described in subsection (a) of this section, to cover the  
 38 Division's expenses in administering those programs.

39 **SECTION 15.10.(c)** G.S. 120-123 reads as rewritten:

40 "**§ 120-123. Service by members of the General Assembly on certain boards and**  
 41 **commissions.**

42 No member of the General Assembly may serve on any of the following boards or  
 43 commissions:

44 ...

45 (80) The Rural Infrastructure Authority, as created by G.S. 143B-472.128."

46 **SECTION 15.10.(d)** G.S. 126-5 reads as rewritten:

47 "**§ 126-5. Employees subject to Chapter; exemptions.**

48 ...

49 (c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this  
 50 Chapter shall not apply to:

51 ...

1           (30) Employees of the Department of Commerce employed in the Rural  
2           Economic Development Division.

3       ...."

4           **SECTION 15.10.(e)** G.S. 143B-433 reads as rewritten:

5       "**§ 143B-433. Department of Commerce – organization.**

6           The Department of Commerce shall be organized to include:

7           (1) The following agencies:

8           ...

9           w. The Rural Economic Development Division.

10          x. The Rural Infrastructure Authority.

11       ...."

12  
13       **GOLDEN LEAF FOUNDATION BOARD OF DIRECTORS/GOVERNOR'S**  
14       **APPOINTMENTS**

15           **SECTION 15.10A.(a)** Section 2(c) of S.L. 1999-2 reads as rewritten:

16       "Section 2(c). The General Assembly also approves the provisions in the Consent Decree  
17 concerning the governance of the nonprofit corporation by 15 directors holding staggered,  
18 four-year terms, five directors to be appointed by the Governor of the State of North Carolina,  
19 one of whom shall be the chair of the Rural Infrastructure Authority created in  
20 G.S. 143B-472.128, or the chair's designee, five by the President Pro Tempore of the North  
21 Carolina Senate, and five by the Speaker of the North Carolina House of ~~Representatives,~~  
22 ~~respectively in their sole discretion;~~ Representatives; and that the Governor shall appoint the  
23 first Chair among his appointees, and the directors shall elect their own Chair from among their  
24 number for subsequent terms. Members of the General Assembly may not be appointed to  
25 serve on the board of directors while serving in the General Assembly."

26           **SECTION 15.10A.(b)** Upon the next occurring vacancy in the office of a director  
27 of the board of directors of the Golden LEAF Foundation appointed by the Governor, the  
28 Governor shall appoint the chair of the Rural Infrastructure Authority created in  
29 G.S. 143B-472.128, or the chair's designee, to the board of directors in accordance with  
30 subsection (a) of this section.

31           **SECTION 15.10A.(c)** This section becomes effective upon the modification of the  
32 Consent Decree in the action entitled State of North Carolina v. Philip Morris Incorporated, et  
33 al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County,  
34 North Carolina. The Attorney General shall file a motion in the cause of State of North  
35 Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice,  
36 Superior Court Division, Wake County, North Carolina, seeking a modification of the Consent  
37 Decree to permit the General Assembly to direct one or more of the Governor's appointments to  
38 the board of directors of the Golden LEAF Foundation, a nonprofit corporation created  
39 pursuant to subparagraph VI.A.1 of the Consent Decree and the Final Judgment entered in the  
40 action of 98 CVS 14377 on December 21, 1998.

41  
42       **ECONOMIC DEVELOPMENT COMPETITIVE GRANT PROGRAM FOR**  
43       **UNDERSERVED AND LIMITED RESOURCE COMMUNITIES**

44           **SECTION 15.10B.(a)** Of the funds appropriated in this act to the Department of  
45 Commerce (Department), the sum of two million five hundred forty-three thousand twenty-one  
46 dollars (\$2,543,021) for the 2014-2015 fiscal year shall be allocated for the Economic  
47 Development Competitive Grant Program for Underserved and Limited Resource  
48 Communities. The Department shall establish and implement this Program to provide grants to  
49 local governments and/or nonprofit organizations to encourage the development of economic  
50 development activities, services, and projects that benefit underserved populations and limited  
51 resource communities across the State.

1           **SECTION 15.10B.(b)** The Department shall develop guidelines and procedures for  
2 the administration and distribution of funds allocated to the Economic Development  
3 Competitive Grant Program for Underserved and Limited Resource Communities that include,  
4 at a minimum, the following:

- 5           (1) Eligible organizations shall be nonprofit organizations and local  
6 governments that target underserved populations and/or limited resource  
7 communities.
- 8           (2) Eligible organizations shall make their application in accordance with  
9 procedures established by the Department.
- 10          (3) Eligible organizations shall not use funds allocated in this section for renting  
11 or purchasing land or buildings or for financing debt.
- 12          (4) Priority shall be given to eligible organizations that demonstrate established  
13 community partnerships and business involvement.
- 14          (5) Priority shall be given to eligible organizations that match funds and/or have  
15 at least one other significant source of funding.
- 16          (6) Priority shall be given to eligible organizations that prioritize independent  
17 fundraising to achieve financial sustainability apart from State-funded  
18 appropriations.

19  
20 **LRC STUDY/EFFICIENT DISTRIBUTION OF FUNDS FOR WATER & SEWER**  
21 **PROJECTS AND ECONOMIC DEVELOPMENT PROJECTS**

22           **SECTION 15.10C.(a)** The Legislative Research Commission may study the ways  
23 in which the State currently distributes State and federal funds to local government units and  
24 other eligible entities for water, including public water systems, and wastewater projects and  
25 economic development projects to determine whether the distribution of these funds may be  
26 conducted in a more efficient manner. The Legislative Research Commission may study,  
27 among other issues, the following: (i) the current methods of distributing funds from the Clean  
28 Water State Revolving Fund, Drinking Water State Revolving Fund, Community Development  
29 Block Grant Funds, Industrial Development Fund Utility Account, and other similar funds; (ii)  
30 what, if any, changes can be made to the current distribution methods to shorten the period of  
31 time it takes to make these funds available to local government units through loans or grants;  
32 (iii) whether these funds are being distributed efficiently to local government units in rural  
33 areas of the State; (iv) the criteria used by the State to determine whether an area is rural, and  
34 whether that criteria should be revised; (v) whether contracting with a private entity or  
35 organization would make the distribution process more efficient; and (vi) whether any federal  
36 acts or regulations would prohibit or limit the use of a private entity or organization to  
37 distribute these funds.

38           **SECTION 15.10C.(b)** The Legislative Research Commission shall report its  
39 findings, together with any recommended legislation, to the 2014 Regular Session of the 2013  
40 General Assembly, upon its convening.

41  
42 **LEAD/DEVELOP STANDARDIZED PERFORMANCE METRIC FOR NONPROFITS**

43           **SECTION 15.12.** The Department of Commerce, Labor and Economic Analysis  
44 Division (LEAD), shall develop a standardized performance metric to evaluate whether a  
45 nonprofit allocated State funds by the Department in the 2013-2015 biennium has achieved its  
46 own goals or performance standards. The metric shall include standards for determining  
47 whether jobs were actually created, grants were awarded, or loans were made. The information  
48 obtained as a result of the metric shall be used by the General Assembly in determining  
49 whether to fund the nonprofits in future fiscal years. In order to be eligible to receive State  
50 funds, each nonprofit surveyed shall provide to LEAD any information requested to help  
51 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	\$ 1,375,000
02. Economic Development	10,737,500
03. Infrastructure	30,837,500

**TOTAL COMMUNITY DEVELOPMENT**

<b>BLOCK GRANT – 2014 Program Year</b>	<b>\$ 42,950,000</b>
<b>2015 Program Year</b>	<b>\$ 42,950,000</b>

**SECTION 15.14.(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 15.14.(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 15.14.(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 three hundred seventy-five thousand dollars (\$1,375,000) may be used for State Administration; up to ten million seven hundred thirty-seven thousand five hundred dollars (\$10,737,500) may be used for Economic Development; and up to thirty million eight hundred thirty-seven thousand five hundred dollars (\$30,837,500) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

**SECTION 15.14.(e)** The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

- (1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.
- (2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made; the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not

hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

**SECTION 15.14.(f)** By September 1, 2013, and September 1, 2014, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

- (1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.
- (2) Information on the number of applications that were received in each 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 shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure." 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	<del>\$1,000,000</del>	<u>\$1,375,000</u>
<del>03. Scattered Site Housing</del>		<del>7,200,000</del>
04. Economic Development	<del>7,000,000</del>	<u>10,625,000</u>
<del>05. Small Business/Entrepreneurship</del>		<del>2,500,000</del>
<del>06. NC Catalyst</del>		<del>4,500,000</del>
07. Infrastructure	<del>20,300,000</del>	<u>30,500,000</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

1 category under the Community Development Block Grant shall be increased by the same  
2 percentage as the increase in federal funds.

3 **"SECTION 14.1.(d)** Limitations on Community Development Block Grant Funds. – Of  
4 the funds appropriated in this section for the Community Development Block Grant, the  
5 following shall be allocated in each category for each program year: up to ~~one million dollars~~  
6 ~~(\$1,000,000)~~ one million three hundred seventy-five thousand dollars (\$1,375,000) may be  
7 used for State Administration; ~~up to seven million two hundred thousand dollars (\$7,200,000)~~  
8 ~~may be used for Scattered Site Housing;~~ up to seven million dollars (\$7,000,000) ten million six  
9 hundred twenty-five thousand dollars (\$10,625,000) may be used for Economic Development;  
10 ~~up to two million five hundred thousand dollars (\$2,500,000) may be used for Small~~  
11 ~~Business/Entrepreneurship; up to four million five hundred thousand dollars (\$4,500,000) shall~~  
12 ~~be used for NC Catalyst; and up to twenty million three hundred thousand dollars~~  
13 ~~(\$20,300,000)~~ thirty million five hundred thousand dollars (\$30,500,000) may be used for  
14 Infrastructure. If federal block grant funds are reduced or increased by the Congress of the  
15 United States after the effective date of this act, then these reductions or increases shall be  
16 allocated in accordance with subsection (b) or (c) of this section, as applicable.

17 **"SECTION 14.1.(e)** The Department of Commerce shall consult with the Joint Legislative  
18 Commission on Governmental Operations prior to reallocating Community Development  
19 Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director  
20 of the Budget finds that:

- 21 (1) A reallocation is required because of an emergency that poses an imminent  
22 threat to public health or public safety, the Director of the Budget may  
23 authorize the reallocation without consulting the Commission. The  
24 Department of Commerce shall report to the Commission on the reallocation  
25 no later than 30 days after it was authorized and shall identify in the report  
26 the emergency, the type of action taken, and how it was related to the  
27 emergency.
- 28 (2) The State will lose federal block grant funds or receive less federal block  
29 grant funds in the next fiscal year unless a reallocation is made, the  
30 Department of Commerce shall provide a written report to the Commission  
31 on the proposed reallocation and shall identify the reason that failure to take  
32 action will result in the loss of federal funds. If the Commission does not  
33 hear the issue within 30 days of receipt of the report, the Department may  
34 take the action without consulting the Commission.

35 **"SECTION 14.1.(f)** By ~~September 1, 2012,~~ September 1, 2013, the Division of  
36 Community Assistance, Department of Commerce, shall report to the Joint Legislative  
37 Commission on Governmental Operations and the Fiscal Research Division on the use of  
38 Community Development Block Grant Funds appropriated in the prior fiscal year. The report  
39 shall include the following:

- 40 (1) A discussion of each of the categories of funding and how the categories  
41 were selected, including information on how a determination was made that  
42 there was a statewide need in each of the categories.
- 43 (2) Information on the number of applications that were received in each  
44 category and the total dollar amount requested in each category.
- 45 (3) A list of grantees, including the grantee's name, county, category under  
46 which the grant was funded, the amount awarded, and a narrative description  
47 of the project.

48 **"SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of  
49 Infrastructure in subsection (a) of this section ~~are limited to the installation of public water or~~  
50 ~~sewer lines and improvements to water or sewer treatment plants that have specific problems~~  
51 ~~such as being under moratoriums or special orders of consent.~~ shall be defined as provided in

1 the HUD State Administered Community Development Block Grant definition of the term  
2 "infrastructure." Notwithstanding the provisions of subsection (e) of this section, funds  
3 allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated  
4 to any other category."

5 **SECTION 15.15.(b)** This section becomes effective June 30, 2013.

#### 6 7 **ONE NORTH CAROLINA FUND**

8 **SECTION 15.16.** Of the funds appropriated in this act to the One North Carolina  
9 Fund for the 2013-2015 biennium, the Department of Commerce may use up to two hundred  
10 fifty thousand dollars (\$250,000) in each year of the biennium to cover its expenses in  
11 administering the One North Carolina Fund and other economic development incentive grant  
12 programs. The Department of Commerce shall not use more than two hundred fifty thousand  
13 dollars (\$250,000) for administrative costs in any one fiscal year.

#### 14 15 **MODIFY ONE NC FUND AWARDS**

16 **SECTION 15.16A.** G.S. 143B-437.71(b1) reads as rewritten:

17 "(b1) Awards. – The amounts committed in Governor's Letters issued in a single fiscal  
18 year—biennium—may not exceed fourteen—twenty-eight million dollars  
19 (\$14,000,000).—(\$28,000,000)."

#### 20 21 **MODIFY INDUSTRIAL DEVELOPMENT FUND AND UTILITY ACCOUNT**

22 **SECTION 15.18.(a)** G.S. 143B-437.01 reads as rewritten:

23 **"§ 143B-437.01. Industrial Development Fund—Fund Utility Account.**

24 (a) Creation and Purpose of Fund. – There is created in the Department of Commerce  
25 ~~the Industrial Development Fund~~ a special account to be known as the Industrial Development  
26 Fund Utility Account ("Utility Account") to provide funds to assist the local government units  
27 of the most economically distressed counties in the State in creating ~~and retaining jobs in~~  
28 ~~certain industries.~~ jobs. The Department of Commerce shall adopt rules providing for the  
29 administration of the program. Those rules shall include the following provisions, which shall  
30 apply to each grant from the ~~fund~~ account:

31 (1) The funds shall be used for ~~(i) installation of or purchases of equipment for~~  
32 ~~eligible industries, (ii) structural repairs, improvements, or renovations of~~  
33 ~~existing buildings to be used for expansion of eligible industries, or~~  
34 ~~(iii) construction of or improvements to new or existing water, sewer, gas,~~  
35 ~~telecommunications, high-speed broadband, electrical utility distribution~~  
36 ~~lines or equipment, or transportation infrastructure for existing or new or~~  
37 ~~proposed industrial buildings to be used for eligible industries.~~ buildings. To  
38 be eligible for funding, the water, gas, telecommunications, high-speed  
39 broadband, electrical utility lines or facilities, or transportation infrastructure  
40 shall be located on the site of the building or, if not located on the site, shall  
41 be directly related to the operation of the ~~specific eligible industrial~~ job  
42 creation activity. To be eligible for funding, the sewer infrastructure shall be  
43 located on the site of the building or, if not located on the site, shall be  
44 directly related to the operation of the ~~specific eligible industrial~~ job  
45 creation activity, even if the sewer infrastructure is located in a county other than the  
46 county in which the building is located.

47 (1a) The funds shall be used for projects located in economically distressed  
48 counties except that the Secretary of Commerce may use up to one hundred  
49 thousand dollars (\$100,000) to provide emergency economic development  
50 assistance in any county that is documented to be experiencing a major  
51 economic dislocation.

- 1           (2)     The funds shall be used by the city and county governments for projects that  
2     ~~will directly~~ are reasonably anticipated to result in the creation or retention of  
3     new jobs. ~~The funds shall be expended at a maximum rate of ten thousand~~  
4     ~~dollars (\$10,000) per new job created or per job retained up to a maximum~~  
5     ~~of five hundred thousand dollars (\$500,000) per project. There shall be no~~  
6     maximum funding amount per new job to be created or per project.
- 7           (3)     There shall be no local match requirement if the project is located in a  
8     county that has one of the 25 highest rankings under ~~G.S. 143B-437.08 or~~  
9     ~~that has a population of less than 50,000 and more than nineteen percent~~  
10    ~~(19%) of its population below the federal poverty level according to the most~~  
11    ~~recent federal decennial census. G.S. 143B-437.08.~~
- 12          (4)     The Department may authorize a local government that receives funds under  
13    this section to use up to two percent (2%) of the funds, if necessary, to verify  
14    that the funds are used only in accordance with law and to otherwise  
15    administer the grant or loan.
- 16          (5)     No project subject to the Environmental Policy Act, Article 1 of Chapter  
17    113A of the General Statutes, shall be funded unless the Secretary of  
18    Commerce finds that the proposed project will not have a significant adverse  
19    effect on the environment. The Secretary of Commerce shall not make this  
20    finding unless the Secretary has first received a certification from the  
21    Department of Environment and Natural Resources that concludes, after  
22    consideration of avoidance and mitigation measures, that the proposed  
23    project will not have a significant adverse effect on the environment.
- 24          (6)     The funds shall not be used for any nonmanufacturing project that does not  
25    meet the wage standard set out in ~~G.S. 105-129.4(b). G.S. 105-129.4(b) or for~~  
26    ~~any retail, entertainment, or sports projects.~~
- 27          (7)     Priority for the use of funds shall be given to eligible industries.
- 28    (a1)    Definitions. – The following definitions apply in this section:
- 29          (1)     Air courier services. – ~~Defined in G.S. 105-129.81. The furnishing of air~~  
30    ~~delivery of individually addressed letters and packages for compensation, in~~  
31    ~~interstate commerce, except by the United States Postal Service.~~
- 32          (2)     Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.
- 33          (2a)    Company headquarters. – ~~Defined in G.S. 105-129.81. A corporate,~~  
34    ~~subsidiary, or regional managing office, as defined by NAICS in United~~  
35    ~~States industry 551114, that is responsible for strategic or organizational~~  
36    ~~planning and decision making for the business on an international, national,~~  
37    ~~or multistate regional basis.~~
- 38          (3)     Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.
- 39          (4)     Economically distressed county. – A county that ~~has one of the 65 highest~~  
40    ~~rankings~~ is defined as a development tier one or two area under  
41    G.S. 143B-437.08 after the adjustments of that section are applied.
- 42          (5)     Eligible industry. – A company headquarters or a person engaged in the  
43    business of air courier services, information technology and services,  
44    manufacturing, or warehousing and wholesale trade.
- 45          (6)     Information technology and services. – ~~Defined in G.S. 105-129.81. An~~  
46    ~~industry in one of the following, as defined by NAICS:~~
- 47            a.     Data processing industry group 518.
- 48            b.     Software publishers industry group 5112.
- 49            c.     Computer systems design and related services industry group 5415.
- 50            d.     An Internet activity included in industry group 519130.



- 1 (7) Major economic dislocation. – The actual or imminent loss of 500 or more  
2 manufacturing jobs in the county or of a number of manufacturing jobs equal  
3 to at least ten percent (10%) of the existing manufacturing workforce in the  
4 county.
- 5 (8) Manufacturing. – ~~Defined in G.S. 105-129.81.~~An industry in manufacturing  
6 sectors 31 through 33, as defined by NAICS, but not including quick  
7 printing or retail bakeries.
- 8 (9) Reserved.
- 9 (10) Warehousing. – ~~Defined in G.S. 105-129.81.~~An industry in warehousing and  
10 storage subsector 493 as defined by NAICS.
- 11 (11) Wholesale trade. – ~~Defined in G.S. 105-129.81.~~An industry in wholesale  
12 trade sector 42 as defined by NAICS.
- 13 (b) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5.
- 14 (b1) ~~There is created within the Industrial Development Fund a special account to be~~  
15 ~~known as the Utility Account to provide funds to assist the local government units of the~~  
16 ~~counties that have one of the 65 highest rankings under G.S. 143B-437.08 after the adjustments~~  
17 ~~of that section are applied in creating jobs in eligible industries. The Department of Commerce~~  
18 ~~shall adopt rules providing for the administration of the program. Except as otherwise provided~~  
19 ~~in this subsection, those rules shall be consistent with the rules adopted with respect to the~~  
20 ~~Industrial Development Fund. The rules shall provide that the funds in the Utility Account may~~  
21 ~~be used only for construction of or improvements to new or existing water, sewer, gas,~~  
22 ~~telecommunications, high speed broadband, electrical utility distribution lines or equipment, or~~  
23 ~~transportation infrastructure for existing or new or proposed industrial buildings to be used for~~  
24 ~~eligible industrial operations. To be eligible for funding, the water, sewer, gas,~~  
25 ~~telecommunications, high speed broadband, electrical utility lines or facilities, or transportation~~  
26 ~~infrastructure shall be located on the site of the building or, if not located on the site, shall be~~  
27 ~~directly related to the operation of the specific industrial activity. There shall be no maximum~~  
28 ~~funding amount per new job to be created or per project.~~
- 29 (c), (c1) Repealed by Session Laws 2012-142, s. 13.4(c), effective July 1, 2012.
- 30 (d) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5."

31 **SECTION 15.18.(b)** G.S. 105-129.81 reads as rewritten:

32 **"§ 105-129.81. Definitions.**

33 The following definitions apply in this Article:

- 34 ...
- 35 (2) Air courier services. – ~~The furnishing of air delivery of individually~~  
36 ~~addressed letters and packages for compensation, in interstate commerce,~~  
37 ~~except by the United States Postal Service.~~Defined in G.S. 143B-437.01.
- 38 ...
- 39 (5) Company headquarters. – ~~A corporate, subsidiary, or regional managing~~  
40 ~~office, as defined by NAICS in United States industry 551114, that is~~  
41 ~~responsible for strategic or organizational planning and decision making for~~  
42 ~~the business on an international, national, or multistate regional~~  
43 ~~basis.~~Defined in G.S. 143B-437.01.
- 44 ...
- 45 (13) Information technology and services. – Defined in G.S. 143B-437.01.~~An~~  
46 ~~industry in one of the following, as defined by NAICS:~~
- 47 a. ~~Data processing industry group 518.~~
- 48 b. ~~Software publishers industry group 5112.~~
- 49 e. ~~Computer systems design and related services industry group 5415.~~
- 50 d. ~~An Internet activity included in industry group 519130.~~
- 51 ...

1 (15) Manufacturing. – ~~An industry in manufacturing sectors 31 through 33, as~~  
2 ~~defined by NAICS, but not including quick printing or retail~~  
3 ~~bakeries.~~ Defined in G.S. 143B-437.01.

4 ...

5 (25) Warehousing. – ~~An industry in warehousing and storage subsector 493 as~~  
6 ~~defined by NAICS.~~ Defined in G.S. 143B-437.01.

7 (26) Wholesale trade. – ~~An industry in wholesale trade sector 42 as defined by~~  
8 ~~NAICS.~~ Defined in G.S. 143B-437.01."

9 **SECTION 15.18.(c)** G.S. 143B-437.012(d) reads as rewritten:

10 "(d) Eligibility. – A business is eligible for consideration for a grant under this section if  
11 it satisfies the conditions of either subdivision (1) or (2) of this subsection and satisfies the  
12 conditions of both subdivisions (3) and (4) of this subsection:

13 ...

14 (2) The business is a large manufacturing employer. A business is a large  
15 manufacturing employer if the business meets the following requirements:

16 a. The business is in manufacturing, as defined in  
17 ~~G.S. 105-129.81,~~ G.S. 143B-437.01, and is converting its  
18 manufacturing process to change the product it manufactures.

19 b. The Department certifies that the business has invested or intends to  
20 invest at least sixty-five million dollars (\$65,000,000) of private  
21 funds in improvements to real property and additions to tangible  
22 personal property in the project within a three-year period beginning  
23 with the time the investment commences.

24 c. The business employs at least 320 full-time employees at the project  
25 that is the subject of the grant at the time the application is made, and  
26 the business agrees to maintain at least 320 full-time employees at  
27 the project for the full term of the grant.

28 ...."

29 **SECTION 15.18.(d)** G.S. 143B-435.1(d) reads as rewritten:

30 "(d) Report. – By April 1 and October 1 of each year, the Department of Commerce shall  
31 report to the Revenue Laws Study Committee, the Joint Legislative Commission on  
32 Governmental Operations, the Senate Appropriations Committee on Natural and Economic  
33 Resources, the House of Representatives Appropriations Subcommittee on Natural and  
34 Economic Resources, and the Fiscal Research Division of the ~~General Assembly~~ Legislative  
35 Services Commission on (i) all clawbacks that have been triggered under the One North  
36 Carolina Fund established pursuant to G.S. 143B-437.71, the Job Development Investment  
37 Grant Program established pursuant to G.S. 143B-437.52, Job Maintenance and Capital  
38 Development Fund established pursuant to G.S. 143B-437.012, the ~~Industrial Development~~  
39 ~~Fund and~~ Utility Account established pursuant to G.S. 143B-437.01, and the Site Infrastructure  
40 Fund established pursuant to G.S. 143B-437.02 and (ii) its progress on obtaining repayments.  
41 The report must include the name of each business, the event that triggered the clawback, and  
42 the amount forfeited or to be repaid."

43 **SECTION 15.18.(e)** G.S. 143B-437.07(c) reads as rewritten:

44 "(c) Economic Development Incentive. – An economic development incentive includes  
45 any grant from the following programs: Job Development Investment Grant Program; the Job  
46 Maintenance and Capital Development Fund; One North Carolina Fund; and the ~~Industrial~~  
47 ~~Development Fund, including the~~ Utility Account. The State also incents economic  
48 development through the use of tax expenditures in the form of tax credits and refunds. The  
49 Department of Revenue must report annually on these statutory economic development  
50 incentives, as required under G.S. 105-256."

51 **SECTION 15.18.(f)** G.S. 143B-437.55(c) reads as rewritten:

1 "(c) Annual Reports. – The Committee shall publish a report on the Job Development  
2 Investment Grant Program on or before April 30 of each year. The Committee shall submit the  
3 report electronically to the House of Representatives Finance Committee, the Senate Finance  
4 Committee, the House of Representatives Appropriations Subcommittee on Natural and  
5 Economic Resources, the Senate Appropriations Committee on Natural and Economic  
6 Resources, and the Fiscal Research Division. The report shall include the following:

7 ...  
8 (13) The total amount transferred to the Utility Account ~~of the Industrial~~  
9 ~~Development Fund~~ under this Part during the preceding year."

10 **SECTION 15.18.(g)** G.S. 143B-437.61 reads as rewritten:

11 **"§ 143B-437.61. Transfer to Industrial Development Fund, Fund Utility Account.**

12 At the time the Department of Commerce remits a check to a business under  
13 G.S. 143B-437.60, the Department of Commerce shall transfer to the Utility Account ~~of the~~  
14 ~~Industrial Development Fund~~ an amount equal to the amount certified by the Committee as the  
15 difference between the amount of the grant and the amount of the grant for which the business  
16 would be eligible without regard to G.S. 143B-437.56(d)."

17 **SECTION 15.18.(h)** The Department of Commerce, in conjunction with the Office  
18 of the State Controller, shall close the Industrial Development Fund and the Utility Account  
19 and shall transfer the remaining fund balances of each to the Industrial Development Fund  
20 Utility Account.

21 **SECTION 15.18.(i)** This section becomes effective July 1, 2013, and applies to  
22 projects for which funds are initially provided on or after that date.

## 23 24 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM MODIFICATIONS**

25 **SECTION 15.19.(a)** G.S. 143B-437.52 reads as rewritten:

26 **"§ 143B-437.52. Job Development Investment Grant Program.**

27 ...  
28 (b) Priority. – In selecting between applicants, a project that is located in an  
29 Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project  
30 that is not located in a certified Eco-Industrial Park.

31 (c) Awards. – The maximum amount of total annual liability for grants awarded in any  
32 single calendar year under this Part, including amounts transferred to the Utility Account  
33 pursuant to G.S. 143B-437.61, is fifteen million dollars (\$15,000,000). No agreement may be  
34 entered into that, when considered together with other existing agreements governing grants  
35 awarded during a single calendar year, could cause the State's potential total annual liability for  
36 grants awarded in a single calendar year to exceed this amount. The Department shall make  
37 every effort to ensure that the average percentage of withholdings of eligible positions for  
38 grants awarded under this Part does not exceed the average of the range provided in  
39 G.S. 143B-437.56(a).

40 ...."

41 **SECTION 15.19.(a1)** Notwithstanding G.S. 143B-437.52(c), for the 2013-2015  
42 fiscal biennium, the maximum total liability for grants awarded, including amounts transferred  
43 to the Utility Account pursuant to G.S. 143B-437.61, is twenty-two million five hundred  
44 thousand dollars (\$22,500,000) and, for the period from July 1, 2015, to December 31, 2015,  
45 the maximum total liability for grants awarded, including amounts transferred to the Utility  
46 Account pursuant to G.S. 143B-437.61, is seven million five hundred thousand dollars  
47 (\$7,500,000). No agreement may be entered into that, when considered together with other  
48 existing agreements governing grants awarded during an applicable time period provided in this  
49 subsection, could cause the State's potential total annual liability for grants awarded in that time  
50 period to exceed the designated maximum amount.

51 **SECTION 15.19.(b)** G.S. 143B-437.55(b) reads as rewritten:

1       "(b) Application Fee. – When filing an application under this section, the business must  
2 pay the Committee a fee of five thousand dollars (\$5,000). The fee is due at the time the  
3 application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of  
4 the Office of State Budget and Management shall determine the allocation of the fee imposed  
5 by this section among their agencies. The proceeds of the fee are receipts of the agency to  
6 which they are credited. Within 30 days of receipt of an application under this section but prior  
7 to any award being made, the Department of Commerce shall notify each governing body of an  
8 area where a submitted application proposes locating a project of the information listed in this  
9 subsection, provided that the governing body agrees, in writing, to any confidentiality  
10 requirements imposed by the Department under G.S. 132-6(d). The information required by  
11 this subsection includes all of the following:

- 12           (1) The estimated amount of the grant anticipated to be awarded to the applicant  
13 for the project.
- 14           (2) Any economic impact data submitted with the application or prepared by the  
15 Department.
- 16           (3) Any economic impact estimated by the Department to result from the  
17 project."

18       **SECTION 15.19.(c)** This section becomes effective July 1, 2013, and applies to  
19 applications and awards made on or after that date.  
20

## 21 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM APPLICATION FEE** 22 **INCREASE**

23       **SECTION 15.20.(a)** G.S. 143B-437.55(b) reads as rewritten:

24       "(b) Application Fee. – When filing an application under this section, the business must  
25 pay the Committee a fee of ~~five thousand dollars (\$5,000).~~ ten thousand dollars (\$10,000). The  
26 fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of  
27 Revenue, and the Director of the Office of State Budget and Management shall determine the  
28 allocation of the fee imposed by this section among their agencies. The proceeds of the fee are  
29 receipts of the agency to which they are credited."

30       **SECTION 15.20.(b)** This section becomes effective August 1, 2013, and applies to  
31 applications filed on or after that date.  
32

## 33 **JOB DEVELOPMENT INVESTMENT GRANT PROGRAM REPORTING FEE** 34 **INCREASE**

35       **SECTION 15.21.(a)** G.S. 143B-437.58(a) reads as rewritten:

36       "(a) No later than March 1 of each year, for the preceding grant year, every business that  
37 is awarded a grant under this Part shall submit to the Committee an annual payroll report  
38 showing withholdings as a condition of its continuation in the grant program and identifying  
39 eligible positions that have been created during the base period that remain filled at the end of  
40 each year of the grant. Annual reports submitted to the Committee shall include social security  
41 numbers of individual employees identified in the reports. Upon request of the Committee, the  
42 business shall also submit a copy of its State and federal tax returns. Payroll and tax  
43 information, including social security numbers of individual employees and State and federal  
44 tax returns, submitted under this subsection is tax information subject to G.S. 105-259.  
45 Aggregated payroll or withholding tax information submitted or derived under this subsection  
46 is not tax information subject to G.S. 105-259. When making a submission under this section,  
47 the business must pay the Committee a fee of ~~one thousand five hundred dollars (\$1,500).~~ the  
48 greater of two thousand five hundred dollars (\$2,500) or three one-hundredths of one percent  
49 (.03%) of an amount equal to the grant less the maximum amount to be transferred pursuant to  
50 G.S. 143B-437.61. The fee is due at the time the submission is made. The Secretary of  
51 Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and

1 Management shall determine the allocation of the fee imposed by this section among their  
2 agencies. The proceeds of the fee are receipts of the agency to which they are credited."

3 **SECTION 15.21.(b)** This section becomes effective August 1, 2013, and applies to  
4 fees submitted for awards granted on or after that date.

## 6 **TRANSFER STATE ENERGY OFFICE FROM COMMERCE TO DENR**

### 8 **GENERAL**

9 **SECTION 15.22.(a)** The State Energy Office is hereby transferred from the  
10 Department of Commerce to the Department of Environment and Natural Resources. This  
11 transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

### 13 **ENERGY LOAN FUND**

14 **SECTION 15.22.(b)** Part 2C of Article 10 of Chapter 143B of the General  
15 Statutes, G.S. 143B-437.14 through G.S. 143B-437.16, is recodified as Part 32 of Article 7 of  
16 Chapter 143B of the General Statutes, G.S. 143B-344.42 through G.S. 143B-344.44.

17 **SECTION 15.22.(c)** G.S. 143B-437.16, recodified as G.S. 143B-344.44 in  
18 subsection (b) of this section, reads as rewritten:

19 "**§ 143B-344.44. Lead agency; powers and duties.**

20 (a) For the purposes of this Part, the Department of ~~Commerce~~Environment and  
21 Natural Resources, State Energy Office, is designated as the lead State agency in matters  
22 pertaining to energy efficiency.

23 "...."

### 25 **GUARANTEED ENERGY SAVINGS CONTRACTS**

26 **SECTION 15.22.(d)** G.S. 143-64.17F reads as rewritten:

27 "**§ 143-64.17F. State agencies to use contracts when feasible; rules; recommendations.**

28 "...

29 (b) The Department of Administration, in consultation with the Department of  
30 ~~Commerce~~Environment and Natural Resources, through the State Energy Office, shall adopt  
31 rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time  
32 periods for consideration of guaranteed energy savings contracts by the Office of State Budget  
33 and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting  
34 measurements and verification criteria, including review, audit, and precertification. Prior to  
35 adopting any rules pursuant to this section, the Department shall consult with and obtain  
36 approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection  
37 shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L.

38 (c) The Department of Administration, and the Department of ~~Commerce~~Environment  
39 and Natural Resources through the State Energy Office, may provide to the Council of State its  
40 recommendations concerning any energy savings contracts being considered."

41 **SECTION 15.22.(e)** G.S. 143-64.17G reads as rewritten:

42 "**§ 143-64.17G. Report on guaranteed energy savings contracts entered into by local**  
43 **governmental units.**

44 A local governmental unit that enters into a guaranteed energy savings contract must report  
45 the contract and the terms of the contract to the Local Government Commission and the State  
46 Energy Office of the Department of ~~Administration~~Environment and Natural Resources. The  
47 Commission shall compile the information and report it biennially to the Joint Commission on  
48 Governmental Operations. In compiling the information, the Local Government Commission  
49 shall include information on the energy savings expected to be realized from a contract and,  
50 with the assistance of the Office of State Construction and the State Energy Office, shall  
51 evaluate whether expected savings have in fact been realized."

1           **SECTION 15.22.(f)** G.S. 143-64.17H reads as rewritten:

2   "**§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State**  
3   **governmental units.**

4       A State governmental unit that enters into a guaranteed energy savings contract or  
5   implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i)  
6   the contract and the terms of the contract or (ii) the implementation of the measure to the State  
7   Energy Office of the Department of ~~Commerce~~Environment and Natural Resources within 30  
8   days of the date the contract is entered into or the measure is implemented. In addition, within  
9   60 days after each annual anniversary date of a guaranteed energy savings contract, the State  
10   governmental unit must report the status of the contract to the State Energy Office, including  
11   any details required by the State Energy Office. The State Energy Office shall compile the  
12   information for each fiscal year and report it to the Joint Legislative Commission on  
13   Governmental Operations and to the Local Government Commission annually by December 1.  
14   In compiling the information, the State Energy Office shall include information on the energy  
15   savings expected to be realized from a contract or implementation and shall evaluate whether  
16   expected savings have in fact been realized."

## 17 18   **ENERGY ASSISTANCE FOR LOW-INCOME PERSONS**

19           **SECTION 15.22.(g)** The programs administered under the North Carolina Energy  
20   Assistance Act for Low-Income Persons, being the Weatherization Assistance Program for  
21   Low-Income Families and the Heating/Air Repair and Replacement Program, and any other  
22   energy-related assistance program for the benefit of low-income persons in existing housing,  
23   are transferred from the Department of Commerce to the State Energy Office in the Department  
24   of Environment and Natural Resources. The transfer under this subsection shall have all of the  
25   elements of a Type I transfer, as defined in G.S. 143A-6.

26           **SECTION 15.22.(h)** Part 9 of Article 2 of Chapter 108A of the General Statutes,  
27   G.S. 108A-70.30, is recodified as Part 33 of Article 7 of Chapter 143B of the General Statutes,  
28   G.S. 143B-344.46.

29           **SECTION 15.22.(i)** G.S. 108A-70.30, recodified as G.S. 143B-344.46 in  
30   subsection (h) of this section, reads as rewritten:

31   "**§ 143B-344.46. Weatherization Assistance Program and Heating/Air Repair and**  
32   **Replacement Program.**

33       The State Energy Office within the Department may administer the Weatherization  
34   Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement  
35   Program functions. Nothing in this Part shall be construed as obligating the General Assembly  
36   to appropriate funds for the Program or as entitling any person to services under the Program."

37           **SECTION 15.22.(j)** Part 21 of Article 10 of Chapter 143B of the General Statutes,  
38   G.S. 143B-472.121 through 143B-472.123, is recodified as Part 34 of Article 7 of Chapter  
39   143B of the General Statutes, G.S. 143B-344.48 through G.S. 143B-344.50.

40           **SECTION 15.22.(k)** G.S. 143B-472.122, recodified as G.S. 143B-344.49 in  
41   subsection (j) of this section, and G.S. 143B-472.123, recodified as G.S. 143B-344.50 in  
42   subsection (j) of this section, read as rewritten:

43   "**§ 143B-344.49. Definitions.**

44       The following definitions apply to this Part:

45       ...

46       (2)   Department. – The Department of ~~Commerce~~Environment and Natural  
47       Resources.

48       (3)   Secretary. – The Secretary of ~~Commerce~~the Department of Environment  
49       and Natural Resources.

50       ....

1 "**§ 143B-344.50. The Office of Economic Opportunity**~~State Energy Office~~ designated  
2 **agency; powers and duties.**

3 (a) ~~The Office of Economic Opportunity of the Department~~State Energy Office in the  
4 Department of Environment and Natural Resources shall administer the Weatherization  
5 Assistance Program for Low-Income Families established by 42 U.S.C. § 6861, et seq., and 42  
6 U.S.C. § 7101, et seq.; the Heating/Air Repair and Replacement Program established by the  
7 Secretary under ~~G.S. 108A-70.30; G.S. 143B-344.46;~~ and any other energy-related assistance  
8 program for the benefit of low-income persons in existing housing. ~~The Office of Economic~~  
9 ~~Opportunity~~State Energy Office shall exercise the following powers and duties:

10 ...

11 (8) Create a Policy Advisory Council within the ~~Office of Economic~~  
12 ~~Opportunity~~State Energy Office that shall advise the ~~Office of Economic~~  
13 ~~Opportunity~~State Energy Office with respect to the development and  
14 implementation of a Weatherization Program for Low-Income Families, the  
15 Heating/Air Repair and Replacement Program, and any other energy-related  
16 assistance program for the benefit of low-income persons in existing  
17 housing.

18 ...."

## 20 ENERGY POLICY COUNCIL

21 SECTION 15.22.(l) G.S. 113B-2 reads as rewritten:

22 "**§ 113B-2. Creation of Energy Policy Council; purpose of Council.**

23 (a) There is hereby created a council to advise and make recommendations on energy  
24 policy to the Governor and the General Assembly to be known as the Energy Policy Council  
25 which shall be located within the Department of ~~Commerce~~Environment and Natural  
26 Resources.

27 (b) Except as otherwise provided in this Chapter, the powers, duties and functions of  
28 the Energy Policy Council shall be as prescribed by the Secretary of ~~Commerce~~the Department  
29 of Environment and Natural Resources.

30 (c) The Energy Policy Council shall serve as the central energy policy planning body of  
31 the State and shall communicate and cooperate with federal, State, regional and local bodies  
32 and agencies to the end of effecting a coordinated energy policy."

33 SECTION 15.22.(m) G.S. 113B-11 reads as rewritten:

34 "**§ 113B-11. Powers and authority.**

35 ...

36 (c) The Council shall have authority to apply for and utilize grants, contributions and  
37 appropriations in order to carry out its duties as defined in Articles 1 and 2 of this Chapter,  
38 provided, however, that all such applications and requests are made through and administered  
39 by the Department of ~~Commerce~~Environment and Natural Resources.

40 ...

41 (e) The Department of ~~Commerce~~Environment and Natural Resources shall provide  
42 the staffing capability to the Energy Policy Council so as to fully and effectively develop  
43 recommendations for a comprehensive State energy policy as contained in the provisions of  
44 this Article. The Utilities Commission is hereby authorized to make its staff available to the  
45 Council to assist in the development of a State energy policy."

## 47 PURCHASES AND CONTRACTS

48 SECTION 15.22.(n) G.S. 143-58.4 reads as rewritten:

49 "**§ 143-58.4. Energy credit banking and selling program.**

50 (a) The following definitions apply in this section:

51 ...

1 (4) Department. – The Department of ~~Commerce~~The Department of  
2 Environment and Natural Resources.

3 ...

4 (c) Adopt Rules. – The Secretary of ~~Commerce~~Environment and Natural Resources  
5 shall adopt rules as necessary to implement this section."

