

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015**

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**D**

**HOUSE BILL 97  
Committee Substitute Favorable 5/18/15  
Committee Substitute #2 Favorable 5/20/15  
Committee Substitute #3 Favorable 5/20/15  
PROPOSED COMMITTEE SUBSTITUTE H97-PCS10387-SVxf-25**

Short Title: 2015 Appropriations Act.

(Public)

Sponsors:

Referred to:

February 24, 2015

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS  
3 OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER  
4 PURPOSES.

5 The General Assembly of North Carolina enacts:

6  
7 **PART I. INTRODUCTION AND TITLE OF ACT**

8  
9 **TITLE OF ACT**

10 **SECTION 1.1.** This act shall be known as the "Current Operations and Capital  
11 Improvements Appropriations Act of 2015."

12  
13 **INTRODUCTION**

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

19  
20 **PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND**

21  
22 **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

23 **SECTION 2.1.** Appropriations from the General Fund of the State for the  
24 maintenance of the State's departments, institutions, and agencies, and for other purposes as  
25 enumerated, are made for the fiscal biennium ending June 30, 2017, according to the following  
26 schedule:

27  
28 **Current Operations – General Fund** **FY 2015-2016** **FY 2016-2017**

29  
30 **EDUCATION**

31  
32 Community Colleges System Office 1,087,671,150 1,086,801,912  
33



1	Department of Public Instruction	8,624,998,796	8,700,370,220
2			
3	University of North Carolina – Board of Governors		
4	Appalachian State University	127,792,024	127,785,714
5	East Carolina University		
6	Academic Affairs	210,407,112	210,407,112
7	Health Affairs	73,527,686	71,860,132
8	Elizabeth City State University	33,759,228	31,759,228
9	Fayetteville State University	48,741,530	48,741,530
10	North Carolina A & T State University	90,898,021	90,898,021
11	North Carolina Central University	82,132,848	82,132,848
12	North Carolina State University		
13	Academic Affairs	392,259,353	392,248,550
14	Agricultural Extension	38,962,927	38,595,927
15	Agricultural Research	53,099,332	53,099,332
16	University of North Carolina at Asheville	37,592,283	37,592,283
17	University of North Carolina at Chapel Hill		
18	Academic Affairs	252,603,091	252,603,091
19	Health Affairs	186,779,905	184,779,905
20	Area Health Education Centers	41,282,678	41,282,678
21	University of North Carolina at Charlotte	198,971,605	198,971,605
22	University of North Carolina at Greensboro	143,459,427	143,459,427
23	University of North Carolina at Pembroke	53,184,870	53,192,105
24	University of North Carolina School of the Arts	28,669,298	28,669,298
25	University of North Carolina at Wilmington	101,624,833	101,474,154
26	Western Carolina University	85,805,817	85,805,817
27	Winston-Salem State University	64,619,124	64,619,124
28	General Administration	37,256,706	37,256,706
29	University Institutional Programs	156,248,089	147,410,806
30	Related Educational Programs	108,168,501	108,168,501
31	North Carolina School of Science and Mathematics	19,727,381	19,728,581
32	Aid To Private Institutions	118,904,754	124,139,754
33	<b>Total University of North Carolina –</b>		
34	<b>    Board of Governors</b>	<b>2,786,478,423</b>	<b>2,776,682,229</b>
35			
36	<b>HEALTH AND HUMAN SERVICES</b>		
37			
38	Department of Health and Human Services		
39	Division of Central Management and Support	141,722,868	128,220,376
40	Division of Aging and Adult Services	43,815,337	43,815,337
41	Division of Services for the Blind, Deaf,		
42	and Hard of Hearing	8,173,207	8,173,207
43	Division of Child Development and Early Education	224,537,700	229,784,413
44	Division of Health Service Regulation	16,105,247	16,110,674
45	Division of Medical Assistance	3,773,402,778	3,936,096,888
46	Division of Mental Health, Developmental		
47	Disabilities, and Substance Abuse Services	710,264,283	703,387,508
48	NC Health Choice	14,397,579	2,105,042
49	Division of Public Health	138,718,720	143,579,928
50	Division of Social Services	182,258,263	184,708,263
51	Division of Vocational Rehabilitation	37,752,132	37,752,132

1	<b>Total Health and Human Services</b>	<b>5,291,148,114</b>	<b>5,433,733,768</b>
2			
3	<b>AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES</b>		
4			
5	Department of Agriculture and Consumer Services	118,002,713	114,997,785
6			
7	Department of Commerce		
8	Commerce	70,536,118	72,241,619
9	Commerce State-Aid	21,412,620	20,862,620
10			
11	Wildlife Resources Commission	10,499,561	10,490,876
12			
13	Department of Environment and Natural Resources	205,092,763	178,041,069
14			
15	Department of Labor	16,032,378	16,020,142
16			
17	<b>JUSTICE AND PUBLIC SAFETY</b>		
18			
19	Department of Public Safety	1,854,334,987	1,867,792,745
20			
21	Judicial Department	502,303,019	501,289,873
22			
23	Judicial Department – Indigent Defense	118,103,415	118,077,045
24			
25	Department of Justice	53,772,016	53,794,233
26			
27	<b>GENERAL GOVERNMENT</b>		
28			
29	Department of Administration	61,129,481	59,849,655
30			
31	Office of Administrative Hearings	5,229,808	5,226,437
32			
33	Department of State Auditor	11,779,660	11,769,811
34			
35	Office of State Controller	23,037,383	23,025,245
36			
37	Department of Cultural Resources		
38	Cultural Resources	77,725,808	66,066,919
39	Roanoke Island Commission	517,384	517,384
40			
41	State Board of Elections	6,616,136	6,612,129
42			
43	General Assembly	53,869,370	53,841,575
44			
45	Office of the Governor	5,660,905	5,657,222
46			
47	Office of the Governor – Special Appropriations	2,000,000	2,000,000
48			
49	Office of State Budget and Management		
50	Office of State Budget and Management	7,828,228	7,822,468
51	OSBM – Reserve for Special Appropriations	2,000,000	2,000,000