## 7 ENERGY POLICY AND LIFE-CYCLE COST ANALYSIS

8 SECTION 15.22.(o) G.S. 143-64.11 reads as rewritten:

### 9 "§ 143-64.11. Definitions.

10 For purposes of this Article:

11 ...

12 (2a) "Energy Office" means the State Energy Office of the Department of  
13 ~~Commerce~~Environment and Natural Resources.

14 ...."

15 SECTION 15.22.(p) G.S. 143-64.12 reads as rewritten:

### 16 "§ 143-64.12. Authority and duties of the Department; State agencies and State 17 institutions of higher learning.

18 (a) The Department of ~~Commerce~~Environment and Natural Resources through the  
19 State Energy Office shall develop a comprehensive program to manage energy, water, and  
20 other utility use for State agencies and State institutions of higher learning and shall update this  
21 program annually. Each State agency and State institution of higher learning shall develop and  
22 implement a management plan that is consistent with the State's comprehensive program under  
23 this subsection to manage energy, water, and other utility use, and that addresses any findings  
24 or recommendations resulting from the energy audit required by subsection (b1) of this section.  
25 The energy consumption per gross square foot for all State buildings in total shall be reduced  
26 by twenty percent (20%) by 2010 and thirty percent (30%) by 2015 based on energy  
27 consumption for the 2002-2003 fiscal year. Each State agency and State institution of higher  
28 learning shall update its management plan annually and include strategies for supporting the  
29 energy consumption reduction requirements under this subsection. Each community college  
30 shall submit to the State Energy Office an annual written report of utility consumption and  
31 costs. Management plans submitted annually by State institutions of higher learning shall  
32 include all of the following:

33 ...."

34 SECTION 15.22.(q) The Revisor of Statutes may conform names and titles  
35 changed by this section, and may correct statutory references as required by this section,  
36 throughout the General Statutes. In making the changes authorized by this section, the Revisor  
37 may also adjust subject and verb agreement and the placement of conjunctions.

## 39 STAFF FOR RURAL ECONOMIC DEVELOPMENT DIVISION AND WATER 40 INFRASTRUCTURE DIVISION

41 SECTION 15.23. The Departments of Commerce and Environment and Natural  
42 Resources shall work together to determine a way in which to equitably distribute the  
43 employees within the Department of Commerce, Division of Community Assistance,  
44 responsible for the CDBG program between the Rural Economic Development Division, as  
45 established by this act, and the Water Infrastructure Division, as established by this act.

## 47 STATE MATCH FOR NATIONAL NETWORK FOR MANUFACTURING 48 INNOVATION GRANT PROGRAM

49 SECTION 15.24. If federal funds become available for the National Network for  
50 Manufacturing Innovation grant program, the Department of Commerce, North Carolina State



1 University, and the University of North Carolina Charlotte may each use the funds available to  
 2 them to meet the State match requirements.

3  
 4 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

5 **SECTION 15.25.** Ag in the Classroom, High Point Furniture Market Authority,  
 6 Johnson & Wales University, North Carolina's Eastern Region, North Carolina's Northeast  
 7 Commission, Southeastern North Carolina Regional Economic Development Commission,  
 8 Western North Carolina Regional Economic Development Commission, Charlotte Regional  
 9 Partnership, Inc., Piedmont Triad Partnership, RTI International, Research Triangle Regional  
 10 Partnership, and The Support Center shall do the following:

- 11 (1) By September 1 of each year, and more frequently as requested, report to the  
 12 Joint Legislative Commission on Governmental Operations and the Fiscal  
 13 Research Division on prior State fiscal year program activities, objectives,  
 14 and accomplishments and prior State fiscal year itemized expenditures and  
 15 fund sources.  
 16 (2) Provide to the Fiscal Research Division a copy of the entity's annual audited  
 17 financial statement within 30 days of issuance of the statement.  
 18

19 **GRASSROOTS SCIENCE PROGRAM**

20 **SECTION 15.25A.(a)** Of the funds appropriated in this act to the Department of  
 21 Commerce for State-Aid, the sum of two million three hundred forty-seven thousand seven  
 22 hundred eighty-two dollars (\$2,347,782) for the 2013-2014 fiscal year and the sum of two  
 23 million three hundred forty-seven thousand seven hundred eighty-two dollars (\$2,347,782) for  
 24 the 2014-2015 fiscal year are allocated as grants-in-aid for each fiscal year as follows:

	<b>2013-2014</b>	<b>2014-2015</b>
26 Aurora Fossil Museum	\$61,821	\$61,821
27 Cape Fear Museum	\$85,248	\$85,248
28 Carolina Raptor Center	\$74,916	\$74,916
29 Catawba Science Center	\$93,041	\$93,041
30 Colburn Earth Science Museum, Inc.	\$62,547	\$62,547
31 Core Sound Waterfowl Museum	\$67,395	\$67,395
32 Discovery Place	\$261,617	\$261,617
33 Eastern NC Regional Science Center	\$59,587	\$59,587
34 Fascinate-U	\$65,616	\$65,616
35 Granville County Museum Commission, 36 Inc.–Harris Gallery	\$60,651	\$60,651
37 Greensboro Children's Museum	\$83,575	\$83,575
38 The Health Adventure Museum of Pack 39 Place Education, Arts and 40 Science Center, Inc.	\$73,352	\$73,352
41 Highlands Nature Center	\$62,816	\$62,816
42 Imagination Station	\$67,588	\$67,588
43 The Iredell Museums, Inc.	\$61,013	\$61,013
44 Kidsenses	\$65,233	\$65,233
45 Museum of Coastal Carolina	\$65,454	\$65,454
46 The Natural Science Center 47 of Greensboro, Inc.	\$116,532	\$116,532
48 North Carolina Estuarium	\$58,000	\$58,000
49 North Carolina Museum of Life 50 and Science	\$203,545	\$203,545
51 Pisgah Astronomical Research Institute	\$74,925	\$74,925

1	Port Discover: Northeastern		
2	North Carolina's Center for		
3	Hands-On Science, Inc.	\$60,610	\$60,610
4	Rocky Mount Children's Museum	\$66,463	\$66,463
5	Schiele Museum of Natural History		
6	and Planetarium, Inc.	\$100,990	\$100,990
7	Sci Works Science Center and		
8	Environmental Park of Forsyth County	\$83,725	\$83,725
9	Sylvan Heights Waterfowl Park		
10	and Eco-Center	\$69,864	\$69,864
11	Western North Carolina Nature Center	\$74,973	\$74,973
12	Wilmington Children's Museum	\$66,684	\$66,684
13	<b>Total</b>	<b>\$2,347,782</b>	<b>\$2,347,782</b>

14           **SECTION 15.25A.(b)** No later than March 1, 2014, the Department of Commerce  
15 shall report to the Fiscal Research Division all of the following information for each museum  
16 that receives funds under this section:

- 17           (1) The actual operating budget for the 2012-2013 fiscal year.
- 18           (2) The proposed operating budget for the 2013-2014 fiscal year.
- 19           (3) The total attendance at the museum during the 2013 calendar year.

20           **SECTION 15.25A.(c)** No later than March 1, 2015, the Department of Commerce  
21 shall report to the Fiscal Research Division all of the following information for each museum  
22 that receives funds under this section:

- 23           (1) The actual operating budget for the 2013-2014 fiscal year.
- 24           (2) The proposed operating budget for the 2014-2015 fiscal year.
- 25           (3) The total attendance at the museum during the 2014 calendar year.

26           **SECTION 15.25A.(d)** As a condition for qualifying to receive funding under this  
27 section, all of the following documentation shall, no later than November 1 of each year of the  
28 2013-2015 fiscal biennium, be submitted for each museum under this section to the Department  
29 of Commerce for the fiscal year that most recently ended, and only those costs that are properly  
30 documented under this subsection are allowed by the Department in calculating the distribution  
31 of funds under this section:

- 32           (1) Each museum under this section shall submit its IRS (Internal Revenue  
33 Service) Form 990 to show its annual operating expenses, its annual report,  
34 and a reconciliation that explains any differences between expenses as  
35 shown on the IRS Form 990 and the annual report.
- 36           (2) Each friends association of a museum under this section shall submit its IRS  
37 Form 990 to show its reported expenses for the museum, its annual report,  
38 and a reconciliation that explains any differences between expenses as  
39 shown on the IRS Form 990 and the annual report, unless the association  
40 does not have both an IRS Form 990 and an annual report available; in  
41 which case, it shall submit either an IRS Form 990 or an annual report.
- 42           (3) The chief financial officer of each county or municipal government that  
43 provides funds for the benefit of the museum shall submit a detailed signed  
44 statement of documented costs spent for the benefit of the museum that  
45 includes documentation of the name, address, title, and telephone number of  
46 the person making the assertion that the museum receives funds from the  
47 county or municipality for the benefit of the museum.
- 48           (4) The chief financial officer of each county or municipal government or each  
49 friends association that provides indirect or allocable costs that are not  
50 directly charged to a museum under this section but that benefit the museum  
51 shall submit in the form of a detailed statement enumerating each cost by

1 type and amount that is verified by the financial officer responsible for the  
2 completion of the documentation and that includes the name, address, title,  
3 and telephone number of the person making the assertion that the county,  
4 municipality, or association provides indirect or allocable costs to the  
5 museum.

6 **SECTION 15.25A.(e)** As used in subsection (d) of this section, "friends  
7 association" means a nonprofit corporation established for the purpose of supporting and  
8 assisting a museum that receives funding under this section.

9 **SECTION 15.25A.(f)** Each museum listed in subsection (a) of this section shall do  
10 the following:

- 11 (1) By September 1 of each year, and more frequently as requested, report to the  
12 Joint Legislative Commission on Governmental Operations and the Fiscal  
13 Research Division on prior State fiscal year program activities, objectives,  
14 and accomplishments and prior State fiscal year itemized expenditures and  
15 fund sources.
- 16 (2) Provide to the Fiscal Research Division a copy of the organization's annual  
17 audited financial statement within 30 days of issuance of the statement.

#### 18 **RURAL CENTER/REPEAL STATUTORY REFERENCES**

19 **SECTION 15.26.(a)** G.S. 106-744 reads as rewritten:

20 "**§ 106-744. Purchase of agricultural conservation easements; establishment of North**  
21 **Carolina Agricultural Development and Farmland Preservation Trust Fund**  
22 **and Advisory Committee.**

23 ...

24  
25 (g) There is established the Agricultural Development and Farmland Preservation Trust  
26 Fund Advisory Committee. The Advisory Committee shall be administratively located within  
27 the Department of Agriculture and Consumer Services and shall advise the Commissioner on  
28 the prioritization and allocation of funds, the development of criteria for awarding funds,  
29 program planning, and other areas where monies from the Trust Fund can be used to promote  
30 the growth and development of family farms in North Carolina. The Advisory Committee shall  
31 be composed of 19 members as follows:

- 32 ...
- 33 (7) The Executive Director of the North Carolina Rural Economic Development  
34 Center, Inc., or the Executive Director's designee. The chair of the Rural  
35 Infrastructure Authority within the Department of Commerce or the chair's  
36 designee.

37 ...."

38 **SECTION 15.26.(b)** The Revisor of Statutes may conform names and titles  
39 changed by this section, and may correct statutory references as required by this section,  
40 throughout the General Statutes. In making the changes authorized by this section, the Revisor  
41 may also adjust subject and verb agreement and the placement of conjunctions.

#### 42 **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STATUTES CREATING** 43 **COMMISSIONS REPEALED EFFECTIVE JUNE 30, 2014**

44 **SECTION 15.28.(a)** Articles 2 and 4 of Chapter 158 of the General Statutes are  
45 repealed.

46  
47 **SECTION 15.28.(b)** Upon the dissolution of North Carolina's Eastern Region, the  
48 North Carolina's Eastern Region Development Commission, the governing body of North  
49 Carolina's Eastern Region, shall liquidate the assets of the Region to the extent possible and  
50 distribute all Region assets to the counties of the Region in proportion to the amount of the  
51 vehicle registration tax levied by the Commission and collected in each county. The assets of

1 the Region that exceed the amount of the vehicle registration tax collected by the counties and  
 2 are attributable to an appropriation made to the Region by the General Assembly shall revert to  
 3 the General Fund and may not be distributed to the counties. A county may use funds  
 4 distributed to it pursuant to this subsection only for economic development projects and  
 5 infrastructure construction projects. In calculating the amount to be refunded to each county,  
 6 the Region shall first allocate amounts loaned and not yet repaid as follows:

7 (1) Amounts loaned for a project in a county will be allocated to that county to  
 8 the extent of its beneficial ownership of the principal of the interest-bearing  
 9 trust account in which the proceeds of the vehicle registration tax levied by  
 10 the Commission were placed, and the county will become the owner of the  
 11 right to repayment of the amount loaned to the extent of its beneficial  
 12 ownership of the principal of the trust account.

13 (2) Amounts not allocated pursuant to subdivision (1) of this subsection shall be  
 14 allocated among the remaining counties in proportion to the amount of the  
 15 vehicle registration tax collected in each county, and the remaining counties  
 16 shall become the owners of the right to repayment of the amounts loaned in  
 17 proportion to the amount of the vehicle registration tax collected in each  
 18 county.

19 Notes and other instruments representing the right to repayment shall, upon  
 20 dissolution of the Region, be held and collected by the State Treasurer, who shall disburse the  
 21 collections to the counties as provided in this subsection.

22 The Commission shall distribute those assets that it is unable to liquidate among the  
 23 Region counties insofar as practical on an equitable basis, as determined by the Commission.  
 24 Upon dissolution, the State of North Carolina shall succeed to any remaining rights,  
 25 obligations, and liabilities of the Region not assigned to the Region counties.

26 **SECTION 15.28.(c)** G.S. 120-123 reads as rewritten:

27 "**§ 120-123. Service by members of the General Assembly on certain boards and**  
 28 **commissions.**

29 No member of the General Assembly may serve on any of the following boards or  
 30 commissions:

31 ...  
 32 ~~(62) The North Carolina's Northeast Commission, as established by G.S. 158-8.2.~~  
 33 ~~...."~~

34 **SECTION 15.28.(d)** G.S. 143-215.42 reads as rewritten:

35 "**§ 143-215.42. Acquisition of lands.**

36 ...  
 37 (h) This section shall not authorize acquisition by condemnation of interests in land  
 38 within the boundaries of any project to be constructed by the Tennessee Valley Authority, its  
 39 agents or subdivision or any project licensed by the Federal Power Commission or interests in  
 40 land owned or held for use by a public utility, as defined in G.S. 62-3. ~~No commission created~~  
 41 ~~pursuant to G.S. 158-8 shall condemn or acquire any property to be used by the Tennessee~~  
 42 ~~Valley Authority, its agents or subdivision."~~

43 **SECTION 15.28.(e)** G.S. 153A-398 reads as rewritten:

44 "**§ 153A-398. Regional planning and economic development commissions.**

45 Two or more counties, cities, or counties and cities may create a regional planning and  
 46 economic development commission by adopting identical concurrent resolutions to that effect.  
 47 Such a commission has the powers granted by this ~~Article and the powers granted by Chapter~~  
 48 ~~158, Article 2.~~ Article. If such a commission is created, it shall maintain separate books of  
 49 account for appropriations and expenditures made pursuant to this ~~Article and for~~  
 50 ~~appropriations and expenditures made pursuant to Chapter 158, Article 2.~~ Article."

1           **SECTION 15.28.(f)** The Revisor of Statutes may conform names and titles  
2 changed by this section and may correct statutory references as required by this section  
3 throughout the General Statutes. In making the changes authorized by this section, the Revisor  
4 may also adjust subject and verb agreement and the placement of conjunctions.

5           **SECTION 15.28.(g)** This section becomes effective June 30, 2014.

6  
7           **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/FUNDS FOR 2013-2014**  
8           **FISCAL YEAR**

9           **SECTION 15.28A.(a)** Funds appropriated in this act to the Department of  
10 Commerce for regional economic development commissions shall be allocated to the following  
11 commissions in accordance with subsection (b) of this section: North Carolina's Eastern  
12 Region, North Carolina's Northeast Commission, Southeastern North Carolina Regional  
13 Economic Development Commission, Western North Carolina Regional Economic  
14 Development Commission, Charlotte Regional Partnership, Inc., Piedmont Triad Partnership,  
15 and Research Triangle Regional Partnership.

16           **SECTION 15.28A.(b)** Funds appropriated pursuant to subsection (a) of this section  
17 shall be allocated to each regional economic development commission as follows:

- 18           (1) First, the Department shall establish each commission's allocation by  
19 determining the sum of allocations to each county that is a member of that  
20 commission. Each county's allocation shall be determined by dividing the  
21 county's development factor by the sum of the development factors for  
22 eligible counties and multiplying the resulting percentage by the amount of  
23 the appropriation. As used in this subdivision, the term "development factor"  
24 means a county's development factor as calculated under G.S. 143B-437.08;  
25 and  
26           (2) Next, the Department shall subtract from funds allocated to North Carolina's  
27 Eastern Region the sum of one hundred thirty-four thousand four hundred  
28 sixty-six dollars (\$134,466) in the 2013-2014 fiscal year, which sum  
29 represents (i) the total interest earnings in the prior fiscal year on the  
30 estimated balance of the seven million five hundred thousand dollars  
31 (\$7,500,000) appropriated to the Global TransPark Development Zone in  
32 Section 6 of Chapter 561 of the 1993 Session Laws and (ii) the total interest  
33 earnings in the prior fiscal year on loans made from the seven million five  
34 hundred thousand dollars (\$7,500,000) appropriated to the Global TransPark  
35 Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws;  
36 and  
37           (3) Next, the Department shall redistribute the sum of one hundred thirty-four  
38 thousand four hundred sixty-six dollars (\$134,466) in the 2013-2014 fiscal  
39 year to the seven regional economic development commissions named in  
40 subsection (a) of this section. Each commission's share of this redistribution  
41 shall be determined according to the development factor formula set out in  
42 subdivision (1) of this subsection. This redistribution shall be in addition to  
43 each commission's allocation determined under subdivision (1) of this  
44 subsection.

45           **SECTION 15.28A.(c)** The General Assembly finds that successful economic  
46 development requires the collaboration of the State, regions of the State, counties, and  
47 municipalities. Therefore, the regional economic development commissions are encouraged to  
48 seek supplemental funding from their county and municipal partners to continue and enhance  
49 their efforts to attract and retain business in the State.

50

1 **SOUTHEASTERN NORTH CAROLINA REGIONAL ECONOMIC DEVELOPMENT**  
2 **COMMISSION/MEMBER COUNTIES AMENDED**

3 **SECTION 15.28B.** G.S. 158-8.3(a) reads as rewritten:

4 "(a) There is created the Southeastern North Carolina Regional Economic Development  
5 Commission to serve Anson, Bladen, Brunswick, Columbus, Cumberland, Hoke, Montgomery,  
6 New Hanover, Pender, Richmond, Robeson, Sampson, and Scotland Counties, and any other  
7 county assigned to the Commission by the Department of Commerce as authorized by law. The  
8 Commission shall be located administratively in the Department of Commerce but shall  
9 exercise its statutory powers and duties independently of the Department of Commerce. Funds  
10 appropriated for the Commission by the General Assembly shall be disbursed directly to the  
11 Commission at the beginning of each fiscal year."

12  
13 **HIGH POINT MARKET AUTHORITY/HOUSE COMMERCE ECONOMIC**  
14 **DEVELOPER POSITION**

15 **SECTION 15.29.** To receive State funds, the High Point Market Authority shall  
16 provide suitable work space for a Department of Commerce economic developer position.

17  
18 **NC BIOTECHNOLOGY CENTER**

19 **SECTION 15.30.(a)** Of the funds appropriated in this act to the North Carolina  
20 Biotechnology Center (hereinafter "Center"), the sum of twelve million six hundred thousand  
21 three hundred thirty-eight dollars (\$12,600,338) for each fiscal year in the 2013-2015 biennium  
22 shall be allocated as follows:

- 23 (1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development,  
24 and related activities – \$2,709,073;  
25 (2) Science and Commercialization: Science and Technology Development,  
26 Centers of Innovation, Business and Technology Development, Education  
27 and Training, and related activities – \$8,165,019; and  
28 (3) Center Operations: Administration, Professional and Technical Assistance  
29 and Oversight, Corporate Communications, Human Resource Management,  
30 Financial and Grant Administration, Legal, and Accounting – \$1,726,246.

31 **SECTION 15.30.(b)** Except to provide administrative flexibility, up to ten percent  
32 (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or  
33 more of the other allocations in subsection (a) of this section if, in the judgment of Center  
34 management, the reallocation will advance the mission of the Center.

35 **SECTION 15.30.(c)** The Center shall comply with the following reporting  
36 requirements:

- 37 (1) By September 1 of each year, and more frequently as requested, report to the  
38 Joint Legislative Commission on Governmental Operations and the Fiscal  
39 Research Division on prior State fiscal year program activities, objectives,  
40 and accomplishments and prior State fiscal year itemized expenditures and  
41 fund sources.  
42 (2) Provide to the Fiscal Research Division a copy of the Center's annual audited  
43 financial statement within 30 days of issuance of the statement.

44  
45 **NORTH CAROLINA BIOTECHNOLOGY CENTER/EXAMINE CENTER**  
46 **OPERATIONS**

47 **SECTION 15.32.(a)** The Board of Directors (hereinafter "Board") of the North  
48 Carolina Biotechnology Center (hereinafter "Center") shall review and examine each aspect of  
49 the Center's operations to determine ways in which efficiencies and cost-savings can be  
50 achieved. The review required by this section shall include evaluating:

- 1 (1) The activities conducted at the Center's headquarters in Research Triangle  
2 Park to determine how each and every activity is necessary to achieve the  
3 goals for which State funds are appropriated. Any unnecessary or duplicative  
4 activities shall be reduced or eliminated.
- 5 (2) The activities conducted at the Center's regional offices and how those  
6 activities can be consolidated and performed in fewer locations.
- 7 (3) Staffing requirements at the Center's headquarters and at the regional offices  
8 to determine whether some staff positions are duplicated and, if so, whether  
9 those duplications can be reduced or eliminated.
- 10 (4) Whether State funds would be better used to provide additional grants and  
11 loans rather than to support current staffing levels and whether reducing  
12 current staffing levels to increase the amount of funds available for grants  
13 and loans would provide a positive return on investment. The Center shall  
14 determine the appropriate percentage of State funds that should be disbursed  
15 for grants, loans, and staff to maximize the return on State funds  
16 appropriated to the Center.
- 17 (5) The administration of grant and loan programs funded in any way with State  
18 funds to ensure that the programs are conducted in a cost-efficient manner.
- 19 (6) Any and all cash balances on hand to determine ways in which those cash  
20 balances can be used quickly to make grants and loans.
- 21 (7) The size of the Board and the overall governance of the Center to determine  
22 whether changes in either or both can be made to make the Center more  
23 cost-efficient and effective in providing grants or loans.
- 24 (8) Whether it would be beneficial to the State if the funds appropriated in this  
25 act to the Center for the 2014-2015 fiscal year, and any funds that might be  
26 appropriated to the Center in future fiscal years, were instead appropriated to  
27 the Department of Commerce for purposes of establishing and implementing  
28 a competitive grants process.

29 **SECTION 15.32.(b)** By March 1, 2014, the Center shall report the findings of the  
30 review required by subsection (a) of this section to the Joint Legislative Commission on  
31 Governmental Operations and the Fiscal Research Division. The report shall include the steps  
32 taken by the Center to implement any changes made to the Center's operations as a result of the  
33 review and shall include the Center's anticipated funding requirements from the General  
34 Assembly.

35 **SECTION 15.32.(c)** Remaining allotments after March 1, 2014, shall not be  
36 released to the Center if it does not conduct the review and report its findings as provided in  
37 this section.

## 38

### 39 **PART XVI. DEPARTMENT OF PUBLIC SAFETY**

#### 40

#### 41 **SUBPART XVI-A. GENERAL PROVISIONS**

#### 42

#### 43 **GRANT REPORTING AND MATCHING FUNDS**

44 **SECTION 16A.1.(a)** The Department of Public Safety, the Department of Justice,  
45 and the Judicial Department shall report by May 1 of each year to the Joint Legislative  
46 Commission on Governmental Operations, the Chairs of the House of Representatives  
47 Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations  
48 Committee on Justice and Public Safety on grant funds received or preapproved for receipt by  
49 those departments. The report shall include information on the amount of grant funds received  
50 or preapproved for receipt by each department, the use of the funds, the State match expended  
51 to receive the funds, and the period to be covered by each grant. If the department intends to

1 continue the program beyond the end of the grant period, the department shall report on the  
2 proposed method for continuing the funding of the program at the end of the grant period. Each  
3 department shall also report on any information it may have indicating that the State will be  
4 requested to provide future funding for a program presently supported by a local grant.

5 **SECTION 16A.1.(b)** Notwithstanding the provisions of G.S. 143C-6-9, the  
6 Department of Public Safety may use up to the sum of one million two hundred thousand  
7 dollars (\$1,200,000) during the 2013-2014 fiscal year and up to the sum of one million two  
8 hundred thousand dollars (\$1,200,000) during the 2014-2015 fiscal year from funds available to  
9 the Department to provide the State match needed in order to receive grant funds. Prior to using  
10 funds for this purpose, the Department shall report to the Chairs of the House of  
11 Representatives Subcommittee on Justice and Public Safety, the Chairs of the Senate  
12 Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission  
13 on Governmental Operations on the grants to be matched using these funds.  
14

#### 15 **USE OF CLOSED FACILITIES**

16 **SECTION 16A.3.** In conjunction with the closing of prison facilities, youth  
17 detention centers, and youth development centers, the Department of Public Safety shall  
18 consult with the county or municipality in which the facility is located, with the elected State  
19 and local officials, and with State and federal agencies about the possibility of converting that  
20 facility to other use. The Department may also consult with any private for-profit or nonprofit  
21 firm about the possibility of converting the facility to other use. In developing a proposal for  
22 future use of each facility, the Department shall give priority to converting the facility to other  
23 criminal justice use. Consistent with existing law and the future needs of the Department of  
24 Public Safety, the State may provide for the transfer or the lease of any of these facilities to  
25 counties, municipalities, State agencies, federal agencies, or private firms wishing to convert  
26 them to other use. The Department of Public Safety may also consider converting some of the  
27 facilities recommended for closing from one security custody level to another, where that  
28 conversion would be cost-effective. A prison unit under lease to a county pursuant to the  
29 provisions of this section for use as a jail is exempt for the period of the lease from any of the  
30 minimum standards adopted by the Secretary of Health and Human Services pursuant to  
31 G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater  
32 standards than those required of a unit of the State prison system.  
33

#### 34 **LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS**

35 **SECTION 16A.4.** Notwithstanding any other provision of law, subject to the  
36 approval of the Director of the Budget, the Secretary of the Department of Public Safety may  
37 reclassify or eliminate existing administrative positions that are not specifically addressed in  
38 this act as needed for the efficient operation of the Department. The Secretary of the  
39 Department of Public Safety shall report any position reclassification undertaken pursuant to  
40 this section to the Chairs of the House of Representatives Appropriations Subcommittee on  
41 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and  
42 Public Safety, and to the Fiscal Research Division, within 30 days of the reclassification. The  
43 report shall include the position number, original title, original fund code, original budgeted  
44 salary, new title, new fund code, and new budgeted salary for each reclassified position.  
45

#### 46 **REPORTS ON DEPARTMENT OF PUBLIC SAFETY TRAINING**

47 **SECTION 16A.5.** The Department of Public Safety shall report to the Chairs of the  
48 Joint Legislative Oversight Committee on Justice and Public Safety on its training facilities and  
49 programs in accordance with the schedule that follows:

- 50 (1) No later than October 1, 2013, the Department shall submit a report that  
51 includes an examination and analysis of all of the following:



- 1 a. The current training practices of the Department in each of its
- 2 divisions.
- 3 b. A list of Department training facilities by division, including the
- 4 location, capacity, purpose, and level of utilization of each facility.
- 5 c. Efforts by the Department to consolidate its training facilities across
- 6 and within divisions.
- 7 (2) No later than February 1, 2014, the Department shall submit a report that
- 8 includes all of the following:
- 9 a. A plan for operating the Samarkand training facility.
- 10 b. An estimate of the impact of the Samarkand facility on the use of
- 11 other Department training facilities.
- 12 c. An estimate of savings that could be achieved by consolidating
- 13 training activities and facilities at the renovated Samarkand facility.
- 14 (3) No later than March 1, 2014, the Department shall submit a report that
- 15 includes an examination and analysis of all of the following:
- 16 a. The feasibility of relocating the Highway Patrol training facility to
- 17 the Samarkand facility.
- 18 b. The cost, time line, and any logistical issues associated with
- 19 upgrading the Samarkand facility for use by the State Highway Patrol
- 20 as a training facility.
- 21

## 22 **SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT**

### 23 24 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW** 25 **ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

26 **SECTION 16B.1.(a)** Assets transferred to the Department of Justice or to the  
27 Department of Public Safety during the 2013-2015 fiscal biennium pursuant to applicable  
28 federal law shall be credited to the budgets of the respective departments and shall result in an  
29 increase of law enforcement resources for those departments. The Departments of Justice and  
30 Public Safety shall report to the Joint Legislative Commission on Governmental Operations,  
31 the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public  
32 Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety  
33 upon receipt of the assets and, before using the assets, shall report on the intended use of the  
34 assets and the departmental priorities on which the assets may be expended.

35 **SECTION 16B.1.(b)** The General Assembly finds that the use of assets transferred  
36 pursuant to federal law for new personnel positions, new projects, acquisition of real property,  
37 repair of buildings where the repair includes structural change, and construction of or additions  
38 to buildings may result in additional expenses for the State in future fiscal periods. Therefore,  
39 the Department of Justice and the Department of Public Safety are prohibited from using these  
40 assets for such purposes without the prior approval of the General Assembly.

41 **SECTION 16B.1.(c)** Nothing in this section prohibits North Carolina law  
42 enforcement agencies from receiving funds from the United States Department of Justice, the  
43 United States Department of the Treasury, and the United States Department of Health and  
44 Human Services.

### 45 46 **ELIMINATE BUTNER PUBLIC SAFETY AUTHORITY**

47 **SECTION 16B.4.(a)** The Butner Public Safety Authority is abolished effective  
48 11:59:59 p.m. on July 31, 2013. All of the assets of the Authority, real, personal, and mixed,  
49 shall be distributed to and become vested in the Town of Butner. The town attorney for the  
50 Town of Butner shall file a notice of dissolution with the Secretary of State. Following the  
51 dissolution of the Authority, the chair of the Authority shall have such power and authority

1 necessary to transfer any of the assets of the Authority to the Town of Butner and to otherwise  
2 wind up the affairs of the Authority.

3 **SECTION 16B.4.(b)** G.S. 122C-408 reads as rewritten:

4 "**§ 122C-408. Former Butner Public Safety Authority; jurisdiction; fire and police**  
5 **district. protection.**

6 (a) Authority Established.—~~There is hereby created an authority known as the Butner~~  
7 ~~Public Safety Authority, which is a body politic and corporate, to provide fire and police~~  
8 ~~protection for the territory of the Camp Butner Reservation and the corporate limits of the~~  
9 ~~Town of Butner.~~

10 (a1) Membership.—~~The authority shall consist of seven voting members, three~~  
11 ~~appointed by the Town of Butner, three appointed by the Secretary of Public Safety, and one~~  
12 ~~appointed by the Granville County Board of Commissioners. The members shall be appointed~~  
13 ~~within 30 days after the establishment of the authority. The initial Director of the authority shall~~  
14 ~~be the Chief of the Butner Public Safety Division of the Department of Public Safety who is~~  
15 ~~servicing in that capacity on the day the authority is established. The Director shall be an ex~~  
16 ~~officio, nonvoting member of the authority. No active member of the fire or police forces~~  
17 ~~providing services to the authority may serve as a voting member of the authority. When the~~  
18 ~~officers are elected as herein provided, the secretary of the authority shall certify to the~~  
19 ~~Secretary of State the names and addresses of the officers as well as the address of the principal~~  
20 ~~office of the authority, and such certification shall be filed by the Secretary of State in the same~~  
21 ~~manner as articles of incorporation.~~

22 (a2) Term of Membership.—~~One member appointed by the Town of Butner, one~~  
23 ~~member appointed by the Secretary of Public Safety, and the member appointed by the~~  
24 ~~Granville County Board of Commissioners shall serve an initial term of two years. The~~  
25 ~~remaining members shall serve an initial term of four years. The beginning date of each initial~~  
26 ~~term for purposes of reappointment is September 1, 2011. Thereafter, each member shall serve~~  
27 ~~a term of four years.~~

28 (a3) Transfer of Property.—~~Within 30 days after the establishment of the authority, the~~  
29 ~~State shall transfer all real, personal, and mixed assets assigned to or used by the Butner Public~~  
30 ~~Safety Division of the Department of Public Safety to the authority in fee simple absolute.~~

31 (a4) Duties and Responsibilities.—~~The authority shall have the following duties and~~  
32 ~~responsibilities:~~

- 33 (1) ~~To adopt bylaws for the regulation of its affairs and the conduct of its~~  
34 ~~business.~~
- 35 (2) ~~To elect officers from among its members in accordance with its bylaws.~~
- 36 (3) ~~To adopt an official seal and alter the same.~~
- 37 (4) ~~To maintain an office at such place or places as it may designate.~~
- 38 (5) ~~To sue and be sued in its own name, plead and be impleaded.~~
- 39 (6) ~~To acquire, lease as lessee or lessor, construct, reconstruct, improve, extend,~~  
40 ~~enlarge, equip, repair, maintain, or operate any property necessary for and~~  
41 ~~incidental to the operation of a fire and police force.~~
- 42 (7) ~~To make and enter into all contracts and agreements necessary or incidental~~  
43 ~~to the performance of its duties and the execution of its powers under this~~  
44 ~~section and to employ such employees and agents as may, in the judgment of~~  
45 ~~the authority, be deemed necessary, and to fix their compensation; provided,~~  
46 ~~however, that all such expenses shall be payable solely from funds made~~  
47 ~~available under the provisions of this section.~~
- 48 (8) ~~To contract with any department of State government or any unit of local~~  
49 ~~government to provide services to the authority.~~
- 50 (9) ~~To enter into contracts with the government of the United States or any~~  
51 ~~agency or instrumentality thereof, or with any political subdivision, private~~

1 eorporation, copartnership, association, or individual providing for the  
2 provision of fire and police services within the Camp Butner Reservation.

3 (10) ~~To receive and accept from any federal, State, or other public agency and~~  
4 ~~any private agency, person, or other entity, donations, loans, grants, aid or~~  
5 ~~contributions of any money, property, labor or other things of value for the~~  
6 ~~operation of the authority and to agree to apply and use the same in~~  
7 ~~accordance with the terms and conditions under which the same are provided~~  
8 ~~if the same are otherwise lawful.~~

9 (11) ~~To provide for the defense of civil and criminal actions and payment of civil~~  
10 ~~judgments against employees and officers or former employees and officers~~  
11 ~~and members or former members of the governing body, as authorized by~~  
12 ~~G.S. 160A-167.~~

13 (12) ~~To periodically review and recommend changes to the operational policy for~~  
14 ~~the authority.~~

15 (13) ~~To develop and adopt an annual budget for the authority which it shall~~  
16 ~~request to be funded by the State and the Town of Butner as set out in this~~  
17 ~~section and to revise the annual budget based on funding actually received~~  
18 ~~and the needs of the authority.~~

19 (14) ~~To do all acts and things necessary or convenient to carry out the powers~~  
20 ~~granted by this section.~~

21 (15) ~~To purchase real or personal property, as provided by G.S. 160A-20 or this~~  
22 ~~Article.~~

23 (a5) ~~Police and Fire Protection. – Subject to the provisions of subsection (d) of this~~  
24 ~~section, the authority shall employ or contract~~ The Town of Butner may contract with a State  
25 agency or unit of local government with the State of North Carolina or any state agency for the  
26 provision of special police officers or fire protection or both to any State or federal institution  
27 or lands within for the territory of the Camp Butner Reservation. The territorial jurisdiction of  
28 these officers shall consist of the property shown on a map produced May 20, 2003, by the  
29 Information Systems Division of the North Carolina General Assembly and kept on file in the  
30 office of the Butner Town Manager and in the office of the Director of the authority and such  
31 additional areas which are within the incorporated limits of the Town of Butner as shown on a  
32 map to be kept in the office of the Butner Town Manager. Manager and in the office of the  
33 Director of the authority. The special police officers assigned to the authority shall be  
34 organized into a public safety department for that territory.

35 (b) Authority of Special Police Officers. – In order to assist the Town of Butner in  
36 providing contractual services to State agencies and facilities within the territorial jurisdiction  
37 set out in subsection (a5) of this section, the officers providing police services to the Town of  
38 Butner shall have the additional authority set out in this subsection. After taking the oath of  
39 office required for law-enforcement officers, the special police officers authorized by this  
40 section shall have the authority of deputy sheriffs of Durham and Granville Counties in those  
41 counties respectively. Within the territorial jurisdiction stated in subsection (a5) of this section,  
42 the special police officers have the primary responsibility authority to enforce the laws of North  
43 Carolina, the ordinances of the Town of Butner, and any rule applicable to the Camp Butner  
44 Reservation adopted under authority of this Part or under G.S. 143-116.6 or G.S. 143-116.7 or  
45 under the authority granted any other agency of the State and also have the powers set forth for  
46 firemen in Articles 80, 82, and 83 of Chapter 58 of the General Statutes. Notwithstanding the  
47 foregoing, the Town of Butner has no obligation or responsibility to provide law enforcement  
48 or fire protection services outside of the corporate limits of the Town of Butner except pursuant  
49 to a contract with a State agency or facility, a federal entity, or a private person or entity. In the  
50 event that any State agency contracts with the Town of Butner for police services at any facility  
51 within the territorial jurisdiction described in subsection (a5) of this section, Any any civil or

1 criminal process to be served on any individual confined at any such State facility within the  
2 territorial jurisdiction described in subsection (a5) of this section shall may be forwarded by the  
3 sheriff of the county in which the process originated to the director or chief of the Town of  
4 Butner's law enforcement department or that officer's designee. Director of the authority.  
5 Special police officers authorized by this section shall be assigned to transport any individual  
6 transferred to or from any State facility within the territorial jurisdiction described in subsection  
7 (a5) of this section to or from the psychiatric service of the University of North Carolina  
8 Hospitals at Chapel Hill.

9 (c) Funding.—The authority shall contract with the State to provide fire and police  
10 protection to those portions of the Camp Butner Reservation outside of the corporate limits of  
11 the Town of Butner. The authority shall also contract with the Town of Butner to provide fire  
12 and police protection within the corporate limits of the Town of Butner. The contracts shall  
13 provide for the following:

14 (1) To fund the operations of the authority for the fiscal year beginning July 1,  
15 2011, the State shall pay to the authority the sum of one million eight  
16 hundred eighty five thousand one hundred eighty one dollars (\$1,885,181)  
17 and the Town of Butner shall pay to the authority the sum of one million  
18 seven hundred eighty two thousand nine hundred ninety five dollars  
19 (\$1,782,995). The authority shall keep detailed time records tracking the  
20 amount of time spent providing fire and police protection both within and  
21 outside the corporate limits of the Town of Butner. Funding provided by the  
22 State pursuant to the contract in subsequent fiscal years shall be a percentage  
23 of the total budget set by the authority members determined by multiplying  
24 the total budget set by the authority by a fraction, the numerator of which  
25 shall be the hours spent by the authority providing services outside of the  
26 corporate limits of the Town of Butner and the denominator of which shall  
27 be the total hours the authority provided services both within the corporate  
28 limits of the Town of Butner and outside the corporate limits of the Town of  
29 Butner. The authority may also contract with any department of State  
30 government to provide services within the Camp Butner Reservation to that  
31 department; provided, however, the contract with such department shall  
32 provide enough revenue to fully cover the costs of providing such services,  
33 and any receipts or expenditures pursuant to such a contract shall not be  
34 considered in setting each party's contribution percentage. The foregoing  
35 notwithstanding, neither party's contribution percentage shall increase or  
36 decrease more than ten percent (10%) per fiscal year.

37 (2) The State and the Town of Butner each shall pay to the authority, on or  
38 before July 1 of each year, an amount equal to its funding percentage as  
39 described in subdivision (1) of this subsection.

40 (3) Repealed by Session Laws 2011 260, s. 1, effective June 23, 2011.

41 (4) Repealed by Session Laws 2011 260, s. 1, effective June 23, 2011.

42 (d) Provision of Services.—The authority may contract with the Secretary of Public  
43 Safety to provide fire and police protection to the Camp Butner Reservation and the corporate  
44 limits of the Town of Butner on such terms and conditions as the parties may agree. In such  
45 event, the employees of the Department of Public Safety shall remain employees of the State.  
46 While the contract between the Secretary of Public Safety and the Town of Butner is in effect,  
47 the Secretary of Public Safety shall consult with the voting members of the authority  
48 concerning the Department's hiring of the Director of the authority. The consultation shall  
49 include, but not be limited to, the voting members of the authority reviewing and providing  
50 their comments to the Secretary of Public Safety on the credentials of the applicants for said  
51 position. In performing its functions under this subsection, the voting members of the authority

1 shall have the same access to the applicants' personnel records pursuant to Article 7 of Chapter  
 2 126 of the General Statutes as the Secretary of Public Safety and are subject to the same  
 3 restraints concerning the personnel information as set out in that Article. After consultation  
 4 with the authority, the Secretary of Public Safety shall select and hire the Director of the  
 5 authority.