1			
2	Housing Finance Agency	29,118,739	29,118,739
3			
4	Department of Insurance	38,999,265	38,974,189
5			
6	Office of Lieutenant Governor	691,788	691,249
7			
8	Department of Military and Veterans Affairs	7,368,298	7,312,298
9			
10	Department of Revenue	81,046,874	81,032,764
11			
12	Department of Secretary of State	11,968,959	11,960,475
13			
14	Department of State Treasurer		
15	State Treasurer	9,655,372	9,651,435
16	State Treasurer – Retirement for Fire and Rescue		
17	Squad Workers	21,691,299	21,691,299
18			
19	<b>RESERVES AND DEBT SERVICE</b>		
20			
21	Contingency and Emergency Fund	5,000,000	5,000,000
22	OSHR Compensation System Update	10,000,000	10,000,000
23	Reserve for Future Benefit Needs	0	71,000,000
24	Pending Legislation	10,000,000	10,000,000
25	Job Development Investment Grants (JDIG)	57,816,215	71,728,126
26	One North Carolina Fund	6,995,976	9,000,000
27	Information Technology Reserve	19,917,096	19,568,442
28	Information Technology Fund	23,723,725	22,173,996
29	Film and Entertainment Grant Fund	0	40,000,000
30	Rallying Investors and Skilled Entrepreneurs for NC		
31	(Rise NC)	2,500,000	2,500,000
32	University Innovation Commercialization Grant	2,500,000	5,000,000
33	Challenge Grant for Cultural Arts Venues	10,000,000	0
34	Behavioral Health Beds Pilot	25,000,000	0
35	NCGA Litigation Reserve	300,000	0
36			
37	Debt Service		
38	General Debt Service	713,159,643	737,786,715
39	Federal Reimbursement	1,616,380	1,616,380
40			
41	<b>TOTAL CURRENT OPERATIONS –</b>		
42	<b>GENERAL FUND</b>	<b>22,106,849,865</b>	<b>22,401,391,088</b>
43			
44			
45	<b>GENERAL FUND AVAILABILITY STATEMENT</b>		

**SECTION 2.2.(a)** The General Fund availability used in developing the 2015-2017 fiscal biennial budget is shown below.

	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>	
48			
49	Unappropriated Balance Remaining from Previous Year	\$2,033,330	\$158,008,344
50	Anticipated Overcollections FY 2014-2015	400,000,000	0
51	Anticipated Reversions FY 2014-2015	228,759,394	0

**General Assembly Of North Carolina**

**Session 2015**

1	Proceeds from Sale of Dorothea Dix Property	2,000,000	0
2	Standard & Poor's Settlement Funds	19,382,143	0
3	Revenue Adjustment as per S.L. 2015-2	(1,000,000)	0
4	Less Earmarkings of Year End Fund Balance:		
5	Savings Reserve Account	(200,000,000)	0
6	Repairs and Renovations	(200,000,000)	0
7	State Emergency Response Account	(20,000,000)	0
8	Film and Entertainment Grant Fund	(40,000,000)	0
9			
10	<b>Beginning Unreserved Fund Balance</b>	<b>191,174,867</b>	<b>158,008,344</b>
11			
12	<b>Revenues Based on Existing Tax Structure</b>	<b>20,981,400,000</b>	<b>21,592,400,000</b>
13			
14	<b>Nontax Revenues</b>		
15	Investment Income	17,100,000	17,400,000
16	Judicial Fees	227,800,000	225,500,000
17	Disproportionate Share	139,000,000	139,000,000
18	Insurance	78,400,000	79,600,000
19	Master Settlement Agreement	137,500,000	137,500,000
20	Other Nontax Revenues	168,000,000	168,800,000
21	Highway Fund Transfer	215,900,000	215,900,000
22	<b>Subtotal Nontax Revenues</b>	<b>983,700,000</b>	<b>983,700,000</b>
23			
24	<b>Total General Fund Availability</b>	<b>\$22,156,274,867</b>	<b>\$22,734,108,344</b>
25			
26	<b>Adjustments to Availability: 2015 Session</b>		
27	Transfer Medicaid Contingency Reserve Funds	186,372,673	0
28	Transfer to Medicaid Contingency Reserve	(50,000,000)	(125,000,000)
29	Potential Proceeds from Sale of Dorothea Dix Property	50,000,000	0
30	Additional Highway Fund Transfer	3,700,000	3,700,000
31	Transfer from Federal Insurance Contributions Act		
32	Fund Cash Balance	4,296,802	641,628
33	Department of Justice Tobacco Settlement	2,194,000	0
34	Transfer from E-Commerce Fund Cash Balance	1,296,803	641,628
35	Adjustment of Transfer from Treasurer's Office	(188,715)	(188,715)
36	Realign Judicial Fees	25,000,000	25,000,000
37	Transfer from Statewide Misdemeanant Confinement Fund	2,898,779	0
38	Reserve for Passenger Air Carriers Refund (H.B. 117)	0	(5,500,000)
39	Sales Tax Exemption on Electricity		
40	for Qualifying Data Centers	(3,000,000)	(4,000,000)
41	Historic Preservation Tax Credit	(8,000,000)	(8,000,000)
42	Expand 1%/\$80 Rate for Mill Machinery	(3,150,000)	(6,300,000)
43	Restore Tax Deduction for Medical Expenses	(54,000,000)	(52,400,000)
44	Extend Sales Tax Preferences for Motorsports Parts and Fuel	0	(1,900,000)
45	Extend Renewable Energy Credit	0	(10,300,000)
46	Renewable Energy Safe Harbor (S.L. 2015-11)	0	(36,700,000)
47	Exempt Sales Tax for Nonprofit Agricultural Fairs	(330,000)	(330,000)
48	<b>Subtotal Adjustments to Availability: 2015 Session</b>	<b>157,090,342</b>	<b>(220,635,459)</b>
49			
50	<b>Revised General Fund Availability</b>	<b>22,313,365,209</b>	<b>22,513,472,885</b>
51			

1	<b>Less General Fund Appropriations</b>	<b>(22,155,356,865)</b>	<b>(22,406,478,588)</b>
2			
3	<b>Unappropriated Balance Remaining</b>	<b>\$158,008,344</b>	<b>\$106,994,297</b>
4			

5           **SECTION 2.2.(b)** Including the funds transferred pursuant to G.S. 105-164.44D,  
6 the sum of two hundred nineteen million six hundred thousand dollars (\$219,600,000) for each  
7 year of the 2015-2017 fiscal biennium shall be transferred from the Highway Fund to the  
8 General Fund.

9           **SECTION 2.2.(c)** Notwithstanding the provisions of G.S. 143C-4-3(a), the State  
10 Controller shall transfer a total of two hundred million dollars (\$200,000,000) from the  
11 unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2015. This  
12 subsection becomes effective June 30, 2015. Funds transferred under this section to the Repairs  
13 and Renovations Reserve are appropriated for the 2015-2016 fiscal year and shall be used in  
14 accordance with G.S. 143C-4-3.

15           **SECTION 2.2.(d)** Notwithstanding G.S. 143C-4-2, the State Controller shall  
16 transfer a total of two hundred million dollars (\$200,000,000) from the unreserved fund balance  
17 to the Savings Reserve Account on June 30, 2015. This transfer is not an "appropriation made  
18 by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.  
19 This subsection becomes effective June 30, 2015.

20           **SECTION 2.2.(e)** Notwithstanding any other provision of law to the contrary,  
21 effective June 30, 2015, the following amounts shall be transferred to the State Controller to be  
22 deposited in the appropriate budget code as determined by the State Controller. These funds  
23 shall be used to support the General Fund appropriations as specified in this act for the  
24 2015-2016 fiscal year and the 2016-2017 fiscal year.