6 (e) ~~Dissolution.— In the event that either the Town of Butner or the State fails to pay~~  
 7 ~~the authority its percentage share of the authority's budget as described in this section, the~~  
 8 ~~nonpaying party shall cease to be a participant in the authority at the expiration of the fiscal~~  
 9 ~~year for which it has last paid its percentage share of the budget for the authority. The~~  
 10 ~~remaining participant may file a notice with the Secretary of State indicating that it is the sole~~  
 11 ~~remaining participant in the authority. All of the property of the authority shall remain with the~~  
 12 ~~authority. At the expiration of the fiscal year for which the nonpaying party last paid its~~  
 13 ~~percentage share of the budget for the authority or at any time thereafter, the remaining~~  
 14 ~~participant in the authority also may file articles of dissolution dissolving the authority with the~~  
 15 ~~Secretary of State. In the case of such dissolution, the property of the authority shall be~~  
 16 ~~distributed to the remaining party filing the articles of dissolution."~~

17 **SECTION 16B.4.(c)** G.S. 143-341(8)(i)(3) reads as rewritten:

18 "**§ 143-341. Powers and duties of Department.**

19 The Department of Administration has the following powers and duties:

20 ...  
 21 (8) General Services:

22 ...  
 23 i. To establish and operate a central motor pool and such subsidiary  
 24 related facilities as the Secretary may deem necessary, and to that  
 25 end:

26 ...  
 27 3. To require on a schedule determined by the Department all  
 28 State agencies to transfer ownership, custody or control of  
 29 any or all passenger motor vehicles within the ownership,  
 30 custody or control of that agency to the Department, except  
 31 those motor vehicles under the ownership, custody or control  
 32 of the Highway Patrol, the State Bureau of Investigation, or  
 33 the constituent institutions of The University of North  
 34 Carolina which are used primarily for law-enforcement  
 35 purposes, and ~~except those motor vehicles under the~~  
 36 ~~ownership, custody or control of the Department of Public~~  
 37 ~~Safety for Butner Public Safety which are used primarily for~~  
 38 ~~law enforcement, fire, or emergency purposes. purposes."~~

39 **SECTION 16B.4.(d)** G.S. 160A-288(d) reads as rewritten:

40 "(d) For purposes of this section, the following shall be considered the equivalent of a  
 41 municipal police department:

- 42 (1) Campus law-enforcement agencies established pursuant to  
 43 G.S. 115D-21.1(a) or G.S. 116-40.5(a).  
 44 (2) Colleges or universities which are licensed, or exempted from licensure, by  
 45 G.S. 116-15 and which employ company police officers commissioned by  
 46 the Attorney General pursuant to Chapter 74E or Chapter 74G of the General  
 47 Statutes.  
 48 (3) Law enforcement agencies operated or eligible to be operated by a  
 49 municipality pursuant to G.S. 63-53(2).  
 50 (4) ~~Butner Public Safety Authority.~~

- 1 (5) A Company Police agency of the Department of Agriculture and Consumer  
2 Services commissioned by the Attorney General pursuant to Chapter 74E of  
3 the General Statutes."

4 **SECTION 16B.4.(e)** G.S. 160A-288.2(d) reads as rewritten:

5 "(d) For the purposes of this section, the following shall be considered the equivalent of  
6 a municipal police department:

- 7 (1) Campus law-enforcement agencies established pursuant to G.S. 116-40.5(a).  
8 (2) Colleges or universities which are licensed, or exempted from licensure, by  
9 G.S. 116-15 and which employ company police officers commissioned by  
10 the Attorney General pursuant to Chapter 74E or Chapter 74G of the General  
11 Statutes.  
12 (3) ~~Butner Public Safety Authority."~~

#### 14 **VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER)** 15 **SYSTEM**

16 **SECTION 16B.5.(a)** It is the intent of the General Assembly to continue to support  
17 development and implementation of the State's Voice Interoperability Plan for Emergency  
18 Response (VIPER) system in subsequent fiscal years. The Department is hereby authorized to  
19 spend up to five million dollars (\$5,000,000) during the 2013-2014 fiscal year and ten million  
20 dollars (\$10,000,000) during the 2014-2015 fiscal year to continue development and  
21 implementation of the State's VIPER system by constructing towers that will facilitate system  
22 expansion. Notwithstanding any other provision of law, State agencies, offices, commissions,  
23 and non-State entities shall not spend more than the amount of State funds authorized in this  
24 section for this purpose during the 2013-2015 fiscal biennium. This prohibition shall not be  
25 construed to prevent the expenditure of federal funds. This section does not impair or authorize  
26 the breach of any contract and instead affects the availability of appropriated funds within the  
27 meaning of G.S. 143C-6-8 and the terms of the North Carolina Information Technology  
28 Procurement Office General Terms and Conditions for Goods and Related Services related to  
29 availability of funds as specified in the applicable contract or contract extension.

30 **SECTION 16B.5.(b)** The Department of Public Safety shall report to the Chairs of  
31 the Joint Legislative Oversight Committee on Justice and Public Safety on a quarterly basis on  
32 the progress of the State's VIPER system.  
33

#### 34 **STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS**

35 **SECTION 16B.6.** The State Capitol Police may contract with State agencies for  
36 the creation of receipt-supported positions to provide security services to the buildings  
37 occupied by those agencies.  
38

#### 39 **ALCOHOL LAW ENFORCEMENT REPORTS**

40 **SECTION 16B.7.(a)** No later than October 1, 2013, the Department of Public  
41 Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and Public  
42 Safety and to the Chairs of the House Appropriations Subcommittee on Justice and Public  
43 Safety on measures being taken, or that will be taken, to meet the recurring reduction in  
44 funding for the Alcohol Law Enforcement Section that is set forth in this act.

45 **SECTION 16B.7.(b)** No later than October 1, 2013, the Department of Public  
46 Safety shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and  
47 Public Safety on the mission and organization of the Alcohol Law Enforcement Section,  
48 changes to the mission or organization of the Section being considered by the Department, and  
49 recommendations for any statutory changes that would be needed in order to implement any  
50 changes being considered.  
51

**SUBPART XVI-C. DIVISION OF ADULT CORRECTION****LIMIT USE OF OPERATIONAL FUNDS**

**SECTION 16C.1.** Funds appropriated in this act to the Department of Public Safety for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new facilities are within 120 days of projected completion, except that the Department may establish critical positions prior to 120 days of completion representing no more than twenty percent (20%) of the total estimated number of positions.

**REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

**SECTION 16C.2.** Notwithstanding G.S. 143C-6-9, the Department of Public Safety may use funds available to the Department for the 2013-2015 fiscal biennium to pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report quarterly to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

**CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

**SECTION 16C.3.** The Department of Public Safety may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2013-2015 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Public Safety.

**INMATE MEDICAL COSTS**

**SECTION 16C.4.(a)** The Department of Public Safety shall reimburse those providers and facilities providing approved inmate medical services outside the correctional facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

**SECTION 16C.4.(b)** The Department of Public Safety shall make every effort to contain inmate medical costs by making use of its own hospital and health care facilities to provide health care services to inmates. To the extent that the Department of Public Safety must

1 utilize other facilities and services to provide health care services to inmates, the Department  
2 shall make reasonable efforts to make use of hospitals or other providers with which it has a  
3 contract or, if none is reasonably available, hospitals with available capacity or other health  
4 care facilities in a region to accomplish that goal. The Department shall make reasonable  
5 efforts to equitably distribute inmates among all hospitals or other appropriate health care  
6 facilities.

7 **SECTION 16C.4.(c)** The Department of Public Safety shall report to the Joint  
8 Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of  
9 Representative Appropriations Subcommittee on Justice and Public Safety and the Senate  
10 Appropriations Committee on Justice and Public Safety no later than November 1, 2013, and  
11 quarterly thereafter on:

- 12 (1) The percentage of the total inmates requiring hospitalization or hospital  
13 services who receive that treatment at each hospital.
- 14 (2) The volume of services provided by community medical providers that can  
15 be scheduled in advance and, of that volume, the percentage of those  
16 services that are provided by contracted providers.
- 17 (3) The volume of services provided by community medical providers that  
18 cannot be scheduled in advance and, of that volume, the percentage of those  
19 services that are provided by contracted providers.
- 20 (4) The volume of services provided by community medical providers that are  
21 emergent cases requiring hospital admissions and emergent cases not  
22 requiring hospital admissions.
- 23 (5) The volume of inpatient medical services provided to Medicaid-eligible  
24 inmates, the cost of treatment, and the estimated savings of paying the  
25 nonfederal portion of Medicaid for the services.
- 26 (6) The status of the Division's efforts to contract with hospitals to provide  
27 secure wards in each of the State's five prison regions.

## 28 29 ANNUAL REPORT ON SAFEKEEPERS

30 **SECTION 16C.5.** The Department of Public Safety shall report by October 1 of  
31 each year to the Chairs of the House of Representatives Appropriations Subcommittee on  
32 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and  
33 Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and  
34 Public Safety on county prisoners housed in the State prison system pursuant to safekeeping  
35 orders under G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or  
36 inadequate county facilities. The report shall include:

- 37 (1) The number of safekeepers currently housed by the Department.
- 38 (2) A list of the facilities where safekeepers are housed and the population of  
39 safekeepers by facility.
- 40 (3) The average length of stay by a safekeeper in one of those facilities.
- 41 (4) The amount paid by counties for housing and extraordinary medical care of  
42 safekeepers.
- 43 (5) A list of the counties in arrears for safekeeper payments owed to the  
44 Department at the end of the fiscal year.

## 45 46 STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM

47 **SECTION 16C.6.(a)** G.S. 148-10.4(e) reads as rewritten:

48 "(e) Operating and Administrative Expenses. – ~~Ten percent (10%)~~ Five percent (5%) of  
49 the monthly receipts collected and credited to the Statewide Misdemeanant Confinement ~~Fund~~  
50 Fund, not to exceed the sum of one million dollars (\$1,000,000) annually, shall be transferred  
51 on a monthly basis to the Sheriffs' Association to be used to support the Program and for



1 administrative and operating expenses of the Association and its staff. One percent (1%) of the  
2 monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund  
3 shall be transferred on a monthly basis to the General Fund to be allocated to the Division of  
4 Adult Correction for its administrative and operating expenses for the Program."

5 **SECTION 16C.6.(b)** The North Carolina Sheriffs' Association shall report by  
6 October 1 of each year to the Chairs of the House of Representatives Appropriations  
7 Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee  
8 on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and  
9 Public Safety on the Statewide Misdemeanant Confinement Program. The report shall include  
10 the following with respect to the prior fiscal year:

- 11 (1) Revenue collected by the Statewide Misdemeanant Confinement Program.
- 12 (2) The cost of housing prisoners by county under the Program.
- 13 (3) The cost of transporting prisoners by county under the Program.
- 14 (4) Personnel costs by county.
- 15 (5) Inmate medical care costs by county.
- 16 (6) The number of counties that volunteer to house inmates under the Program.
- 17 (7) The administrative costs paid to the Sheriffs' Association and to the  
18 Department of Public Safety.

#### 19 20 **INMATE CONSTRUCTION PROGRAM**

21 **SECTION 16C.7.** Notwithstanding G.S. 66-58 or any other provision of law,  
22 during the 2013-2015 fiscal biennium, the State Construction Office may, wherever feasible,  
23 utilize inmates in the custody of the Division of Adult Correction of the Department of Public  
24 Safety through the Inmate Construction Program for repair and renovation projects on  
25 State-owned facilities, with priority given to Department of Public Safety construction projects.  
26

#### 27 **REPORT ON PROBATION AND PAROLE CASELOADS**

28 **SECTION 16C.10.** Article 13 of Chapter 143B of the General Statutes is amended  
29 by adding a new section to read:

##### 30 **"§ 143B-707.1. Report on probation and parole caseloads.**

31 (a) The Department of Public Safety shall report by March 1 of each year to the Chairs  
32 of the House of Representatives and Senate Appropriations Subcommittees on Justice and  
33 Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on  
34 caseload averages for probation and parole officers. The report shall include:

- 35 (1) Data on current caseload averages and district averages for probation/parole  
36 officer positions.
- 37 (2) Data on current span of control for chief probation officers.
- 38 (3) An analysis of the optimal caseloads for these officer classifications.
- 39 (4) The number and role of paraprofessionals in supervising low-risk caseloads.
- 40 (5) The process of assigning offenders to an appropriate supervision level based  
41 on a risk/needs assessment.
- 42 (6) Data on cases supervised solely for the collection of court-ordered payments.

43 (b) The Department of Public Safety shall report by March 1 of each year to the Chairs  
44 of the House of Representatives and Senate Appropriations Subcommittees on Justice and  
45 Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on  
46 the following:

- 47 (1) The number of sex offenders enrolled on active and passive GPS monitoring.
- 48 (2) The caseloads of probation officers assigned to GPS-monitored sex  
49 offenders.
- 50 (3) The number of violations.
- 51 (4) The number of absconders.

1           (5) The projected number of offenders to be enrolled by the end of the fiscal  
2           year."  
3

4   **PAROLE       ELIGIBILITY       REPORT/MUTUAL       AGREEMENT       PAROLE**  
5   **PROGRAM/MEDICAL RELEASE PROGRAM**

6           **SECTION 16C.11.(a)** The Post-Release Supervision and Parole Commission shall,  
7 with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the  
8 Department of Public Safety, analyze the amount of time each inmate who is eligible for parole  
9 on or before July 1, 2014, has served compared to the time served by offenders under  
10 Structured Sentencing for comparable crimes. The Commission shall determine if the person  
11 has served more time in custody than the person would have served if sentenced to the  
12 maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes.  
13 The "maximum sentence," for the purposes of this section, shall be calculated as set forth in  
14 subsection (b) of this section.

15           **SECTION 16C.11.(b)** For the purposes of this section, the following rules apply  
16 for the calculation of the maximum sentence:

- 17           (1) The offense upon which the person was convicted shall be classified as the  
18 same felony class as the offense would have been classified if committed  
19 after the effective date of Article 81B of Chapter 15A of the General  
20 Statutes.
- 21           (2) The minimum sentence shall be the maximum number of months in the  
22 presumptive range of minimum durations in Prior Record Level VI of  
23 G.S. 15A-1340.17(c) for the felony class determined under subdivision (1)  
24 of this subsection. The maximum sentence shall be calculated using  
25 G.S. 15A-1340.17(d), (e), or (e1).
- 26           (3) If a person is serving sentences for two or more offenses that are concurrent  
27 in any respect, then the offense with the greater classification shall be used  
28 to determine a single maximum sentence for the concurrent offenses. The  
29 fact that the person has been convicted of multiple offenses may be  
30 considered by the Commission in making its determinations under  
31 subsection (a) of this section.

32           **SECTION 16C.11.(c)** The Post-Release Supervision and Parole Commission shall  
33 report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety,  
34 the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public  
35 Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety by  
36 April 1, 2014. The report shall include the following: the class of the offense for which each  
37 parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions.  
38 The Commission shall reinitiate the parole review process for each offender who has served  
39 more time than that person would have under Structured Sentencing as provided by subsections  
40 (a) and (b) of this section.

41           The Commission shall also report on the number of parole-eligible inmates  
42 reconsidered in compliance with this section and the number who were actually paroled.

43           **SECTION 16C.11.(d)** Article 13 of Chapter 143B of the General Statutes is  
44 amended by adding a new section to read:

45 **"§ 143B-707.2. Mutual agreement parole program report; medical release program**  
46 **report.**

47           (a) The Department of Public Safety and the Post-Release Supervision and Parole  
48 Commission shall report by March 1 of each year to the Chairs of the House of Representatives  
49 and Senate Appropriations Subcommittees on Justice and Public Safety and to the Chairs of the  
50 Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates  
51 enrolled in the mutual agreement parole program, the number completing the program and

1 being paroled, and the number who enrolled but were terminated from the program. The  
2 information should be based on the previous calendar year.

3 (b) The Department of Public Safety and the Post-Release Supervision and Parole  
4 Commission shall report by March 1 of each year to the Chairs of the House of Representatives  
5 Appropriations Subcommittee on Justice and Public Safety, to the Chairs of the Senate  
6 Appropriations Committee on Justice and Public Safety, and to the Chairs of the Joint  
7 Legislative Oversight Committee on Justice and Public Safety on the number of inmates  
8 proposed for release, considered for release, and granted release under Chapter 84B of Chapter  
9 15A of the General Statutes, providing for the medical release of inmates who are either  
10 permanently and totally disabled, terminally ill, or geriatric."

## 11 12 **REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION**

13 **SECTION 16C.12.** The Division of Community Corrections shall report by March  
14 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on  
15 Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and  
16 Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and  
17 Public Safety on the status of the Treatment for Effective Community Supervision (TECS)  
18 program. The report shall include the following information:

- 19 (1) The amount of funds carried over from the prior fiscal year.
- 20 (2) The dollar amount and purpose of contracts awarded to vendors for the  
21 current fiscal year.
- 22 (3) An update on efforts to ensure that all counties make use of the electronic  
23 reporting system, including the number of counties submitting offender  
24 participation via the system.
- 25 (4) An analysis of offender participation data received, including data on each  
26 program's utilization, capacity, and completion rates.
- 27 (5) The number of offenders served by each contracted vendor.
- 28 (6) The outcome measures for program participants, including the rates of  
29 recidivism, employment status, and educational progress of participants.

## 30 31 **JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY** 32 **VACANT POSITIONS**

33 **SECTION 16C.13.(a)** Notwithstanding any other provision of law, subject to the  
34 approval of the Director of the Budget, the Secretary of Public Safety may reclassify vacant  
35 positions within the Department to create up to 30 new field services specialist or chief  
36 probation/parole officer positions in order to meet the increasing caseloads resulting from the  
37 implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

38 **SECTION 16C.13.(b)** The Department of Public Safety shall report to the Chairs  
39 of the Senate Appropriations Committee on Justice and Public Safety and the House  
40 Appropriations Subcommittee on Justice and Public Safety by March 1, 2014, on the following:

- 41 (1) The position number, position type, salary, and position location of each new  
42 position created under the authority of this section.
- 43 (2) The position number, position type, fund code, and position location of each  
44 vacant position used to create new positions under the authority of this  
45 section.

## 46 47 **REPORT ON USE OF BROADEN ACCESS FOR COMMUNITY TREATMENT** 48 **PROGRAM FUNDS**

49 **SECTION 16C.14.** The Division of Community Corrections shall report by  
50 September 1, 2015, and September 1, 2016, to the Chairs of the House of Representatives  
51 Appropriations Subcommittee on Justice and Public Safety and to the Chairs of the Senate

1 Appropriations Committee on Justice and Public Safety on the status of the Broaden Access for  
2 Community Treatment Program. The report shall include the following information:

- 3 (1) The amount of funds carried over from the prior fiscal year.
- 4 (2) The dollar amount and purpose of contracts awarded to vendors for the  
5 current fiscal year.
- 6 (3) An analysis of offender participation data received, including data on each  
7 program's utilization, capacity, and completion rates.
- 8 (4) The number of offenders served by each contracted vendor.
- 9 (5) The outcome measures for program participants, including the rates of  
10 recidivism, employment status, and educational progress of participants.

11  
12 **REQUIRE THAT ALL INMATES IN THE CUSTODY OF THE DIVISION OF ADULT  
13 CORRECTION OF THE DEPARTMENT OF PUBLIC SAFETY BE TESTED FOR  
14 HIV INFECTION**

15 **SECTION 16C.15.(a)** Article 2 of Chapter 148 of the General Statutes is amended  
16 by adding a new section to read:

17 **"§ 148-19.2. Mandatory HIV testing.**

18 Each person sentenced to imprisonment and committed to the custody of the Division of  
19 Adult Correction of the Department of Public Safety shall be tested to determine whether the  
20 person is HIV positive.

21 Each inmate who has not previously tested positive for HIV shall also be tested:

- 22 (1) Not less than once every four years from the date of that inmate's initial  
23 testing.
- 24 (2) Prior to the inmate's release from the custody of the Division of Adult  
25 Correction, except that testing is not mandatory prior to the release of an  
26 inmate who has been tested within one year of the inmate's release date.

27 In each case, the results of the test shall be reported to the inmate. If an inmate tests positive  
28 for HIV, that inmate shall be referred to public health officials for counseling."

29 **SECTION 16C.15.(b)** This section becomes effective July 1, 2013. All inmates in  
30 the custody of the Division of Adult Correction on July 1, 2013, who have not previously been  
31 tested for HIV shall be tested by October 1, 2013.

32  
33 **ELECTRONIC MONITORING FEE**

34 **SECTION 16C.16.(a)** G.S. 15A-1343(c2) reads as rewritten:

35 "(c2) ~~Electronic Monitoring Device Fee-Fees.~~ – Any person placed on house arrest with  
36 electronic monitoring under subsection (b1) of this section shall pay a fee of ninety dollars  
37 (\$90.00) for the electronic monitoring ~~device-device~~ and a daily fee in an amount that reflects  
38 the actual cost of providing the electronic monitoring. The court may exempt a person from  
39 paying the ~~fee-fees~~ only for good cause and upon motion of the person placed on house arrest  
40 with electronic monitoring. The court may require that the ~~fee-fees~~ be paid in advance or in a  
41 lump sum or sums, and a probation officer may require payment by those methods if the officer  
42 is authorized by subsection (g) of this section to determine the payment schedule. The ~~fee-fees~~  
43 must be paid to the clerk of court for the county in which the judgment was entered or the  
44 deferred prosecution agreement was filed. Fees collected under this subsection for the  
45 electronic monitoring device shall be transmitted to the State for deposit into the State's General  
46 Fund. The daily fees collected under this subsection shall be remitted to the Department of  
47 Public Safety to cover the costs of providing the electronic monitoring."

48 **SECTION 16C.16.(b)** This section becomes effective August 1, 2013, and applies  
49 to persons placed on house arrest with electronic monitoring on or after that date.

50  
51 **SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**

1  
2 ANNUAL EVALUATION OF COMMUNITY PROGRAMS AND MULTIPLE  
3 PURPOSE GROUP HOMES

4 SECTION 16D.1. Subpart B of Part 3 of Article 13 of Chapter 143B of the  
5 General Statutes is amended by adding a new section to read:

6 "§ 143B-811. Annual evaluation of community programs and multiple purpose group  
7 homes.

8 The Department of Public Safety shall conduct an annual evaluation of the community  
9 programs and of multipurpose group homes. In conducting the evaluation of each of these, the  
10 Department shall consider whether participation in each program results in a reduction of court  
11 involvement among juveniles. The Department shall also determine whether the programs are  
12 achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202.

13 The Department shall report the results of the evaluation to the Chairs of the Joint  
14 Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and  
15 House of Representatives Appropriations Subcommittees on Justice and Public Safety by  
16 March 1 of each year."

17  
18 JUVENILE CRIME PREVENTION COUNCIL FUNDS

19 SECTION 16D.2.(a) Subpart F of Part 3 of Article 13 of Chapter 143B of the  
20 General Statutes is amended by adding a new section to read:

21 "§ 143B-852. Department of Public Safety to report on Juvenile Crime Prevention  
22 Council grants.

23 (a) On or before February 1 of each year, the Department of Public Safety shall submit  
24 to the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs  
25 of the Senate and House of Representatives Appropriations Subcommittees on Justice and  
26 Public Safety a list of the recipients of the grants awarded, or preapproved for award, from  
27 funds appropriated to the Department for local Juvenile Crime Prevention Council (JCPC)  
28 grants, including the following information:

- 29 (1) The amount of the grant awarded.  
30 (2) The membership of the local committee or council administering the award  
31 funds on the local level.  
32 (3) The type of program funded.  
33 (4) A short description of the local services, programs, or projects that will  
34 receive funds.  
35 (5) Identification of any programs that received grant funds at one time but for  
36 which funding has been eliminated by the Department.  
37 (6) The number of at-risk, diverted, and adjudicated juveniles served by each  
38 county.  
39 (7) The Department's actions to ensure that county JCPCs prioritize funding for  
40 dispositions of intermediate and community-level sanctions for  
41 court-adjudicated juveniles under minimum standards adopted by the  
42 Department.  
43 (8) The total cost for each funded program, including the cost per juvenile and  
44 the essential elements of the program.

45 (b) On or before February 1 of each year, the Department of Public Safety shall send to  
46 the Fiscal Research Division of the Legislative Services Commission an electronic copy of the  
47 list and information required under subsection (a) of this section."

48 SECTION 16D.2.(b) Of the funds appropriated by this act for the 2013-2015 fiscal  
49 biennium to the Department of Public Safety for Juvenile Crime Prevention Council grants, the  
50 sum of one hundred twenty-one thousand six hundred dollars (\$121,600) for the 2013-2014  
51 fiscal year and the sum of one hundred twenty-one thousand six hundred dollars (\$121,600) for

1 the 2014-2015 fiscal year shall be transferred to Project Challenge North Carolina, Inc., to be  
2 used for the continued support of Project Challenge programs throughout the State.

### 4 **YOUTH DEVELOPMENT CENTER ANNUAL REPORT**

5 **SECTION 16D.3.** Subpart B of Part 3 of Article 13 of Chapter 143B of the  
6 General Statutes is amended by adding a new section to read:

7 **"§ 143B-810. Youth Development Center annual report.**

8 The Department of Public Safety shall report by October 1 of each year to the Chairs of the  
9 House of Representatives and Senate Appropriations Subcommittees on Justice and Public  
10 Safety, the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety,  
11 and the Fiscal Research Division of the Legislative Services Commission on the Youth  
12 Development Center (YDC) population, staffing, and capacity in the preceding fiscal year.  
13 Specifically, the report shall include all of the following:

- 14 (1) The on-campus population of each YDC, including the county the juveniles  
15 are from.
- 16 (2) The housing capacity of each YDC.
- 17 (3) A breakdown of staffing for each YDC, including number, type of position,  
18 position title, and position description.
- 19 (4) The per-bed and average daily population cost for each facility.
- 20 (5) The operating cost for each facility, including personnel and nonpersonnel  
21 items.
- 22 (6) A brief summary of the treatment model, education, services, and plans for  
23 reintegration into the community offered at each facility.
- 24 (7) The average length of stay in the YDCs.
- 25 (8) The number of incidents of assaults and attacks on staff at each facility."

### 27 **JUVENILE FACILITY MONTHLY COMMITMENT REPORT**

28 **SECTION 16D.4.** Subpart C of Part 3 of Article 13 of Chapter 143B of the  
29 General Statutes is amended by adding a new section to read:

30 **"§ 143B-822. Juvenile facility monthly commitment report.**

31 The Department of Public Safety shall report electronically on the first day of each month  
32 to the Fiscal Research Division regarding each juvenile correctional facility and the average  
33 daily population for the previous month. The report shall include (i) the average daily  
34 population for each detention center and (ii) the monthly summary of the Committed Youth  
35 Report."

### 37 **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

38 **SECTION 16D.5.(a)** Funds appropriated in this act to the Department of Public  
39 Safety for the 2013-2015 fiscal biennium for community program contracts that are not  
40 required for or used for community program contracts shall only be used for the following:

- 41 (1) Other statewide residential programs that provide Level 2 intermediate  
42 dispositional alternatives for juveniles.
- 43 (2) Statewide community programs that provide Level 2 intermediate  
44 dispositional alternatives for juveniles.
- 45 (3) Regional programs that are collaboratives of two or more Juvenile Crime  
46 Prevention Councils which provide Level 2 intermediate dispositional  
47 alternatives for juveniles.
- 48 (4) The Juvenile Crime Prevention Council grants fund to be used for the Level  
49 2 intermediate dispositional alternatives for juveniles listed in  
50 G.S. 7B-2506(13) through (23).

1           **SECTION 16D.5.(b)** Under no circumstances shall funds appropriated by this act  
2 to the Department of Public Safety for the 2013-2015 fiscal biennium for community programs  
3 be used for staffing, operations, maintenance, or any other expenses of youth development  
4 centers or detention facilities.

5           **SECTION 16D.5.(c)** The Department of Public Safety shall submit an electronic  
6 report by October 1, 2013, and a second electronic report by October 1, 2014, on all  
7 expenditures made from the miscellaneous contract line in Fund Code 1230 to the Chairs of the  
8 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the  
9 Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Fiscal  
10 Research Division. The report shall include all of the following: an itemized list of the contracts  
11 that have been executed, the amount of each contract, the date the contract was executed, the  
12 purpose of the contract, the number of juveniles that will be served and the manner in which  
13 they will be served, the amount of money transferred to the Juvenile Crime Prevention Council  
14 fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime  
15 Prevention Council fund.

#### 16 17 **MULTIPURPOSE GROUP HOME**

18           **SECTION 16D.6.** Of the funds appropriated in this act to the Department of Public  
19 Safety for the Division of Juvenile Justice for the 2013-2015 fiscal biennium, the sum of five  
20 hundred fifty thousand dollars (\$550,000) for the 2013-2014 fiscal year and the sum of five  
21 hundred fifty thousand dollars (\$550,000) for the 2014-2015 fiscal year shall be used to  
22 continue operating a multipurpose group home in Craven County.

#### 23 24 **ADMINISTRATION OF JUVENILE JUSTICE DIVISION**

25           **SECTION 16D.7.(a)** G.S. 143B-600(b) reads as rewritten:

26           "(b) The powers and duties of the deputy ~~secretaries~~secretaries, commissioners,  
27 directors, and the respective divisions of the Department shall be subject to the direction and  
28 control of the Secretary of Public Safety."

29           **SECTION 16D.7.(b)** G.S. 143B-806(b), as amended by Section 5 of S.L.  
30 2013-289, reads as rewritten:

31           ~~"(b) The head of the Division is the Commissioner of Juvenile Justice with the following~~  
32 ~~powers and duties: The Secretary shall have the following powers and duties and may delegate~~  
33 ~~those powers and duties to the appropriate deputy secretary, commissioner, or director within~~  
34 ~~the Department of Public Safety:~~

35           ...."

36           **SECTION 16D.7.(c)** G.S. 153A-221.1 reads as rewritten:

37 **"§ 153A-221.1. Standards and inspections.**

38           The legal responsibility of the ~~Chief Deputy Secretary of Division of Juvenile Justice~~ of the  
39 Department of Public Safety for State services to county juvenile detention homes under this  
40 Article is hereby confirmed and shall include the following: development of State standards  
41 under the prescribed procedures; inspection; consultation; technical assistance; and training.

42           The Secretary of Health and Human Services, in consultation with the ~~Chief Deputy~~  
43 ~~Secretary of Juvenile Justice of the Department~~ Secretary of Public Safety, shall also develop  
44 standards under which a local jail may be approved as a holdover facility for not more than five  
45 calendar days pending placement in a juvenile detention home which meets State standards,  
46 providing the local jail is so arranged that any child placed in the holdover facility cannot  
47 converse with, see, or be seen by the adult population of the jail while in the holdover facility.  
48 The personnel responsible for the administration of a jail with an approved holdover facility  
49 shall provide close supervision of any child placed in the holdover facility for the protection of  
50 the child."

**STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

**SECTION 16D.8.** Funds appropriated in this act to the Department of Public Safety for each fiscal year of the 2013-2015 fiscal biennium may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the Department of Public Safety regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Department of Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Joint Legislative Commission on Governmental Operations prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2013-2014 fiscal year, the amount of funds anticipated for the 2014-2015 fiscal year, and the allocation of funds by program and purpose.

**DOBBS YOUTH DEVELOPMENT CENTER KITCHEN REPAIRS**

**SECTION 16D.9.** The Department of Public Safety shall ensure that the kitchen facility at the Dobbs Youth Development Center is operational by October 1, 2013.

**PART XVII. DEPARTMENT OF JUSTICE****ANNUAL REPORTING ON ATTORNEY ACTIVITY**

**SECTION 17.1.(a)** Beginning on August 1, 2014, and every year thereafter, the Attorney General shall report on the work of Department of Justice attorneys during the previous year. The reports required by this section shall be filed with the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, with the Chairs of the Senate Appropriations Committee on Justice and Public Safety, with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and with the Fiscal Research Division as follows:

- (1) Litigation. – A report reflecting the amount of time spent by each attorney on litigation. The report shall include the following information:
  - a. The amount of time spent working directly on civil litigation in a trial court, administrative forum, or appellate court for each specific State agency, board, commission, official, or other client.
  - b. The amount of time spent working directly on civil litigation in a trial court, administrative forum, or appellate court involving cases in which there is not a specific State agency, board, commission, official, or other client named as a defendant.
  - c. The amount of time spent working on criminal cases at the trial or appellate level.
- (2) Other work. – A report reflecting the amount of time spent by each attorney providing legal services that did not directly involve litigation. The report shall include the following information:
  - a. The amount of time spent providing legal services not directly involving litigation for each specific State agency, board, commission, or other client.
  - b. The amount of time spent providing legal services for local government bodies, officials, and citizens.
- (3) Billing. – A report reflecting the amount billed to each State agency, board, commission, or other client as required by G.S. 114-8.2.



1           **SECTION 17.1.(b)** Reports required by this section shall not include detailed  
2 information about the work of individual attorneys but shall instead include only summary  
3 information about Department of Justice attorney activity during the relevant period, which  
4 shall (i) be set forth using commonly employed measures of central tendency and (ii) which  
5 shall highlight and explain extreme deviations from applicable norms.  
6

#### 7 **ANNUAL CRIME LAB REPORT**

8           **SECTION 17.2.** Beginning on October 1, 2013, and yearly thereafter, the Attorney  
9 General shall report on the work of the North Carolina State Crime Laboratory during the  
10 previous fiscal year. The reports required by this section shall be filed with the Chairs of the  
11 Joint Legislative Oversight Committee on Justice and Public Safety and with the Fiscal  
12 Research Division. Each report shall include at least the following:

- 13           (1) Information about the workload of the Laboratory during the previous fiscal  
14 year, including the number of submissions, identified by forensic discipline,  
15 received at each location of the Laboratory.
- 16           (2) Information about the number of cases completed in the previous fiscal year,  
17 identified by forensic discipline, at each location of the Laboratory.
- 18           (3) A breakdown by county of the number of submissions received by the  
19 Laboratory in the previous fiscal year.
- 20           (4) An average estimate of the dollar and time cost to perform each type of  
21 procedure and analysis performed by the Laboratory.  
22

#### 23 **DEVELOPMENT OF TRAINING PROGRAM ON PROPER PROCEDURES FOR** 24 **SUBMISSION OF EVIDENCE TO THE CRIME LAB**

25           **SECTION 17.3.(a)** The North Carolina State Crime Laboratory, in conjunction  
26 with the University of North Carolina School of Government and the Conference of District  
27 Attorneys, shall develop a training curriculum for district attorneys that shall include, but not be  
28 limited to, instruction on fundamentals of Laboratory forensic science disciplines, the  
29 Laboratory's electronic information system, and the Laboratory's case management guidelines.  
30 In order to ensure that it will be practicable to require all district attorneys in the State to  
31 receive the training in the future, the program shall be (i) designed with the time and resource  
32 constraints of district attorneys in mind and (ii) designed in a way that makes the program  
33 suitable for regional distribution and distribution through distance learning facilities at  
34 community colleges.

35           **SECTION 17.3.(b)** No later than October 1, 2013, the North Carolina State Crime  
36 Laboratory shall report its progress on developing the training program to the Chairs of the  
37 House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the  
38 Chairs of the Senate Appropriations Committee on Justice and Public Safety, to the Chairs of  
39 the Joint Legislative Oversight Committee on Justice and Public Safety, and to the Fiscal  
40 Research Division.  
41

#### 42 **USE OF TOXICOLOGY ANALYSIS FUNDS**

43           **SECTION 17.4.** If the Attorney General determines that it is not appropriate to  
44 outsource toxicology cases due to legal or fiscal concerns involving analyst testimony, funds  
45 appropriated in this act for that purpose shall be reallocated to increase toxicology analysis  
46 capabilities within the North Carolina State Crime Laboratory.  
47

#### 48 **NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE** 49 **CRIME LABORATORY**

50           **SECTION 17.5.** The Department of Justice shall not hire sworn personnel to fill  
51 vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be

1 construed to require the termination of sworn personnel, but as vacant positions in the State  
2 Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this section  
3 shall be construed to affect North Carolina State Crime Laboratory personnel who are sworn  
4 and employed by the Laboratory as of the effective date of this section and who continue to  
5 meet the sworn status retention standards mandated by the NC Criminal Justice Education and  
6 Standards Commission.

7  
8 **REMOVE THE NORTH CAROLINA STATE CRIME LABORATORY FROM THE**  
9 **STATE BUREAU OF INVESTIGATION**

10 **SECTION 17.6.(a)** The North Carolina State Crime Laboratory and the State DNA  
11 Database and Databank are hereby transferred from the State Bureau of Investigation and shall  
12 be relocated elsewhere within the Department of Justice, as determined by the Attorney  
13 General.

14 **SECTION 17.6.(b)** No later than July 1, 2014, the Department of Justice shall  
15 begin budgeting the North Carolina State Crime Laboratory in a fund code that is separate from  
16 the remainder of the Department of Justice.

17 **SECTION 17.6.(c)** Chapter 114 of the General Statutes is amended by adding a  
18 new Article to read:

19 "Article 9.

20 North Carolina State Crime Laboratory."

21 **SECTION 17.6.(d)** G.S. 114-16 through G.S. 114-16.2 are recodified as  
22 G.S. 114-60 through G.S. 114-62 under Article 9 of Chapter 114 of the General Statutes, as  
23 created by subsection (c) of this section.

24 **SECTION 17.6.(e)** The following statutes are amended by deleting "SBI"  
25 wherever it appears and substituting "North Carolina State Crime Laboratory": G.S. 15A-146  
26 and G.S. 15A-148.

27 **SECTION 17.6.(f)** The following statutes are amended by deleting "SBI" wherever  
28 it appears and substituting "Crime Laboratory": G.S. 15A-266.3, 15A-266.3A, 15A-266.5,  
29 15A-266.6, 15A-266.7, 15A-266.8, 15A-266.9, 15A-266.12, 15A-267, and 15A-268.

30 **SECTION 17.6.(g)** G.S. 7A-304(a) reads as rewritten:

31 "(a) In every criminal case in the superior or district court, wherein the defendant is  
32 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the  
33 prosecuting witness, the following costs shall be assessed and collected. No costs may be  
34 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of  
35 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs  
36 assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8)  
37 of this section.

38 ...

39 (7) For the services of the North Carolina State Crime Laboratory facilities, the  
40 district or superior court judge shall, upon conviction, order payment of the  
41 sum of six hundred dollars (\$600.00) to be remitted to the Department of  
42 Justice for support of the ~~State Bureau of Investigation Laboratory~~. This cost  
43 shall be assessed only in cases in which, as part of the investigation leading  
44 to the defendant's conviction, the laboratories have performed DNA analysis  
45 of the crime, tests of bodily fluids of the defendant for the presence of  
46 alcohol or controlled substances, or analysis of any controlled substance  
47 possessed by the defendant or the defendant's agent.

48 (8) For the services of any crime laboratory facility operated by a local  
49 government or group of local governments, the district or superior court  
50 judge shall, upon conviction, order payment of the sum of six hundred  
51 dollars (\$600.00) to be remitted to the general fund of the local

1 governmental unit that operates the laboratory to be used for law  
 2 enforcement purposes. The cost shall be assessed only in cases in which, as  
 3 part of the investigation leading to the defendant's conviction, the laboratory  
 4 has performed DNA analysis of the crime, test of bodily fluids of the  
 5 defendant for the presence of alcohol or controlled substances, or analysis of  
 6 any controlled substance possessed by the defendant or the defendant's  
 7 agent. The costs shall be assessed only if the court finds that the work  
 8 performed at the local government's laboratory is the equivalent of the same  
 9 kind of work performed by the ~~State Bureau of Investigation~~ North Carolina  
 10 State Crime Laboratory under subdivision (7) of this subsection.

11 (9) For the support and services of the ~~State Bureau of Investigation~~ State DNA  
 12 Database and DNA Databank, the sum of two dollars (\$2.00). This amount  
 13 is annually appropriated to the Department of Justice for this purpose.  
 14 Notwithstanding the provisions of subsection (e) of this section, this cost  
 15 does not apply to infractions.

16 ...."

17 **SECTION 17.6.(h)** G.S. 14-269.1(5) reads as rewritten:

18 "(5) By ordering such weapon turned over to the North Carolina State Crime  
 19 Laboratory's weapons reference library for official use by that agency. The  
 20 ~~State Bureau of Investigation~~ Laboratory shall maintain a record and  
 21 inventory of all such weapons received."

22 **SECTION 17.6.(i)** G.S. 15A-266.2 reads as rewritten:

23 **"§ 15A-266.2. Definitions.**

24 As used in this Article, unless another meaning is specified or the context clearly requires  
 25 otherwise, the following terms have the meanings specified:

26 ...

27 (1e) Crime Laboratory. – The North Carolina State Crime Laboratory of the  
 28 Department of Justice.

29 ...

30 (6) ~~"SBI" means the State Bureau of Investigation. The SBI is responsible for~~  
 31 ~~the policy, management, and administration of the State DNA identification~~  
 32 ~~record system to support law enforcement and other criminal justice~~  
 33 ~~agencies.~~

34 ...

35 (8) "State DNA Database" means the ~~SBI's~~ Crime Laboratory's DNA  
 36 identification record system to support law enforcement. It is administered  
 37 by the ~~SBI~~ Crime Laboratory and provides DNA records to the FBI for  
 38 storage and maintenance in CODIS. The ~~SBI's~~ Crime Laboratory's DNA  
 39 Database system is the collective capability provided by computer software  
 40 and procedures administered by the ~~SBI~~ Crime Laboratory to store and  
 41 maintain DNA records related to: forensic casework; convicted offenders  
 42 and arrestees required to provide a DNA sample under this Article; persons  
 43 required to register as sex offenders under G.S. 14-208.7; unidentified  
 44 persons or body parts; missing persons; relatives of missing persons; and  
 45 anonymous DNA profiles used for forensic validation, forensic protocol  
 46 development, or quality control purposes or establishment of a population  
 47 statistics database for use by criminal justice agencies."

48 **SECTION 17.6.(j)** G.S. 15A-266.3A(h) reads as rewritten:

49 "(h) The ~~State Bureau of Investigation~~ Crime Laboratory shall remove a person's DNA  
 50 record, and destroy any DNA biological samples that may have been retained, from the State

1 DNA Database and DNA Databank if both of the following are determined pursuant to  
2 subsection (i) of this section:

3 ...."

4 **SECTION 17.6.(k)** G.S. 15A-269(b1) reads as rewritten:

5 "(b1) If the court orders DNA testing, such testing shall be conducted by ~~an SBI approved~~  
6 a Crime Laboratory-approved testing facility, mutually agreed upon by the petitioner and the  
7 State and approved by the court. If the parties cannot agree, the court shall designate the testing  
8 facility and provide the parties with reasonable opportunity to be heard on the issue."

9 **SECTION 17.6.(l)** G.S. 114-12 reads as rewritten:

10 **"§ 114-12. Bureau of Investigation created; powers and duties.**

11 In order to secure a more effective administration of the criminal laws of the State, to  
12 prevent crime, and to procure the speedy apprehension of criminals, the Attorney General shall  
13 set up in the Department of Justice a division to be designated as the State Bureau of  
14 Investigation. The Division shall have charge of and administer the agencies and activities  
15 herein set up for the identification of criminals, for their apprehension, ~~for the scientific~~  
16 ~~analysis of evidence of crime,~~ and investigation and preparation of evidence to be used in  
17 criminal courts; and the said Bureau shall have charge of investigation of criminal matters  
18 herein especially mentioned, and of such other crimes and criminal procedure as the Governor  
19 may direct.

20 In the personnel of the Bureau shall be included a sufficient number of persons of training  
21 and skill in the investigation of crime and in the preparation of evidence as to be of service to  
22 local enforcement officers, under the direction of the Governor, in criminal matters of major  
23 importance.

24 The State radio system shall be made available to the Bureau Laboratory for use in its  
25 work."

26 **SECTION 17.6.(m)** G.S. 114-16, as recodified by subsection (d) of this section,  
27 reads as rewritten:

28 **"§ 114-60. Laboratory and clinical facilities; employment of criminologists; services of**  
29 **scientists, etc., employed by State; radio system.**

30 In the ~~said Bureau~~ Department of Justice there shall be provided laboratory facilities for the  
31 analysis of evidences of crime, including the determination of presence, quantity and character  
32 of poisons, the character of bloodstains, microscopic and other examination material associated  
33 with the commission of crime, examination and analysis of projectiles of ballistic imprints and  
34 records which might lead to the determination or identification of criminals, the examination  
35 and identification of fingerprints, and other evidence leading to the identification,  
36 apprehension, or conviction of criminals. A sufficient number of persons skilled in such matters  
37 shall be employed to render a reasonable service to the public through the criminal justice  
38 system and to the criminal justice system in the discharge of their duties. ~~In the personnel of the~~  
39 ~~Bureau shall be included a sufficient number of persons of training and skill in the investigation~~  
40 ~~of crime and in the preparation of evidence as to be of service to local enforcement officers,~~  
41 ~~under the direction of the Governor, in criminal matters of major importance.~~

42 The laboratory and clinical facilities of the institutions of the State, both educational and  
43 departmental, shall be made available to the ~~Bureau,~~ Laboratory, and scientists and doctors now  
44 working for the State through its institutions and departments may be called upon by the  
45 Governor to aid the ~~Bureau~~ Laboratory in the evaluation, preparation, and preservation of  
46 evidence in which scientific methods are employed, and a reasonable fee may be allowed by  
47 the Governor for such service.

48 ~~The State radio system shall be made available to the Bureau for use in its work."~~

49 **SECTION 17.6.(n)** G.S. 114-16.2, as recodified by subsection (d) of this section,  
50 reads as rewritten:

51 **"§ 114-62. North Carolina State Crime Laboratory Ombudsman.**

1 The position of ombudsman is created in the North Carolina State Crime Laboratory within  
2 the North Carolina Department of Justice. The primary purpose of this position shall be to work  
3 with defense counsel, prosecutorial agencies, criminal justice system stakeholders, law  
4 enforcement officials, and the general public to ensure all processes, procedures, practices, and  
5 protocols at the State Crime Laboratory are consistent with State and federal law, best forensic  
6 law practices, and in the best interests of justice in this State. The ombudsman shall mediate  
7 complaints brought to the attention of the ombudsman between the ~~SBI-Crime Laboratory~~ and  
8 defense counsel, prosecutorial agencies, law enforcement agencies, and the general public. The  
9 ombudsman shall ensure all criminal justice stakeholders and the general public are aware of  
10 the availability, responsibilities, and role of the ombudsman and shall regularly attend meetings  
11 of the Conferences of the District Attorneys, District and Superior Court Judges, Public  
12 Defenders, the Advocates for Justice, and Bar Criminal Law Sections. The ombudsman shall  
13 make recommendations on a regular basis to the Director of the State Crime ~~Laboratory,~~  
14 ~~Director of the SBI, Laboratory~~ and the Attorney General of North Carolina as to policies,  
15 procedures, practices, and training of employees needed at the Laboratory to ensure compliance  
16 with State and federal law, best forensic law practices, and to resolve any meritorious systemic  
17 complaints received by the ombudsman."

18 **SECTION 17.6.(o)** G.S. 132-1.4(b)(1) reads as rewritten:

19 "(1) "Records of criminal investigations" means all records or any information  
20 that pertains to a person or group of persons that is compiled by public law  
21 enforcement agencies for the purpose of attempting to prevent or solve  
22 violations of the law, including information derived from witnesses,  
23 laboratory tests, surveillance, investigators, confidential informants,  
24 photographs, and measurements. The term also includes any records,  
25 worksheets, reports, or analyses prepared or conducted by the North  
26 Carolina State Crime Laboratory at the request of any public law  
27 enforcement agency in connection with a criminal investigation."

28 **SECTION 17.6.(p)** Article 1 of Chapter 114 of the General Statutes is amended by  
29 adding a new section to read:

30 **§ 114-8.6. Designation of State Crime Laboratory as Internet Crimes Against Children**  
31 **affiliated agency.**

32 The Attorney General shall designate the North Carolina State Crime Laboratory as a North  
33 Carolina Internet Crimes Against Children (ICAC) affiliated agency."

34 **SECTION 17.6.(q)** Article 9 of Chapter 114 of the General Statutes, as enacted by  
35 Section 17.6(c) of this section, is amended by adding a new section to read:

36 **§ 114-63. Transfer of personnel.**

37 The Director of the North Carolina State Crime Laboratory shall have authority to transfer  
38 employees of the Crime Laboratory from one Crime Laboratory location in the State to another  
39 as the Director may deem necessary. When any member of the Crime Laboratory is transferred  
40 from one location to another for the convenience of the Crime Laboratory, or otherwise than  
41 upon the request of the employee, the Crime Laboratory shall be responsible for transporting  
42 the household goods, furniture, and personal effects of the employee and members of his or her  
43 household."

#### 44 **OPERATING EFFICIENCIES REDUCTION**

45 **SECTION 17.7.(a)** Funds appropriated or allocated to the North Carolina State  
46 Crime Laboratory shall not be reduced in order to meet any portion of the operating efficiencies  
47 reduction set forth in this act.

48 **SECTION 17.7.(b)** No later than October 1, 2013, the Department of Justice shall  
49 report to the Fiscal Research Division on the reductions that were made to meet the operating  
50 efficiencies reduction to the Department of Justice set forth in this act. The report shall include  
51

1 an itemized list of any position eliminations, including the position numbers, titles, and  
2 budgeted salaries of each eliminated position.

3  
4 **PLAN FOR TRANSFERRING ASSISTANT ATTORNEY GENERAL POSITIONS TO**  
5 **THE DEPARTMENTS THEY SERVE**

6 **SECTION 17.8.** The Joint Legislative Oversight Committee on Justice and Public  
7 Safety shall develop a plan for transferring Assistant Attorney General positions and related  
8 staff to the State agencies they serve and shall report the plan, along with any other findings  
9 and recommendations, to the General Assembly prior to its reconvening for the 2014 Regular  
10 Session. The plan shall include an analysis of and recommendations concerning all of the  
11 following:

- 12 (1) The Assistant Attorney General positions to be transferred and the State  
13 agencies to which each should be transferred.
- 14 (2) Which duties should be performed by the transferred attorneys and which  
15 should continue to be performed by the Attorney General's office.
- 16 (3) Methods for resolving conflicts between the Attorney General's office and  
17 transferred attorneys, where the opportunity for conflict exists.
- 18 (4) Statutory changes that would be needed to accomplish the changes  
19 recommended in the report.
- 20 (5) Costs or cost-savings associated with each potential method of  
21 accomplishing the position transfers, including costs associated with any  
22 recommended reduction in force, with any fiscal consequences resulting  
23 from applicable provisions of the State Personnel Act, and with any new  
24 personnel needs that will arise as a result of the transfers.
- 25 (6) Any additional matters that the Committee deems relevant.

26  
27 **PART XVIII. JUDICIAL DEPARTMENT**

28  
29 **SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES**

30  
31 **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

32 **SECTION 18A.1.** The Office of Indigent Defense Services shall report to the  
33 Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, the House of  
34 Representatives Appropriations Subcommittee on Justice and Public Safety, and the Senate  
35 Appropriations Committee on Justice and Public Safety by March 1 of each year on:

- 36 (1) The volume and cost of cases handled in each district by assigned counsel or  
37 public defenders;
- 38 (2) Actions taken by the Office to improve the cost-effectiveness and quality of  
39 indigent defense, including the capital case program;
- 40 (3) Plans for changes in rules, standards, or regulations in the upcoming year;  
41 and
- 42 (4) Any recommended changes in law or funding procedures that would assist  
43 the Office in improving the management of funds expended for indigent  
44 defense services, including any recommendations concerning the feasibility  
45 and desirability of establishing regional public defender offices.

46  
47 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

48 **SECTION 18A.2.** The Judicial Department, Office of Indigent Defense Services,  
49 may use up to the sum of two million one hundred fifty thousand dollars (\$2,150,000) in  
50 appropriated funds during the 2013-2015 fiscal biennium for the expansion of existing offices  
51 currently providing legal services to the indigent population under the oversight of the Office of

1 Indigent Defense Services, for the creation of new public defender offices within existing  
2 public defender programs, or for the establishment of regional public defender programs.  
3 Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent  
4 Defense Services may use a portion of these funds to create positions within existing public  
5 defender programs to handle cases in adjacent counties or districts. These funds may be used to  
6 create up to 50 new attorney positions and 25 new support staff positions during the 2013-2015  
7 fiscal biennium and for the salaries, benefits, equipment, and related expenses for these new  
8 positions in both years of the biennium. Positions creation will be staggered across the two  
9 years of the biennium. Prior to using funds for this purpose, the Office of Indigent Defense  
10 Services shall report to the Chairs of the House of Representatives Appropriations  
11 Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on  
12 Justice and Public Safety on the proposed expansion.

#### 13 14 **OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

15 **SECTION 18A.3.** Notwithstanding G.S. 143C-6-9, during the 2013-2015 fiscal  
16 biennium, the Office of Indigent Defense Services may use the sum of up to fifty thousand  
17 dollars (\$50,000) from funds available to provide the State matching funds needed to receive  
18 grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the  
19 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the  
20 Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative  
21 Commission on Governmental Operations on the grants to be matched using these funds.

#### 22 23 **PRIVATE ASSIGNED COUNSEL**

24 **SECTION 18A.4.** The Office of Indigent Defense Services shall issue a request for  
25 proposals from private law firms or not-for-profit legal representation organizations for the  
26 provision of all classes of legal cases for indigent clients in all judicial districts. The Office of  
27 Indigent Defense Services shall report on the issuance of this request for proposals to the Joint  
28 Legislative Commission on Governmental Operations by October 1, 2013. In cases where the  
29 proposed contract can provide representation services more efficiently than current costs and  
30 ensure that the quality of representation is sufficient to meet applicable constitutional and  
31 statutory standards, the Office of Indigent Defense Services shall use private assigned counsel  
32 funds to enter into contracts for this purpose. In selecting contracts, the Office of Indigent  
33 Defense Services shall consider the cost-effectiveness of the proposed contract. Disputes  
34 regarding the ability of the potential contractor to provide effective representation for clients  
35 served by the contract shall be determined by the senior resident superior court judge for the  
36 district.

#### 37 38 **SENIOR RESIDENT SUPERIOR COURT JUDGES SHALL APPOINT PUBLIC** 39 **DEFENDERS**

40 **SECTION 18A.5.(a)** G.S. 7A-498.7(b) reads as rewritten:

41 "(b) For each new term, and to fill any vacancy, public defenders shall be appointed  
42 from a list of not less than two and not more than three names nominated by written ballot of  
43 the attorneys resident in the defender district who are licensed to practice law in North  
44 Carolina. The balloting shall be conducted pursuant to rules adopted by the Commission on  
45 Indigent Defense Services. The appointment shall be made by the ~~Commission on Indigent~~  
46 ~~Defense Services~~ senior resident superior court judge of the superior court district or set of  
47 districts as defined in G.S. 7A-41.1 that includes the county or counties of the defender district  
48 for which the public defender is being appointed."

49 **SECTION 18A.5.(b)** This section becomes effective on August 1, 2013.

#### 50 51 **RESOLVING CONFLICTS OF INTEREST IN PUBLIC DEFENDER OFFICES**

1           **SECTION 18A.6.(a)** G.S. 7A-498.7 is amended by adding a new subsection to  
2 read:

3           "**(f1)** In cases in which a public defender determines that a conflict of interest exists in the  
4 office, whenever practical, rather than obtaining private assigned counsel to resolve the  
5 conflict, the public defender may request the appointment of an assistant public defender from  
6 another office of public defender in the region to resolve the conflict."

7           **SECTION 18A.6.(b)** The Office of Indigent Defense Services shall report to the  
8 Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by October 1,  
9 2013, and by October 1 of each year thereafter, on (i) the number of conflicts of interest that  
10 arose in public defender offices during the prior fiscal year and the cost to the State in private  
11 assigned counsel funds to resolve them and (ii) beginning with the October 1, 2014, report, the  
12 number of conflicts of interest resolved through the authorization in G.S. 7A-498.7(f1) during  
13 the prior fiscal year and the savings to the State in private assigned counsel funds as a result.

## 14           **SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS**

### 15           **GRANT FUNDS**

16           **SECTION 18B.1.** Notwithstanding G.S. 143C-6-9, the Administrative Office of  
17 the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000)  
18 from funds available to the Department to provide the State match needed in order to receive  
19 grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of  
20 the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the  
21 Senate Appropriations Committee on Justice and Public Safety, and to the Joint Legislative  
22 Commission on Governmental Operations on the grants to be matched using these funds.  
23

### 24           **COLLECTION OF WORTHLESS CHECK FUNDS**

25           **SECTION 18B.2.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial  
26 Department may use any balance remaining in the Collection of Worthless Checks Fund on  
27 June 30, 2013, for the purchase or repair of office or information technology equipment during  
28 the 2013-2014 fiscal year. Prior to using any funds under this section, the Judicial Department  
29 shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the  
30 House of Representatives Appropriations Subcommittee on Justice and Public Safety, the  
31 Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Office of  
32 State Budget and Management on the equipment to be purchased or repaired and the reasons  
33 for the purchases.  
34

### 35           **CONFERENCE OF DISTRICT ATTORNEYS GRANT FUND**

36           **SECTION 18B.4.** Of the funds appropriated in this act to the Judicial Department,  
37 the sum of five hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year shall be  
38 allocated to the Conference of District Attorneys and shall be used to establish a grant fund to  
39 provide district attorneys across the State with the resources to obtain toxicology analysis from  
40 local hospitals on persons charged with driving while impaired whose conduct did not result in  
41 serious injury or death to others. The Conference of District Attorneys shall report to the Chairs  
42 of the Joint Legislative Oversight Committee on Justice and Public Safety by October 1, 2014,  
43 on the expenditure of these funds.  
44

### 45           **MODIFY LEGAL AID DOMESTIC VIOLENCE REPORT**

46           **SECTION 18B.5.** G.S. 7A-474.20 reads as rewritten:

47           "**§ 7A-474.20. Records and reports.**

48           The established legal services programs shall keep appropriate records and make periodic  
49 reports, as requested, to the North Carolina State Bar. The North Carolina State Bar shall report  
50  
51



1 annually to the ~~General Assembly~~ Chairs of the Joint Legislative Oversight Committee on  
2 Justice and Public Safety on the amount of the funds disbursed and the use of the funds by each  
3 legal services program receiving funds. The report to the ~~General Assembly~~ Chairs of the Joint  
4 Legislative Oversight Committee on Justice and Public Safety shall be made by January 15 of  
5 each year beginning January 15, 2006."  
6

## 7 **FAMILY COURT PROGRAMS**

8 **SECTION 18B.6.** The Administrative Office of the Courts shall provide direction  
9 and oversight to the existing family court programs in order to ensure that each district with a  
10 family court program is utilizing best practices and is working effectively and efficiently in the  
11 disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report  
12 on its efforts in this regard and the results of those efforts to the Chairs of the House of  
13 Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate  
14 Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight  
15 Committee on Justice and Public Safety by March 1, 2014.  
16

## 17 **MAGISTRATE DISTRIBUTION FORMULA**

18 **SECTION 18B.7.** The Administrative Office of the Courts, in consultation with  
19 the National Center for State Courts, shall study its current formula for the distribution of  
20 magistrates across the State and consider revisions to that formula designed to take into account  
21 regional differences, travel considerations, and the potential for regionalizing magistrates. The  
22 Administrative Office of the Courts shall report its findings and recommendations to the Chairs  
23 of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.  
24

## 25 **MINUTES MAINTAINED BY THE CLERK OF SUPERIOR COURT TO RECORD** 26 **CONVENING AND ADJOURNMENT OR RECESS OF BOTH DISTRICT AND** 27 **SUPERIOR COURT**

28 **SECTION 18B.8.(a)** G.S. 7A-109(a1) reads as rewritten:

29 "(a) The minutes maintained by the clerk pursuant to this subsection shall record the date  
30 and time of each convening of district and superior court, as well as the date and time of each  
31 recess or adjournment of district and superior court with no further business before the court."  
32

33 **SECTION 18B.8.(b)** The Administrative Office of the Courts shall provide on a  
34 monthly basis the records of the dates and times of convening, recess, and adjournment of  
35 district and superior court collected by each clerk of superior court pursuant to G.S. 7A-109, as  
36 amended by subsection (a) of this section, to the National Center for State Courts, the Fiscal  
37 Research Division, and the Chairs of the Joint Legislative Oversight Committee on Justice and  
38 Public Safety.  
39

40 **SECTION 18B.8.(c)** This section becomes effective January 1, 2014.

## 41 **JUDICIAL FORMS SHALL CONFORM TO JUSTICE REINVESTMENT CHANGES**

42 **SECTION 18B.9.** The Administrative Office of the Courts shall ensure that all  
43 judicial forms being used in the General Court of Justice conform to all of the changes made in  
44 the law with the enactment of the Justice Reinvestment Act of 2011, S.L. 2011-192, as  
45 amended.  
46

## 47 **CRIMINAL CASE INFORMATION SYSTEM FOR PUBLIC DEFENDERS**

48 **SECTION 18B.10.** The Administrative Office of the Courts, in consultation with  
49 the Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand  
50 dollars (\$350,000) in funds available to the Administrative Office of the Courts for the  
51 2013-2015 fiscal biennium and the sum of three hundred fifty thousand dollars (\$350,000) in  
52 funds available to the Office of Indigent Defense Services for the 2013-2015 fiscal biennium to

1 develop or acquire and to implement a component of the Department's criminal case  
 2 information system for use by public defenders no later than February 1, 2015. The  
 3 Administrative Office of the Courts shall make an interim report on the development and  
 4 implementation of this system by February 1, 2014, and a final report on the completed  
 5 implementation of the system by March 1, 2015.

6  
 7 **CLERKS' ACCEPTANCE OF CREDIT CARDS**

8 **SECTION 18B.11.** The Judicial Department shall begin implementation of a  
 9 cost-effective system for the acceptance of credit card payments for court costs to clerks of  
 10 superior court as provided under this section. The Judicial Department shall select at least five  
 11 counties that do not currently accept credit card payments, representing a balance of the urban  
 12 and rural areas of the State, and shall implement the system in those counties by January 1,  
 13 2014. The Department shall report on this implementation and on its plans for implementing  
 14 the system in the remaining counties of the State to the Chairs of the Joint Legislative  
 15 Oversight Committee on Justice and Public Safety by February 1, 2014. The Department shall  
 16 implement the system in the remaining counties of the State by January 1, 2015, and shall  
 17 report on this statewide implementation to the Chairs of the Joint Legislative Oversight  
 18 Committee on Justice and Public Safety by February 1, 2015.

19  
 20 **AMEND CLASS 3 MISDEMEANOR SENTENCES**

21 **SECTION 18B.13.(a)** G.S. 15A-1340.23 reads as rewritten:

22 **"§ 15A-1340.23. Punishment limits for each class of offense and prior conviction level.**

23 (a) **Offense Classification; Default Classifications.** – The offense classification is as  
 24 specified in the offense for which the sentence is being imposed. If the offense is a  
 25 misdemeanor for which there is no classification, it is as classified in G.S. 14-3.

26 (b) **Fines.** – Any judgment that includes a sentence of imprisonment may also include a  
 27 fine. Additionally, when the defendant is other than an individual, the judgment may consist of  
 28 a fine only. If a community punishment is authorized, the judgment may consist of a fine only.  
 29 Unless otherwise provided for a specific offense, the maximum fine that may be imposed is two  
 30 hundred dollars (\$200.00) for a Class 3 misdemeanor and one thousand dollars (\$1,000) for a  
 31 Class 2 misdemeanor. The amount of the fine for a Class 1 misdemeanor and a Class A1  
 32 misdemeanor is in the discretion of the court.

33 (c) **Punishment for Each Class of Offense and Prior Conviction Level; Punishment**  
 34 **Chart Described.** – Unless otherwise provided for a specific offense, the authorized punishment  
 35 for each class of offense and prior conviction level is as specified in the chart below. Prior  
 36 conviction levels are indicated by the Roman numerals placed horizontally on the top of the  
 37 chart. Classes of offenses are indicated by the Arabic numbers placed vertically on the left side  
 38 of the chart. Each grid on the chart contains the following components:

- 39 (1) A sentence disposition or dispositions: "C" indicates that a community  
 40 punishment is authorized; "I" indicates that an intermediate punishment is  
 41 authorized; and "A" indicates that an active punishment is authorized; and
- 42 (2) A range of durations for the sentence of imprisonment: any sentence within  
 43 the duration specified is permitted.

---

44  
 45 **PRIOR CONVICTION LEVELS**

46 **MISDEMEANOR**

47 OFFENSE	48 <u>LEVEL I</u>	49 <u>LEVEL II</u>	50 <u>LEVEL III</u>
48 CLASS	No Prior	One to Four Prior	Five or More
	Convictions	Convictions	Prior Convictions
51 A1	1-60 days C/I/A	1-75 days C/I/A	1-150 days C/I/A

1	1	1-45 days C	1-45 days C/I/A	1-120 days C/I/A
2	2	1-30 days C	1-45 days C/I	1-60 days C/I/A
3	3	1-10 days C	<del>1-15 days C/I</del>	1-20 days C/I/A.
4			<u>1-15 days C</u>	
5			<u>if one to three prior convictions</u>	
6			<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 of the time for which such property has been rented or hired, shall be guilty of a ~~Class 2 misdemeanor~~Class 3 misdemeanor.

1 If the value at the time of the rental or hiring of the truck, automobile, or other motor  
2 vehicle that is not returned is in excess of four thousand dollars (\$4,000), the person who rented  
3 or hired it and failed to return it shall be guilty of a Class H felony."

4 **SECTION 18B.14.(d)** G.S. 14-168.1 reads as rewritten:

5 **"§ 14-168.1. Conversion by bailee, lessee, tenant or attorney-in-fact.**

6 Every person entrusted with any property as bailee, lessee, tenant or lodger, or with any  
7 power of attorney for the sale or transfer thereof, who fraudulently converts the same, or the  
8 proceeds thereof, to his own use, or secretes it with a fraudulent intent to convert it to his own  
9 use, shall be guilty of a ~~Class 1 misdemeanor.~~ Class 3 misdemeanor.

10 If, however, the value of the property converted or secreted, or the proceeds thereof, is in  
11 excess of four hundred dollars (\$400.00), every person so converting or secreting it is guilty of  
12 a Class H felony. In all cases of doubt the jury shall, in the verdict, fix the value of the property  
13 converted or secreted."

14 **SECTION 18B.14.(e)** G.S. 14-168.4(a) reads as rewritten:

15 "(a) It shall be a ~~Class 2 misdemeanor~~ Class 3 misdemeanor for any person to fail to  
16 return rented property with intent to defeat the rights of the owner, which is rented pursuant to a  
17 written rental agreement in which there is an option to purchase the property, after the date of  
18 termination provided in the agreement has occurred or, if the termination date is the occurrence  
19 of a specified event, then that such event has in fact occurred."

20 **SECTION 18B.14.(f)** G.S. 20-28(a) reads as rewritten:

21 "(a) Driving While License Revoked. – Except as provided in subsection (a1) of this  
22 section, any person whose drivers license has been revoked who drives any motor vehicle upon  
23 the highways of the State while the license is revoked is guilty of a Class 3 misdemeanor unless  
24 the person's license was originally revoked for an impaired driving revocation, in which case  
25 the person is guilty of a Class 1 misdemeanor. Upon conviction, the person's license shall be  
26 revoked for an additional period of one year for the first offense, two years for the second  
27 offense, and permanently for a third or subsequent offense.

28 If the person's license was originally revoked for an impaired driving revocation, the court  
29 may order as a condition of probation that the offender abstain from alcohol consumption and  
30 verify compliance by use of a continuous alcohol monitoring system, of a type approved by the  
31 Division of Adult Correction of the Department of Public Safety, for a minimum period of 90  
32 days.

33 The restoree of a revoked drivers license who operates a motor vehicle upon the highways  
34 of the State without maintaining financial responsibility as provided by law shall be punished  
35 as for driving without a license."

36 **SECTION 18B.14.(g)** G.S. 20-35 reads as rewritten:

37 **"§ 20-35. Penalties for violating Article; defense to driving without a license.**

38 (a) Penalty. – ~~A~~ Except as otherwise provided in subsection (a1) of this section, a  
39 violation of this Article is a Class 2 misdemeanor unless a statute in the Article sets a different  
40 punishment for the violation. If a statute in this Article sets a different punishment for a  
41 violation of the Article, the different punishment applies.

42 (a1) The following offenses are Class 3 misdemeanors:

- 43 (1) Failure to obtain a license before driving a motor vehicle, in violation of  
44 G.S. 20-7(a).
- 45 (2) Failure to carry a valid license while driving a motor vehicle, in violation of  
46 G.S. 20-7(a).
- 47 (3) Failure to comply with license restrictions, in violation of G.S. 20-7(e).
- 48 (4) Operation of a motor vehicle with an expired license, in violation of  
49 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                  a 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(c) 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)** Article 5 of Chapter 15A of the General Statutes is amended  
34 by adding a new section to read:

35 **"§ 15A-160. Reporting requirement.**

36       The Department of Justice and the Administrative Office of the Courts shall report jointly  
37 to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety  
38 Oversight by September 1 of each year regarding expunctions. The report shall include all of  
39 the following information:

- 40       (1) The number and types of expunctions granted during the fiscal year in which  
41 the report is made.
- 42       (2) The number and type of expunctions granted each fiscal year for the five  
43 fiscal years preceding the date of the report.
- 44       (3) A full accounting of how the agencies have spent the receipts generated by  
45 the expunction fees received during the fiscal year in which the report is  
46 made and for the five preceding fiscal years."

47       **SECTION 18B.16.(i)** Subsections (a) through (f) of this section become effective  
48 September 1, 2013, and apply to petitions for expunctions filed on or after that date.

49  
50 **AMEND MOTION FEES**

1           **SECTION 18B.17.(a)** G.S. 7A-305(f), as amended by Section 4(a) of S.L.  
2 2013-225, reads as rewritten:

3           "(f) For the support of the General Court of Justice, the sum of twenty dollars (\$20.00)  
4 shall accompany any filing ~~containing one or more motions of a notice of hearing on a motion~~  
5 not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of  
6 hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys'  
7 fees, to a motion filed pursuant to G.S. 1C-1602 or G.S. 1C-1603, or to a motion filed by a  
8 child support enforcement agency established pursuant to Part D of Title IV of the Social  
9 Security Act. No more than one fee shall be assessed for any motion for which a notice of  
10 hearing is filed, regardless of whether the hearing is continued, rescheduled, or otherwise  
11 delayed."

12           **SECTION 18B.17.(b)** G.S. 7A-306(g), as amended by Section 4(b) of S.L.  
13 2013-225, reads as rewritten:

14           "(g) For the support of the General Court of Justice, the sum of twenty dollars (\$20.00)  
15 shall accompany any filing ~~containing one or more motions of a notice of hearing on a motion~~  
16 not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of  
17 hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys'  
18 fees, or to a motion filed pursuant to G.S. 1C-1602 or G.S. 1C-1603. No more than one fee  
19 shall be assessed for any motion for which a notice of hearing is filed, regardless of whether the  
20 hearing is continued, rescheduled, or otherwise delayed."

21           **SECTION 18B.17.(c)** G.S. 7A-307(a)(4), as amended by Section 4(c) of S.L.  
22 2013-225, reads as rewritten:

23           "(4) For the support of the General Court of Justice, the sum of twenty dollars  
24 (\$20.00) shall accompany any filing ~~requiring a notice of hearing and~~  
25 ~~containing one or more motions of a notice of hearing on a motion~~ not listed  
26 in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a  
27 notice of hearing on a motion containing as a sole claim for relief the taxing  
28 of costs, including attorneys' fees, or to a motion filed pursuant to  
29 G.S. 1C-1602 or G.S. 1C-1603. No more than one fee shall be assessed for  
30 any motion for which a notice of hearing is filed, regardless of whether the  
31 hearing is continued, rescheduled, or otherwise delayed."

32           **SECTION 18B.17.(d)** This section becomes effective August 1, 2013, and applies  
33 to notices of hearing on a motion not listed in G.S. 7A-308 filed on or after that date.

## 34 **CRIMINAL JUSTICE EDUCATION AND STANDARDS COMMISSION COURT FEE**

35           **SECTION 18B.18.(a)** G.S. 7A-304(a) reads as rewritten:

36           "(a) In every criminal case in the superior or district court, wherein the defendant is  
37 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the  
38 prosecuting witness, the following costs shall be assessed and collected. No costs may be  
39 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of  
40 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs  
41 assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8)  
42 of this section.

43 ...

44           (3b) For the services, staffing, and operations of the Criminal Justice Education  
45 and Standards ~~Commission and the Sheriffs' Education and Training~~  
46 ~~Standards~~Commission, the sum of two dollars (\$2.00) to be remitted to the  
47 Department of Justice. ~~One dollar and thirty cents (\$1.30) of this sum shall~~  
48 ~~be used exclusively for the Criminal Justice Education and Standards~~  
49 ~~Commission, and seventy cents (70¢) shall be used exclusively for the~~  
50 ~~Sheriffs' Education and Training Standards Commission.~~  
51

1 ...."

2 **SECTION 18B.18.(b)** This section becomes effective August 1, 2013, and applies  
3 to all costs assessed or collected on or after that date.

4  
5 **COURT COSTS FOR SERVICES OF EXPERT WITNESS PROVIDING TESTIMONY**  
6 **ABOUT A CHEMICAL OR FORENSIC ANALYSIS AT TRIAL**

7 **SECTION 18B.19.(a)** G.S. 7A-304(a) reads as rewritten:

8 "(a) In every criminal case in the superior or district court, wherein the defendant is  
9 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the  
10 prosecuting witness, the following costs shall be assessed and collected. No costs may be  
11 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of  
12 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs  
13 assessed under this section or (ii) waive or reduce costs assessed under ~~subdivisions (7) or~~  
14 (8) subdivision (7), (8), (11), or (12) of this section.

15 ...  
16 (11) For the services of an expert witness employed by the North Carolina State  
17 Crime Laboratory who completes a chemical analysis pursuant to  
18 G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides  
19 testimony about that analysis in a defendant's trial, the district or superior  
20 court judge shall, upon conviction of the defendant, order payment of the  
21 sum of six hundred dollars (\$600.00) to be remitted to the Department of  
22 Justice for support of the State Crime Laboratory. This cost shall be assessed  
23 only in cases in which the expert witness provides testimony about the  
24 chemical or forensic analysis in the defendant's trial and shall be in addition  
25 to any cost assessed under subdivision (7) of this subsection.

26 (12) For the services of an expert witness employed by a crime laboratory  
27 operated by a local government or group of local governments who  
28 completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic  
29 analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis  
30 in a defendant's trial, the district or superior court judge shall, upon  
31 conviction of the defendant, order payment of the sum of six hundred dollars  
32 (\$600.00) to be remitted to the general fund of the local governmental unit  
33 that operates the laboratory to be used for local law enforcement. This cost  
34 shall be assessed only in cases in which the expert witness provides  
35 testimony about the chemical or forensic analysis in the defendant's trial and  
36 shall be in addition to any cost assessed under subdivision (8) of this  
37 subsection."

38 **SECTION 18B.19.(b)** This section becomes effective August 1, 2013, and applies  
39 to fees assessed or collected on or after that date.

40  
41 **REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

42 **SECTION 18B.20.** Notwithstanding the provisions of G.S. 138-6(a)(1), the  
43 Judicial Department, during the 2013-2015 fiscal biennium, may elect to establish a per-mile  
44 reimbursement rate for transportation by privately owned vehicles at a rate less than the  
45 business standard mileage rate set by the Internal Revenue Service.

46  
47 **STUDY USE AND COMPENSATION OF COURT REPORTERS**

48 **SECTION 18B.21.** The Administrative Office of the Courts, in consultation with  
49 the National Center for State Courts, shall study the most effective and efficient deployment of  
50 court reporters to produce timely records of court proceedings and the most appropriate and  
51 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.

**COMPENSATION OF COURT REPORTERS**

**SECTION 18B.21A.** The Administrative Office of the Courts shall set the limits on compensation and allowances of court reporters provided for in G.S. 7A-95(e) and G.S. 7A-198(f) during the 2013-2015 fiscal biennium so that (i) the Administrative Office of the Courts pays no more than fifty percent (50%) of the per-transcript-page rate paid by the Administrative Office of the Courts during the 2011-2013 fiscal biennium and (ii) the Office of Indigent Defense Services pays no more than fifty percent (50%) of the per-transcript-page rate paid by the Office of Indigent Defense Services during the 2011-2013 fiscal biennium.

**CONSOLIDATE DISTRICT COURT AND PROSECUTORIAL DISTRICTS 6A AND 6B/RESTRUCTURE SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 16A, 19B, AND 20A/AUTHORIZE ADDITIONAL DISTRICT COURT JUDGE FOR DISTRICT COURT DISTRICT 21**

**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, Tyrrell, Washington	1
First	3A	Pitt	2
Second	3B	Carteret, Craven, Pamlico	3
Second	4A	Duplin, Jones, Sampson	1
Second	4B	Onslow	1
Second	5A	(part of New Hanover, part of Pender see subsection (b))	1
	5B	(part of New Hanover, part of Pender see subsection (b))	1
	5C	(part of New Hanover, see subsection (b))	1
First	6A	Halifax	1
First	6B	Bertie, Hertford, Northampton	1
First	7A	Nash	1

1	First	7B	(part of Wilson,	1
2			part of Edgecombe,	
3			see subsection (b))	
4	First	7C	(part of Wilson,	1
5			part of Edgecombe,	
6			see subsection (b))	
7	Second	8A	Lenoir and Greene	1
8	Second	8B	Wayne	1
9	Third	9	Franklin, Granville,	2
10			Vance, Warren	
11	Third	9A	Person, Caswell	1
12	Third	10A	(part of Wake,	1
13			see subsection (b))	
14	Third	10B	(part of Wake,	1
15			see subsection (b))	
16	Third	10C	(part of Wake,	1
17			see subsection (b))	
18	Third	10D	(part of Wake,	1
19			see subsection (b))	
20	Third	10E	(part of Wake,	1
21			see subsection (b))	
22	Third	10F	(part of Wake,	1
23			see subsection (b))	
24	Fourth	11A	Harnett,	1
25			Lee	
26	Fourth	11B	Johnston	1
27	Fourth	12A	(part of Cumberland,	1
28			see subsection (b))	
29	Fourth	12B	(part of Cumberland,	1
30			see subsection (b))	
31	Fourth	12C	(part of Cumberland,	2
32			see subsection (b))	
33	Fourth	13A	Bladen, Columbus	1
34	Fourth	13B	Brunswick	1
35	Third	14A	(part of Durham,	1
36			see subsection (b))	
37	Third	14B	(part of Durham,	3
38			see subsection (b))	
39	Third	15A	Alamance	2
40	Third	15B	Orange, Chatham	2
41	Fourth	16A	<u>Anson, Richmond,</u>	
42			Scotland, Hoke	<u>4</u>
43	Fourth	16B	Robeson	2
44	Fifth	17A	Rockingham	2
45	Fifth	17B	Stokes, Surry	2
46	Fifth	18A	(part of Guilford,	1
47			see subsection (b))	
48	Fifth	18B	(part of Guilford,	1
49			see subsection (b))	
50	Fifth	18C	(part of Guilford,	1
51			see subsection (b))	

1	Fifth	18D	(part of Guilford,	1
2			see subsection (b))	
3	Fifth	18E	(part of Guilford,	1
4			see subsection (b))	
5	Sixth	19A	Cabarrus	1
6	Fifth	19B	Montgomery, Randolph	1
7	Sixth	19C	Rowan	1
8	<del>Fifth</del> Fourth	19D	Moore	1
9	Sixth	20A	<del>Anson, Richmond,</del>	<u>2</u>
10			<del>Stanley</del> Stanly	
11	Sixth	20B	Union	2
12	Fifth	21A	(part of Forsyth,	1
13			see subsection (b))	
14	Fifth	21B	(part of Forsyth,	1
15			see subsection (b))	
16	Fifth	21C	(part of Forsyth,	1
17			see subsection (b))	
18	Fifth	21D	(part of Forsyth,	1
19			see subsection (b))	
20	Sixth	22A	Alexander, Iredell	2
21	Sixth	22B	Davidson, Davie	2
22	Fifth	23	Alleghany, Ashe,	1
23			Wilkes, Yadkin	
24	Eighth	24	Avery, Madison,	2
25			Mitchell,	
26			Watauga, Yancey	
27	Seventh	25A	Burke, Caldwell	2
28	Seventh	25B	Catawba	2
29	Seventh	26A	(part of Mecklenburg,	2
30			see subsection (b))	
31	Seventh	26B	(part of Mecklenburg,	3
32			see subsection (b))	
33	Seventh	26C	(part of Mecklenburg,	2
34			see subsection (b))	
35	Seventh	27A	Gaston	2
36	Seventh	27B	Cleveland, Lincoln	2
37	Eighth	28	Buncombe	2
38	Eighth	29A	McDowell,	1
39			Rutherford	
40	Eighth	29B	Henderson, Polk,	1
41			Transylvania	
42	Eighth	30A	Cherokee, Clay,	1
43			Graham, Macon,	
44			Swain	
45	Eighth	30B	Haywood, Jackson	1."

46 **SECTION 18B.22.(c)** The two superior court judgeships established for Superior  
47 Court District 16A by subsection (a) of this section shall be filled by the superior court judge  
48 currently serving Superior Court District 16A who resides in Scotland County and by the  
49 superior court judge currently serving Superior Court District 20A who resides in Richmond  
50 County. The terms of those judges expire December 31, 2016, and successors shall be elected  
51 in the 2016 general election for eight-year terms commencing January 1, 2017.

1           **SECTION 18B.22.(e)** The superior court judgeship established for Superior Court  
 2 District 20A by subsection (a) of this section shall be filled by the superior court judge  
 3 currently serving Superior Court District 20A who resides in Stanly County. The term of that  
 4 judge expires December 31, 2016, and a successor shall be elected in the 2016 general election  
 5 for an eight-year term commencing January 1, 2017.

6           **SECTION 18B.22.(f)** G.S. 7A-133(a) reads as rewritten:

7           "(a) Each district court district shall have the numbers of judges as set forth in the  
 8 following table:

District	Judges	County
1	5	Camden Chowan Currituck Dare Gates Pasquotank Perquimans
2	4	Martin Beaufort Tyrrell Hyde Washington
3A	5	Pitt
3B	6	Craven Pamlico Carteret
4	8	Sampson Duplin Jones Onslow
5	9	New Hanover Pender
<del>6A</del>	<del>3</del>	<del>Halifax</del>
<del>6B</del> <u>6</u>	<del>3</del> <u>4</u>	Northampton Bertie Hertford <u>Halifax</u>
7	7	Nash Edgecombe Wilson
8	6	Wayne Greene Lenoir
9	4	Granville (part of Vance see subsection (b)) Franklin
9A	2	Person
9B	2	Caswell Warren (part of Vance)

1			see subsection (b))
2	10	19	Wake
3	11	11	Harnett
4			Johnston
5			Lee
6	12	10	Cumberland
7	13	6	Bladen
8			Brunswick
9			Columbus
10	14	7	Durham
11	15A	4	Alamance
12	15B	5	Orange
13			Chatham
14	16A	<u>36</u>	Scotland
15			Hoke
16			<u>Anson</u>
17			<u>Richmond</u>
18	16B	5	Robeson
19	17A	3	Rockingham
20	17B	4	Stokes
21			Surry
22	18	14	Guilford
23	19A	4	Cabarrus
24	19B	7	Montgomery
25			Moore
26			Randolph
27	19C	5	Rowan
28	20A	<u>42</u>	Stanly
29			<del>Anson</del>
30			<del>Richmond</del>
31	20B	1	(part of Union
32			see subsection (b))
33	20C	2	(part of Union
34			see subsection (b))
35	20D	1	Union
36	21	<u>1011</u>	Forsyth
37	22A	5	Alexander
38			Iredell
39	22B	6	Davidson
40			Davie
41	23	4	Alleghany
42			Ashe
43			Wilkes
44			Yadkin
45	24	4	Avery
46			Madison
47			Mitchell
48			Watauga
49			Yancey
50	25	9	Burke
51			Caldwell



1			Catawba
2	26	21	Mecklenburg
3	27A	7	Gaston
4	27B	5	Cleveland
5			Lincoln
6	28	7	Buncombe
7	29A	3	McDowell
8			Rutherford
9	29B	4	Henderson
10			Polk
11			Transylvania
12	30	6	Cherokee
13			Clay
14			Graham
15			Haywood
16			Jackson
17			Macon
18			Swain."