25           **SECTION 2.2.(f)** Funds reserved in the Medicaid Contingency Reserve do not  
26 constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of  
27 the North Carolina Constitution.

28	<b>Budget</b>	<b>Fund</b>		<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
29	<b>Code</b>	<b>Code</b>	<b>Description</b>	<b>Amount</b>	<b>Amount</b>
30	24100	2514	E-Commerce Fund	\$1,296,803	\$641,628
31	24500	2225	Misdemeanant Confinement Fund	2,898,779	0
32	24160	2000	NC FICA Account	4,296,802	641,628

33  
34 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

35  
36 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

37           **SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance  
38 and operation of the Department of Transportation and for other purposes as enumerated are  
39 made for the fiscal biennium ending June 30, 2017, according to the following schedule:  
40

41	<b>Current Operations – Highway Fund</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
42			
43	Department of Transportation		
44	Administration	\$112,626,679	\$90,246,679
45			
46	Division of Highways		
47	Administration	33,467,959	33,467,959
48	Construction	45,054,878	45,054,878
49	Maintenance	1,129,317,897	1,193,566,874
50	Planning and Research	0	0
51	OSHA Program	358,030	358,030

1			
2	State Aid to Municipalities	145,626,624	138,632,000
3			
4	Intermodal Divisions		
5	Ferry	41,700,395	41,000,395
6	Public Transportation	88,173,419	88,173,419
7	Aviation	23,760,952	23,760,952
8	Rail	23,651,674	23,651,674
9	Bicycle and Pedestrian	726,895	726,895
10			
11	Governor's Highway Safety	251,241	251,241
12	Division of Motor Vehicles	120,334,217	113,881,718
13			
14	Other State Agencies, Reserves, Transfers	254,899,481	277,089,015
15			
16	Capital Improvements	0	11,512,600
17			
18	<b>Total Highway Fund Appropriations</b>	<b>\$2,019,950,341</b>	<b>\$2,081,374,329</b>

**HIGHWAY FUND/AVAILABILITY STATEMENT**

SECTION 3.2. The Highway Fund availability used in developing the 2015-2017 fiscal biennial budget is shown below:

24	<b>Highway Fund Availability Statement</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
25	Unreserved Fund Balance	\$0	\$0
26	Estimated Revenue	1,969,300,000	1,934,200,000
27	Adjustment to Revenue Availability:		
28	Motor Fuel Tax		
29	(Shallow Draft Navigation Channel Dredging Fund)	(3,332,384)	(4,331,117)
30	Motor Fuel Tax Rate Adjustment	(22,946,250)	(21,471,000)
31	Division of Motor Vehicles Fee Adjustments	76,928,975	172,976,446
32			
33	<b>Revised Total Highway Fund Availability</b>	<b>\$2,019,950,341</b>	<b>\$2,081,374,329</b>
34			
35	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, 2017, according to the following schedule:

45	<b>Current Operations – Highway Trust Fund</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
46	Program Administration	\$35,064,813	\$35,064,813
47	Turnpike Authority	49,000,000	49,000,000
48	Transfer to Highway Fund	400,000	400,000
49	Debt Service	48,619,701	111,012,229
50	Strategic Prioritization Funding Plan		
51	for Transportation Investments	1,061,459,212	995,939,345

1	<b>Total Highway Trust Fund Appropriations</b>	<b>\$1,194,543,726</b>	<b>\$1,191,416,387</b>
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### HIGHWAY TRUST FUND AVAILABILITY STATEMENT

**SECTION 4.2.** The Highway Trust Fund availability used in developing the 2015-2017 fiscal biennial budget is shown below:

6

	<b>Highway Trust Fund Availability</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
8	Unreserved Fund Balance	\$0	\$0
9	Estimated Revenue	1,215,900,000	1,221,200,000
10	Adjustment to Revenue Availability:		
11	Motor Fuel Tax Rate Adjustment	(7,648,750)	(7,157,000)
12	Division of Motor Vehicles Fee Adjustments	(13,707,524)	(22,626,613)
13			
14	<b>Total Highway Trust Fund Availability</b>	<b>1,194,543,726</b>	<b>1,191,416,387</b>
15			
16	Unappropriated Balance	\$0	\$0

17

### PART V. OTHER APPROPRIATIONS

18

#### CASH BALANCES AND OTHER APPROPRIATIONS

19

**SECTION 5.1.(a)** Cash balances, federal funds, departmental receipts, grants, and gifts from the General Fund, Special Revenue Fund, Enterprise Fund, and Internal Service Fund are appropriated for the 2015-2017 fiscal biennium as follows:

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(1) For all budget codes listed in "The Governor's Recommended Budget, the State of North Carolina 2015-2017" and in the Budget Support Document, fund balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2015-2016 fiscal year and the 2016-2017 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

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

- a. Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2015-2016 fiscal year and the 2016-2017 fiscal year and shall be used only to pay debt service requirements.
- b. Other funds, cash balances, and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2015-2016 fiscal year and the 2016-2017 fiscal year.

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

**SECTION 5.1.(c)** Notwithstanding subsections (a) and (b) of this section, there is appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax

1 Revenues for each fiscal year an amount equal to the amount of the distributions required by  
 2 law to be made from that reserve for that fiscal year.

3  
 4 **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

5 **SECTION 5.1A.(a)** Notwithstanding G.S. 143C-6-4, State agencies may, with  
 6 approval of the Director of the Budget, spend funds received from grants awarded subsequent  
 7 to the enactment of this act for grant awards that are for less than two million five hundred  
 8 thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a  
 9 capital project. State agencies shall report to the Joint Legislative Commission on  
 10 Governmental Operations within 30 days of receipt of such funds.

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

14 **SECTION 5.1A.(b)** The Office of State Budget and Management shall work with  
 15 the recipient State agencies to budget grant awards according to the annual program needs and  
 16 within the parameters of the respective granting entities. Depending on the nature of the award,  
 17 additional State personnel may be employed on a time-limited basis. Funds received from such  
 18 grants are hereby appropriated and shall be incorporated into the authorized budget of the  
 19 recipient State agency.

20 **SECTION 5.1A.(c)** Notwithstanding the provisions of this section, no State agency  
 21 may accept a grant not anticipated in this act if acceptance of the grant would obligate the State  
 22 to make future expenditures relating to the program receiving the grant or would otherwise  
 23 result in a financial obligation as a consequence of accepting the grant funds.

24  
 25 **EDUCATION LOTTERY FUNDS/EXPENSES OF THE LOTTERY/LIMIT ON**  
 26 **REGIONAL OFFICES**

27 **SECTION 5.2.(a)** The appropriations made from the Education Lottery Fund for  
 28 the 2015-2017 fiscal biennium are as follows:

	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
29		
30		
31 Classroom Teachers	\$254,586,185	\$254,586,185
32 Teacher Assistants	49,279,252	49,279,252
33 Prekindergarten Program	83,841,830	88,337,155
34 Public School Building Capital Fund	100,000,000	100,000,000
35 Scholarships for Needy Students	30,450,000	30,450,000
36 UNC Need-Based Financial Aid	10,744,733	10,744,733
37		
38 <b>TOTAL APPROPRIATION</b>	<b>\$528,902,000</b>	<b>\$533,397,325</b>

39  
 40 **SECTION 5.2.(b)** Notwithstanding G.S. 18C-164, the Office of State Budget and  
 41 Management shall not transfer funds to the Education Lottery Reserve Fund for each year of  
 42 the 2015-2017 fiscal biennium.

43 **SECTION 5.2.(c)** G.S. 18C-163 reads as rewritten:

44 **"§ 18C-163. Expenses of the Lottery.**

45 (a) Expenses of the Lottery may include any of the following:

- 46 (1) The costs incurred in operating and administering the Commission,  
 47 including initial start-up costs.
- 48 (2) The costs resulting from any contracts entered into for the purchase or lease  
 49 of goods or services required by the Commission.

- 1 (3) A transfer of one million dollars (\$1,000,000) annually to the Department of
- 2 Health and Human Services for gambling addiction education and treatment
- 3 programs.
- 4 (4) The costs of supplies, materials, tickets, independent studies and audits, data
- 5 transmission, advertising, promotion, incentives, public relations,
- 6 communications, bonding for lottery game retailers, printing, and
- 7 distribution of tickets and shares.
- 8 (5) The costs of reimbursing other governmental entities for services provided to
- 9 the Commission.
- 10 (6) The costs for any other goods and services needed to accomplish the
- 11 purposes of this Chapter.

12 (b) Additional expenses of the lottery shall include a transfer of two million dollars  
 13 (\$2,000,000) annually to the Department of Public Safety, Alcohol Law Enforcement Branch,  
 14 for gambling enforcement activities."

15 **SECTION 5.2.(d)** Article 8 of Chapter 18C of the General Statutes is amended by  
 16 adding a new section to read:

17 **"§ 18C-174. Number of regional offices limited.**

18 The Lottery Commission shall maintain no more than six regional offices. A regional office  
 19 may include a claims center, but in no event shall the Lottery Commission maintain more than  
 20 six regional offices as provided in this section."

21  
 22 **CIVIL PENALTY AND FORFEITURE FUND**

23 **SECTION 5.3.(a)** Appropriations are made from the Civil Penalty and Forfeiture  
 24 Fund for the fiscal biennium ending June 30, 2017, as follows:

	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
25 School Technology Fund	\$18,000,000	\$18,000,000
26 Drivers Education	0	27,393,768
27 State Public School Fund	124,362,790	124,362,790
28		
29		
30 <b>Total Appropriation</b>	<b>\$142,362,790</b>	<b>\$169,756,558</b>

31  
 32 **SECTION 5.3.(b)** Excess receipts realized in the Civil Penalty and Forfeiture Fund  
 33 in each year of the 2015-2017 fiscal biennium shall be allocated to the School Technology  
 34 Fund.

35 **SECTION 5.3.(c)** The clear proceeds of the newly established motor vehicle  
 36 registration late fee charged pursuant to G.S. 20-88.03, as enacted by this act, shall be used to  
 37 provide a dedicated source of revenue for the drivers education program administered by the  
 38 Department of Public Instruction in accordance with G.S. 115C-215 and shall be appropriated  
 39 annually by the General Assembly for this purpose.

40  
 41 **INDIAN GAMING EDUCATION REVENUE FUND**

42 **SECTION 5.4.(a)** The sum of six million dollars (\$6,000,000) transferred from the  
 43 Indian Gaming Education Revenue Fund and appropriated to the Department of Public  
 44 Instruction, School Technology Fund, for each year of the 2015-2017 fiscal biennium shall be  
 45 used to continue support of the State's public school technology needs.

46 **SECTION 5.4.(b)** G.S. 143C-9-7 does not apply to the use of these funds for the  
 47 2015-2017 fiscal biennium.

48  
 49 **MODIFY ELEMENTS OF CASH MANAGEMENT PLAN**

50 **SECTION 5.5.** G.S. 147-86.11(e) reads as rewritten:

1       "(e) Elements of Plan. – For moneys received or to be received, the statewide cash  
2 management plan shall provide at a minimum that:

3       ...

4       (4) Unpaid billings due to a State agency other than amounts owed by patients  
5 to the University of North Carolina Health Care System, East Carolina  
6 University's Division of Health Sciences, ~~or by~~ customers of the North  
7 Carolina Turnpike ~~Authority~~ Authority, or the North Carolina Department of  
8 Transportation shall be turned over to the Attorney General for collection no  
9 more than 90 days after the due date of the billing, except that a State agency  
10 need not turn over to the Attorney General unpaid billings of less than five  
11 hundred dollars (\$500.00), or (for institutions where applicable) amounts  
12 owed by all patients which are less than the federally established deductible  
13 applicable to Part A of the Medicare program, and instead may handle these  
14 unpaid bills pursuant to agency debt collection procedures.

15       ...

16       (4b) The North Carolina Turnpike Authority and the North Carolina Department  
17 of Transportation may turn over to the Attorney General for collection  
18 amounts owed to the North Carolina Turnpike ~~Authority~~ Authority or the  
19 North Carolina Department of Transportation.

20       ...."

## 21       **PART VI. GENERAL PROVISIONS**

### 22       **CONTINGENCY AND EMERGENCY FUND LIMITATION**

23       **SECTION 6.1.** For the 2015-2017 fiscal biennium and notwithstanding the  
24 provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund  
25 may be used only for expenditures required (i) by a court or Industrial Commission order or (ii)  
26 to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency  
27 Management Act. These funds shall not be used for other statutorily authorized purposes or for  
28 any other contingencies and emergencies.  
29

### 30       **ESTABLISHING OR INCREASING FEES**

31       **SECTION 6.2.(a)** Notwithstanding G.S. 12-3.1, an agency is not required to  
32 consult with the Joint Legislative Commission on Governmental Operations prior to  
33 establishing or increasing a fee to the level authorized or anticipated in this act.  
34

35       **SECTION 6.2.(b)** Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an  
36 emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized  
37 by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter  
38 150B of the General Statutes.  
39

### 40       **VENTURE CAPITAL MULTIPLIER FUND**

41       **SECTION 6.3.(a)** G.S. 147-69.2(b) reads as rewritten:

42       "(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated  
43 in subsection (a) of this section in excess of the amount required to meet the current needs and  
44 demands on such funds. The State Treasurer may invest the funds as provided in this  
45 subsection. If an investment was authorized by this subsection at the time the investment was  
46 made or contractually committed to be made, then that investment shall continue to be  
47 authorized by this subsection, and none of the percentage or other limitation on investments set  
48 forth in this subsection shall be construed to require the State Treasurer to subsequently dispose  
49 of the investment or fail to honor any contractual commitments as a result of changes in market  
50 values, ratings, or other investment qualifications. For purposes of computing market values on  
51

1 which percentage limitations on investments in this subsection are based, all investments shall  
2 be valued as of the last date of the most recent fiscal quarter.