19 **SECTION 18B.22.(g)** The four district judgeships established for District Court  
 20 District 6 by subsection (f) of this section shall be filled by:

- 21 (1) The three district court judges currently serving District Court District 6A  
 22 who reside in Halifax County whose terms expire December 31, 2016.  
 23 Successors shall be elected in the 2016 general election for four-year terms  
 24 commencing January 1, 2017.
- 25 (2) The district court judge currently serving District Court District 6B who  
 26 resides in Northampton County whose term expires December 31, 2016. A  
 27 successor shall be elected in the 2016 general election for a four-year term  
 28 commencing January 1, 2017.

29 **SECTION 18B.22.(h)** The six district court judgeships established for District  
 30 Court District 16A by subsection (f) of this section shall be filled by:

- 31 (1) The district court judge currently serving District Court District 16A who  
 32 resides in Scotland County whose term expires December 31, 2016.
- 33 (2) The district court judge currently serving District Court District 20A who  
 34 resides in Richmond County whose term expires December 31, 2016.
- 35 (3) The district court judge currently serving District Court District 20A who  
 36 resides in Anson County whose term expires December 31, 2016.
- 37 (4) Election of three judges in the 2014 general election for four-year terms  
 38 commencing January 1, 2015.

39 **SECTION 18B.22.(i)** The additional district court judgeship authorized for District  
 40 Court District 21 by subsection (f) of this section shall be filled by election of a district court  
 41 judge in the 2014 general election for a four-year term commencing January 1, 2015.

42 **SECTION 18B.22.(j)** The two district court judgeships established for District  
 43 Court District 20A by subsection (f) of this section shall be filled by election of two district  
 44 court judges in the 2014 general election for four-year terms commencing January 1, 2015.

45 **SECTION 18B.22.(k)** G.S. 7A-60 reads as rewritten:

46 **"§ 7A-60. District attorneys and prosecutorial districts.**

47 (a) The State shall be divided into prosecutorial districts, as shown in subsection (a1) of  
 48 this section. There shall be a district attorney for each prosecutorial district, as provided in  
 49 subsections (b) and (c) of this section who shall be a resident of the prosecutorial district for  
 50 which elected. A vacancy in the office of district attorney shall be filled as provided in Article  
 51 IV, Sec. 19 of the Constitution.

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time 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
<del>6A</del>	<del>Halifax</del>	<del>5</del>
<del>6B</del>	Bertie, <u>Halifax</u> , Hertford, Northampton	<u>510</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
13	Bladen, Brunswick, Columbus	13
14	Durham	18
15A	Alamance	11
15B	Orange, Chatham	10
16A	Scotland, Hoke	7
16B	Robeson	12
<u>16C</u>	<u>Anson, Richmond</u>	<u>6</u>
17A	Rockingham	7
17B	Stokes, Surry	8
18	Guilford	32
19A	Cabarrus	9
19B	Montgomery, Randolph	9
19C	Rowan	8
19D	Moore	5
20A	<del>Anson, Richmond,</del> Stanly	<del>115</del>
20B	Union	10
21	Forsyth	25
22A	Alexander, Iredell	11
22B	Davidson, Davie	11
23	Alleghany, Ashe, Wilkes, Yadkin	8
24	Avery, Madison, Mitchell,	7

1		Watauga, Yancey	
2	25	Burke, Caldwell, Catawba	18
3	26	Mecklenburg	58
4	27A	Gaston	14
5	27B	Cleveland,	11
6		Lincoln	
7	28	Buncombe	14
8	29A	McDowell, Rutherford	7
9	29B	Henderson, Polk, Transylvania	8
10	30	Cherokee, Clay, Graham,	10
11		Haywood, Jackson, Macon,	
12		Swain.	

13 ...."

14 **SECTION 18B.22.(l)** The district attorney position established for Prosecutorial  
 15 District 6 by subsection (k) of this section shall be filled by election in the 2014 general  
 16 election for a four-year term commencing January 1, 2015. The district attorney positions for  
 17 current Prosecutorial Districts 6A and 6B shall expire December 31, 2014.

18 **SECTION 18B.22.(n)** The district attorney position established for Prosecutorial  
 19 District 20A by subsection (k) of this section shall be filled by election in the 2014 general  
 20 election for a four-year term commencing January 1, 2015.

21 **SECTION 18B.22.(p)** The district attorney position established for Prosecutorial  
 22 District 16C by subsection (k) of this section shall be filled by election in the 2014 general  
 23 election for a four-year term commencing January 1, 2015.

24 **SECTION 18B.22.(q)** This section becomes effective January 1, 2015, except that  
 25 those provisions of this section requiring election in the 2014 general election are effective to  
 26 provide for those elections when they become law.

27  
 28 **PART XIX. DEPARTMENT OF CULTURAL RESOURCES**

29  
 30 **CULTURAL RESOURCES TO FIND ALTERNATIVE FUNDING FOR STATE**  
 31 **HISTORIC SITES**

32 **SECTION 19.1.** In an effort to reduce funding of the State's 27 Historic Sites, the  
 33 Department of Cultural Resources shall find alternative funding sources to support these sites  
 34 by actively seeking support from the following: (i) the local governments where these Historic  
 35 Sites are located, (ii) the nonprofit groups associated with these Historic Sites, and (iii) other  
 36 private sources.

37  
 38 **ALLOW EXEMPTION TO RULE-MAKING PROCESS FOR ESTABLISHING AND**  
 39 **CHANGING ADMISSION AND ACTIVITY FEES AT STATE HISTORIC SITES,**  
 40 **MUSEUMS, TRYON PALACE HISTORIC SITES AND GARDENS, AND THE**  
 41 **U.S.S. NORTH CAROLINA BATTLESHIP**

42 **SECTION 19.2.(a)** G.S. 121-7.3, as amended by S.L. 2013-297, reads as rewritten:

43 **"§ 121-7.3. Admission and related activity fees.**

44 The Department of Cultural Resources may charge a reasonable admission and related  
 45 activity fee to any historic site or museum administered by the Department. Admission and  
 46 related activity fees collected under this section are receipts of the Department and shall be  
 47 deposited in the appropriate special fund. The revenue collected pursuant to this section shall  
 48 be used only for the individual historic site or museum where the receipts were generated. The  
 49 Secretary may adopt rules necessary to carry out the provisions of this section. The Department  
 50 is exempt from the requirements of Chapter 150B of the General Statutes when adopting,  
 51 amending, or repealing rules for admission fees or related activity fees at historic sites and

1 museums. The Department shall ~~provide~~ submit a ~~quarterly~~ report to the Joint Legislative  
2 Commission on Governmental Operations ~~as to the Department's or museums' anticipated use~~  
3 ~~of funds or expenditures of funds pursuant to this section on the amount and purpose of a fee~~  
4 change within 30 days following its effective date."

5 **SECTION 19.2.(b)** G.S. 143B-71, as amended by S.L. 2013-297, reads as  
6 rewritten:

7 **"§ 143B-71. Tryon Palace Commission – creation, powers and duties.**

8 There is hereby created the Tryon Palace Commission of the Department of Cultural  
9 Resources with the power and duty to adopt, amend and rescind rules and regulations  
10 concerning the restoration and maintenance of the Tryon Palace complex, and other powers and  
11 duties as provided in Article 2 of Chapter 121 of the General Statutes of North Carolina,  
12 including the authority to charge reasonable admission and related activity fees. The  
13 Commission is exempt from the requirements of Chapter 150B of the General Statutes when  
14 adopting, amending, or repealing rules for admission fees or related activity fees at Tryon  
15 Palace Historic Sites and Gardens. The Commission shall submit a report to the Joint  
16 Legislative Commission on Governmental Operations on the amount and purpose of a fee  
17 change within 30 days following its effective date."

18 **SECTION 19.2.(c)** G.S. 143B-73 reads as rewritten:

19 **"§ 143B-73. U.S.S. North Carolina Battleship Commission – creation, powers and duties.**

20 There is hereby created the U.S.S. North Carolina Battleship Commission of the  
21 Department of Cultural Resources with the power and duty to adopt, amend, and rescind rules  
22 and regulations under and not inconsistent with the laws of this State necessary in carrying out  
23 the provisions and purposes of this Part.

24 ...

- 25 (3) The Commission shall adopt rules and regulations consistent with the  
26 provisions of this Chapter. The Commission is exempt from the  
27 requirements of Chapter 150B of the General Statutes when adopting,  
28 amending, or repealing rules for admission fees or related activity fees at the  
29 U.S.S. North Carolina Battleship. The Commission shall submit a report to  
30 the Joint Legislative Commission on Governmental Operations on the  
31 amount and purpose of a fee change within 30 days following its effective  
32 date."

33 **SECTION 19.2.(d)** G.S. 150B-1(d) is amended by adding the following new  
34 subdivisions to read:

- 35 "(23) The Department of Cultural Resources with respect to admission fees or  
36 related activity fees at historic sites and museums pursuant to G.S. 121-7.3.  
37 (24) Tryon Palace Commission with respect to admission fees or related activity  
38 fees pursuant to G.S. 143B-71.  
39 (25) U.S.S. Battleship Commission with respect to admission fees or related  
40 activity fees pursuant to G.S. 143B-73."

41 **ALLOW MUSEUMS AND HISTORIC SITES TO GENERATE REVENUE FROM**  
42 **VENDOR SERVICES AND TO SELL CERTAIN MERCHANDISE**

43 **SECTION 19.3.(a)** Article 3 of Chapter 111 of the General Statutes is amended by  
44 adding a new section to read:

45 **"§ 111-47.2. Food service at museums and historic sites operated by the Department of**  
46 **Cultural Resources.**

47 Notwithstanding Article 3 of Chapter 111 of the General Statutes, the North Carolina  
48 Department of Cultural Resources may operate or contract for the operation of food or vending  
49 services at museums and historic sites operated by the Department. Notwithstanding  
50 G.S. 111-43, the net proceeds of revenue generated by food and vending services provided at  
51 museums and historic sites operated by the Department or a vendor with whom the Department

1 has contracted shall be credited to the appropriate fund of the museum or historic site where the  
 2 funds were generated and shall be used for the operation of that museum or historic site."

3 **SECTION 19.3.(b)** G.S. 111-47.2, as enacted by subsection (a) of this section,  
 4 shall not be construed to alter any contract for food or vending services at any museum or  
 5 historic site operated by the Department that is in force at the time this section becomes law.

6 **SECTION 19.3.(c)** G.S. 66-58(b) is amended by adding a new subdivision to read:

7 "(b) The provisions of subsection (a) of this section shall not apply to:

8 ...

9 (9b) The Department of Cultural Resources for the sale of food pursuant to  
 10 G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related  
 11 items at historic sites and museums administered by the Department.

12 ...."

### 14 EXECUTIVE MANSION EXCESS PROPERTY

15 **SECTION 19.8.(a)** G.S. 143B-79 reads as rewritten:

16 "**§ 143B-79. Executive Mansion Fine Arts Committee – creation, powers and duties.**

17 There is hereby created the Executive Mansion Fine Arts Committee. The Executive  
 18 Mansion Fine Arts Committee shall have the following functions and duties:

19 ...

20 (7) The Committee may dispose of property held in the Executive Mansion after  
 21 consultation with a review committee comprised of one person from the  
 22 Executive Mansion Fine Arts Committee, appointed by its chairman; one  
 23 person from the Department of Administration appointed by the Secretary of  
 24 Administration; and two qualified professionals from the Department of  
 25 Cultural Resources, Division of Archives and History, appointed by the  
 26 Secretary of Cultural Resources. Upon request of the Executive Mansion  
 27 Fine Arts Committee, the review committee will view proposed items for  
 28 disposition and make a recommendation to the North Carolina Historical  
 29 Commission who will make a final decision. The Historical Commission  
 30 must consider whether the disposition is in the best interest of the State of  
 31 North Carolina. If ~~such any~~ property is sold, ~~(i) if the records with regard to~~  
 32 ~~the property reflect that it was acquired by the State by gift or devise the net~~  
 33 ~~proceeds of each such sale shall be deposited in the State Treasury to the~~  
 34 ~~credit of the Executive Mansion, Special Fund, and shall be used only for the~~  
 35 ~~purchase, conservation, restoration or repair of other property for use in the~~  
 36 ~~Executive Mansion and; (ii) if the records with regard to the property reflect~~  
 37 ~~that the property was acquired by the State by purchase with appropriated~~  
 38 ~~funds or do not show the manner of acquisition, the net proceeds of such sale~~  
 39 ~~shall be deposited in the General Fund. Mansion."~~

40 **SECTION 19.8.(b)** Notwithstanding G.S. 143B-79(7) or any other law pertaining  
 41 to surplus State property, the Executive Mansion Fine Arts Committee shall obtain an appraisal  
 42 of all items held in the Executive Mansion proposed for disposition. If House Bill 153 of the  
 43 2013 General Assembly becomes law, the Committee shall, prior to the sale of any item, report  
 44 to the Joint Legislative Oversight Committee on General Government on the items inventoried  
 45 and their value. If House Bill 153 of the 2013 General Assembly does not become law, the  
 46 Committee shall, prior to the sale of any item, report to the Chairs of the House Appropriations  
 47 Subcommittee on General Government, the Senate Appropriations Committee on General  
 48 Government and Information Technology, and to the Fiscal Research Division.

### 50 ROANOKE ISLAND FUNDING/FRIENDS OF ELIZABETH II SUPPORT

1           **SECTION 19.9.** The Roanoke Island Commission shall request financial support  
2 from the Friends of Elizabeth II, Inc., in the amount of three hundred twenty-five thousand  
3 dollars (\$325,000) or a sum equal to the average of the last three consecutive years of the  
4 Friends' investment earnings, whichever is greater, for each fiscal year of the 2013-2015  
5 biennium and for each subsequent fiscal year. These funds shall be used pursuant to  
6 G.S. 143B-131.2.

7  
8 **PART XX. DEPARTMENT OF INSURANCE**

9  
10 **CONSUMER PROTECTION FUND RETAINED AMOUNT**

11           **SECTION 20.1.** G.S. 58-2-215 reads as rewritten:

12 **"§ 58-2-215. Consumer Protection Fund.**

13           ...  
14           (c) Moneys appropriated by the General Assembly shall be deposited in the Fund and  
15 shall become a part of the continuation budget of the Department of Insurance. Such  
16 continuation budget amount shall equal the actual expenditures drawn from the Fund during the  
17 prior fiscal year plus the official inflation rate designated by the Director of the Budget in the  
18 preparation of the State Budget for each ensuing fiscal year; provided that if interest income on  
19 the Fund exceeds the amount yielded by the application of the official inflation rate, such  
20 continuation budget amount shall be the actual expenditures drawn from the Fund. In the event  
21 the amount in the Fund exceeds ~~five hundred thousand dollars (\$500,000)~~ two hundred fifty  
22 thousand dollars (\$250,000) at the end of any fiscal year, such excess shall revert to the General  
23 Fund."

24  
25 **WORKERS' COMPENSATION FUND/ALLOCATION FOR VOLUNTEER SAFETY**  
26 **WORKERS**

27           **SECTION 20.2.(a)** G.S. 105-228.5(d)(3) reads as rewritten:

28           "(d) Tax Rates; Disposition. –

29           ...  
30           (3) Additional Rate on Property Coverage Contracts. – An additional tax at the  
31 rate of seventy-four hundredths percent (0.74%) applies to gross premiums  
32 on insurance contracts for property coverage. The tax is imposed on ten  
33 percent (10%) of the gross premiums from insurance contracts for  
34 automobile physical damage coverage and on one hundred percent (100%)  
35 of the gross premiums from all other contracts for property coverage. ~~Thirty~~  
36 ~~percent (30%)~~ Twenty-five percent (25%) of the net proceeds of this  
37 additional tax must be credited to the Volunteer Fire Department Fund  
38 established in Article 87 of Chapter 58 of the General Statutes. ~~Twenty-five~~  
39 ~~percent (25%)~~ Twenty percent (20%) of the net proceeds must be credited to  
40 the Department of Insurance for disbursement pursuant to G.S. 58-84-25.  
41 ~~The remaining net proceeds must be credited to the General Fund. Up to~~  
42 twenty percent (20%), as determined in accordance with G.S. 58-87-10(f),  
43 must be credited to the Workers' Compensation Fund. The remaining net  
44 proceeds must be credited to the General Fund.

45           The following definitions apply in this subdivision:

- 46           a. Automobile physical damage. – The following lines of business  
47 identified by the NAIC: private passenger automobile physical  
48 damage and commercial automobile physical damage.  
49           b. Property coverage. – The following lines of business identified by  
50 the NAIC: fire, farm owners multiple peril, homeowners multiple  
51 peril, nonliability portion of commercial multiple peril, ocean

1 marine, inland marine, earthquake, private passenger automobile  
2 physical damage, commercial automobile physical damage, aircraft,  
3 and boiler and machinery. The term also includes insurance contracts  
4 for wind damage.

5 c. NAIC. – National Association of Insurance Commissioners."

6 **SECTION 20.2.(b)** G.S. 58-87-1 reads as rewritten:

7 **"§ 58-87-1. Volunteer Fire Department Fund.**

8 (a) Fund. – The Volunteer Fire Department Fund is created as an interest-bearing,  
9 nonreverting fund in the Department to provide matching grants to volunteer fire departments  
10 to purchase equipment and make capital improvements. The Commissioner shall administer the  
11 Fund. Up to ~~two percent (2%)~~ one percent (1%) of the Fund may be used for additional staff and  
12 resources to administer the Fund in each fiscal year.

13 ...."

14 **SECTION 20.2.(c)** G.S. 58-84-25 reads as rewritten:

15 **"§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

16 (a) Distribution. – The Insurance Commissioner shall deduct the sum of three percent  
17 (3%) from the tax proceeds credited to the Department pursuant to G.S. 105-228.5(d)(3) and  
18 pay the same over to the treasurer of the State Firemen's Association for general purposes. The  
19 Insurance Commissioner shall deduct the sum of ~~two percent (2%)~~ one percent (1%) from the  
20 tax proceeds and retain the same in the budget of the Department of Insurance for the purpose  
21 of administering the disbursement of funds by the board of trustees in accordance with the  
22 provisions of G.S. 58-84-35. The Insurance Commissioner shall, pursuant to G.S. 58-84-50,  
23 credit the amount forfeited by nonmember fire districts to the North Carolina State Firemen's  
24 Association. The Insurance Commissioner shall distribute the remaining tax proceeds to the  
25 treasurer of each fire district as provided in subsections (b) and (c) of this section.

26 ...."

27 **SECTION 20.2.(d)** G.S. 58-87-10 reads as rewritten:

28 **"§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

29 (a) Definition. – As used in this section, the term "eligible unit" means a volunteer fire  
30 department or volunteer rescue/EMS unit that is not part of a unit of local government and is  
31 exempt from State income tax under G.S. 105-130.11.

32 (b) Creation. – The Workers' Compensation Fund is created in the Department of  
33 Insurance as an expendable trust fund. Accordingly, interest and other investment income  
34 earned by the Fund accrues to it, and revenue in the Fund at the end of a fiscal year remains in  
35 the Fund and does not revert.

36 (c) Use. – Revenue in the Workers' Compensation Fund shall be used to provide  
37 workers' compensation benefits to members of eligible units. Chapter 97 of the General Statutes  
38 governs the payment of benefits from the Fund. Benefits are payable for compensable injuries  
39 or deaths that occur on or after July 1, 1996.

40 (d) Administration. – The State Fire and Rescue Commission, established under  
41 G.S. 58-78-1, shall administer the Workers' Compensation Fund and shall perform this duty by  
42 contracting with a third-party administrator. The contracting procedure is not subject to Article  
43 3C of Chapter 143 of the General Statutes. The reasonable and necessary expenses incurred by  
44 the Commission in administering the Fund shall be paid out of the Fund by the State Treasurer.  
45 The Commission may adopt rules to implement this section.

46 (e) Revenue Source. – Revenue is credited to the Workers' Compensation Fund from  
47 ~~appropriations made to the Department of Insurance for this purpose.~~ a portion of the proceeds  
48 of the tax levied under G.S. 105-228.5(d)(3). In addition, every eligible unit that elects to  
49 participate shall pay into the Fund an amount set annually by the State Fire and Rescue  
50 Commission to ensure that the Fund will be able to meet its payment obligations under this

1 section. The amount shall be set as a per capita fixed dollar amount for each member of the  
2 roster of the eligible unit.

3 The payment shall be made to the State Fire and Rescue Commission on or before July 1 of  
4 each year. The Commission shall remit the payments it receives to the State Treasurer, who  
5 shall credit the payments to the Fund.

6 (f) The amount of the tax imposed by G.S. 105-228.5(d)(3) credited to the Workers'  
7 Compensation Fund shall be the maximum allowed under that statute."

8 **SECTION 20.2.(e)** G.S. 58-87-10, as amended by subsection (d) of this section,  
9 reads as rewritten:

10 **"§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

11 ...  
12 ~~(f) The amount of the tax imposed by G.S. 105-228.5(d)(3) credited to the Workes'~~  
13 ~~Compensation Fund shall be the maximum allowed under that statute.~~Funding Study. – The  
14 Department of Insurance shall conduct a periodic actuarial study to calculate the amount  
15 required to meet the needs of the Fund. The study shall be based on a revenue amount that is  
16 the greater of the amount paid by members of the Fund as determined under subsection (e) of  
17 this section for the fiscal year to which the study applies or the amount paid by members of the  
18 Fund as determined under subsection (e) of this section for fiscal year 2012-2013. The study  
19 shall be reviewed by the Office of State Budget and Management. On or before March 1 of  
20 each year, the Office of State Budget and Management, in consultation with the Department of  
21 Insurance, must notify the Secretary of Revenue of the amount required to meet the needs of  
22 the Fund, as determined by the study, for the upcoming fiscal year. The Secretary of Revenue  
23 shall remit that amount, subject to the twenty percent (20%) limitation in G.S. 105-228.5(d)(3),  
24 to the Fund."

25 **SECTION 20.2.(f)** Subsection (e) of this section becomes effective April 1, 2016.

#### 26 SET INSURANCE REGULATORY CHARGE

27 **SECTION 20.3.(a)** The percentage rate to be used in calculating the insurance  
28 regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2013 and 2014 calendar years.

29 **SECTION 20.3.(b)** This section is effective when it becomes law.

### 30 PART XXI. STATE BOARD OF ELECTIONS

#### 31 ELIMINATE NORTH CAROLINA PUBLIC CAMPAIGN FUND

32 **SECTION 21.1.(a)** Article 22D of Chapter 163 of the General Statutes is repealed,  
33 except that G.S. 163-278.69 is repealed effective upon exhaustion of the funds for publication  
34 of the Judicial Voter Guide.

35 **SECTION 21.1.(b)** G.S. 84-34 reads as rewritten:

36 **"§ 84-34. Membership fees and list of members.**

37 Every active member of the North Carolina State Bar shall, prior to the first day of July of  
38 each year, pay to the secretary-treasurer an annual membership fee in an amount determined by  
39 the Council but not to exceed three hundred dollars (\$300.00), ~~plus a surcharge of fifty dollars~~  
40 ~~(\$50.00) for the implementation of Article 22D of Chapter 163 of the General Statutes,~~ and  
41 every member shall notify the secretary-treasurer of the member's correct mailing address. Any  
42 member who fails to pay the required dues by the last day of June of each year shall be subject  
43 to a late fee in an amount determined by the Council but not to exceed thirty dollars (\$30.00).  
44 All dues for prior years shall be as were set forth in the General Statutes then in effect. The  
45 membership fee shall be regarded as a service charge for the maintenance of the several  
46 services authorized by this Article, and shall be in addition to all fees required in connection  
47 with admissions to practice, and in addition to all license taxes required by law. The fee shall  
48 not be prorated: Provided, that no fee shall be required of an attorney licensed after this Article  
49 shall have gone into effect until the first day of January of the calendar year following that in  
50  
51



1 which the attorney was licensed; but this proviso shall not apply to attorneys from other states  
2 admitted on certificate. The fees shall be disbursed by the secretary-treasurer on the order of the  
3 Council. ~~The fifty-dollar (\$50.00) surcharge shall be sent on a monthly schedule to the State~~  
4 ~~Board of Elections.~~ The secretary-treasurer shall annually, at a time and in a law magazine or  
5 daily newspaper to be prescribed by the Council, publish an account of the financial  
6 transactions of the Council in a form to be prescribed by it. The secretary-treasurer shall  
7 compile and keep currently correct from the names and mailing addresses forwarded to the  
8 secretary-treasurer and from any other available sources of information a list of members of the  
9 North Carolina State Bar and furnish to the clerk of the superior court in each county, not later  
10 than the first day of October in each year, a list showing the name and address of each attorney  
11 for that county who has not complied with the provisions of this Article. The name of each of  
12 the active members who are in arrears in the payment of membership fees shall be furnished to  
13 the presiding judge at the next term of the superior court after the first day of October of each  
14 year, by the clerk of the superior court of each county wherein the member or members reside,  
15 and the court shall thereupon take action that is necessary and proper. The names and addresses  
16 of attorneys so certified shall be kept available to the public. The Secretary of Revenue is  
17 hereby directed to supply the secretary-treasurer, from records of license tax payments, with  
18 any information for which the secretary-treasurer may call in order to enable the  
19 secretary-treasurer to comply with this requirement.

20 The list submitted to several clerks of the superior court shall also be submitted to the  
21 Council at its October meeting of each year and it shall take the action thereon that is necessary  
22 and proper."

23 **SECTION 21.1.(c)** G.S. 105-159.2 is repealed.

24 **SECTION 21.1.(d)** G.S. 163-278.5 reads as rewritten:

25 **"§ 163-278.5. Scope of Article; severability.**

26 The provisions of this Article apply to primaries and elections for North Carolina offices  
27 and to North Carolina referenda and do not apply to primaries and elections for federal offices  
28 or offices in other States or to non-North Carolina referenda. Any provision in this Article that  
29 regulates a non-North Carolina entity does so only to the extent that the entity's actions affect  
30 elections for North Carolina offices or North Carolina referenda.

31 The provisions of this Article are severable. If any provision is held invalid by a court of  
32 competent jurisdiction, the invalidity does not affect other provisions of the Article that can be  
33 given effect without the invalid provision.

34 This section applies to Articles 22B, ~~22D, 22E, 22F,~~ 22G, 22H, 22J, and 22M of the  
35 General Statutes to the same extent that it applies to this Article."

36 **SECTION 21.1.(e)** G.S. 163-278.13(e) reads as rewritten:

37 "(e) Except as provided in subsections ~~(e2), (e3), (e3)~~ and (e4) of this section, this section  
38 shall not apply to any national, State, district or county executive committee of any political  
39 party. For the purposes of this section only, the term "political party" means only those political  
40 parties officially recognized under G.S. 163-96."

41 **SECTION 21.1.(f)** G.S. 163-278.13(e2) is repealed.

42 **SECTION 21.1.(g)** G.S. 163-278.23 reads as rewritten:

43 **"§ 163-278.23. Duties of Executive Director of Board.**

44 ...

45 This section applies to Articles 22B, ~~22D, 22E, 22F,~~ 22G, 22H, and 22M of the General  
46 Statutes to the same extent that it applies to this Article."

47 **SECTION 21.1.(h)** G.S. 163-278.97 reads as rewritten:

48 **"§ 163-278.97. Voter-Owned Elections Fund established; sources of funding.**

49 ...

50 (c) Evaluation and Determination of Fund Amount. – By January 1, 2011, and every  
51 four years thereafter, the ~~Board, in conjunction with the Advisory Council established under~~

1 ~~G.S. 163-278.68(b)~~, Board shall prepare and provide to the Joint Legislative Commission on  
2 Governmental Operations of the General Assembly a report documenting, evaluating, and  
3 making recommendations relating to the administration, implementation, and enforcement of  
4 this Article. In its report, the Board shall set out the funds received to date and the expected  
5 needs of the Fund during the next election cycle and make recommendations about the  
6 feasibility of expanding its provisions to include other candidates for State office based on the  
7 experience of this Article and the experience of similar programs in North Carolina and other  
8 states. The Board shall also evaluate and make recommendations regarding how to address  
9 activities that could undermine the purpose of this Article, including spending that appears to  
10 target candidates but is not reached by regulation."

11 **SECTION 21.1.(i)** G.S. 163-278.99E(d) is repealed effective upon exhaustion of  
12 the funds for publication of the Judicial Voter Guide in G.S. 163-278.69.

13 **SECTION 21.1.(j)** The State Board of Elections shall use the money in the North  
14 Carolina Public Campaign Fund to only publish Judicial Voter Guides as described in  
15 G.S. 163-278.69 until the funds have been exhausted.

16 **SECTION 21.1.(k)** The secretary-treasurer of the North Carolina State Bar shall  
17 remit any payments of the fifty-dollar (\$50.00) surcharge payable for the taxable year January  
18 1, 2013, to the State Board of Elections, and the State Board of Elections must credit the funds  
19 received to the North Carolina Public Campaign Fund.

20 **SECTION 21.1.(l)** The State Board of Elections shall notify the Revisor of Statutes  
21 when the funds have been exhausted for publication of the Judicial Voter Guide.

22 **SECTION 21.1.(m)** Subsection (c) of this section is effective for taxable years  
23 beginning on or after January 1, 2013. The remainder of this section becomes effective July 1,  
24 2013.

## 25 **PART XXII. GENERAL ASSEMBLY**

### 26 **LIMIT SELECT AND INTERIM STUDY COMMITTEES**

27 **SECTION 22.3.** During the 2013-2015 biennium and pursuant to G.S. 120-19.6(a)  
28 and (a1) of the General Statutes, the President Pro Tempore of the Senate and the Speaker of  
29 the House of Representatives may respectively authorize no more than a cumulative total of 13  
30 select committees and interim study committees to meet in the interim period. This limitation  
31 does not apply to any select committee or interim study committee created by law, simple or  
32 joint resolution, or joint authorization of the Speaker of the House of Representatives and the  
33 President Pro Tempore of the Senate.  
34  
35

### 36 **MEDICAID ADVISORY GROUP MATCHING FUNDS**

37 **SECTION 22.5.** Of the funds appropriated to Budget Code 21000 in the General  
38 Assembly, up to thirty-seven thousand five hundred dollars (\$37,500) for the 2013-2014 fiscal  
39 year shall be transferred to the Department of Health and Human Services to provide matching  
40 funds for the activities of the Medicaid Advisory Group established in Section 12H.1(e) of this  
41 act.  
42  
43

### 44 **PED/STUDY LICENSURE FEES**

45 **SECTION 22.6.(a)** The Joint Legislative Program Evaluation Oversight  
46 Committee shall include in the 2013-2014 Work Plan for the Program Evaluation Division of  
47 the General Assembly a study to review the licensure fees for occupations regulated by the  
48 Department of Insurance which are not directly associated with the insurance industry. The  
49 Program Evaluation Division (PED) shall include the following within this study:

- 50 (1) Determining the applicant's actual expenditure for licensure, excluding  
51 education, training, and certification costs.

- 1 (2) Determining the advantages and disadvantages of the Department of
- 2 Insurance using a vendor to process applications for licensure and renewals.
- 3 (3) Determining the appropriate licensure fees an applicant should be assessed if
- 4 the Department of Insurance determines the use of a vendor is the most cost
- 5 efficient method for licensing applicants.
- 6 (4) Determining the appropriate method for reimbursing a vendor of an amount
- 7 greater than the licensure fees authorized by Chapter 58 of the General
- 8 Statutes.
- 9 (5) Determining whether any redundancy exists with a vendor and the
- 10 Department of Insurance in processing applications for licensure or renewal.
- 11 (6) Any other issues PED discovers while performing the study.

12 **SECTION 22.6.(b)** The Program Evaluation Division shall submit its findings and  
13 recommendations from subsection (b) of this section to the Joint Legislative Program  
14 Evaluation Oversight Committee and to Chairs of the House of Representatives Appropriations  
15 Subcommittee on General Government and the Senate Appropriations Committee on General  
16 Government and Information Technology.

## 17 **PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT**

### 18 **SYMPHONY CHALLENGE GRANT/OSBM-SPECIAL APPROPRIATIONS**

19 **SECTION 24.1.(a)** Of the funds appropriated in this act to the Office of State  
20 Budget and Management-Special Appropriations, the sum of one million five hundred thousand  
21 dollars (\$1,500,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of one  
22 million five hundred thousand dollars (\$1,500,000) in nonrecurring funds for the 2014-2015  
23 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It  
24 is the intent of the General Assembly that the North Carolina Symphony raise at least eight  
25 million dollars (\$8,000,000) in non-State funds for the 2013-2014 fiscal year and at least eight  
26 million dollars (\$8,000,000) in non-State funds for the 2014-2015 fiscal year. The NC  
27 Symphony cannot use funds transferred from the organization's endowment to its operating  
28 budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

29 **SECTION 24.1.(b)** For the 2013-2014 fiscal year, the North Carolina Symphony  
30 shall receive allocations from the Office of State Budget and Management as follows:

- 31 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
- 32 funding, the NC Symphony shall receive the sum of five hundred thousand
- 33 dollars (\$500,000).
- 34 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
- 35 non-State funding for a total amount of six million dollars (\$6,000,000) in
- 36 non-State funds, the NC Symphony shall receive the sum of five hundred
- 37 thousand dollars (\$500,000).
- 38 (3) Upon raising an additional sum of two million dollars (\$2,000,000) in
- 39 non-State funding for a total sum of eight million dollars (\$8,000,000) in
- 40 non-State funds, the NC Symphony shall receive the final sum of five
- 41 hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year.

42 **SECTION 24.1.(c)** For the 2014-2015 fiscal year, the North Carolina Symphony  
43 shall receive allocations from the Office of State Budget and Management as follows:

- 44 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
- 45 funding, the NC Symphony shall receive the sum of five hundred thousand
- 46 dollars (\$500,000).
- 47 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
- 48 non-State funding for a total amount of six million dollars (\$6,000,000) in
- 49
- 50

1 non-State funds, the NC Symphony shall receive the sum of five hundred  
2 thousand dollars (\$500,000).

- 3 (3) Upon raising an additional sum of two million dollars (\$2,000,000) in  
4 non-State funding for a total sum of eight million dollars (\$8,000,000) in  
5 non-State funds, the NC Symphony shall receive the final sum of five  
6 hundred thousand dollars (\$500,000) in the 2014-2015 fiscal year.

7 **SECTION 24.1.(d)** Of the funds appropriated in this act to the Office of State  
8 Budget and Management-Special Appropriations, the sum of three hundred thousand dollars  
9 (\$300,000) in nonrecurring funds for the 2013-2014 fiscal year shall be allocated to The Bridge  
10 Downeast, Inc., a nonprofit organization, to purchase a facility to house activities for the youth  
11 and senior citizens on Harkers Island and surrounding areas. If these funds are not used for the  
12 purpose for which they were appropriated as of June 30, 2014, the funds shall revert to the  
13 General Fund.

14  
15 **PART XXVII. DEPARTMENT OF THE SECRETARY OF STATE**

16  
17 **INCREASE REGISTRATION FEE FOR LOBBYIST & LOBBYIST**  
18 **PRINCIPAL/ELECTRONIC SUBMISSION OF ALL DOCUMENTS, REPORTS,**  
19 **AND PAYMENTS BY LOBBYISTS**

20 **SECTION 27.1.(a)** G.S. 120C-201 reads as rewritten:

21 "**§ 120C-201. Lobbyist's registration fee.**

22 (a) ~~Except as provided for in subsection (b) of this section, a~~ fee of ~~one hundred~~  
23 ~~dollars (\$100.00)~~ two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
24 State at the time of each lobbyist registration. Fees so collected shall be deposited in the  
25 General Fund of the State. The Secretary of State shall allow fees required under this section to  
26 be paid electronically but shall not require the fees to be paid electronically.

27 (b) ~~The Secretary of State shall adopt rules providing for a waiver or reduction of the~~  
28 ~~fees required by this section for lobbyists registering to represent persons who have been~~  
29 ~~granted nonprofit status under 26 U.S.C. § 501(e)(3)."~~

30 **SECTION 27.1.(b)** G.S. 120C-207 reads as rewritten:

31 "**§ 120C-207. Lobbyist principal's fees.**

32 (a) ~~Except as provided for in subsection (b) of this section, a~~ fee of ~~one hundred~~  
33 ~~dollars (\$100.00)~~ two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
34 State at the time the principal's first authorization statement is filed each calendar year for a  
35 lobbyist. Fees so collected shall be deposited in the General Fund of the State. The Secretary of  
36 State shall allow fees required under this section to be paid electronically but shall not require  
37 the fees to be paid electronically.

38 (b) ~~The Secretary of State shall adopt rules providing for a waiver or reduction of the~~  
39 ~~fees required by this section for lobbyist principals that have been granted nonprofit status~~  
40 ~~under 26 U.S.C. § 501(e)(3)."~~

41 **SECTION 27.1.(c)** G.S. 120C-200 reads as rewritten:

42 "**§ 120C-200. Lobbyist registration procedure.**

43 ...

44 (b) The form of the registration shall be prescribed by the Secretary of ~~State~~ State, be  
45 filed electronically, and shall include the registrant's full name, firm, complete address, and  
46 telephone number; the registrant's place of business; the full name, complete address, and  
47 telephone number of each principal the lobbyist represents; and a general description of the  
48 matters on which the registrant expects to act as a lobbyist.

49 (c) Each lobbyist shall electronically file an amended registration form with the  
50 Secretary of State no later than 10 business days after any change in the information supplied in

1 the lobbyist's last registration under subsection (b) of this section. Each supplementary  
2 registration shall include a complete statement of the information that has changed.

3 ...."

4 **SECTION 27.1.(d)** G.S. 120C-201(a), as amended by subsection (a) of this  
5 section, reads as rewritten:

6 "(a) A fee of two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
7 State at the time of each lobbyist registration. Fees so collected shall be deposited in the  
8 General Fund of the State. The ~~Secretary of State shall allow fees~~ required under this section  
9 ~~to shall~~ be paid ~~electronically but shall not require the fees to be paid~~  
10 ~~electronically-electronically."~~

11 **SECTION 27.1.(e)** G.S. 120C-206 reads as rewritten:  
12 "**§ 120C-206. Lobbyist principal's authorization.**

13 ...

14 (b) The form of the written authorization shall be prescribed by the Secretary of  
15 ~~State~~State, be filed electronically, and shall include the lobbyist principal's full name, complete  
16 address, and telephone number, name and title of any official authorized to sign for the lobbyist  
17 principal, and the name of each lobbyist registered to represent that principal.

18 (c) An amended authorization shall be electronically filed with the Secretary of State no  
19 later than 10 business days after any change in the information on the principal's authorization.  
20 Each supplementary authorization shall include a complete statement of the information that  
21 has changed."

22 **SECTION 27.1.(f)** G.S. 120C-207(a), as amended by subsection (b) of this section,  
23 reads as rewritten:

24 "(a) A fee of two hundred fifty dollars (\$250.00) is due and payable to the Secretary of  
25 State at the time the principal's first authorization statement is filed each calendar year for a  
26 lobbyist. Fees so collected shall be deposited in the General Fund of the State. The ~~Secretary of~~  
27 ~~State shall allow fees~~ required under this section ~~to shall~~ be paid ~~electronically but shall not~~  
28 ~~require the fees to be paid electronically-electronically."~~

29 **SECTION 27.1.(g)** G.S. 120C-401(d) reads as rewritten:

30 "(d) Each report required by this Article shall be in the form prescribed by the Secretary  
31 of ~~State, which may include electronic reports.~~State and filed electronically."

32 **SECTION 27.1.(h)** G.S. 120C-800(f) reads as rewritten:

33 "(f) Within 15 business days after the end of the quarter in which the reportable  
34 expenditure was made, reports required by this section shall be filed electronically with the  
35 Secretary of State in a manner form prescribed by the Secretary of ~~State, which may include~~  
36 ~~electronic reports.~~State. If the designated individual is required to file a statement of economic  
37 interest under G.S. 138A-24, then that designated individual may opt to report any information  
38 required by this section in the statement of economic interest."

39 **SECTION 27.1.(i)** Subsections (a) and (b) of this section become effective August  
40 1, 2013. This remainder of this section becomes effective October 1, 2013, and applies to all  
41 filings, payments due, and registrations, on or after that date.

## 43 **PART XXIX. OFFICE OF THE STATE CONTROLLER**

### 45 **OVERPAYMENTS AUDIT**

46 **SECTION 29.1.(a)** During the 2013-2015 fiscal biennium, receipts generated by  
47 the collection of inadvertent overpayments by State agencies to vendors as a result of pricing  
48 errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds,  
49 erroneously paid excise taxes, and related errors are to be deposited in Special Reserve Account  
50 24172 as required by G.S. 147-86.22(c).

1           **SECTION 29.1.(b)** For each year of the 2013-2015 fiscal biennium, five hundred  
2 thousand dollars (\$500,000) of the funds in the Special Reserve Account 24172 shall be used  
3 by the Office of the State Controller for data processing, debt collection, or e-commerce costs  
4 and are hereby appropriated for that purpose.

5           **SECTION 29.1.(c)** All funds available in Special Reserve Account 24172 on June  
6 30 of each year of the 2013-2015 fiscal biennium shall revert to the General Fund on that date.