3 ...  
4 (12) It is the intent of the General Assembly that the Escheat Fund provide a  
5 perpetual and sustainable source of funding for the purposes authorized by  
6 the State Constitution. Accordingly, the following provisions apply:

7 a. With respect to assets of the Escheat Fund, in addition to those  
8 investments authorized by subdivisions (1) through (6) of this  
9 subsection, up to ~~twenty percent (20%)~~ ten percent (10%) of such  
10 assets may be invested in the investments authorized under  
11 subdivisions ~~(7)(6c)~~ through ~~(9)(9a)~~ of this subsection,  
12 notwithstanding the percentage limitations imposed on the  
13 Retirement Systems' investments under those subdivisions.

14 b. The State Treasurer shall engage a third-party professional actuary or  
15 consultant to conduct a valuation and projection of the financial  
16 status of the Escheat Fund. The associated costs for the services may  
17 be directly charged to the Escheat Fund. The State Treasurer shall  
18 communicate the valuation of the actuary or consultant in an annual  
19 report to the Governor, the Speaker of the House of Representatives,  
20 the President Pro Tempore of the Senate, and the chairs of the  
21 respective appropriations and appropriate substantive committees of  
22 each chamber. The annual report shall evaluate claims by owners  
23 upon the Escheat Fund, current and projected investment returns, and  
24 projected contributions to the Escheat Fund. In the report, the State  
25 Treasurer shall assess the status of utilizing the Escheat Fund as an  
26 endowment fund and shall recommend an annual amount available  
27 for the funding of scholarships, loans, and grants from the Fund. The  
28 annual report shall be presented no later than December 31 of each  
29 year.

30 c. The State Treasurer shall invest, in addition to those investments  
31 authorized by subdivision (12) of this subsection, ten percent (10%)  
32 of the net assets of the Escheat Fund as authorized under G.S.  
33 147-69.2A."

34 **SECTION 6.3.(b)** Article 6 of Chapter 147 of the General Statutes is amended by  
35 adding a new section to read:

36 **"§ 147-69.2A. Investments; special funds held by the State Treasurer.**

37 (a) Firm to Administer Fund. – Following a public procurement process, a designee of  
38 the Governor, a designee of the State Treasurer, a designee of the Speaker of the House of  
39 Representatives, and a designee of the President Pro Tempore of the Senate shall jointly and  
40 unanimously select a third-party professional investment management firm, registered with the  
41 U.S. Securities and Exchange Commission, to administer the Fund and select investment  
42 opportunities appropriate for receiving allocations from the Fund on the basis of potential  
43 return on investment and the risks attendant thereto. The State Treasurer shall assign  
44 professional and clerical staff to assist in the oversight of the Fund. All costs for the third-party  
45 investment management firm and the professional and clerical staff shall be borne by the Fund  
46 pursuant to G.S. 147-69.3(f). The State Treasurer shall discharge his or her duties with respect  
47 to the Fund as a fiduciary consistent with the provisions of applicable law, including, without  
48 limitation, G.S. 36E-3.

49 (b) Organization and Reporting. – All documents of the Governor or the State Treasurer  
50 concerning the Fund are public records governed by Chapter 132 of the General Statutes and  
51 any applicable provisions of the General Statutes protecting confidential information.

1 The State Treasurer and the Governor shall jointly develop and adopt an investment policy  
2 statement for the Fund.

3 The State Treasurer and Governor shall jointly adopt a common policy to prevent conflicts  
4 of interests such that (i) the designees of the State Treasurer and Governor who selected the  
5 third-party investment management firm, (ii) the staff of the State Treasurer overseeing the  
6 Fund, and (iii) the third-party investment management firm's employees selecting or overseeing  
7 Fund investments do not provide services for compensation (as an employee, consultant, or  
8 otherwise), within two years after the end of their service to the Fund, to any entity in which an  
9 investment from the Fund was made.

10 By October 1, 2015, and at least semiannually thereafter, the State Treasurer shall submit a  
11 report to the Governor, the Office of State Budget and Management, the Joint Legislative  
12 Commission on Governmental Operations, and the Fiscal Research Division on investments  
13 made from the Fund and any return on investment. This report shall be made for the Fund in  
14 lieu of the reports required by G.S. 147-69.1(e), 147-69.2(b)(10a), 147-69.3(h), 147-69.3(i),  
15 and 147-69.8.

16 (c) Types of Investments. – Assets of the Fund may be invested in those types of  
17 investments authorized for the North Carolina Retirement Systems by G.S. 147-69.2(b),  
18 notwithstanding the percentage limitations imposed on the Retirement Systems' investments  
19 under those subdivisions.

20 (d) Report on Escheat Fund Valuation. – The State Treasurer shall engage a third-party  
21 professional actuary or consultant to conduct a valuation and projection of the financial status  
22 of the Escheat Fund. The associated costs for the services may be directly charged to the  
23 Escheat Fund. The State Treasurer shall communicate the valuation of the actuary or consultant  
24 in an annual report to the Governor, the Speaker of the House of Representatives, the President  
25 Pro Tempore of the Senate, and the chairs of the respective appropriations and appropriate  
26 substantive committees of each chamber. The annual report shall evaluate claims by owners  
27 upon the Escheat Fund, current and projected investment returns, and projected contributions to  
28 the Escheat Fund. In the report, the State Treasurer shall assess the status of utilizing the  
29 Escheat Fund as an endowment fund and shall recommend an annual amount available for the  
30 funding of scholarships, loans, and grants from the Fund. The annual report shall be presented  
31 no later than December 31 of each year."

## 33 **STATE AGENCIES/REPORTS ON LEGISLATIVE LIAISONS AND SALARY** 34 **INFORMATION**

35 **SECTION 6.4.** By September 1, 2015, the Office of State Budget and Management  
36 shall report the following information to the chairs of the House of Representatives  
37 Appropriations Committee, the chairs of the Senate Appropriations/Base Budget Committee,  
38 and to the Fiscal Research Division:

- 39 (1) Legislative liaisons. -  
40 a. The number of legislative liaisons designated by each Department or  
41 Commission.  
42 b. For each individual, the position name, position number, salary, the  
43 amount of time spent lobbying legislators or legislative employees  
44 for legislative action, and whether lobbying is the individual's  
45 principal duty such that the individual is required to file a registration  
46 statement with the Secretary of State.  
47 c. An explanation of why each legislative liaison is needed.  
48 d. A description of any other responsibilities or duties performed by  
49 each legislative liaison.  
50 (2) Public Information Officer (PIO) and staff reporting to PIO. -

- 1 a. The number of individuals designated by the Department or
- 2 Commission to serve as a Public Information Officer, and the
- 3 number of staff reporting to each PIO.
- 4 b. For each individual, the position name, position number, and salary.
- 5 c. The duties and responsibilities of each individual in his or her role as
- 6 a Public Information Officer or staff to a PIO.
- 7 d. An explanation of why each Public Information Officer and staff to
- 8 each PIO is needed.
- 9 (3) Salary reserve and lapsed salaries. -
- 10 a. The amount of salary reserve, by source, remaining in each fund
- 11 code on June 30 of fiscal year 2013-2014 and fiscal year 2014-2015.
- 12 b. The amount of lapsed salaries generated in fiscal year 2013-2014 and
- 13 fiscal year 2014-2015.
- 14 c. The Department's or Commission's policy on the use of salary
- 15 reserve and lapsed salaries.
- 16

## 17 **TRANSITION PLAN FOR TRANSFERRING VARIOUS STATE ATTRACTIONS**

### 18 **FROM DENR TO DCR**

19 **SECTION 6.5.(a)** The Department of Cultural Resources and Department of  
20 Environment and Natural Resources shall develop a plan to consider transferring the North  
21 Carolina Museum of Natural Sciences, the North Carolina Zoological Park, the North Carolina  
22 Aquariums, the State Parks System, Division of Environmental Assistance and Customer  
23 Services, Environmental Education, and graphic/web design and creative services from the  
24 Department of Environment and Natural Resources to the Department of Cultural Resources  
25 during the 2016-2017 fiscal year. The plan shall also include the operation and management of  
26 the Clean Water Management Trust Fund, Pigeon River Fund, Natural Heritage Program,  
27 Coastal Reserve Program, and the Albemarle-Pamlico National Estuary Partnership. The plan  
28 shall include the following:

- 29 (1) Identification of issues and any problems to be addressed by the transfer.
- 30 (2) Identification of the outcomes to be achieved by the transfer, including the
- 31 following:
- 32 a. Private fund-raising efforts.
- 33 b. Coordination of volunteers.
- 34 c. Revenue opportunities, including fees, passes, and memberships.
- 35 d. Cost savings, including administrative savings and programmatic
- 36 savings identified by the transfer.
- 37 e. Efficiencies gained from the transfer.
- 38 (3) Projected outcomes should include baseline metrics from the 2013-2015
- 39 biennium for comparison purposes.
- 40 (4) Implementation schedule and time line for the transfer.

41 **SECTION 6.5.(b)** The Department of Cultural Resources and the Department of  
42 Environment and Natural Resources shall report by February 1, 2016, on the plan to transfer  
43 the State attractions set out in subsection (a) of this section to the Joint Legislative Oversight  
44 Committee on General Government, the chairs of the Senate Appropriations Committee on  
45 General Government and Information Technology and the House of Representatives  
46 Appropriations Committee on General Government, and the chairs of the House of  
47 Representatives Appropriations Committee on Agriculture and Economic and Natural  
48 Resources and the Senate Appropriations Committee on Natural and Economic Resources.

## 50 **UNC CARRYFORWARD/TEMPORARY INCREASE ENDING JULY 1, 2017**

51 **SECTION 6.6.(a)** G.S. 116-30.3(a) reads as rewritten:

**"§ 116-30.3. Reversions.**

(a) Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each of the budget codes listed in this subsection, any amount of the General Fund appropriation for that budget code for that fiscal year (i) may be carried forward to the next fiscal year in that budget code, (ii) is appropriated in that budget code, and (iii) may be used for any of the purposes set out in subsection (f) of this section. However, the amount carried forward in each budget code under this subsection shall not exceed ~~two and one-half percent (2.5%)~~ five percent (5%) of the General Fund appropriation in that budget code. The Director of the Budget, under the authority set forth in G.S. 143C-6-2, shall establish the General Fund current operations credit balance remaining in each budget code.

The budget codes that may carry forward a General Fund current operations appropriations credit balance remaining at the end of each fiscal year pursuant to this section are the budget codes for each of the following:

- (1) Each special responsibility constituent institution.
- (2) The Area Health Education Centers of the University of North Carolina at Chapel Hill.
- (3) General Administration Budget Code 16010."

**SECTION 6.6.(b)** The Board of Governors of The University of North Carolina shall submit a written report on October 1, 2016, and October 1, 2017, to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division concerning the allocation and use of funds accruing from the temporary increase in the carryforward provided by subsection (a) of this section.

**SECTION 6.6.(c)** This section becomes effective June 30, 2016, and expires July 1, 2017.

**CHALLENGE GRANTS FOR CULTURAL ARTS VENUES**

**SECTION 6.7.(a)** Of the funds appropriated in this act, the sum of ten million dollars (\$10,000,000) in nonrecurring funds for the 2015-2016 fiscal year shall be used to establish the Challenge Grant Program for Cultural Arts Venues. These grants shall be administered by the Office of State Budget and Management in consultation with the Department of Cultural Resources.

**SECTION 6.7.(b)** In order to qualify for a grant established under this program, a cultural arts venue must meet the following requirements:

- (1) Document that it will operate on a nonprofit basis for the cultural enrichment of the community at large.
- (2) Demonstrate that it has private support.
- (3) Demonstrate the cultural arts benefits for the venue.
- (4) Document that it will hire the necessary professional expertise to utilize the funds.
- (5) Comply with other requirements established by the Office of State Budget and Management in consultation with the Department of Cultural Resources for administration of the program.

**SECTION 6.7.(c)** By October 1, 2015, and then quarterly thereafter, the Office of State Budget and Management shall report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on the administration of the grant program established by this section.

**BUDGET ACCOUNTABILITY AND TRANSPARENCY REFORM INITIATIVE**

**SECTION 6.8.(a)** Finding and Purpose. – The General Assembly finds that the State budget is its central policy document and primary vehicle for directing the provision of programs and services to the citizens of the State. As such, the State's budget must be clear,

1 transparent, and credible if it is to serve as a basis of accountability to its citizens. Therefore, it  
2 is the intent of the General Assembly to provide flexibility and support to the Governor in  
3 continuing efforts to effectuate the necessary changes to the structure and presentation of the  
4 State budget. The purpose of the Budget Accountability and Transparency Reform Initiative  
5 (BATR) established by this section is to ensure the highest level of transparency for meaningful  
6 review of the State budget by all citizens of the State.

7 **SECTION 6.8.(b)** Base Budget Reform Plan. – The Office of State Budget and  
8 Management and all State departments, agencies, and institutions shall develop jointly and  
9 execute a base budget reform plan that ensures all of the following:

- 10 (1) Strict adherence to Chapter 143C of the General Statutes, the State Budget  
11 Act.
- 12 (2) Realignment of the State's expenditures and revenues in a clear and logical  
13 manner.
- 14 (3) Presentation of a comprehensive, accurate, and reliable account of all State  
15 expenditures and revenues.
- 16 (4) An annual base budget document that:
  - 17 a. Is presented in a format that promotes effective decision making,  
18 accountability, and oversight; and
  - 19 b. Provides detailed budget information that can be understood at all  
20 levels of State government and by members of the general public.