7           **SECTION 29.1.(d)** The State Controller shall report quarterly to the Joint  
8 Legislative Commission on Governmental Operations and the Fiscal Research Division on the  
9 revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.

## 10 11 **PART XXX. DEPARTMENT OF ADMINISTRATION**

### 12 13 **REQUIRE CONTINUATION REVIEW OF THE YOUTH ADVOCACY AND** 14 **INVOLVEMENT OFFICE**

15           **SECTION 30.1.(a)** A continuation review of the Youth Advocacy and  
16 Involvement Office shall be prepared by the Department of Administration. The review shall be  
17 submitted to the House of Representatives Appropriations Subcommittee on General  
18 Government and the Senate Appropriations Committee on General Government and  
19 Information Technology no later than March 31, 2014. The written report shall include the  
20 information listed in subsection (b) of this section.

21           **SECTION 30.1.(b)** The continuation review required by this section shall include  
22 all of the following information:

- 23           (1) A description of the services provided by the Youth Advocacy and  
24 Involvement Office and its mission, goals, and objectives.
- 25           (2) The statutory objectives of the Office and the problem or need addressed.
- 26           (3) The extent to which the objectives of the Office have been achieved.
- 27           (4) The functions or programs performed by the Office without specific  
28 statutory authority.
- 29           (5) The performance measures and the process by which the performance  
30 measures determine efficiency and effectiveness.
- 31           (6) Recommendations for statutory, budgetary, or administrative changes  
32 needed to improve efficiency and effectiveness of services delivered to the  
33 public.
- 34           (7) The consequences of discontinuing funding.
- 35           (8) Recommendations for improving services or reducing costs or duplication.
- 36           (9) The identification of policy issues that should be brought to the attention of  
37 the General Assembly.
- 38           (10) Any other information necessary to fully support this continuation review  
39 requirement.

### 40 41 **ELIMINATE DISPLACED HOMEMAKERS PROGRAM/FUND**

42           **SECTION 30.2.(a)** G.S. 7A-305(a2) reads as rewritten:

43           "(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five  
44 dollars (\$75.00) shall be assessed against the person filing the divorce action. Costs collected  
45 by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall  
46 deposit ~~fifty five dollars (\$55.00)~~ thirty-five dollars (\$35.00) to the North Carolina Fund for  
47 Displaced Homemakers established under G.S. 143B-394.10 and ~~twenty dollars (\$20.00)~~ forty  
48 dollars (\$40.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs  
49 assessed under this subsection shall be in addition to any other costs assessed under this  
50 section."

1           **SECTION 30.2.(a1)** G.S. 7A-305(a2), as amended by subsection (a) of this  
2 section, reads as rewritten:

3           "(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five  
4 dollars (\$75.00) shall be assessed against the person filing the divorce action. Costs collected  
5 by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall  
6 deposit ~~thirty five dollars (\$35.00) to the North Carolina Fund for Displaced Homemakers~~  
7 ~~established under G.S. 143B-394.10 and forty dollars (\$40.00)~~ seventy-five dollars (\$75.00) to  
8 the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this  
9 subsection shall be in addition to any other costs assessed under this section."

10           **SECTION 30.2.(b)** G.S. 143B-393 reads as rewritten:

11 **"§ 143B-393. North Carolina Council for Women – creation; powers and duties.**

12           There is hereby created the North Carolina Council for Women of the Department of  
13 Administration. The North Carolina Council for Women shall have the following functions and  
14 duties:

- 15           (1) To advise the Governor, the principal State departments, and the State  
16 legislature concerning the education and employment of women in the State  
17 of North ~~Carolina; and~~ Carolina.
- 18           (2) To advise the Secretary of Administration upon any matter the Secretary  
19 may refer to it; ~~and~~ the Council.
- 20           (3) ~~To establish programs for the assistance of displaced homemakers as set~~  
21 ~~forth in Part 10B of this Article."~~

22           **SECTION 30.2.(c)** Part 10B of Article 9 of Chapter 143B of the General Statutes  
23 is repealed.

24           **SECTION 30.2.(d)** All unencumbered funds as of June 30, 2014, in the North  
25 Carolina Fund for Displaced Homemakers shall be transferred to the Domestic Violence Center  
26 Fund established under G.S. 50B-9.

27           **SECTION 30.2.(e)** Subsection (a1) of this section becomes effective July 1, 2014.

## 29 **REPEAL STATEWIDE CAPITAL RESERVE**

30           **SECTION 30.3.** Section 20.4 of S.L. 2011-145 is repealed. Any funds remaining  
31 in the reserve established pursuant to that section shall be transferred to the capital project  
32 account associated with the capital project for which they were initially appropriated.

## 34 **BIENNIAL REVIEW OF STATEMENTS OF ECONOMIC INTEREST BY SEC**

35           **SECTION 30.4.(a)** G.S. 138A-10(a)(4) reads as rewritten:

36 **"§ 138A-10. Powers and duties.**

37           (a) In addition to other powers and duties specified in this Chapter, the Commission  
38 shall:

39           ...

- 40           (4) Receive and review all statements of economic ~~interests~~ interest filed with  
41 the Commission by prospective and actual covered ~~persons and~~ persons as  
42 provided in G.S. 138A-28. evaluate whether (i) the statements conform to  
43 ~~the law and the rules of the Commission, and (ii) the financial interests and~~  
44 ~~other information reported reveals actual or potential conflicts of~~  
45 ~~interest.~~ Pursuant to G.S. 138A-24(e), this subdivision does not apply to  
46 statements of economic interest of legislators and judicial officers."

47           **SECTION 30.4.(b)** Article 3 of Chapter 138A of the General Statutes is amended  
48 by adding a new section to read:

49 **"§ 138A-28. Review and evaluation of statements of economic interest.**

50           (a) The Commission shall receive and review all statements of economic interest  
51 pursuant to G.S. 138A-10(a)(4) and shall evaluate whether (i) the statements conform to the

1 law and the rules of the Commission, and (ii) the financial interests and other information  
2 reported by prospective and actual covered persons reveal actual or potential conflicts of  
3 interest.

4 (b) Beginning July 1, 2013, the Commission shall establish a biennial cycle for  
5 evaluating statements of economic interest. The Commission shall evaluate each initial filing as  
6 provided in subsection (a) of this section.

7 (c) Notwithstanding subsection (b) of this section, statements filed by the following  
8 prospective and actual public servants shall be evaluated on an annual basis:

9 (1) The University of North Carolina Board of Governors, subject to  
10 G.S. 138A-24(f).

11 (2) The State Board of Community Colleges, subject to G.S. 138A-24(f).

12 (3) The North Carolina Utilities Commission.

13 (4) The North Carolina Industrial Commission.

14 (5) Supplemental statements filed pursuant to Chapter 136 of the General  
15 Statutes.

16 (6) Any other board or commission whose members are elected or confirmed by  
17 the General Assembly.

18 (d) Notwithstanding subsections (a) and (b) of this section, statements of economic  
19 interest filed by Constitutional officers of the State and individuals elected or appointed as  
20 Constitutional officers of the State prior to taking office shall be evaluated every four years  
21 upon election or appointment to office.

22 (e) A public servant who simultaneously serves on more than one covered board may  
23 file one statement of economic interest and that statement shall serve as disclosure for all the  
24 covered boards. If, during the biennial cycle, a public servant leaves one covered board and  
25 begins membership on another covered board, the public servant is not required to file another  
26 statement of economic interest, and the Commission is not required to evaluate the statement  
27 again in light of the subsequent appointment. The public servant must make subsequent filings  
28 pursuant to G.S. 138A-22(a) upon the expiration of the biennial cycle.

29 (f) Nothing in this section shall be construed to impair the Commission's duties and  
30 authority under G.S. 138A-25 and G.S. 138A-26."

## 31 **USE OF E-COMMERCE FUNDS FOR PURCHASE AND CONTRACT OPERATIONS**

32 **SECTION 30.5.** Notwithstanding the provisions of G.S. 66-58.12(c), the sum of  
33 one million two hundred eighteen thousand six hundred fifty-nine dollars (\$1,218,659) for the  
34 2013-2014 fiscal year and the sum of one million four hundred seventy-six thousand five  
35 hundred forty-three dollars (\$1,476,543) for the 2014-2015 fiscal year shall be transferred from  
36 the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to  
37 be used for each year of the 2013-2015 biennium, on a recurring basis, to pay the operating  
38 expenses of the Division of Purchase and Contract.

## 39 **STUDY/E-PROCUREMENT FEE & VENDOR CONTRACT**

40  
41 **SECTION 30.6.(a)** The Department of Administration shall study the feasibility of  
42 reducing or eliminating the e-commerce fee authorized under G.S. 66-58.12(b). The  
43 e-commerce fee supports the E-Procurement System operated by the Department. By February  
44 1, 2014, the Department shall report its findings to the Senate Appropriations Committee on  
45 General Government and Information Technology, House of Representatives Appropriations  
46 Subcommittee on General Government, Joint Legislative Committee on Information  
47 Technology, and Office of State Budget and Management. The report shall include the  
48 following:

49 (1) The current rate of the fee and how it was calculated.

50 (2) The current revenue generated from the fee by departmental users.



- 1 (3) The current breakeven point for the operation of the E-Procurement System.  
 2 (4) The requirements for the operation and administration of the E-Procurement  
 3 System, including the term of any contract with an outside vendor for the  
 4 management of the E-Procurement System.  
 5 (5) Total payments to vendors since the initiation of the E-Procurement System.  
 6 (6) Total State receipts since the initiation of the E-Procurement System.  
 7 (7) Information on E-Procurement Systems currently in operation in other states  
 8 and within North Carolina, including an analysis of the advantages and  
 9 disadvantages of each.  
 10 (8) The feasibility and cost of utilizing E-Procurement Systems under  
 11 management by any State institution.  
 12 (9) The feasibility of eliminating the fee supporting the E-Procurement System,  
 13 E-Commerce Fund (2514), and moving the administration of the  
 14 E-Procurement System to General Fund Support, including any cost savings  
 15 to agencies as a result of vendors not assessing the fee on goods purchased  
 16 through the System.  
 17 (10) The feasibility of reducing the fee by assessing the fee on goods and services  
 18 only.  
 19 (11) The potential for savings from training State employees to operate and  
 20 maintain the System.

21 **SECTION 30.6.(b)** If the contract with an outside vendor operating the  
 22 E-Procurement System expires during the 2013-2015 biennium, the Department of  
 23 Administration, under the supervision of the Enterprise Project Management Office and the  
 24 Statewide Information Technology Procurement Office, shall issue a request for proposals and  
 25 select a vendor through open competition. Any new contract shall comply with all State  
 26 information technology procurement requirements, including G.S. 143-135.9, and shall include  
 27 a requirement that the project be hosted on State infrastructure.  
 28

## 29 **PART XXXIV. DEPARTMENT OF TRANSPORTATION**

### 30 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION**

31 **SECTION 34.1.(a)** The General Assembly authorizes and certifies anticipated  
 32 revenues for the Highway Fund as follows:

34	For Fiscal Year 2015-2016	\$1,946.7 million
35	For Fiscal Year 2016-2017	\$2,027.6 million
36	For Fiscal Year 2017-2018	\$2,103.3 million
37	For Fiscal Year 2018-2019	\$2,140.4 million

38 **SECTION 34.1.(b)** The General Assembly authorizes and certifies anticipated  
 39 revenues for the Highway Trust Fund as follows:

40	For Fiscal Year 2015-2016	\$1,160.3 million
41	For Fiscal Year 2016-2017	\$1,215.2 million
42	For Fiscal Year 2017-2018	\$1,256 million
43	For Fiscal Year 2018-2019	\$1,283.7 million

### 44 **INCREASE DOT PRIVATIZATION**

45 **SECTION 34.2.(a)** The Department of Transportation shall seek to increase the  
 46 use of contracts to further privatize preconstruction work where practical, economical, and  
 47 likely to lead to increased efficiency. In doing so, the Department shall meet each of the  
 48 following privatization requirements:  
 49

- 50 (1) Increase the outsourcing of all activities performed by the Department's  
 51 Preconstruction and Technical Services units to between sixty and sixty-five

1 percent (60%-65%) of the total cost of activities performed by those units by  
2 the end of the 2013-2015 fiscal biennium, excluding the cost of activities  
3 performed by the Turnpike Authority, the Structures Design and  
4 Management unit, and the Bridge Program.

- 5 (2) The Right-of-Way, Project Development and Environmental Analysis, and  
6 Roadway Design units shall increase the total cost of outsourced activity by  
7 five percent (5%) in fiscal year 2013-2014 and by an additional five percent  
8 (5%) in fiscal year 2014-2015 from a baseline of fiscal year 2012-2013  
9 actual expenditures for those units.

10 **SECTION 34.2.(b)** The Department of Transportation shall increase contracts for  
11 construction of transportation projects on a design-build basis awarded under the provisions of  
12 G.S. 136-28.11.

13 **SECTION 34.2.(c)** G.S. 136-28.11(d) is repealed.

14 **SECTION 34.2.(d)** Report. – The Department shall report to the Fiscal Research  
15 Division and the Joint Legislative Transportation Oversight Committee regarding its progress  
16 in implementing the requirements of this section before the convening of the 2014 Regular  
17 Session of the 2013 General Assembly.

### 18 **SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES**

19 **SECTION 34.3.** The funds allocated to the system preservation program (fund  
20 center 1500/157839) for fiscal years 2013-2014 and 2014-2015 shall be used for improvements  
21 to structurally deficient and functionally obsolete bridges. All projects funded under this  
22 section, with the exception of inspection, pre-engineering, contract preparation, contract  
23 administration and oversight, and planning activities, shall be outsourced to private contractors.  
24  
25

### 26 **SMALL CONSTRUCTION AND CONTINGENCY FUNDS**

27 **SECTION 34.4.(a)** Of the funds appropriated in this act to the Department of  
28 Transportation:

- 29 (1) Five million dollars (\$5,000,000) in nonrecurring funds shall be allocated in  
30 each fiscal year for small construction projects recommended by the Chief  
31 Engineer in consultation with the Chief Operating Officer and approved by  
32 the Secretary of the Department of Transportation. These funds shall be  
33 allocated equally in each fiscal year of the biennium among the 14 Highway  
34 Divisions for small construction projects.
- 35 (2) Twelve million dollars (\$12,000,000) shall be allocated statewide in each  
36 fiscal year for rural or small urban highway improvements and related  
37 transportation enhancements to public roads and public facilities, industrial  
38 access roads, and spot safety projects, including pedestrian walkways that  
39 enhance highway safety. Projects funded pursuant to this subdivision shall  
40 be approved by the Secretary of Transportation.

41 None of these funds used for secondary road improvements during the 2013-2014  
42 fiscal year are subject to the county allocation formulas in G.S. 136-44.5(b).

43 **SECTION 34.4.(b)** The Department of Transportation shall report to the members  
44 of the General Assembly on projects funded pursuant to this section in each member's district  
45 prior to construction. The Department shall make a quarterly comprehensive report on the use  
46 of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal  
47 Research Division.

48 **SECTION 34.4.(c)** The sum of twenty-seven million sixty thousand eighty-three  
49 dollars (\$27,060,083) of the unallotted and unexpended balance of funds within the  
50 Contingency Fund (fund center 1500/157818) shall be transferred to the Highway Fund as  
51 appropriated and allocated by this act.

1           **SECTION 34.4.(d)** The sum of twenty-one million nine hundred fourteen thousand  
2 four hundred ten dollars (\$21,914,410) of the unallotted and unexpended balance of funds  
3 within the Division Small Urban Construction Program (fund center 1500/157837) shall be  
4 transferred to the Highway Fund as appropriated and allocated by this act.

#### 5 6 **ACCESS AND PUBLIC SERVICE ROAD FUNDS**

7           **SECTION 34.6.** The sum of four million eight hundred forty-three thousand four  
8 hundred forty-one dollars (\$4,843,441) of the unallotted and unexpended balance of funds  
9 within the Access and Public Service Road program (fund center 1500/157814) shall be  
10 transferred to the Highway Fund as appropriated and allocated by this act.

#### 11 12 **ECONOMIC DEVELOPMENT PROGRAM FUNDS**

13           **SECTION 34.7.(a)** The sum of three million three hundred forty-six thousand two  
14 hundred fifteen dollars (\$3,346,215) of the unallotted and unexpended balance of funds within  
15 the Economic Development fund (fund center 1500/157838) shall be transferred to the  
16 Highway Fund as appropriated and allocated by this act.

17           **SECTION 34.7.(b)** Of the funds appropriated to the Economic Development fund,  
18 the sum of three million three hundred forty-six thousand two hundred fifteen dollars  
19 (\$3,346,215) in fiscal year 2013-2014 and four million thirty-six thousand one hundred  
20 seventy-one dollars (\$4,036,171) in fiscal year 2014-2015 shall be used for prioritized  
21 transportation improvements and infrastructure that expedite commercial growth as well as  
22 either job creation or job retention. Projects funded under this section shall be jointly approved  
23 by the Secretary of Transportation and the Secretary of Commerce.

#### 24 25 **CONGESTION AND MOBILITY REPORTING**

26           **SECTION 34.8.** G.S. 136-44.3 reads as rewritten:

##### 27 **"§ 136-44.3. Maintenance program.**

28           The Department shall establish performance standards for the maintenance and operation of  
29 the State highway system. In each even-numbered year, the Department of Transportation shall  
30 survey the condition of the State highway system and shall prepare a report of the findings of  
31 the survey. The report shall provide both quantitative and qualitative descriptions of the  
32 condition of the system and shall provide estimates of the following:

- 33           (1) The annual cost to meet and sustain the established performance standards  
34 for the primary and secondary highway system, to include: (i) routine  
35 maintenance and operations, (ii) system preservation, and (iii) pavement and  
36 bridge rehabilitation.
- 37           (2) Projected system condition and corresponding optimal funding requirements  
38 for a seven-year plan to sustain established performance standards.
- 39           (3) Any significant variations in system conditions among highway divisions.
- 40           (4) An assessment of the level of congestion throughout the primary highway  
41 system based on traffic data, and a ranking of the most congested areas  
42 based on travel time reliability and the average number of congested hours,  
43 together with the Department's recommendations for congestion reduction  
44 and mobility improvement.

45           On the basis of the report and from funds available, the Department of Transportation shall  
46 develop a statewide annual maintenance program for the State highway system, which shall be  
47 subject to the approval of the Board of Transportation and is consistent with performance  
48 standards.

49           The report on the condition of the State highway system and maintenance funding needs  
50 shall be presented to the Joint Legislative Transportation Oversight Committee by December

1 31 of each even-numbered year, and copies shall be made available to any member of the  
2 General Assembly upon request."  
3

#### 4 **REPEAL INTERMODAL CONTINUING APPROPRIATIONS**

5 **SECTION 34.9.** The following statutes are repealed:

- 6 (1) G.S. 136-16.4.
- 7 (2) G.S. 136-16.5.
- 8 (3) G.S. 136-16.7.
- 9 (4) G.S. 136-16.8.
- 10 (5) G.S. 136-16.9.

#### 11 12 **FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL AND** 13 **HUMAN SERVICE PUBLIC TRANSPORTATION**

14 **SECTION 34.10.** In order to ensure maximum funding and to facilitate the use of  
15 funds available to the Department, the Department of Transportation, Public Transportation  
16 Division, shall have the flexibility to redistribute funding from the "rural capital" grant program  
17 and within the "urban technology, human service transportation management, and rural general  
18 public" grant program in order to leverage all eligible federal funds for operating assistance to  
19 rural and human service transportation systems. The distribution of funds to these systems shall  
20 be based on assessed system needs. This section applies only to the 2013-2015 fiscal biennium.  
21

#### 22 **MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING** 23 **AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS**

24 **SECTION 34.11.** The Department of Transportation, Public Transportation  
25 Division, shall provide local public transportation systems with maximum flexibility to use  
26 State operating funds from the "urban and regional maintenance" and "urban technology,  
27 human service transportation management, and rural general public" grant programs to leverage  
28 all eligible federal transit operating assistance funds. This section applies only to the 2013-2015  
29 fiscal biennium.  
30

#### 31 **GRANT FLEXIBILITY FOR BICYCLE AND PEDESTRIAN IMPROVEMENTS**

32 **SECTION 34.12.** The Department of Transportation, Division of Bicycle and  
33 Pedestrian Transportation, may redistribute funds appropriated to the Regional Bicycle  
34 Planning Grant program to the Municipal Planning Grant program to award grants to  
35 municipalities based on assessed need and the extent to which the Division finds that the  
36 municipality's application for grant funding fulfills applicable selection criteria.  
37

#### 38 **FERRY TOLLING**

39 **SECTION 34.13.(a)** Notwithstanding the date set forth in Section 24.18(b) of S.L.  
40 2012-142, as rewritten by Section 6.2 of S.L. 2012-145, by which the Department of  
41 Transportation is required to collect tolls based on the proposed March 2012 amendment to  
42 19 NCAC 02D .0532, the Department shall collect tolls as set forth in this section.

43 **SECTION 34.13.(b)** G.S. 136-82 reads as rewritten:

44 **"§ 136-82. Department of Transportation to establish and maintain ferries.**

45 (a) Powers of Department. – The Department of Transportation is vested with authority  
46 to provide for the establishment and maintenance of ferries connecting the parts of the State  
47 highway system, whenever in its discretion the public good may ~~so require, require,~~ and shall  
48 prescribe and collect tolls, tolls on the ferry routes as established by the Board of  
49 Transportation, on the ferry routes. The Board of Transportation shall establish tolls for all  
50 ferry routes, except for the Ocracoke/Hatteras Ferry and the Knotts Island Ferry. Transportation  
51 following the procedures set forth in this section.

1        (b) Establishment of Tolling. – The Board of Transportation may establish tolls on any  
2 untolled ferry route as set forth in this subsection. Prior to establishing tolls on an untolled ferry  
3 route, the Board of Transportation must receive a resolution approved by the Transportation  
4 Advisory Committee of each affected local transportation planning organization requesting  
5 tolls on that route. No later than March 1, 2014, the Department shall hold a separate public  
6 hearing in the geographic area of each untolled ferry route and invite each affected local  
7 transportation planning organization. At the public hearing, the Department shall present an  
8 explanation of the toll setting methodology, the impact of tolling on the availability of funding  
9 for other local transportation priorities, and the minimum and maximum toll rates. After the  
10 public hearing, an affected local transportation planning organization may consider and adopt a  
11 ferry tolling resolution. The Board of Transportation shall adopt the toll at its next regularly  
12 scheduled meeting after receipt of the ferry tolling resolutions required by this subsection. The  
13 Department shall collect the toll as soon as is feasible following its adoption, but in no case  
14 more than 180 days after adoption of the toll. The establishment of tolls by the Board of  
15 Transportation pursuant to the authority granted in this section shall be exempt from the  
16 provisions of Chapter 150B of the General Statutes. For purposes of this section, "affected local  
17 transportation planning organization" means any Metropolitan Planning Organization or Rural  
18 Transportation Planning Organization with geographic jurisdiction over any part of an untolled  
19 ferry route, and "untolled ferry route" means any ferry route for which no tolls were in effect as  
20 of June 30, 2013.

21        (c) Revisions of Tolls. – The Department of Transportation shall report to the Fiscal  
22 Research Division, the Joint Legislative Transportation Oversight Committee, and all affected  
23 local transportation planning organizations 30 days prior to any change in toll rates or change  
24 in the toll setting methodology by the Board of Transportation.

25        (d) Use of Toll Proceeds. – The Department of Transportation shall credit the proceeds  
26 from tolls collected on North Carolina Ferry System routes and receipts generated under  
27 subsection (e) of this section to reserve accounts within the Highway Fund for each of the  
28 Highway Divisions in which system terminals are located and fares are earned. For the  
29 purposes of this subsection, fares are earned based on the terminals from which a passenger trip  
30 originates and terminates. Commuter pass receipts shall be credited proportionately to each  
31 reserve account based on the distribution of trips originating and terminating in each Highway  
32 Division. The proceeds credited to each reserve account shall be used exclusively for  
33 prioritized North Carolina Ferry System ferry passenger vessel replacement projects in the  
34 Division in which the proceeds are earned. Proceeds may be used to fund ferry passenger vessel  
35 replacement projects or supplement funds allocated for ferry passenger vessel replacement  
36 projects approved in the Transportation Improvement Program.

37        (e) Powers of Department. – ~~To accomplish the purpose of this section~~ ~~said section,~~ the  
38 Department of Transportation is authorized to acquire, own, lease, charter or otherwise control  
39 all necessary vessels, boats, terminals or other facilities required for the proper operation of  
40 ~~such~~ ~~the~~ ferries or to enter into contracts with persons, firms or corporations for the operation  
41 thereof and to pay ~~therefor~~ ~~such~~ ~~the~~ reasonable sums as ~~may~~ ~~that~~ in the opinion of ~~said~~ ~~the~~  
42 Department of Transportation represent the fair value of the public service rendered.

43        (f) Authority to Generate Certain Receipts. – The Department of Transportation,  
44 notwithstanding any other provision of law, may ~~operate~~ ~~operate~~ or contract for the following  
45 receipt-generating activities and use the proceeds for ferry passenger vessel replacement  
46 projects in the manner set forth in subsection (c) of this section:

47            (1) ~~operation~~ Operation of, concessions on the ferries and at ferry facilities to  
48 provide to passengers on the ferries food, drink, and other refreshments,  
49 personal comfort items, Internet access, and souvenirs publicizing the ferry  
50 system.

51            (2) The sale of naming rights to any ferry vessel, ferry route, or ferry facility.

1           (3)    Advertising on or within any ferry vessel, including display advertising and  
2           advertising delivered to passengers through the use of video monitors, public  
3           address systems installed in passenger areas, and other electronic media.

4           (4)    Any other receipt-generating activity not otherwise forbidden by applicable  
5           law pertaining to public health or safety.

6           (g)    Confidentiality of Personal Information. – Identifying information obtained by the  
7           Department related to operation of the ferry system is not a public record under Chapter 132 of  
8           the General Statutes and is subject to the disclosure limitations in 18 U.S.C. § 2721 of the  
9           federal Driver's Privacy Protection Act. The Department shall maintain the confidentiality of all  
10           information required to be kept confidential under 18 U.S.C. § 2721(a), as well as any financial  
11           information, transaction history, and information related to the collection of a toll or user fee  
12           from a person, including, but not limited to, photographs or other recorded images or automatic  
13           vehicle identification or driver account information generated by radio-frequency identification  
14           or other electronic means. The Department may use identifying information only for purposes  
15           of collecting and enforcing tolls. Nothing in this section is intended to limit the right of any  
16           person to examine that person's own account information, or the right of any party, by authority  
17           of a proper court order, to inspect and examine identifying information."

18           **SECTION 34.13.(c)** No later than January 1, 2014, the Board shall adopt a  
19 methodology and expected minimum and maximum tolls for use in establishing tolls for ferry  
20 routes under G.S. 136-82, as amended by this section. The Board of Transportation shall  
21 consider the needs of commuters and other frequent passengers in its adoption of toll rates and  
22 the toll rate methodology.

23           **SECTION 34.13.(d)** The Department of Transportation shall continue to collect  
24 tolls on all ferry routes for which tolls were in effect as of June 30, 2013.

## 25 **NORTH CAROLINA RAILROAD COMPANY REPORTING AND DIVIDENDS**

26           **SECTION 34.14.(a)** Reporting and Oversight. – G.S. 124-1 reads as rewritten:

27           "**§ 124-1. Control of internal improvements.**

28           The Governor and Council of State shall have charge of all the State's interest in all  
29 railroads, canals and other works of internal improvements. The Board of Directors of a  
30 State-owned railroad company shall be responsible for managing its affairs and for reporting as  
31 set forth in ~~G.S. 124-3~~G.S. 124-17."

32           **SECTION 34.14.(b)** Article 2 of Chapter 124 of the General Statutes is amended  
33 by adding a new section, G.S. 124-15. G.S. 124-6(b), as amended by Section 3.3(a) of S.L.  
34 1999-431, is recodified as G.S. 124-15(a). G.S. 124-5(b) is recodified as G.S. 124-15(b).  
35 G.S. 124-15, as enacted and amended by this subsection, reads as rewritten:

36           "**§ 124-15. Board of directors; appointment and approval of encumbrances.**

37           (a) Notwithstanding subsection (a) of ~~this section~~G.S. 124-6, for any State-owned  
38 railroad company ~~organized as a corporation in which the State is the owner of all the voting~~  
39 ~~stock and which~~that has trackage in more than two counties, seven of the members of the Board  
40 of Directors shall be appointed by the Governor, three of the members of the Board of  
41 Directors shall be appointed by the General Assembly upon the recommendation of the Speaker  
42 of the House of Representatives in accordance with G.S. 120-121, and three of the members of  
43 the Board of Directors shall be appointed by the General Assembly upon the recommendation  
44 of the President Pro Tempore of the Senate in accordance with G.S. 120-121. The Board of  
45 Directors shall consist of 13 members. Of the Governor's seven appointments, one shall be  
46 from the appointees to the Board of Transportation and one shall be the Secretary of Commerce  
47 or the Secretary's designee. Of the initial members appointed by the Governor, three shall be  
48 appointed for terms of four years and four shall be appointed for terms of two years. Of the  
49 initial members recommended to the General Assembly by the Speaker of the House of  
50 Representatives, two shall be appointed for terms of four years and one shall be appointed for a  
51

1 term of two years. Of the initial members recommended to the General Assembly by the  
2 President Pro Tempore of the Senate, two shall be appointed for terms of four years and one  
3 shall be appointed for a term of two years. Thereafter all Board members shall serve four-year  
4 terms. The Board shall elect the chairman from among its membership.

5 (b) No State-owned railroad company shall sell, lease, mortgage, or otherwise  
6 encumber its franchise, right-of-way, or other property, except by and with the approval and  
7 consent of the Board of Directors of that corporation. The president or other chief officer of the  
8 State-owned railroad company shall report any acquisitions and dispositions in accordance with  
9 G.S. 124-3(10)."

10 **SECTION 34.14.(c)** Article 2 of Chapter 124 of the General Statutes is amended  
11 by adding a new section to read as follows:

12 **"§ 124-16. Strategic plan and capital investment plan required of State-owned railroad**  
13 **company; performance management system.**

14 (a) Any State-owned railroad company shall prepare and maintain a comprehensive  
15 strategic plan and a capital investment plan. The strategic plan shall include a mission  
16 statement describing the purpose of the company and clear goals that address the strategic  
17 issues facing the company.

18 (b) Any State-owned railroad company shall develop and implement a formalized  
19 performance management system based on its strategic plan. The performance management  
20 system shall measure and monitor progress toward achieving strategic objectives. When  
21 performance fails to achieve strategic objectives within the time period established in the plan,  
22 a State-owned railroad company shall take corrective action."

23 **SECTION 34.14.(d)** Article 2 of Chapter 124 of the General Statutes is amended  
24 by adding a new section, G.S. 124-17. G.S. 124-3(b) is recodified as G.S. 124-17(b).  
25 G.S. 124-3(c) is recodified as G.S. 124-17(c). G.S. 124-17, as enacted and amended by this  
26 subsection, reads as rewritten:

27 **"§ 124-17. Enhanced annual report of State-owned railroad company; additional**  
28 **reporting requirements to Governor and General Assembly.**

29 (a) A State-owned railroad company shall submit an annual report to the Joint  
30 Legislative Commission on Governmental Operations and the Joint Legislative Transportation  
31 Oversight Committee. The report shall include the following:

- 32 (1) The information required under G.S. 124-3.
- 33 (2) A copy of the strategic plan and the capital investment plan required under  
34 G.S. 124-16.
- 35 (3) Any failures to meet strategic objectives and what corrective actions were  
36 taken under G.S. 124-16(b).
- 37 (4) Anticipated dividends for the next three fiscal years.
- 38 (5) A description of the State-owned railroad company's business, subsidiaries,  
39 and markets in which it operates.
- 40 (6) A list of the properties owned by the State-owned railroad company.
- 41 (7) A list of the directors and executive officers of the State-owned railroad  
42 company and a description of the background and experience of each.
- 43 (8) A description of the State-owned railroad company's code of ethics and  
44 conflicts of interest policy.
- 45 (9) A summary of the fees paid to an accounting firm during the year.
- 46 (10) A list of the compensation paid to directors and officers of the State-owned  
47 railroad company.
- 48 (11) A description of the State-owned railroad company's disagreements with its  
49 accountants if there has been a change in accountants.
- 50 (12) A description of any transactions between the State-owned railroad company  
51 and its directors, officers, and their family members.

1 (b) Upon the request of the Governor or any committee of the General Assembly, a  
2 State-owned railroad company shall provide all additional information and data within its  
3 possession or ascertainable from its records. The State-owned railroad company shall not be  
4 deemed to have waived any attorney-client privilege when complying with this subsection. At  
5 the time a State-owned railroad company provides information under this section, it shall  
6 indicate whether the information is confidential. Confidential information shall be subject to  
7 subsection (c) of this section.

8 (c) Confidential information includes (i) information related to a proposed specific  
9 business transaction where inspection, examination, or copying of the records would frustrate  
10 the purpose for which the records were created, or (ii) information that is subject to  
11 confidentiality obligations of a railroad company. Confidential information is exempt from  
12 Chapter 132 of the General Statutes and shall not be subject to a request under G.S. 132-6(a)."

13 **SECTION 34.14.(e)** The Freight Rail & Rail Crossing Safety Improvement Fund is  
14 established within the Highway Fund.

15 **SECTION 34.14.(f)** One-Time Cash Dividend. – Notwithstanding G.S. 124-5.1,  
16 any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more  
17 than two counties shall issue a cash dividend in the amount of fifteen million five hundred  
18 thousand dollars (\$15,500,000), which shall be deposited into the Freight Rail & Rail Crossing  
19 Safety Improvement Fund no later than January 15, 2014.

20 **SECTION 34.14.(g)** Annual Cash Dividend. – G.S. 124-5.1 reads as rewritten:

21 **"§ 124-5.1. ~~State use of North Carolina Railroad Company dividends.~~Dividends deposited**  
22 **to Highway Fund.**

23 (a) ~~Notwithstanding the provisions of G.S. 136-16.6, in order to increase the capital of~~  
24 ~~the North Carolina Railroad Company, any dividends of the North Carolina Railroad Company~~  
25 ~~received by the State shall be applied to reduce the obligations described in subsection (c) of~~  
26 ~~Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L.~~  
27 ~~1999-237. Any dividends of the North Carolina Railroad Company received by the State shall~~  
28 ~~be used by the Department of Transportation for the improvement of the property of the North~~  
29 ~~Carolina Railroad Company as recommended and approved by the Board of Directors of the~~  
30 ~~North Carolina Railroad Company. The improvements may include the following project~~  
31 ~~types:~~deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the  
32 Highway Fund and administered by the Rail Division of the Department of Transportation. The  
33 Fund shall be used for the enhancement of freight rail service and railroad-roadway crossing  
34 safety, which may include the following project types:

35 (1) ~~Railroad and industrial track rehabilitation.~~Track and associated  
36 infrastructure improvements for freight service.

37 (2) ~~Railroad signal and grade crossing protection.~~Grade crossing protection,  
38 elimination, and hazard removal.

39 (3) ~~Bridge improvements.~~Signalization improvements.

40 (4) ~~Corridor protection.~~Assistance for projects to improve rail access to  
41 industrial, port, and military facilities and for freight intermodal facility  
42 improvements, provided that funding assistance under this subdivision shall  
43 be subject to the same limits as that for short-line railroads under  
44 G.S. 136-44.39.

45 (5) ~~Industrial site acquisition.~~

46 The Fund may also be used to supplement funds allocated for freight rail or  
47 railroad-roadway crossing safety projects approved as part of the Transportation Improvement  
48 Program.

49 ~~The Department of Transportation shall use the Fund to supplement funds allocated for~~  
50 ~~projects approved as part of the Transportation Improvement Program.~~



1 (b) ~~Effective January 1, 2000, interest shall not be accrued or otherwise charged on the~~  
 2 ~~remaining balance of the obligations described in subsection (e) of Section 32.30 of S.L.~~  
 3 ~~1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237. Interest accrued on~~  
 4 ~~those obligations relating to periods prior to January 1, 2000, shall be deemed paid and~~  
 5 ~~contributed by the State to the capital of the North Carolina Railroad Company."~~

6 **SECTION 34.14.(h)** Article 2 of Chapter 124 of the General Statutes is amended  
 7 by adding the following new section:

8 **"§ 124-18. Dividends required of State-owned railroad company.**

9 Any State-owned railroad company that has trackage in more than two counties shall issue  
 10 an annual cash dividend to the State. The amount of the annual dividend is twenty-five percent  
 11 (25%) of the company's income from the prior year's trackage rights agreements. The dividend  
 12 is due by January 15 of each year, and interest shall accrue at the annual rate of prime plus one  
 13 percent (1%) if the payment is not paid by the due date. The Directors of any State-owned  
 14 railroad company who vote for or assent to the dividend required under this section shall not be  
 15 held liable under G.S. 55-8-33."

16 **SECTION 34.14.(i)** G.S. 136-16.6 is repealed.

17 **SECTION 34.14.(j)** Assess Certain Real Properties. – Any State-owned railroad  
 18 company, as defined under G.S. 124-11, that has trackage in more than two counties shall  
 19 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

30 The assessment shall identify potential environmental issues; title, encroachment,  
 31 and other legal property issues; and any other characteristic of the property that would  
 32 significantly impact the value of the parcels to a prospective purchaser. Any State-owned  
 33 railroad company, as defined under G.S. 124-11, that has trackage in more than two counties  
 34 shall report no later than April 1, 2014, to the Joint Legislative Transportation Oversight  
 35 Committee and the Fiscal Research Division. The report shall include the findings of the  
 36 assessment required by this subsection, an estimate of the costs to mitigate any environmental  
 37 issues to meet applicable federal or State standards, the estimated value of the parcels taking  
 38 into account mitigation costs, and potential alternate State uses for the parcels.

39 **SECTION 34.14.(j1)** One-Time Real Property Dividend. – Any State-owned  
 40 railroad company, as defined under G.S. 124-11, that has trackage in more than two counties  
 41 shall issue a dividend consisting of any of the company's noncorridor real property that is  
 42 among the following parcels:

Property Description	County	Nearest Town	Parcel ID
4th Street Lot	Carteret	Morehead	638620808907000
Station & Former Industrial Lot	Carteret	Morehead	638620718127000
Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 & 638620709868000
N. Craven St. Lot	Craven	New Bern	8-003-241-A

43 The dividend required by this subsection shall be issued no later than June 30, 2014,  
 44 except as to the N. Craven St. Lot no later than October 1, 2013, and shall be in the form of a  
 45 transfer of the property to the Department of Administration. Any State-owned railroad making  
 46  
 47  
 48  
 49  
 50  
 51

1 a dividend under this subsection may deduct any tax liabilities under the Internal Revenue Code  
 2 triggered by this dividend from the amount of the dividend required under subsection (f) of this  
 3 section.

4 **SECTION 34.14.(j2)** The Department of Administration, in collaboration with the  
 5 Department of Transportation and the North Carolina State Ports Authority (NCSPA), will  
 6 evaluate the value of the parcels listed in subsection (j1) of this section that are located in  
 7 Carteret County. The evaluation shall compare the value of the parcels for alternate  
 8 transportation uses by the Department of Transportation or the NCSPA to the potential  
 9 proceeds from sale of these properties to a non-State third party. The Departments of  
 10 Administration and Transportation shall report the results of the evaluation, including  
 11 recommended alternate uses, to the Joint Legislative Transportation Oversight Committee by  
 12 April 1, 2014. The Department of Administration shall not sell or transfer the parcels described  
 13 in this subsection until authorized to do so by an act of the General Assembly.

14 **SECTION 34.14.(j3)** Notwithstanding Articles 2 and 7 of Chapter 146 of the  
 15 General Statutes and G.S. 124-5.1, the Department of Administration shall sell any parcels  
 16 listed in subsection (j1) of this section that are located in Craven County and deposit the  
 17 proceeds of the sales into the Freight Rail & Rail Crossing Safety Improvement Fund of the  
 18 Highway Fund. Notwithstanding any other provision of law, the Department of Administration  
 19 may deduct the costs of selling the property from the proceeds of the sales.

20 **SECTION 34.14.(k)** Subsections (g), (h), and (i) of this section become effective  
 21 January 1, 2014.

22  
 23 **ELIMINATE TELECOMMUNICATIONS AND INSPECTIONS PROGRAM**  
 24 **ACCOUNTS**

25 **SECTION 34.15.(a)** The sum of ten million five hundred thousand dollars  
 26 (\$10,500,000) of the unallotted and unexpended balance of funds within the Inspection  
 27 Program Account shall be transferred to the Highway Fund as appropriated and allocated by  
 28 this act. The Inspection Program Account shall be eliminated after all funds allotted as of June  
 29 30, 2013, have been expended. The remaining unallotted and unexpended balance of funds  
 30 shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

31 **SECTION 34.15.(b)** Effective June 30, 2014, G.S. 20-183.7(d1) is repealed, and  
 32 the unallotted and unexpended balance of funds in the Telecommunications Account on that  
 33 date shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

34 **SECTION 34.15.(c)** G.S. 20-183.7 reads as rewritten:  
 35 "**§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection**  
 36 **authorization to a vehicle; use of civil penalties.**

37 ...  
 38 (c) Fee Distribution. – Fees collected for electronic inspection authorizations are  
 39 payable to the Division of Motor Vehicles. The amount of each fee listed in the table below  
 40 shall be credited to the Highway Fund, ~~the Inspection Program Account established in~~  
 41 ~~subsection (d) of this section, the Telecommunications Account established in subsection (d1)~~  
 42 ~~of this section, the Volunteer Rescue/EMS Fund established in G.S. 58-87-5, the Rescue Squad~~  
 43 ~~Workers' Relief Fund established in G.S. 58-88-5, and the Division of Air Quality of the~~  
 44 Department of Environment and Natural Resources:

<u>Recipient</u>	<u>Safety Only</u> <u>Electronic</u> <u>Authorization</u>	<u>Emissions and</u> <u>Safety</u> <u>Electronic</u> <u>Authorization</u>
49 Highway Fund	.55	.555.30
50 <del>Inspection Program Account</del>	.00	3.00
51 <del>Telecommunications Account</del>	.00	1.75

1	Volunteer Rescue/EMS Fund	.18	.18
2	Rescue Squad Workers' Relief Fund	.12	.12
3	Division of Air Quality	.00	.65.

4 ~~(d) Inspection Program Account.—The Inspection Program Account is created as a~~  
5 ~~nonreverting account within the Highway Fund. The Division shall administer the Account.~~  
6 ~~Revenue in the Account may be used only to fund the vehicle inspection and maintenance~~  
7 ~~program and to fund replacement of the State Titling and Registration System and the State~~  
8 ~~Automated Driver License System.~~

9 ...."