21 **SECTION 6.8.(c)** Realignments. – Effective with the development and  
22 presentation of the Governor's 2017-2019 recommended biennial base budget, the Office of  
23 State Budget and Management may realign the various line items of expenditure and revenue in  
24 all State agency, departmental, and institutional budgets. For the purpose of correctly realigning  
25 the State's budget, the line items for aid and public assistance shall remain budgeted at the  
26 levels appropriated by the General Assembly for fiscal year 2016-2017. State agencies, with the  
27 approval of the Office of State Budget and Management, shall build their line-item budgets,  
28 including elimination of vacant positions to more closely align with actual requirements and  
29 anticipated receipts for each of the programs and purposes contained in the Governor's  
30 Recommended Base Budget. State agencies must budget receipts based on historical trends.  
31 Under no circumstances may an agency move receipts between programs and purposes. State  
32 agencies newly aligned line-item budgets shall be submitted to the General Assembly as part of  
33 the Governor's Recommended Base Budget for the 2017-2019 biennium.

34 **SECTION 6.8.(d)** Reward Demonstrated Operating Efficiencies. – The Office of  
35 State Budget and Management and representatives of the State agencies, departments, and  
36 institutions shall develop jointly a plan to reward State agencies, departments, and institutions  
37 for achieving demonstrable operating efficiencies. The plan shall identify the necessary and  
38 appropriate metrics to be used in assessing efficiency and shall ensure that financial rewards  
39 provided to State agencies are made with nonrecurring funds.

40 **SECTION 6.8.(e)** Implementation. – Upon issuance of a fully reformed and  
41 realigned base State budget in compliance with this section, the Office of State Budget and  
42 Management may execute the plan described in subsection (b) of this section.

43 **SECTION 6.8.(f)** Authorization to Eliminate Positions. – Notwithstanding any  
44 State law, rule, regulation, or directive to the contrary, including any order issued by the  
45 Governor or the Governor's designee, vacant positions in State government employment may  
46 be eliminated for the purpose of realigning the State budget only upon the express authorization  
47 of the General Assembly in this act or a subsequent enactment.

48 **SECTION 6.8.(g)** Reporting. – The Office of State Budget and Management shall  
49 report its progress in developing the realigned base budget required in subsection (a) of this  
50 section no later than November 1, 2017. The Office of State Budget and Management shall

1 present the realigned base budget by January 1, 2018, and shall provide a final report on the  
2 execution of the requirements in subsection (b) of this section by no later than August 31, 2018.  
3

#### 4 **UNIVERSITY INNOVATION COMMERCIALIZATION GRANT PROGRAM**

5 **SECTION 6.9.(a)** Purpose. – In order to increase the number of high-tech start-up  
6 companies and enhance job creation resulting from research conducted by North Carolina's  
7 universities and research-focused nonprofit corporations, the University Innovation  
8 Commercialization Grant Program is established.

9 **SECTION 6.9.(b)** Grants. – The Office of Science, Technology, and Innovation in  
10 the Department of Commerce (Department) shall establish a competitive award process to  
11 provide funding to develop and implement processes for technology proof of concept,  
12 validation, Internet protocol protection, early and mid-stage product development and  
13 production, commercialization, and translation for technologies developed by North Carolina  
14 universities.

15 **SECTION 6.9.(c)** Administration. – The Department of Commerce may use up to  
16 ten percent (10%) of grant funds appropriated in this act to contract with one or more nonprofit  
17 corporations to assist with the following:

- 18 (1) Select university technologies for development based on commercial  
19 potential.
- 20 (2) Create a development plan of key activities to make the technologies more  
21 attractive to investors.
- 22 (3) Guide implementation of these activities to assure efficient deployment of  
23 funds and commercial-quality results.

24 Each nonprofit organization must demonstrate expertise in life science technologies such as  
25 medical, biological, and agricultural technologies or non-life sciences technologies such as  
26 information technology, materials technology, and cyber security.

27 **SECTION 6.9.(d)** Eligibility. – Upon recommendation and guidance from a  
28 nonprofit corporation with which the Department contracts pursuant to this subsection (c) of  
29 this section, the Department of Commerce may make grant awards only to the following:

- 30 (1) A constituent institution of The University of North Carolina.
- 31 (2) A private college or university located in North Carolina.

32 **SECTION 6.9.(e)** Reports. – The Office of Science, Technology, and Innovation in  
33 the Department of Commerce and the nonprofit corporation selected under subsection (c) of  
34 this section shall provide an annual report to the Office of State Budget and Management and  
35 the Fiscal Research Division no later than January 1 of each fiscal year. The report shall detail  
36 expenditures and grants made from these funds and provide evidence of return on investment,  
37 including (i) the number of technologies brought to market; (ii) the number of new companies  
38 founded; and (iii) data on jobs created, including occupational classifications and salary ranges.

39 **SECTION 6.9.(f)** Oversight. – The Department of Commerce, in consultation with  
40 the Office of State Budget and Management, shall provide monitoring and oversight of the  
41 performance of any contract entered into pursuant to this section with a North Carolina  
42 nonprofit corporation and of the funds granted to institutes of higher education.

43 **SECTION 6.9.(g)** Public Funds. – A North Carolina nonprofit corporation or  
44 institute of higher education with which the Department contracts or grants funds pursuant to  
45 this section shall use interest earned on State funds after receipt of the funds by the nonprofit  
46 corporation only for the same purposes authorized by this subsection (c) of this section.  
47

#### 48 **RALLYING INVESTORS AND SKILLED ENTREPRENEURS OF NC (RISE NC)**

49 **SECTION 6.10.(a)** Purpose. – In order to increase the number of high-tech start-up  
50 companies and enhance job creation, the Rallying Investors and Skilled Entrepreneurs of North  
51 Carolina (RISE NC) initiative creates a statewide network that develops and leverages existing

1 North Carolina entrepreneurial management talent and recruits world-class investors, skilled  
2 entrepreneurs, and managers to North Carolina.

3 **SECTION 6.10.(b)** Grant. – The Office of Science, Technology, and Innovation in  
4 the Department of Commerce shall establish a competitive award process to provide funding to  
5 one or more North Carolina nonprofit corporations to perform the following:

- 6 (1) The development of a statewide entrepreneurial network to connect serial  
7 entrepreneurs to university start-ups; and
- 8 (2) The development of an entrepreneurship fellowship program.

9 Grant funds shall be matched on the basis of one dollar (\$1.00) in grant funds for every two  
10 dollars (\$2.00) of nongrant funds. Matching funds shall not include other State funds.

11 **SECTION 6.10.(c)** Reports. – The Office of Science, Technology, and Innovation  
12 in the Department of Commerce and the nonprofit corporation selected in subsection (b) of this  
13 section shall provide an annual report to the Office of State Budget and Management and the  
14 Fiscal Research Division no later than January 1 of each fiscal year. The report shall detail  
15 expenditures and grants made from these funds and provide evidence of return on investment,  
16 including the number of new companies founded and data on jobs created, including  
17 occupational classifications and salary ranges.