## 11 DIVISION OF MOTOR VEHICLES TECHNOLOGY IMPROVEMENT ACCOUNT

12 **SECTION 34.16.(a)** The sum of four million five hundred fifty thousand dollars  
13 (\$4,550,000) of the unallotted and unexpended balance of funds within the Division of Motor  
14 Vehicles Technology Improvement Account shall be transferred to the Highway Fund as  
15 appropriated and allocated by this act. The Account shall be eliminated after all funds allotted  
16 as of June 30, 2013, have been expended. The remaining unallotted and unexpended balance of  
17 funds in the Account shall be transferred to the Reserve for General Maintenance (fund center  
18 1500/150934).

19 **SECTION 34.16.(b)** G.S. 20-85, as rewritten by S.L. 2013-183, reads as rewritten:

20 "(a1) One dollar (\$1.00) of the fee imposed for any transaction assessed a fee under  
21 subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the  
22 North Carolina Highway Fund. ~~The Division shall use the fees derived from transactions with~~  
23 ~~the Division for technology improvements.~~ The Division shall use the fees derived from  
24 transactions with commission contract agents for the payment of compensation to commission  
25 contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed  
26 a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal  
27 Account in the Department of Environment and Natural Resources.

28 ...."

## 29 DEPARTMENT OF TRANSPORTATION CONTRACTED SERVICES

30 **SECTION 34.17.** The Department of Transportation, Business and Contractual  
31 Services Unit, shall, in collaboration with the Division of Motor Vehicles, evaluate current  
32 contractual models and compensation for the provision of registration, title, tax collection, and  
33 other vehicle service transactions by branch agents contracting with the Division of Motor  
34 Vehicles. As part of this evaluation, the Department shall conduct an analysis of transaction  
35 trends, completion and error rates, and service times by transaction type and branch agent type,  
36 and shall assess the appropriateness of the current basis for contractor compensation and rates  
37 relative to documented service requirements.

38 Based on its findings, the Department shall recommend alternatives to the current  
39 contractual models for branch agents to standardize contract types, enhance performance, and  
40 strengthen contract administration, taking into account citizen accessibility to service centers.  
41 In addition, the Department shall submit detailed proposals for alternate options for contractor  
42 compensation, including, at a minimum, competitive bidding of branch agent contracts. The  
43 Department shall identify anticipated programmatic and fiscal impacts, and include  
44 implementation plans for each alternative.

45 The Department shall report its findings and recommendations to the Joint  
46 Legislative Transportation Oversight Committee, Joint Legislative Program Evaluation  
47 Oversight Committee, and Fiscal Research Division no later than March 1, 2014.

## 49 DRIVER EDUCATION

50 **SECTION 34.20.(a)** G.S. 115C-216(g) reads as rewritten:

1 "(g) Fee for Instruction. – The local boards of education may charge each student  
2 participating in a driver education course a fee of up to ~~forty-five dollars (\$45.00)~~fifty-five  
3 dollars (\$55.00) to offset the costs of providing the training and instruction."

4 **SECTION 34.20.(b)** The Division of Motor Vehicles and the Department of Public  
5 Instruction shall collaborate to revise the driver knowledge test and to create a process for  
6 administration of the test and certification of passage by public schools administering driver  
7 education programs. The Division and the Department shall report to the Joint Legislative  
8 Transportation Oversight Committee, the Joint Legislative Program Evaluation Oversight  
9 Committee, the Joint Legislative Education Oversight Committee, and the Fiscal Research  
10 Division no later than March 1, 2014, on their progress in meeting the requirements of this  
11 subsection.

12 **SECTION 34.20.(c)** Subsection (a) of this section is effective when it becomes law  
13 and applies to driver education courses beginning on or after that date.

#### 14 **ADDITIONAL ANNUAL FEE FOR ELECTRIC VEHICLES**

15 **SECTION 34.21.(a)** G.S. 20-87 is amended by adding the following new  
16 subdivision to read:

17 "(13) Additional fee for certain electric vehicles. – At the time of an initial  
18 registration or registration renewal, the owner of a plug-in electric vehicle  
19 that is not a low-speed vehicle and that does not rely on a nonelectric source  
20 of power shall pay a fee in the amount of one hundred dollars (\$100.00) in  
21 addition to any other required registration fees."

22 **SECTION 34.21.(b)** This section becomes effective January 1, 2014, and applies  
23 to initial or renewal motor vehicle registrations on or after that date.

#### 24 **VISITOR CENTERS FUNDING**

25 **SECTION 34.22.** G.S. 20-79.7(c)(2) reads as rewritten:

26 "(c) Use of Funds in Special Registration Plate Account. –

27 ...

28  
29 (2) From the funds remaining in the Special Registration Plate Account after the  
30 deductions in accordance with subdivision (1) of this subsection, there is  
31 annually appropriated from the Special Registration Plate Account the sum  
32 of one million three hundred thousand dollars (\$1,300,000) to provide  
33 operating assistance for the Visitor Centers:

- 34 a. on U.S. Highway 17 in Camden County, ~~(\$100,000)~~ ninety-two  
35 thousand eight hundred fifty-seven dollars (\$92,857);
- 36 b. on U.S. Highway 17 in Brunswick County, ~~(\$100,000)~~ ninety-two  
37 thousand eight hundred fifty-seven dollars (\$92,857);
- 38 c. on U.S. Highway 441 in Macon County, ~~(\$100,000)~~ ninety-two  
39 thousand eight hundred fifty-seven dollars (\$92,857);
- 40 d. in the Town of Boone, Watauga County, ~~(\$100,000)~~ ninety-two  
41 thousand eight hundred fifty-seven dollars (\$92,857);
- 42 e. on U.S. Highway 29 in Caswell County, ~~(\$100,000)~~ ninety-two  
43 thousand eight hundred fifty-seven dollars (\$92,857);
- 44 f. on U.S. Highway 70 in Carteret County, ~~(\$100,000)~~ ninety-two  
45 thousand eight hundred fifty-seven dollars (\$92,857);
- 46 g. on U.S. Highway 64 in Tyrrell County, ~~(\$100,000)~~ ninety-two  
47 thousand eight hundred fifty-seven dollars (\$92,857);
- 48 h. at the intersection of U.S. Highway 701 and N.C. 904 in Columbus  
49 County, ~~(\$100,000)~~ ninety-two thousand eight hundred fifty-seven  
50 dollars (\$92,857);

- 1 i. on U.S. Highway 221 in McDowell County, ~~(\$100,000)~~ ninety-two  
2 thousand eight hundred fifty-seven dollars (\$92,857);  
3 j. on Staton Road in Transylvania County, ~~(\$100,000)~~ ninety-two  
4 thousand eight hundred fifty-seven dollars (\$92,857);  
5 k. in the Town of Fair Bluff, Columbus County, near the intersection of  
6 U.S. Highway 76 and N.C. 904, ~~(\$100,000)~~ ninety-two thousand  
7 eight hundred fifty-seven dollars (\$92,857);  
8 l. on U.S. Highway 421 in Wilkes County, ~~(\$100,000)~~ ninety-two  
9 thousand eight hundred fifty-seven dollars (\$92,857); and  
10 m. at the intersection of Interstate 73 and Interstate 74 in Randolph  
11 County, ~~(\$100,000)~~ ninety-two thousand eight hundred fifty-eight  
12 dollars (\$92,858) each, for two centers."  
13

## 14 STUDY GLOBAL TRANSPARK INFRASTRUCTURE AND RAIL ACCESS

15 **SECTION 34.23.** The Department of Transportation, in collaboration with the  
16 Department of Commerce and the Department of Agriculture and Consumer Services, shall  
17 study the feasibility of infrastructure and access improvements for the Global TransPark and  
18 the North Carolina State Port Authority. As part of its study, the Department shall undertake  
19 the following:

- 20 (1) Evaluate infrastructure improvements which will promote job creation and  
21 commerce and advance development of the Global TransPark as an inland  
22 terminal, including, at a minimum, specialized transloading equipment,  
23 refrigerated and dry storage facilities, and site improvements in support of  
24 co-located manufacturing facilities on property owned by the Global  
25 TransPark Authority.
- 26 (2) Perform financial feasibility analyses for each infrastructure improvement  
27 evaluated under subdivision (1) of this section, including the following  
28 components:
- 29 a. Project scope and development time line.  
30 b. Assessment of technical feasibility.  
31 c. Estimates of preconstruction, construction, maintenance, and  
32 operating costs.  
33 d. Market scenarios, including identification of target industries and  
34 commodities and assessments of market demand, impacts on cargo  
35 throughput, utilization of Authority facilities, and other associated  
36 outputs.  
37 e. Return on investment, including direct financial return to the  
38 Authority or State as well as local and regional economic impact  
39 attributable to each project.  
40 f. Alternatives for project financing.
- 41 (3) Assess highway and rail infrastructure improvements or service scenarios  
42 that improve access and throughput to the Global TransPark and North  
43 Carolina State Port Authority Morehead City Terminal, addressing at a  
44 minimum, the relative benefits and costs of each highway or rail project, as  
45 well as the impacts on freight movements for the highway system and  
46 connecting rail corridors. As part of this assessment, the Department shall, in  
47 collaboration with the North Carolina Railroad Company, evaluate alternate  
48 routes to improve rail capacity and access to the Morehead City Terminal  
49 and Radio Island site.

- 1 (4) In addition, the Department shall perform a financial feasibility analysis of  
2 the Wallace to Castle Hayne and Wilmington track restoration project that  
3 includes the following components:  
4 a. Project scope and development time line.  
5 b. Assessment of technical feasibility, including traffic flow analysis  
6 and railroad capacity modeling.  
7 c. Service models addressing operating scenarios over the line segment  
8 and connections to other rail lines, as well as rate implications.  
9 d. Preliminary engineering, construction, maintenance, and operating  
10 cost.  
11 e. Service and market demand for rail service, identifying projected  
12 utilization by industry and impacts to alternate rail routes.  
13 f. Strategic value assessment, including return on investment, direct  
14 financial return to the State, and State, regional, and local economic  
15 impact.  
16 g. Strategic value of the corridor to military installations and as a  
17 connection to national and regional railroad corridors.  
18 h. Inventory of commercial and industrial sites or terminals benefitting  
19 from restored rail service or improved connectivity.  
20 i. Alternatives for project financing.

21 The Department shall provide a preliminary report of its findings to the Joint  
22 Legislative Transportation Oversight Committee no later than March 1, 2014, and a final  
23 report, including any recommended legislation, no later than January 1, 2015.  
24

#### 25 **LIFE CYCLE COST ANALYSIS REPORT**

26 **SECTION 34.25.** The Department of Transportation shall report on its life cycle  
27 cost analysis (LCCA) methodology and component factors used to comply with federal  
28 requirements to the Fiscal Research Division and the Joint Legislative Transportation Oversight  
29 Committee no later than February 1, 2014. The report will also include, at a minimum, the  
30 following:

- 31 (1) The proportion of the Department's highway projects, by project category,  
32 for which the Department has performed an LCCA.  
33 (2) Federal and other statutory or regulatory impediments to the use of LCCA.  
34 (3) A comparison between the Department's LCCA methodology and the LCCA  
35 methodology used by the U.S. Department of Transportation and by other  
36 states.  
37 (4) Information on the scope and nature of involvement of outside stakeholders  
38 in the Department's development and revisions to its LCCA methodology.  
39

#### 40 **OUTSIDE LEGAL COUNSEL/DEPARTMENT OF TRANSPORTATION**

41 **SECTION 34.27.** The Department of Transportation may engage the services of  
42 private counsel with the pertinent expertise to timely defend or otherwise resolve legal  
43 challenges to transportation projects undertaken by the Department. The Department shall  
44 supervise and manage the private counsel engaged under this section and shall not be required  
45 to obtain written permission from the Attorney General under G.S. 114-2.3. The Department  
46 shall report the engagement of private counsel authorized by this section within 30 days to the  
47 General Assembly, as follows:

- 48 (1) If the General Assembly is in session, the Department shall report to the  
49 Chairs of the Appropriations Subcommittee on Transportation of the House  
50 of Representatives, the Chairs of the Appropriations Committee on  
51 Transportation of the Senate, and the Fiscal Research Division.

(2) If the General Assembly is not in session, or adjourns sine die during the 30-day period, the Department shall report to the Chairs of the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

**LEGISLATIVE OVERSIGHT/DMV LICENSE & THEFT TRANSFERS**

**SECTION 34.28.** The Department of Transportation and the Department of Public Safety shall not transfer any personnel or functions of the License & Theft Bureau of the Department of Transportation's Division of Motor Vehicles or enter into any agreement regarding transfer of personnel or functions of the License & Theft Bureau until passage of an act of the General Assembly authorizing the transfer.

**HIGHWAY USE TAX BASE**

**SECTION 34.29.(a)** G.S. 105-187.3(a) reads as rewritten:

**"§ 105-187.3. Rate of tax.**

(a) Amount. – The rate of the use tax imposed by this Article is three percent (3%) of the sum of the following:

(1) ~~the~~The retail value of a motor vehicle for which a certificate of title is issued.

(2) Any fee regulated by G.S. 20-101.1.

The tax is payable as provided in G.S. 105-187.4. The maximum tax is one thousand dollars (\$1,000) for each certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in G.S. 20-4.01. The maximum tax is one thousand five hundred dollars (\$1,500) for each certificate of title issued for a recreational vehicle that is not subject to the one thousand dollar (\$1,000) maximum tax."

**SECTION 34.29.(b)** This section becomes effective January 1, 2014.

**TRANSPORTATION INVESTMENTS CONFORMING CHANGE**

**SECTION 34.30.** Section 7.1(b) of S.L. 2013-183 is repealed.

**PART XXXV. SALARIES AND BENEFITS**

**GOVERNOR AND COUNCIL OF STATE**

**SECTION 35.1.(a)** Effective for the 2013-2015 fiscal biennium, the annual salary of the Governor set by G.S. 147-11(a) shall remain unchanged at the amount of one hundred forty-one thousand two hundred sixty-five dollars (\$141,265).

**SECTION 35.1.(b)** Effective for the 2013-2015 fiscal biennium, the annual salaries for members of the Council of State, payable monthly, shall remain unchanged as 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

**CERTAIN EXECUTIVE BRANCH OFFICIALS**

1           **SECTION 35.2.** Effective for the 2013-2015 fiscal biennium, the annual salaries,  
2 payable monthly, for the following executive branch officials shall remain unchanged as  
3 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

#### 17 JUDICIAL BRANCH

18           **SECTION 35.3.(a)** Effective for the 2013-2015 fiscal biennium, the annual  
19 salaries, payable monthly, for specified judicial branch officials shall remain unchanged as  
20 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

35           **SECTION 35.3.(b)** Effective for the 2013-2015 fiscal biennium, the annual  
36 salaries of employees of the Judicial Department shall remain unchanged as follows:

- 37           (1) The annual salaries of permanent full-time and part-time employees of the  
38 Judicial Department whose salaries are not itemized in this act shall remain  
39 unchanged.
- 40           (2) Notwithstanding anything to the contrary, the annual salaries of clerks of  
41 superior court under G.S. 7A-101(a) shall not change when a county changes  
42 from one population group to another.
- 43           (3) The annual salaries of assistant and deputy clerks of court set under  
44 G.S. 7A-102(c1) shall remain unchanged.
- 45           (4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or  
46 G.S. 7A-171.1(a1)(1) shall remain unchanged.

#### 48 LEGISLATIVE BRANCH

49           **SECTION 35.4.** For the 2013-2015 fiscal biennium, the salaries of members and  
50 officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3,



1 as provided in 1994 by the 1993 General Assembly. Effective for the 2013-2015 fiscal  
2 biennium, salaries in the legislative branch shall remain unchanged, as follows:

- 3 (1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each  
4 house shall remain unchanged.
- 5 (2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the  
6 reading clerk in each house shall remain unchanged.
- 7 (3) The annual salaries of the Legislative Services Officer and of nonelected  
8 employees of the General Assembly set under G.S. 120-32 shall remain  
9 unchanged.

## 10 11 **COMMUNITY COLLEGES PERSONNEL**

12 **SECTION 35.5.(a)** The annual salaries of all community college nonfaculty and  
13 professional staff whose salaries are supported from the State's General Fund shall remain  
14 unchanged for the 2013-2015 fiscal biennium.

15 **SECTION 35.5.(b)** For the 2013-2015 fiscal biennium, the annual salaries of all  
16 community college faculty whose salaries are supported from the State's General Fund shall  
17 remain unchanged. The minimum salaries for nine-month, full-time curriculum community  
18 college faculty shall also remain unchanged as follows:

19 <u>Education Level</u>	<u>Minimum Salary</u>
20 Vocational Diploma/Certificate or Less	\$34,314
21 Associate Degree or Equivalent	34,819
22 Bachelor's Degree	37,009
23 Masters Degree or Education Specialist	38,952
24 Doctoral Degree	41,753

25 No full-time faculty member shall earn less than the minimum salary for his or her education  
26 level.

27 The pro rata hourly rate of the minimum salary for each education level shall be  
28 used to determine the minimum salary for part-time faculty members.

## 29 30 **UNIVERSITY OF NORTH CAROLINA SYSTEM**

31 **SECTION 35.6.(a)** The annual compensation of all University of North Carolina  
32 EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina  
33 School of Science and Mathematics shall remain unchanged for the 2013-2015 fiscal biennium.

34 **SECTION 35.6.(b)** The annual compensation of all employees of the University of  
35 North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina  
36 University shall remain unchanged for the 2013-2015 fiscal biennium.

## 37 38 **MOST STATE EMPLOYEES**

39 **SECTION 35.7.** For the 2013-2015 fiscal biennium, the salaries in effect June 30,  
40 2013, for the following employees shall remain unchanged, effective July 1, 2013:

- 41 (1) Permanent full-time State officials and persons whose salaries are set in  
42 accordance with the State Personnel Act.
- 43 (2) Permanent full-time State officials and persons in positions exempt from the  
44 State Personnel Act.
- 45 (3) Permanent part-time State employees.
- 46 (4) Temporary and permanent hourly State employees.

## 47 48 **SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES/NO AUTOMATIC** 49 **INCREASES/AUTHORIZED SALARY ADJUSTMENT FUND ACTIONS NOT** 50 **PROHIBITED**

1           **SECTION 35.8.(a)** The annual compensation of all employees subject to or  
2 exempt from the State Personnel Act, including employees of local boards of education,  
3 community colleges, and The University of North Carolina, for the 2013-2015 fiscal biennium  
4 shall remain unchanged from that authorized on June 30, 2013, or the last date in pay status  
5 during the 2011-2013 fiscal biennium, if earlier, unless an increase is authorized by this section  
6 or under the Salary Adjustment Fund established by this act.

7           **SECTION 35.8.(b)** Salary increases may be awarded during the 2013-2015 fiscal  
8 biennium under this section only for the following special circumstances:

9           (1) For all State employees regardless of funding source, and for employees of  
10 the North Carolina Community College System and local school boards who  
11 are paid from State funds, salaries may be increased for reallocations or  
12 promotions, in-range adjustments for job change, career progression  
13 adjustments for demonstrated competencies, or any other adjustment related  
14 to an increase in job duties or responsibilities, none of which are subject to  
15 the salary freeze otherwise provided by this Part. All other salary increases  
16 are prohibited.

17           (1a) For employees of the North Carolina Community College System,  
18 notwithstanding subdivision (1) of this subsection, salaries may be increased  
19 if the increase is (i) funded from local funding sources or (ii) for the  
20 purposes of retention or equity.

21           (2) For The University of North Carolina, (i) faculty using funds from the  
22 Faculty Recruiting and Retention Fund, the Distinguished Professors  
23 Endowment Fund, or the University Cancer Research Fund in the case of  
24 faculty involved in cancer research supported by that fund; (ii) faculty,  
25 nonfaculty, and other employee adjustments, including retention  
26 adjustments, funded from non-State funding sources; (iii) faculty,  
27 nonfaculty, and other employees for the purposes of retention or equity.

28           (3) For employees of the judicial branch, for local supplementation as  
29 authorized by G.S. 7A-300.1.

30           The cumulative salary adjustment allowed under this subsection for each fiscal year  
31 during the 2013-2015 fiscal biennium may exceed ten percent (10%) of annual salary only if  
32 the adjustment is approved in advance by the Office of State Budget and Management, The  
33 University of North Carolina Board of Governors, the Board of the North Carolina Community  
34 College System, the Legislative Services Commission, the local board of education, or other  
35 authorized body as appropriate.

36           **SECTION 35.8.(c)** The automatic salary step increases for assistant and deputy  
37 clerks of superior court and magistrates are suspended for the 2013-2015 fiscal biennium.

38           **SECTION 35.8.(d)** The salary increase provisions of G.S. 20-187.3 are suspended  
39 for the 2013-2015 fiscal biennium.

40           **SECTION 35.8.(e)** During the 2013-2015 fiscal biennium, notwithstanding  
41 G.S. 53C-2-3(c), employees of the Office of the Commissioner of Banks shall not be awarded  
42 (i) compensation increases unless allowed under subdivision (1) of subsection (b) of this  
43 section or (ii) compensation bonuses.

44           **SECTION 35.8.(f)** Employees of the Lottery Commission shall not receive  
45 compensation bonuses during the 2013-2015 fiscal biennium.

#### 46 47 **MONITOR MOST SALARY INCREASES**

48           **SECTION 35.9.(a)** The Office of State Budget and Management and the Office of  
49 State Personnel shall monitor jointly the compliance of the following units of government with  
50 the provisions of Section 35.8 of this act and shall submit quarterly reports of their monitoring  
51 activities to the President Pro Tempore of the Senate, the Speaker of the House of

1 Representatives, and the Fiscal Research Division: (i) State agencies, departments, and  
2 institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii)  
3 The University of North Carolina and its constituent institutions.

4 The quarterly reports required by this section shall include the following  
5 information:

- 6 (1) For agencies reporting through the BEACON HR/Payroll system, (i) a  
7 breakdown by action type (including, but not limited to, promotion,  
8 reallocation, career progression, salary adjustment, and any similar actions  
9 increasing employee pay) of the number and annual amount of those  
10 increases and (ii) a breakdown by action reason (including in-range higher  
11 level, acting pay, trainee adjustment, and other similar action reasons) of the  
12 number and annual amount of those action types coded as salary adjustment.
- 13 (2) For The University of North Carolina and its constituent institutions, a  
14 breakdown of the number and annual amount of those increases categorized  
15 by the University as promotions, changes in job duties or responsibilities,  
16 Distinguished Professorships, retention pay, career progression, and any  
17 other similar actions increasing employee pay.
- 18 (3) A summary of actions taken by the Office of State Budget and Management  
19 and the Office of State Personnel with respect to unauthorized salary  
20 increases.

21 **SECTION 35.9.(b)** The Legislative Services Officer shall report quarterly to the  
22 President Pro Tempore of the Senate and the Speaker of the House of Representatives on  
23 compliance with Section 35.8 this act.  
24

#### 25 **ESTABLISH SEVERANCE EXPENDITURE RESERVE**

26 **SECTION 35.10.(a)** There are established in the Office of State Budget and  
27 Management General Fund and Highway Fund reserve budget codes for the purpose of funding  
28 severance-related obligations to State employees subject to the State Personnel Act, and  
29 employees exempt from the State Personnel Act, who are separated from service due to a  
30 reduction-in-force action. Severance-related expenditures from these reserves shall include  
31 obligations to fund:

- 32 (1) A State employee's severance salary continuation with an age adjustment  
33 factor as authorized by G.S. 126-8.5, including employer-related  
34 contributions for social security, and
- 35 (2) Noncontributory health premiums for up to 12 months as authorized by  
36 G.S. 135-48.40(b)(8) for employees of employing units as defined by  
37 G.S. 135-48.1(11).

38 **SECTION 35.10.(b)** The Director of the Budget shall allocate funds appropriated  
39 in Sections 2.1 and 3.1 of this act to the Severance Expenditure Reserve to public agencies to  
40 fund severance-related obligations incurred by the agencies as a result of reduction-in-force  
41 actions that cause State-supported public employees to be terminated from public employment.  
42 Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety  
43 before funds appropriated to a public agency for State-supported personal services expenditures  
44 may be used to fund any severance-related obligations.

45 Funds appropriated to the Severance Expenditure Reserve may be allocated to  
46 public agencies for positions that are funded by the General Fund or Highway Fund. Funds  
47 appropriated to the Severance Expenditure Reserve may also be allocated to public agencies for  
48 positions that are funded partially from the General Fund or Highway Fund and partially from  
49 sources other than the General Fund or Highway Fund but only to the extent of the  
50 proportionate part of the salaries paid from the General Fund or Highway Fund.

1 For the purposes of this subsection, the term "public employee" means an employee  
2 of a State agency, department, or institution; The University of North Carolina; the North  
3 Carolina Community College System; or a local school administrative unit.

4  
5 **FLEXIBILITY FOR SALARY DETERMINATIONS FOR CERTAIN LICENSED**  
6 **PROFESSIONAL EMPLOYEES**

7 **SECTION 35.10A.(a)** State agencies, departments, and institutions shall have  
8 salary administration flexibility for licensed physicians, dentists, nurses, physicians assistants,  
9 pharmacists, and other allied health professionals and may exercise the flexibility within  
10 existing resources. No salary determination made under this section may exceed the maximum  
11 of the applicable salary range established by the Office of State Personnel under Chapter 126 of  
12 the General Statutes.

13 **SECTION 35.10A.(b)** Beginning September 1, 2013, and then quarterly thereafter,  
14 the Office of State Personnel shall report to the Joint Legislative Commission on Governmental  
15 Operations and to the Fiscal Research Division on the salary actions taken under this section.

16  
17 **SALARY ADJUSTMENT FUND**

18 **SECTION 35.10B.(a)** The Salary Adjustment Fund is established to make funding  
19 available for salary increases in the executive, legislative, and judicial branches for specified  
20 purposes only as authorized in this section. Funds appropriated to the Salary Adjustment Fund  
21 by this act, or any other provision of law, shall only be used to fund agency requests for the  
22 following purposes in order to provide competitive salary rates:

- 23 (1) Reallocation of positions to higher level job classifications.
- 24 (2) In-range adjustments for job change.
- 25 (3) Career progression adjustments for demonstrated competencies.
- 26 (4) Salary range revisions.
- 27 (5) Geographic site differential adjustments.
- 28 (6) In-range adjustments for labor market.
- 29 (7) In-range adjustments for equity issues.
- 30 (8) Any other adjustments related to an increase in job duties or responsibilities  
31 or labor market changes.

32 These adjustments must be documented through data collection and analysis according to  
33 accepted human resource professional practices and standards. Further, funds may only be used  
34 for salary adjustments for the stated purposes that are in compliance with State Personnel  
35 Commission policies and other provisions of the Act. For the executive branch, funding shall  
36 be approved by the State Personnel Commission or Office of State Personnel and shall not be  
37 used for any other purposes.

38 **SECTION 35.10B.(b)** Employees subject to the State Personnel Act in The  
39 University of North Carolina System are eligible for funding authorized in this section.  
40 Employees of local school boards and community colleges are not eligible for funding  
41 authorized in this section. Funding shall be approved by the State Personnel Commission or  
42 Office of State Personnel and shall not be used for any other purposes.

43 **SECTION 35.10B.(c)** The Director of the Budget may transfer to General Fund  
44 budget codes from the Salary Adjustment Fund amounts required to support salary adjustments  
45 authorized by this section. The Director of the Budget shall consult with the Joint Legislative  
46 Commission on Governmental Operations prior to transferring any salary adjustment funds  
47 pursuant to this section.

48 **SECTION 35.10B.(d)** For employees of the Department of Transportation or  
49 whose salaries are funded by the Highway Fund, the sum of up to three million dollars  
50 (\$3,000,000) of funds available to the Department of Transportation for the 2013-2015 fiscal  
51 biennium may be used for salary increases consistent with this section. Salary increases

1 awarded under this subsection are special circumstances adjustments under Section 35.8 of this  
2 act.

### 4 **SPECIAL ANNUAL LEAVE BONUS**

5 **SECTION 35.10C.** Any person (i) who was on July 1, 2013, a full-time permanent  
6 employee of the State, a community college institution, or a local board of education or was  
7 under contract on July 1, 2013, to be employed for the 2013-2014 school year in such a  
8 position and (ii) who is eligible to earn annual leave shall have a one-time additional five days  
9 of annual leave credited on July 1, 2013. The additional leave shall be accounted for separately  
10 from the annual leave bonus provided by Section 28.3A of S.L. 2002-126, by Section  
11 30.12B(a) of S.L. 2003-284, and by Section 29.14A of S.L. 2005-276, and must be used by  
12 June 30, 2014. Annual leave bonus not used during FY 2013-2014 shall expire on June 30,  
13 2014, and shall not be paid in a lump sum upon termination of employment unless the person  
14 effects a retirement from a State-supported retirement system immediately upon termination of  
15 employment. Part-time permanent employees shall receive a pro rata amount of the five days.

### 17 **TEACHER SALARY SCHEDULES**

18 **SECTION 35.11.(a)** The following monthly salary schedules shall apply for the  
19 2013-2014 fiscal year to certified personnel of the public schools who are classified as teachers.  
20 The schedules contain 37 steps, with each step corresponding to one year of teaching  
21 experience. Public school employees paid according to this salary schedule and receiving  
22 NBPTS certification or obtaining a masters degree shall not be prohibited from receiving the  
23 appropriate increase in salary. Provided, however, teachers employed during the 2012-2013  
24 school year who did not work the required number of months to acquire an additional year of  
25 experience shall not receive a decrease in salary as otherwise would be required by the salary  
26 schedule below.

#### 28 2013-2014 Monthly Salary Schedule

29	"A" Teachers		
30	Years of Experience	"A" Teachers	NBPTS Certification
31	0-2	\$3,080	N/A
32	3-5	\$3,080	\$3,450
33	6	\$3,122	\$3,497
34	7	\$3,167	\$3,547
35	8	\$3,303	\$3,699
36	9	\$3,445	\$3,858
37	10	\$3,580	\$4,010
38	11	\$3,711	\$4,156
39	12	\$3,816	\$4,274
40	13	\$3,865	\$4,329
41	14	\$3,914	\$4,384
42	15	\$3,965	\$4,441
43	16	\$4,015	\$4,497
44	17	\$4,066	\$4,554
45	18	\$4,118	\$4,612
46	19	\$4,171	\$4,672
47	20	\$4,226	\$4,733
48	21	\$4,282	\$4,796
49	22	\$4,337	\$4,857
50	23	\$4,397	\$4,925
51	24	\$4,456	\$4,991

1	25	\$4,515	\$5,057
2	26	\$4,577	\$5,126
3	27	\$4,639	\$5,196
4	28	\$4,706	\$5,271
5	29	\$4,771	\$5,344
6	30	\$4,836	\$5,416
7	31	\$4,903	\$5,491
8	32	\$4,972	\$5,569
9	33	\$5,044	\$5,649
10	34	\$5,116	\$5,730
11	35	\$5,215	\$5,841
12	36+	\$5,318	\$5,956

## 2013-2014 Monthly Salary Schedule

## "M" Teachers

16	Years of Experience	"M" Teachers	NBPTS Certification
17	0-2	\$3,388	N/A
18	3-5	\$3,388	\$3,795
19	6	\$3,434	\$3,846
20	7	\$3,484	\$3,902
21	8	\$3,633	\$4,069
22	9	\$3,790	\$4,245
23	10	\$3,938	\$4,411
24	11	\$4,082	\$4,572
25	12	\$4,198	\$4,702
26	13	\$4,252	\$4,762
27	14	\$4,305	\$4,822
28	15	\$4,362	\$4,885
29	16	\$4,417	\$4,947
30	17	\$4,473	\$5,010
31	18	\$4,530	\$5,074
32	19	\$4,588	\$5,139
33	20	\$4,649	\$5,207
34	21	\$4,710	\$5,275
35	22	\$4,771	\$5,344
36	23	\$4,837	\$5,417
37	24	\$4,902	\$5,490
38	25	\$4,967	\$5,563
39	26	\$5,035	\$5,639
40	27	\$5,103	\$5,715
41	28	\$5,177	\$5,798
42	29	\$5,248	\$5,878
43	30	\$5,320	\$5,958
44	31	\$5,393	\$6,040
45	32	\$5,469	\$6,125
46	33	\$5,548	\$6,214
47	34	\$5,628	\$6,303
48	35	\$5,737	\$6,425
49	36+	\$5,850	\$6,552

50 **SECTION 35.11.(b)** Annual longevity payments for teachers shall be at the rate of  
51 one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and

1 twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three  
2 and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service,  
3 and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The  
4 longevity payment shall be paid in a lump sum once a year.

5 **SECTION 35.11.(c)** Certified public schoolteachers with certification based on  
6 academic preparation at the six-year degree level shall receive a salary supplement of one  
7 hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for  
8 certified personnel of the public schools who are classified as "M" teachers. Certified public  
9 schoolteachers with certification based on academic preparation at the doctoral degree level  
10 shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in  
11 addition to the compensation provided for certified personnel of the public schools who are  
12 classified as "M" teachers.

13 **SECTION 35.11.(d)** The first step of the salary schedule for school psychologists  
14 shall be equivalent to Step 10, corresponding to 10 years of experience, on the salary schedule  
15 established in this section for certified personnel of the public schools who are classified as  
16 "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate  
17 step based on their years of experience. Certified psychologists shall receive longevity  
18 payments based on years of State service in the same manner as teachers.

19 Certified psychologists with certification based on academic preparation at the  
20 six-year degree level shall receive a salary supplement of one hundred twenty-six dollars  
21 (\$126.00) per month in addition to the compensation provided for certified psychologists.  
22 Certified psychologists with certification based on academic preparation at the doctoral degree  
23 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month  
24 in addition to the compensation provided for certified psychologists.

25 **SECTION 35.11.(e)** Speech pathologists who are certified as speech pathologists  
26 at the masters degree level and audiologists who are certified as audiologists at the masters  
27 degree level and who are employed in the public schools as speech and language specialists and  
28 audiologists shall be paid on the school psychologist salary schedule.

29 Speech pathologists and audiologists with certification based on academic  
30 preparation at the six-year degree level shall receive a salary supplement of one hundred  
31 twenty-six dollars (\$126.00) per month in addition to the compensation provided for speech  
32 pathologists and audiologists. Speech pathologists and audiologists with certification based on  
33 academic preparation at the doctoral degree level shall receive a salary supplement of two  
34 hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for  
35 speech pathologists and audiologists.

36 **SECTION 35.11.(f)** Certified school nurses who are employed in the public  
37 schools as nurses shall be paid on the "M" salary schedule.

38 **SECTION 35.11.(g)** As used in this section, the term "teacher" shall also include  
39 instructional support personnel.

40 **SECTION 35.11.(h)** Public school employees and State agency employees paid on  
41 the teacher salary schedule shall not move up on salary schedules or receive automatic step  
42 increases, or other increments during the 2014-2015 Fiscal Year unless authorized by the  
43 General Assembly.

#### 44 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

45 **SECTION 35.12.(a)** The following base salary schedule for school-based  
46 administrators shall apply only to principals and assistant principals. This base salary schedule  
47 shall apply for the 2013-2014 fiscal year, commencing July 1, 2013. Provided, however,  
48 school-based administrators (i) employed during the 2012-2013 school year who did not work  
49 the required number of months to acquire an additional year of experience and (ii) employed  
50

1 during the 2013-2014 school year in the same classification shall not receive a decrease in  
 2 salary as otherwise would be required by the salary schedule below.

3  
 4 2013-2014 Principal and Assistant Principal Salary Schedules

5 Classification

6	Years of Exp	Assistant	Prin I	Prin II	Prin III	Prin IV
7		Principal	(0-10)	(11-21)	(22-32)	(33-43)
8	0-9	\$3,828	-	-	-	-
9	10	\$3,977	-	-	-	-
10	11	\$4,123	-	-	-	-
11	12	\$4,240	-	-	-	-
12	13	\$4,295	\$4,295	-	-	-
13	14	\$4,348	\$4,348	-	-	-
14	15	\$4,406	\$4,406	\$4,461	-	-
15	16	\$4,461	\$4,461	\$4,518	-	-
16	17	\$4,518	\$4,518	\$4,575	\$4,634	-
17	18	\$4,575	\$4,575	\$4,634	\$4,695	\$4,757
18	19	\$4,634	\$4,634	\$4,695	\$4,757	\$4,819
19	20	\$4,695	\$4,695	\$4,757	\$4,819	\$4,885
20	21	\$4,757	\$4,757	\$4,819	\$4,885	\$4,951
21	22	\$4,819	\$4,819	\$4,885	\$4,951	\$5,017
22	23	\$4,885	\$4,885	\$4,951	\$5,017	\$5,085
23	24	\$4,951	\$4,951	\$5,017	\$5,085	\$5,154
24	25	\$5,017	\$5,017	\$5,085	\$5,154	\$5,229
25	26	\$5,085	\$5,085	\$5,154	\$5,229	\$5,300
26	27	\$5,154	\$5,154	\$5,229	\$5,300	\$5,373
27	28	\$5,229	\$5,229	\$5,300	\$5,373	\$5,447
28	29	\$5,300	\$5,300	\$5,373	\$5,447	\$5,524
29	30	\$5,373	\$5,373	\$5,447	\$5,524	\$5,603
30	31	\$5,447	\$5,447	\$5,524	\$5,603	\$5,684
31	32	\$5,524	\$5,524	\$5,603	\$5,684	\$5,794
32	33	\$5,603	\$5,603	\$5,684	\$5,794	\$5,909
33	34	\$5,684	\$5,684	\$5,794	\$5,909	\$6,027
34	35	\$5,794	\$5,794	\$5,909	\$6,027	\$6,148
35	36	\$5,909	\$5,909	\$6,027	\$6,148	\$6,271
36	37	-	\$6,027	\$6,148	\$6,271	\$6,396
37	38	-	-	\$6,271	\$6,396	\$6,524
38	39	-	-	\$6,396	\$6,524	\$6,654
39	40	-	-	-	\$6,654	\$6,787
40	41	-	-	-	\$6,787	\$6,923
41	42	-	-	-	-	\$7,061

42  
 43 2013-2014 Principal and Assistant Principal Salary Schedules

44 Classification

45	Years of Exp	Prin V	Prin VI	Prin VII	Prin VIII
46		(44-54)	(55-65)	(66-100)	(101+)
47	0-19	\$4,885	-	-	-
48	20	\$4,951	-	-	-
49	21	\$5,017	\$5,085	-	-
50	22	\$5,085	\$5,154	\$5,300	-
51	23	\$5,154	\$5,229	\$5,373	\$5,447



1	24	\$5,229	\$5,300	\$5,447	\$5,524
2	25	\$5,300	\$5,373	\$5,524	\$5,603
3	26	\$5,373	\$5,447	\$5,603	\$5,684
4	27	\$5,447	\$5,524	\$5,684	\$5,794
5	28	\$5,524	\$5,603	\$5,794	\$5,909
6	29	\$5,603	\$5,684	\$5,909	\$6,027
7	30	\$5,684	\$5,794	\$6,027	\$6,148
8	31	\$5,794	\$5,909	\$6,148	\$6,271
9	32	\$5,909	\$6,027	\$6,271	\$6,396
10	33	\$6,027	\$6,148	\$6,396	\$6,524
11	34	\$6,148	\$6,271	\$6,524	\$6,654
12	35	\$6,271	\$6,396	\$6,654	\$6,787
13	36	\$6,396	\$6,524	\$6,787	\$6,923
14	37	\$6,524	\$6,654	\$6,923	\$7,061
15	38	\$6,654	\$6,787	\$7,061	\$7,202
16	39	\$6,787	\$6,923	\$7,202	\$7,346
17	40	\$6,923	\$7,061	\$7,346	\$7,493
18	41	\$7,061	\$7,202	\$7,493	\$7,643
19	42	\$7,202	\$7,346	\$7,643	\$7,796
20	43	\$7,346	\$7,493	\$7,796	\$7,952
21	44	-	\$7,643	\$7,952	\$8,111
22	45	-	\$7,796	\$8,111	\$8,273
23	46+	-	-	\$8,273	\$8,438

**SECTION 35.12.(b)** The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

	Classification	Number of Teachers Supervised
29	Assistant Principal	
31	Principal I	Fewer than 11 Teachers
32	Principal II	11-21 Teachers
33	Principal III	22-32 Teachers
34	Principal IV	33-43 Teachers
35	Principal V	44-54 Teachers
36	Principal VI	55-65 Teachers
37	Principal VII	66-100 Teachers
38	Principal VIII	More than 100 Teachers

The number of teachers supervised includes teachers and assistant principals paid from State funds only; it does not include teachers or assistant principals paid from non-State funds or the principal or teacher assistants.

The beginning classification for principals in alternative schools and in cooperative innovative high school programs shall be the Principal III level. Principals in alternative schools who supervise 33 or more teachers shall be classified according to the number of teachers supervised.

**SECTION 35.12.(c)** A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. Provided, however, a principal who acquires an additional step for the 2013-2014 or 2014-2015 fiscal years shall not receive a corresponding increase in salary during the 2013-2015 fiscal biennium. A principal or

1 assistant principal shall also continue to receive any additional State-funded percentage  
2 increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement  
3 in student performance or maintaining a safe and orderly school.

4 **SECTION 35.12.(d)** Principals and assistant principals with certification based on  
5 academic preparation at the six-year degree level shall be paid a salary supplement of one  
6 hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a  
7 salary supplement of two hundred fifty-three dollars (\$253.00) per month.

8 **SECTION 35.12.(e)** Longevity pay for principals and assistant principals shall be  
9 as provided for State employees under the State Personnel Act.

10 **SECTION 35.12.(f)** If a principal is reassigned to a higher job classification  
11 because the principal is transferred to a school within a local school administrative unit with a  
12 larger number of State-allotted teachers, the principal shall be placed on the salary schedule as  
13 if the principal had served the principal's entire career as a principal at the higher job  
14 classification.

15 If a principal is reassigned to a lower job classification because the principal is  
16 transferred to a school within a local school administrative unit with a smaller number of  
17 State-allotted teachers, the principal shall be placed on the salary schedule as if the principal  
18 had served the principal's entire career as a principal at the lower job classification.

19 This subsection applies to all transfers on or after the effective date of this section,  
20 except transfers in school systems that have been created, or will be created, by merging two or  
21 more school systems. Transfers in these merged systems are exempt from the provisions of this  
22 subsection for one calendar year following the date of the merger.

23 **SECTION 35.12.(g)** Participants in an approved full-time masters in-school  
24 administration program shall receive up to a 10-month stipend at the beginning salary of an  
25 assistant principal during the internship period of the masters program. The stipend shall not  
26 exceed the difference between the beginning salary of an assistant principal plus the cost of  
27 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,  
28 including awards of the Principal Fellows Program. The Principal Fellows Program or the  
29 school of education where the intern participates in a full-time masters in-school administration  
30 program shall supply the Department of Public Instruction with certification of eligible  
31 full-time interns.

32 **SECTION 35.12.(h)** During the 2013-2015 fiscal biennium, the placement on the  
33 salary schedule of an administrator with a one-year provisional assistant principal's certificate  
34 shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher  
35 salary schedule, whichever is higher.

36 **SECTION 35.12.(i)** Public school employees and State agency employees paid on  
37 the school based administrator salary schedule shall not move up on salary schedules or receive  
38 automatic step increases, or other increments during the 2014-2015 Fiscal Year unless  
39 authorized by the General Assembly.  
40

#### 41 **CENTRAL OFFICE SALARIES**

42 **SECTION 35.13.(a)** The monthly salary ranges that follow, which apply to  
43 assistant superintendents, associate superintendents, directors/coordinators, supervisors, and  
44 finance officers, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1,  
45 2013.

46	School Administrator I	\$3,349	\$6,281
47	School Administrator II	\$3,550	\$6,662
48	School Administrator III	\$3,769	\$7,068
49	School Administrator IV	\$3,920	\$7,349
50	School Administrator V	\$4,078	\$7,647
51	School Administrator VI	\$4,326	\$8,109

1 School Administrator VII \$4,500 \$8,436

2 The local board of education shall determine the appropriate category and  
3 placement for each assistant superintendent, associate superintendent, director/coordinator,  
4 supervisor, or finance officer within the salary ranges and within funds appropriated by the  
5 General Assembly for central office administrators and superintendents. The category in which  
6 an employee is placed shall be included in the contract of any employee.

7 **SECTION 35.13.(b)** The monthly salary ranges that follow, which apply to public  
8 school superintendents, shall remain unchanged for the 2013-2015 fiscal biennium, beginning  
9 July 1, 2013.

10 Superintendent I \$4,777 \$8,949

11 Superintendent II \$5,071 \$9,490

12 Superintendent III \$5,380 \$10,067

13 Superintendent IV \$5,710 \$10,679

14 Superintendent V \$6,060 \$11,330

15 The local board of education shall determine the appropriate category and  
16 placement for the superintendent based on the average daily membership of the local school  
17 administrative unit and within funds appropriated by the General Assembly for central office  
18 administrators and superintendents.

19 **SECTION 35.13.(c)** Longevity pay for superintendents, assistant superintendents,  
20 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as  
21 provided for State employees under the State Personnel Act.

22 **SECTION 35.13.(d)** Superintendents, assistant superintendents, associate  
23 superintendents, directors/coordinators, supervisors, and finance officers with certification  
24 based on academic preparation at the six-year degree level shall receive a salary supplement of  
25 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided  
26 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,  
27 directors/coordinators, supervisors, and finance officers with certification based on academic  
28 preparation at the doctoral degree level shall receive a salary supplement of two hundred  
29 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this  
30 section.

31 **SECTION 35.13.(e)** The State Board of Education shall not permit local school  
32 administrative units to transfer State funds from other funding categories for salaries for public  
33 school central office administrators.

34 **SECTION 35.13.(f)** The salaries of all permanent, full-time personnel paid from  
35 the Central Office Allotment shall remain unchanged for the 2013-2015 fiscal biennium.

### 37 **NONCERTIFIED PERSONNEL SALARIES**

38 **SECTION 35.14.** The annual salary for permanent, full-time and part-time  
39 noncertified public school employees whose salaries are supported from the State's General  
40 Fund shall be remain unchanged for the 2013-2015 fiscal biennium.

### 42 **SALARY-RELATED CONTRIBUTIONS**

43 **SECTION 35.15.(a)** Effective for the 2013-2015 fiscal biennium, required  
44 employer salary-related contributions for employees whose salaries are paid from department,  
45 office, institution, or agency receipts shall be paid from the same source as the source of the  
46 employee's salary. If an employee's salary is paid in part from the General Fund or Highway  
47 Fund and in part from department, office, institution, or agency receipts, required employer  
48 salary-related contributions may be paid from the General Fund or Highway Fund only to the  
49 extent of the proportionate part paid from the General Fund or Highway Fund in support of the  
50 salary of the employee, and the remainder of the employer's requirements shall be paid from the  
51 source that supplies the remainder of the employee's salary. The requirements of this section as

1 to source of payment are also applicable to payments on behalf of the employee for hospital  
2 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'  
3 compensation, severance pay, separation allowances, and applicable disability income benefits.

4 Notwithstanding any other provision of law, an employing unit, as defined in  
5 G.S. 135-48.1, that hires or has hired as an employee a retiree that is in receipt of monthly  
6 retirement benefits from any retirement system supported in whole or in part by contributions  
7 of the State shall enroll the retiree in the active group and pay the cost for the hospital medical  
8 benefits if that retiree is employed in a position that would require the employer to pay hospital  
9 medical benefits if the individual had not been retired.

10 **SECTION 35.15.(b)** Effective July 1, 2013, the State's employer contribution rates  
11 budgeted for retirement and related benefits as a percentage of covered salaries for the  
12 2013-2015 fiscal biennium are (i) fourteen and sixty-nine hundredths percent (14.69%) –  
13 Teachers and State Employees; (ii) nineteen and sixty-nine hundredths percent (19.69%) –  
14 State Law Enforcement Officers; (iii) twelve and sixty-eight hundredths percent (12.68%) –  
15 University Employees' Optional Retirement Program; (iv) twelve and sixty-eight hundredths  
16 percent (12.68%) – Community College Optional Retirement Program; (v) thirty-three and  
17 forty-one hundredths percent (33.41%) – Consolidated Judicial Retirement System; and (vi)  
18 five and forty hundredths percent (5.40%) – Legislative Retirement System. Each of the  
19 foregoing contribution rates includes five and forty hundredths percent (5.40%) for hospital and  
20 medical benefits. The rate for the Teachers and State Employees, State Law Enforcement  
21 Officers, University Employees' Optional Retirement Program, and the Community College  
22 Optional Retirement Program includes forty-four hundredths percent (0.44%) for the Disability  
23 Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers  
24 include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law  
25 Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The  
26 rate for Teachers and State Employees and State Law Enforcement Officers includes one  
27 hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement.

28 **SECTION 35.15.(c)** Effective July 1, 2013, the maximum annual employer  
29 contributions, payable monthly, by the State for each covered employee or retiree for the  
30 2013-2014 fiscal year to the State Health Plan for Teachers and State Employees are (i)  
31 Medicare eligible employees and retirees – four thousand one hundred seven dollars (\$4,107)  
32 and (ii) non-Medicare eligible employees and retirees – five thousand two hundred eighty-five  
33 dollars (\$5,285).

34 **SECTION 35.15.(d)** Effective July 1, 2014, the maximum annual employer  
35 contributions, payable monthly, by the State for each covered employee or retiree for the  
36 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i)  
37 Medicare eligible employees and retirees – four thousand two hundred twenty-four dollars  
38 (\$4,224) and (ii) non-Medicare eligible employees and retirees – five thousand four hundred  
39 thirty-five dollars (\$5,435).

#### 40 41 **SEPARATE INSURANCE BENEFITS PLAN ASSETS/PAYMENT OF HEALTH** 42 **INSURANCE PREMIUMS FOR LAW ENFORCEMENT OFFICERS**

43 **SECTION 35.17.(a)** G.S. 143-166.60 is amended by adding a new subsection to  
44 read:

45 "(d1) In addition to the benefits provided under subsection (d) of this section, the assets of  
46 the Plan may be used to pay the employer health insurance contributions and contribution rates  
47 on behalf of law enforcement officers, as defined in G.S. 135-1(11c), employed by the State  
48 and former law enforcement officers receiving a retirement allowance from the Teachers' and  
49 State Employees' Retirement System."

50 **SECTION 35.17.(b)** During the 2013-2015 fiscal biennium, the Department of  
51 Public Safety and the Department of Justice shall report monthly to the Department of State

1 Treasurer a list of the sworn law enforcement officers on whose behalf the departments have  
 2 paid employer premiums to the State Health Plan. After receiving the reports, the Department  
 3 of State Treasurer shall review and approve the reports and execute periodic transfers to the  
 4 General Fund in order to ensure that these State law enforcement employer premium costs are  
 5 financially supported by the Separate Insurance Benefits Plan established under  
 6 G.S. 143-166.60.

7 **SECTION 35.17.(c)** For each fiscal year of the 2013-2015 fiscal biennium, the  
 8 Department of State Treasurer shall calculate the total compensation for which the Department  
 9 of Public Safety and Department of Justice have paid retirement contributions on behalf of  
 10 sworn law enforcement officers. The Department of State Treasurer shall multiply this total  
 11 compensation by five and forty hundredths percent (5.40%) for months during the 2013-2014  
 12 fiscal year and by five and fifty-five hundredths percent (5.55%) for months during the  
 13 2014-2015 fiscal year and shall ensure that the General Fund is fully reimbursed for these costs  
 14 by executing periodic transfers of the resulting amounts from the Separate Insurance Benefits  
 15 Plan established under G.S. 143-166.60 to the General Fund.

16  
 17 **STATE HEALTH PLAN BOARD TO CONTROL GROWTH OF EMPLOYER**  
 18 **PREMIUM**

19 **SECTION 35.18.** The Board of Trustees of the State Health Plan for Teachers and  
 20 State Employees shall adopt new plan changes, beyond those already approved as of June 1,  
 21 2013, that are expected to reduce the average annual percentage increase in employer premiums  
 22 needed over the next four years by at least one. The plan changes may include one or more of  
 23 the following: changes to out-of-pocket requirements, changes to employee or retiree  
 24 premiums, new plan options, changes in the services and products covered, changes to the  
 25 provider network structure, changes to provider rates or payment methodology, incentives to  
 26 Plan members to adopt or maintain healthy behaviors, incentives to Plan members to control  
 27 utilization, any type of integrated health management program, fraud detection, utilization  
 28 management, or changes in plan administration.

29  
 30 **PART XXXVI. CAPITAL APPROPRIATIONS**

31  
 32 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

33 **SECTION 36.1.** The appropriations made by the 2013 General Assembly for  
 34 capital improvements are for constructing, repairing, or renovating State buildings, utilities, and  
 35 other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings  
 36 and land for State government purposes.

37  
 38 **CAPITAL APPROPRIATIONS/GENERAL FUND**

39 **SECTION 36.2.(a)** There is appropriated from the General Fund for the 2013-2015  
 40 fiscal biennium the following amounts for capital improvements:

41 <b>Capital Improvements – General Fund</b>	42 <b>2013-2014</b>	43 <b>2014-2015</b>
44 Department of Administration		
45 Sandhills State Veterans Facility – Committal		
46 Enclosure	\$ 125,000	-
47 Goldsboro State Veterans' Cemetery	600,000	-
48 Department of Environment and Natural Resources		
49 Water Resources Development Projects	11,522,000	-
50 Department of Justice		

1	Western Crime Lab Planning	1,442,000	-
2			
3	Department of Public Safety		
4	Samarkand Training Facility	5,250,000	5,173,000
5	National Guard	5,000,000	3,250,000
6			
7	The University of North Carolina System		
8	University of North Carolina Asheville –		
9	Land Purchases	2,000,000	-
10	Appalachian State University – Health Sciences		
11	Building Advance Planning	2,000,000	-
12			

**TOTAL CAPITAL IMPROVEMENTS –**

**GENERAL FUND** **\$ 27,939,000** **\$ 8,423,000**

**SECTION 36.2.(b)** Funds appropriated in subsection (a) of this section for the Sandhills State Veterans Facility – Committal Enclosure shall be used to match non-State funds. The total project cost authorized is three hundred thousand dollars (\$300,000).

**SECTION 36.2.(c)** Funds appropriated in subsection (a) of this section for the Goldsboro State Veterans' Cemetery shall be used to pay for environmental, architectural, and engineering costs associated with constructing a State Veterans' Cemetery in Goldsboro. The State shall establish, own, operate, maintain, expand, and improve a State Veterans' Cemetery in Goldsboro in accordance with 38 C.F.R. Part 39 unless subdivision (1) or (2) of subsection (d) of this section is true.

**SECTION 36.2.(d)** Any unspent and unencumbered funds appropriated in subsection (a) of this section for the Goldsboro State Veterans' Cemetery shall revert to the General Fund three years after the effective date of this act if on that date any of the following are true:

- (1) The State has not received federal grant funds in an amount that, when added to the funds appropriated in subsection (a) of this section, is sufficient to pay for the cost of completing the State Veterans' Cemetery authorized in that subsection.
- (2) Land in Wayne County sufficient in size and quality to build the State Veterans' Cemetery described in subsection (a) of this section has not been conveyed to the State by the County or some other party.
- (3) Any of the funds are not required to complete the Goldsboro State Veterans' Cemetery.

**SECTION 36.2.(e)** G.S. 65-41 reads as rewritten:

**"§ 65-41. Land acquisition.**

The State may accept land for the establishment of not more than ~~three~~four veterans cemeteries."

**SECTION 36.2.(f)** Funds appropriated in subsection (a) of this section for the Samarkand Training Facility shall be used to convert the former Samarkand Youth Development Center property and facilities into an overnight Department of Public Safety training facility that shall include a firing range.

**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

1 estimated thirty-nine million five hundred forty-eight thousand dollars (\$39,548,000) in federal  
2 funds.

3	4 <b>Name of Project</b>	5 <b>2013-2014</b>
4	(1) B. Everett Jordan Lake Water Supply Storage A	\$ 200,000
5	(2) Wilmington Harbor Deepening (75/25)	2,266,000
6	(3) Morehead City Harbor Maintenance	-
7	(4) Wilmington Harbor Maintenance (Disposal Areas 8 & 10)	2,000,000
8	(5) Wilmington Harbor Improvements Feasibility (50/50)	503,000
9	(6) Planning Assistance to Communities (50/50)	25,000
10	(7) Manteo Old House Channel Cap Sec. 204 (65/35)	2,219,000
11	(8) Natural Resources Conservation Service EQIP Project (75/25)	1,500,000
12	(9) Wrightsville Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,077,000
13	(10) Ocean Isle Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,481,000
14	(11) Carolina Beach Coastal Storm Damage Reduction Project (65/35)(40% project)	727,000
15	(12) Kure Beach Coastal Storm Damage Reduction Project (65/35)(40% project)	808,000
16	(13) Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000
17	(14) Concord Streams, NC Sec 206 (65/35)	1,023,000
18	(15) Aquatic Plant Control, Statewide and Lake Gaston (50/50)	200,000

19 **TOTALS** **\$ 14,066,000**

20 **SECTION 36.3.(b)** It is the intent of the General Assembly that funds carried  
21 forward from previous fiscal years be used to supplement the thirteen million five hundred  
22 twenty-two thousand dollars (\$11,522,000) appropriated for water resources development  
23 projects in Section 36.2(a) of this act. Therefore, the following funds carried forward from  
24 previous fiscal years shall be used for the following projects:

25	26 <b>Name of Project</b>	27 <b>Amount Carried Forward</b>
28	(1) Wilmington Harbor Maintenance (Disposal Areas 8 & 10)	\$ 1,200,000
29	(2) Wilmington Harbor Improvements Feasibility (50/50)	57,000
30	(3) Manteo Old House Channel Cap Sec. 204 (65/35)	1,250,000
31	(4) Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000

32 **TOTALS** **\$ 2,544,000**

33 **SECTION 36.3.(c)** Where the actual costs are different from the estimated costs  
34 under subsection (a) of this section, the Department may adjust the allocations among projects  
35 as needed. If any projects funded under subsection (a) of this section are delayed and the  
36 budgeted State funds cannot be used during the 2013-2014 fiscal year or if the projects funded  
37 under subsection (a) of this section are accomplished at a lower cost, the Department may use  
38 the resulting fund availability to fund any of the following:

- 39 (1) U.S. Army Corps of Engineers project feasibility studies.
- 40 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and  
41 require State matching funds in the 2013-2014 fiscal year.
- 42 (3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2014-2015 fiscal year.

**SECTION 36.3.(d)** The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

- (1) All projects listed in this section.
- (2) The estimated cost of each project.
- (3) The date that work on each project began or is expected to begin.
- (4) The date that work on each project was completed or is expected to be completed.
- (5) The actual cost of each project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

**SECTION 36.3.(e)** Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

**SECTION 36.3.(f)** Up to two hundred fifty thousand dollars (\$250,000) of the funds appropriated to the Department of Environment and Natural Resources for the Parks and Recreation Trust Fund for the 2013-2014 fiscal year may be transferred to the Division of Water Resources of the Department of Environment and Natural Resources to be used for the Lake Waccamaw Hydrilla Eradication Project. The funds transferred under this section shall be transferred to the Division of Water Resources on an as-needed basis.

**NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

**SECTION 36.4.(a)** The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

<b>Name of Project</b>	<b>Amount of Non-General Fund Funding Authorized for FY 2013-2014</b>
Department of Agriculture and Consumer Services	
Western North Carolina Agricultural Center – Midway Pavilion	\$ 125,000
Western North Carolina Agricultural Center – Fill Retention Ponds	250,000
Piedmont Research Station – Calf Barn Construction	150,000
Research Stations – Forest Road Construction	150,000
Raleigh Farmers Market – Parking Improvement/Expansion	200,000
Department of Environment and Natural Resources	
Zoo Ocelot	642,000
Zoo Storage Facility	490,000
Aquariums – Exhibit Improvements & Interior Renovations at Roanoke Island	5,000,000



1	Department of Public Safety	
2	Tabor Correctional Visitor Registration Center	121,754
3	Correction Enterprise Storage Buildings	75,000
4	NC National Guard	
5	Albemarle Readiness Center	410,000
6	Fort Fisher Training Site	1,138,000
7	Fort Bragg Regional Training Inst.	250,000
8	USPFO Administration Building	350,000
9	Camp Butner West Perimeter Road	495,000
10	J4 Annex Motor Pool New Latrine	30,000
11	High Point Readiness Center Maintenance Shop	70,000
12	Camp Butner Classroom Building Phase 1 Design	50,000
13	Fort Bragg MATES Lower Parking Lot Storm Water Management	499,000
14	Fort Bragg MATES Lower Parking Lot Concrete Pavement`	740,000
15	Kinston Field Maintenance Shop #18 Motor Pool Parking Lot Repair	225,000
16	Electronic Simulation Training Building	750,000
17	Fire Bucket Storage Building	500,000
18	Camp Butner Big Top	475,000
19		
20	Department of Transportation	
21	Lexington Equipment Shop	2,288,000
22	Division 2 Equipment Shop	7,044,300
23	Clay County Equipment Shop	1,210,000
24	Halifax County Salt Storage Shed	186,000
25	Lake Junaluska Salt Storage Shed	266,000
26	Nantahala Salt Storage Shed	35,000
27	Currituck Ferry Welcome Center	1,200,000
28	McDowell County Maintenance/Bridge Maintenance Assembly Office	1,500,000
29	Huntersville Satellite Maintenance Facility	96,300
30	Elizabeth City District/Resident Engineers Office	1,000,000
31	Southport Dormitory	862,000
32	Asheboro Maintenance Warehouse and Sign Subshop	489,000
33	Hatteras Toll Booth	76,000
34	Graham County Maintenance Assembly	704,000
35	Division 8 Office	141,000
36		
37	Wildlife Resources Commission	
38	Land Purchases	3,750,000
39	Table Rock Hatchery Building Replacement	500,000
40	Construction of New Fishing Access Areas	240,000
41	Construction of New Boating Access Areas	800,000
42	Construction of New Shooting Ranges	1,500,000
43	New Cold Water Hatchery – Advance Planning	100,000
44	Holly Shelter Game Lands – Maintenance Building Replacement	250,000
45	Sandhills Depot – Building Replacement	600,000
46	Renovations to Existing BAAs	800,000
47	ADA Initiative of Existing BAAs	280,000
48	Infrastructure R&R	1,500,000
49	Sandhills Depot Shop and Storage Building	435,000
50	Holly Shelter Shop and Secure Storage Building	250,000
51	Tiffany Depot Storage Shed and Shop	165,000

**TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL****PROJECTS AUTHORIZED****\$41,453,354**

**SECTION 36.4.(b)** From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the 2013-2014 fiscal year and the sum of thirty thousand dollars (\$30,000) for the 2014-2015 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

**REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

**SECTION 36.5.(a)** Of the funds in the Reserve for Repairs and Renovations for the 2013-2014 and the 2014-2015 fiscal years, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

- (1) Forty percent (40%) shall be allocated to the Board of Governors of The University of North Carolina.
- (2) Sixty percent (60%) shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management and the Board of Governors shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(d).

**SECTION 36.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for the installation of fire sprinklers in university residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the university's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

- (1) The safety and well-being of the residents of campus housing programs.
- (2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.
- (3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund or from bonds or certificates of participation supported by the General Fund since 1996.
- (4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.
- (5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

1           **SECTION 36.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to  
2 the Board of Governors of The University of North Carolina in subsection (a) of this section, a  
3 portion shall be used each fiscal year by the Board of Governors for campus public safety  
4 improvements allowable under G.S. 143C-4-3(b).

5           **SECTION 36.5.(d)** G.S. 143C-4-3(b), as rewritten by Section 6.12(l) of this act,  
6 reads as rewritten:

7           "(b) Use of Funds. – The funds in the Repairs and Renovations Reserve shall be used  
8 only for the repair and renovation of (i) State facilities and related infrastructure that are  
9 supported from the General Fund-Fund or (ii) State Information Technology Services facilities  
10 and related infrastructure. Funds from the Repairs and Renovations Reserve shall be used only  
11 for the following types of projects:

- 12           (1) Roof repairs and replacements;
- 13           (2) Structural repairs;
- 14           (3) Repairs and renovations to meet federal and State standards;
- 15           (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning  
16 systems;
- 17           (5) Improvements to meet the requirements of the Americans with Disabilities  
18 Act, 42 U.S.C. § 12101, et seq., as amended;
- 19           (6) Improvements to meet fire safety needs;
- 20           (7) Improvements to existing facilities for energy efficiency;
- 21           (8) Improvements to remove asbestos, lead paint, and other contaminants,  
22 including the removal and replacement of underground storage tanks;
- 23           (9) Improvements and renovations to improve use of existing space;
- 24           (10) Historical restoration;
- 25           (11) Improvements to roads, walks, drives, utilities infrastructure; and  
26           (12) Drainage and landscape improvements.

27           Funds from the Repairs and Renovations Reserve shall not be used for new construction or  
28 the expansion of the building area (sq. ft.) of an existing facility unless required in order to  
29 comply with federal or State codes or standards."  
30

## 31 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

32           **SECTION 36.6.** The appropriations made by the 2013 General Assembly for  
33 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of  
34 funds shall not be made by any State department, institution, or agency until an allotment has  
35 been approved by the Governor as Director of the Budget. The allotment shall be approved  
36 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.  
37 Prior to the award of construction contracts for projects to be financed in whole or in part with  
38 self-liquidating appropriations, the Director of the Budget shall approve the elements of the  
39 method of financing of those projects, including the source of funds, interest rate, and  
40 liquidation period. Provided, however, that if the Director of the Budget approves the method  
41 of financing a project, the Director shall report that action to the Joint Legislative Commission  
42 on Governmental Operations at its next meeting.

43           Where direct capital improvement appropriations include the purpose of furnishing  
44 fixed and movable equipment for any project, those funds for equipment shall not be subject to  
45 transfer into construction accounts except as authorized by the Director of the Budget. The  
46 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and  
47 approved by the Director of the Budget prior to commitment of funds.

48           Capital improvement projects authorized by the 2013 General Assembly shall be  
49 completed, including fixed and movable equipment and furnishings, within the limits of the  
50 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided  
51 in this act. Capital improvement projects authorized by the 2013 General Assembly for the

1 design phase only shall be designed within the scope of the project as defined by the approved  
2 cost estimate filed with the Director of the Budget, including costs associated with site  
3 preparation, demolition, and movable and fixed equipment.  
4

#### 5 **REPORTING ON CAPITAL PROJECTS**

6 **SECTION 36.7.(a)** Definitions. – The following definitions apply in this section:

- 7 (1) Capital project. – Any capital improvement, as that term is defined in  
8 G.S. 143C-1-1, that is not complete by the effective date of this section and  
9 that is funded in whole or in part with State funds, including receipts,  
10 non-General Fund sources, or statutorily or constitutionally authorized  
11 indebtedness of any kind. This term includes only projects with a total cost  
12 of one hundred thousand dollars (\$100,000) or more.
- 13 (2) Construction phase. – The status of a particular capital project as described  
14 using the terms customarily employed in the design and construction  
15 industries.
- 16 (3) New capital project. – A capital project that is authorized in this act or  
17 subsequent to the effective date of this act.

18 **SECTION 36.7.(b)** Reporting. – The following reports are required:

- 19 (1) By October 1, 2013, and every six months thereafter, each State agency shall  
20 report on the status of agency capital projects to the Joint Legislative  
21 Commission on Governmental Operations.
- 22 (2) By October 1, 2013, and quarterly thereafter, each State agency shall report  
23 on the status of agency capital projects to the Fiscal Research Division and  
24 to the Office of State Budget and Management.

25 **SECTION 36.7.(c)** The reports required by subsection (b) of this section shall  
26 include at least the following information about every agency capital project:

- 27 (1) The current construction phase of the project.
- 28 (2) The anticipated time line from the current construction phase to project  
29 completion.
- 30 (3) Information about expenditures that have been made in connection with the  
31 project, regardless of source of the funds expended.
- 32 (4) Information about the adequacy of funding to complete the project,  
33 including estimates of how final expenditures will relate to initial estimates  
34 of expenditures, and whether or not scope reductions will be necessary in  
35 order to complete the project within its budget.
- 36 (5) For new capital projects only, an estimate of the operating costs for the  
37 project for the first five fiscal years of its operation.

38 **SECTION 36.7.(d)** In addition to the other reports required by this section on  
39 October 1, 2013, and every six months thereafter, the Office of State Construction shall report  
40 on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative  
41 Commission on Governmental Operations. The report shall include (i) summary information  
42 about the average length of time that passes between FCAP assessments for an average State  
43 building; (ii) detailed information about when the last FCAP assessment was for each State  
44 building complex; and (iii) detailed information about the condition and repairs and renovations  
45 needs of each State building complex.

46 **SECTION 36.7.(e)** In addition to the other reports required by this section on  
47 October 1, 2013, and quarterly thereafter, the State Construction Office shall report to the  
48 General Assembly on the status of plan review, approval, and permitting for each State capital  
49 improvement project and community college capital improvement project over which the  
50 Office exercises plan review, approval, and permitting authority. Each report shall include (i)  
51 summary information about the workload of the Office during the previous quarter, including

1 information about the average length of time spent by the State Construction Office on each  
2 major function it performs that is related to capital project approval and (ii) detailed  
3 information about the amount of time spent engaged in those functions for each project that the  
4 State Construction Office worked on during the previous quarter.

5  
6 **REQUIRE PRIOR LEGISLATIVE AUTHORIZATION FOR SALES, LEASES, OR**  
7 **RENTALS OF CERTAIN PROPERTY BELOW FAIR MARKET VALUE**

8 **SECTION 36.8.(a)** G.S. 146-29.1 is amended by adding the following new  
9 subsections to read:

10 "(f) If the fair market value of State-owned real property exceeds one million dollars  
11 (\$1,000,000), a gift of any interest in the property or a sale, lease, or rental of any interest in the  
12 property for below fair market value shall not be effective until the later of the following:

13 (1) If a bill that specifically disapproves the transaction is introduced in either  
14 house of the General Assembly before the 31st legislative day of the next  
15 regular session of the General Assembly that begins at least 25 days after the  
16 date that the agreement making the transfer is entered into, the earlier of (i)  
17 the day that an unfavorable final action is taken on the bill or (ii) the day that  
18 the General Assembly adjourns without ratifying the bill.

19 (2) The 31st legislative day of the session of the General Assembly described in  
20 subdivision (1) of this section, if a bill disapproving the transaction is not  
21 introduced before that day.

22 (f1) For the purpose of subsection (f) of this section:

23 (1) "Next regular session" means:

24 a. For odd-numbered years its initial convening.

25 b. For even-numbered years the first reconvening of the regular session  
26 as provided in the joint resolution setting the date for reconvening.

27 (2) "Adjourns" means:

28 a. For odd-numbered years the date the General Assembly adjourns by  
29 joint resolution for a period of more than 30 days.

30 b. For even-numbered years the date of sine die adjournment.

31 (f2) If the transaction is approved under subsection (f) of this section, but the agreement  
32 provides a later effective date, then it takes effect on the date specified in the agreement.

33 (f3) Nothing in subsection (f) of this section restricts the General Assembly from  
34 enacting a law specifically approving the transaction.

35 (g) If the General Assembly ratifies a disapproving bill, the disapproved transaction  
36 shall not be effective unless it is vetoed by the Governor and the veto is not overridden, and in  
37 such case the transaction is effective upon sine die adjournment of that regular session.

38 The terms of any agreement to transfer an interest in real property under this section are  
39 deemed to incorporate the provisions of subsections (f) through (f2) of this section, and any  
40 transaction that does not comply with these subsections is void."

41 **SECTION 36.8.(b)** This section becomes effective September 1, 2013.

42  
43 **AUTHORIZE UNC CARRYFORWARD FUNDS TO BE USED FOR REPAIRS AND**  
44 **RENOVATIONS**

45 **SECTION 36.9.** Notwithstanding any other provision of law, for purposes of  
46 G.S. 143C-8-12, the term "non-General Fund money" includes funds carried forward from one  
47 fiscal year to another pursuant to G.S. 116-30.3. However, these funds shall only be used for  
48 projects listed in G.S. 143C-4-3(b). This section shall expire on June 30, 2014.

49  
50 **LIMIT UNC REPAIRS AND MAINTENANCE EXEMPTION**

51 **SECTION 36.10.** G.S. 116-13.1(c) reads as rewritten:

"(c) Approval of Certain Repair and Maintenance Projects. – Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars (\$1,000,000) per project ~~for repairs to institution facilities, renovations to institution facilities, maintenance of those facilities, and related equipment purchases.~~ for projects that are of a type listed in G.S. 143C-4-3(b) and that are for State facilities and related infrastructure that are supported from the General Fund. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects. The chancellor of a constituent institution shall report the approval of an expenditure under this subsection to the Office of State Budget and Management and to the Fiscal Research Division of the Legislative Services Commission within 60 days of the approval."

**NATIONAL GUARD PROJECTS**

**SECTION 36.11.(a)** The Department of Public Safety shall allocate funds for National Guard capital projects during the 2013-2015 fiscal biennium in accordance with the schedule that follows. These funds will provide a State match for an estimated twenty-one million dollars (\$21,000,000) in federal funds. The projects authorized, the allocation of State funds for each project, and the total project cost authorized for each project are as follows:

	<b>Name of Project</b>	<b>State Fund Allocation</b>	<b>Total Project Cost</b>
22	(1) Wilmington Building Expansion/Rehab	\$ 375,000	\$ 1,125,000
23	(2) Wilmington Site Expansion/Rehab	250,000	1,250,000
24	(3) Nashville Building Expansion/Rehab	375,000	1,125,000
25	(4) Nashville Site Expansion/Rehab	250,000	1,250,000
26	(5) Clinton Building Expansion/Rehab	375,000	1,125,000
27	(6) Clinton Site Expansion/Rehab	250,000	1,250,000
28	(7) Salisbury Building Expansion/Rehab	375,000	1,125,000
29	(8) Salisbury Site Expansion/Rehab	250,000	1,250,000
30	(9) Parkton Building Expansion/Rehab	375,000	1,125,000
31	(10) Parkton Site Expansion/Rehab	250,000	1,250,000
32	(11) Benson Building Expansion/Rehab	375,000	1,125,000
33	(12) Benson Site Expansion/Rehab	250,000	1,250,000
34	(13) Charlotte Building Expansion/Rehab	375,000	1,125,000
35	(14) Asheboro Site Expansion/Rehab	250,000	1,250,000
36	(15) Winston-Salem Building Expansion/Rehab	375,000	1,125,000
37	(16) Winston-Salem Site Expansion/Rehab	250,000	1,250,000
38	(17) Concord Building Expansion/Rehab	375,000	1,125,000
39	(18) Concord Site Expansion/Rehab	250,000	1,250,000
40	(19) Burlington Site Expansion/Rehab	375,000	1,125,000
41	(20) Albemarle Site Expansion/Rehab	375,000	1,125,000
42	(21) Belmont Building Rehab	375,000	1,125,000
43	(22) Beulaville Building Expansion/Rehab	375,000	1,125,000
44	(23) Boone Building Expansion/Rehab	375,000	1,125,000
45	(24) Dunn Building Expansion/Rehab	375,000	1,125,000
46	(25) Durham Building Expansion/Rehab	375,000	1,125,000
47	<b>TOTALS</b>	<b>\$ 8,250,000</b>	<b>29,250,000</b>

**SECTION 36.11.(b)** Subject to the limitations imposed by Section 36.2(a) of this act, the Adjutant General of the National Guard may determine which projects listed in subsection (a) of this section shall receive an allocation of State funds in each fiscal year of the biennium.



1       (d) Distribution of the Plan. – The Director of the Budget shall provide copies of the  
2 plan to the General Assembly along with the recommended biennial budget and the  
3 recommended revised budget for the second year of the biennium.

4       (e) Budget Recommendations. – The Director of the Budget shall determine which  
5 projects, if any, will be included in the recommended biennial budget and in the recommended  
6 revised budget for the second year of the biennium. The budget document transmitted to the  
7 General Assembly shall identify the projects or types of projects recommended for funding.

8       (f) Definitions. – For purposes of this section, the terms "armory," "armory site," and  
9 "facilities" shall have the same meaning as in G.S. 127A-161."

10       **SECTION 36.11.(f)** G.S. 127A-169 reads as rewritten:

11       "**§ 127A-169. Unexpended portion of State appropriation.**

12       The unexpended portion of any appropriation from the General Fund of the State for the  
13 purposes set out in this ~~Article~~, Article, or in Article 17 of this Chapter, remaining at the end of  
14 any biennium, shall not revert to the General Fund of the State, but shall constitute part of a  
15 permanent fund to be expended from time to time in the manner and for the purposes set out in  
16 this Article."

## 17 18 **CLARIFY GENERAL ASSEMBLY'S AUTHORITY TO MAKE REPAIRS**

19       **SECTION 36.13.** G.S. 120-32 reads as rewritten:

20       "**§ 120-32. Commission duties.**

21       The Legislative Services Commission is authorized to:

22       ...

23       (11) To specify the operating and capital uses within the General Assembly  
24 budget of funds appropriated to the General Assembly which remain  
25 available for expenditure after the end of the biennial fiscal period, and to  
26 revert funds under G.S. 143C-1-2.

27       ...."

## 28 29 **REPAIR, MAINTENANCE, AND SELF-CONSTRUCTION TO STATE PROPERTY**

30       **SECTION 36.15.** Notwithstanding any other provision of the law, an employee of  
31 a State agency or institution may perform work involving the installation, construction,  
32 maintenance, or repair of any buildings, wiring, piping, devices, appliances, or equipment  
33 located in or constituting improvements located on State-owned land without the requirement  
34 of licensure under Chapter 87 of the General Statutes if (i) the work performed is valued at less  
35 than one hundred thousand dollars (\$100,000), (ii) all work is performed as force-account work  
36 otherwise authorized by law up to the value authorized, and (iii) the work is performed by an  
37 employee who is employed by the State agency or institution. The Office of State Construction  
38 may regulate work performed pursuant to this section to ensure compliance with building and  
39 safety codes. Nothing in this section shall be construed to allow an employee of a State agency  
40 or institution to engage in any activities described in this section privately or outside the  
41 employee's scope of employment without meeting all licensure requirements otherwise required  
42 by law.

## 43 44 **PART XXXVIII. MISCELLANEOUS PROVISIONS**

### 45 46 **STATE BUDGET ACT APPLIES**

47       **SECTION 38.1.** The provisions of the State Budget Act, Chapter 143C of the  
48 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in  
49 this act by reference.

### 50 51 **MOST TEXT APPLIES ONLY TO THE 2013-2015 FISCAL BIENNIUM**



1           **SECTION 38.2.** Except for statutory changes or other provisions that clearly  
2 indicate an intention to have effects beyond the 2013-2015 fiscal biennium, the textual  
3 provisions of this act apply only to funds appropriated for, and activities occurring during, the  
4 2013-2015 fiscal biennium.

5  
6 **EFFECT OF HEADINGS**

7           **SECTION 38.3.** The headings to the parts and sections of this act are a  
8 convenience to the reader and are for reference only. The headings do not expand, limit, or  
9 define the text of this act except for effective dates referring to a part.

10  
11 **COMMITTEE REPORT**

12           **SECTION 38.4.(a)** The Joint Conference Committee Report on the Continuation,  
13 Expansion, and Capital Budgets for Senate Bill 402, dated July 21, 2013, which was distributed  
14 in the Senate and the House of Representatives and used to explain this act, shall indicate  
15 action by the General Assembly on this act and shall therefore be used to construe this act, as  
16 provided in the State Budget Act, Chapter 143C of the General Statutes, and for these purposes  
17 shall be considered a part of this act and as such shall be printed as a part of the Session Laws.

18           **SECTION 38.4.(b)** The budget enacted by the General Assembly is for the  
19 maintenance of the various departments, institutions, and other spending agencies of the State  
20 for the 2013-2015 biennial budget as provided in G.S. 143C-3-5. This budget includes the  
21 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

22           The Director of the Budget submitted a recommended continuation budget to the  
23 General Assembly on March 15 and 18, 2013, in the document "State of North Carolina  
24 Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the  
25 Budget Support Document for the various departments, institutions, and other spending  
26 agencies of the State. The adjustments to these documents made by the General Assembly are  
27 set out in the Committee Report.

28           **SECTION 38.4.(c)** The budget enacted by the General Assembly shall also be  
29 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other  
30 appropriate legislation.

31           In the event that there is a conflict between the line-item budget certified by the  
32 Director of the Budget and the budget enacted by the General Assembly, the budget enacted by  
33 the General Assembly shall prevail.

34  
35 **REPORT BY FISCAL RESEARCH DIVISION ON CHANGES TO THE**  
36 **BUDGET/PUBLICATION**

37           **SECTION 38.4A.(a)** The Fiscal Research Division of the Legislative Services  
38 Commission shall issue a report on budget actions taken by the 2013 Regular Session of the  
39 General Assembly. The report shall be in the form of a revision of the Committee Report  
40 adopted for Senate Bill 402 pursuant to G.S. 143C-5-5 and shall include all modifications made  
41 to the 2013-2015 biennial budget prior to sine die adjournment of the 2013 Regular Session.

42           **SECTION 38.4A.(b)** The Director of the Fiscal Research Division of the  
43 Legislative Services Commission shall send a copy of the report issued pursuant to this section  
44 to the Director of the Budget. The report shall be published on the General Assembly's Internet  
45 Web site for public access.

46  
47 **ADJUSTMENT OF ALLOCATIONS TO GIVE EFFECT TO THIS ACT FROM JULY**  
48 **1, 2013**

49           **SECTION 38.4B.(a)** The appropriations and authorizations to allocate and spend  
50 funds set out in S.L. 2013-184 expire when this act becomes law. At such time, this act governs  
51 appropriations and expenditures.

1           When this act becomes law, the Director of the Budget shall adjust allocations to  
2 give effect to this act from July 1, 2013.

3           **SECTION 38.4B.(b)** Sections 4 and 7 of S.L. 2013-184 are repealed.  
4

5 **SEVERABILITY CLAUSE**

6           **SECTION 38.5.** If any section or provision of this act is declared unconstitutional  
7 or invalid by the courts, it does not affect the validity of this act as a whole or any part other  
8 than the part so declared to be unconstitutional or invalid.  
9

10 **EFFECTIVE DATE**

11           **SECTION 38.6.** Except as otherwise provided, this act becomes effective July 1,  
12 2013.