18 **SECTION 6.10.(d)** Oversight. – The Department of Commerce, in consultation  
19 with the Office of State Budget and Management, shall provide monitoring and oversight of the  
20 performance of a contract entered into pursuant to this section with a North Carolina nonprofit  
21 corporation.

22 **SECTION 6.10.(e)** Public Funds. – A North Carolina nonprofit corporation with  
23 which the Department contracts pursuant to this section shall use interest earned on State funds  
24 after receipt of the funds by the nonprofit corporation only for the same purposes identified in  
25 subsection (b) of this section.

26  
27 **COMPENSATION FOR RESEARCH AND DEVELOPMENT**

28 **SECTION 6.11.(a)** Any contract entered into by a State agency for the  
29 development, design, creation, or testing of a new curriculum, technology system or platform,  
30 or other product shall contain a provision specifying how the State of North Carolina will be  
31 appropriately compensated from the proceeds of the contractor's future revenue, use, and sales  
32 related to the curriculum, information technology system or platform, or other product in  
33 recognition of the State's investment of time, resources, expertise, knowledge, and data.

34 **SECTION 6.11.(b)** The Office of the Attorney General shall develop the necessary  
35 contract language to effectuate the requirement in subsection (a) of this section and shall ensure  
36 that the language is incorporated into the State's template for contracts, as appropriate.

37  
38 **PART VII. INFORMATION TECHNOLOGY**

39  
40 **INFORMATION TECHNOLOGY FUND**

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

	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
43		
44		
45	General Fund Appropriation for IT Fund	\$23,723,725      \$22,173,996
46		
47	Requirements	
48	Criminal Justice Information Network	\$193,085      \$193,085
49	Center for Geographic Information and Analysis	\$435,952      \$435,952
50	Enterprise Security Risk Management	\$871,497      \$871,497
51	Staffing and Strategic Projects	\$7,573,903      \$7,573,903

1	First Net	\$1,549,729	-
2	Enterprise Project Management Office	\$1,501,234	\$1,501,234
3	IT Strategy and Standards	\$865,326	\$865,326
4	State Portal	\$233,510	\$233,510
5	Process Management	\$398,234	\$398,234
6	IT Consolidation	\$1,000,000	\$1,000,000
7	Government Data Analytics Center	\$9,101,255	\$9,101,255

8  
 9 Unless a change is approved by the State Chief Information Officer after  
 10 consultation with the Office of State Budget and Management, funds appropriated to the  
 11 Information Technology Fund shall be spent only as specified in this section. Changes shall not  
 12 result in any degradation to the information technology operations or projects listed in this  
 13 section for which the funds were originally appropriated.

14 Any changes to the specified uses shall be reported in writing to the chairs of the  
 15 Joint Legislative Oversight Committee on Information Technology, the chair and cochair of the  
 16 House Appropriations Committee on Information Technology, and the Fiscal Research  
 17 Division.

18  
 19 **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND**

20 **SECTION 7.2.(a)** Appropriations for the Information Technology Internal Service  
 21 Fund for the 2015-2017 fiscal biennium are as follows:

22		<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
23			
24	IT Internal Service Fund		
25	Requirements		
26	OITS – Administration	\$8,065,280	\$8,065,280
27	IT Strategic Sourcing	1,731,548	1,731,548
28	Center for Geographic Information and Analysis	3,772,415	3,923,845
29	Center for Geographic Information and Analysis		
30	GIS Conference	-	139,475
31	Hosting Services	61,734,555	61,734,555
32	Network Services	78,820,542	78,820,542
33	IT Business Applications	5,488,528	5,488,528
34	Enterprise Licensing – Oracle	3,315,527	3,315,527
35	Enterprise Licensing – Environmental Services		
36	Research Institute	766,500	804,825
37	Consumer Platform Services	7,862,925	7,862,925
38	Enterprise Licensing – SAS	2,769,500	2,666,000
39	Enterprise Licensing – SAP	5,029,667	5,029,667
40	Admin Support Services	274,894	274,894
41	Compliance and Transformation	3,774,000	3,774,300
42	EPA – PAR	-	-
43	US Geologic Survey	-	-
44	<b>Total</b>	<b>\$183,405,881</b>	<b>\$183,631,911</b>
45			
46	Less Positions Vacant Over 180 Days	(1,500,000)	(1,500,000)
47	Less Position Transfer to IT Fund	(965,454)	(1,162,575)
48			
49	<b>Total Appropriation</b>	<b>\$180,940,427</b>	<b>\$180,969,336</b>
50			

1           **SECTION 7.2.(b)** IT Internal Service Fund. – For each year of the 2015-2017  
2 fiscal biennium, receipts for the IT Internal Service Fund shall not exceed one hundred  
3 eighty-five million dollars (\$185,000,000), excluding a 60-day balance for contingencies. Rates  
4 approved by the Office of State Budget and Management (OSBM) to support the IT Internal  
5 Service Fund shall be based on this fund limit. In the event the Fund exceeds the required limit,  
6 rates shall be adjusted within 30 days. In the event that an increase in receipts for the IT  
7 Internal Service Fund is required, the Office of Information Technology Services may only  
8 implement the increase after consultation with the Joint Legislative Commission on  
9 Governmental Operations.

10           **SECTION 7.2.(c)** Of the positions in the Office of Information Technology  
11 Services and the Office of the State Chief Information Officer that have been vacant for more  
12 than 180 days on July 1, 2015, a sufficient number of positions shall be eliminated such that the  
13 sum of one million five hundred thousand dollars (\$1,500,000) in the 2015-2016 fiscal year and  
14 the sum of one million five hundred thousand dollars (\$1,500,000) in the 2016-2017 fiscal year  
15 are available to offset internal service fees charged to agencies. By September 1, 2015, the  
16 State Chief Information Officer shall make a written report to the Joint Legislative Oversight  
17 Committee on Information Technology and the Fiscal Research Division on the elimination of  
18 these positions.

19           **SECTION 7.2.(d)** Funds collected for information technology equipment and  
20 fixtures shall be separately maintained and accounted for by the Office of Information  
21 Technology Services, and such funds shall be used only for the replacement of the fixtures and  
22 equipment for which the funds were collected. By October 1, 2015, the Office of Information  
23 Technology Services shall report to the Joint Legislative Oversight Committee on Information  
24 Technology and the Fiscal Research Division on the means and methods by which it is in  
25 compliance with the requirements of this subsection.

26           **SECTION 7.2.(e)** By October 31, 2015, the State Chief Information Officer shall  
27 establish consistent, fully transparent, easily understandable rates that reflect industry standards  
28 for each service for which any agency is charged. A report explaining the rate structure shall be  
29 submitted to the Joint Legislative Commission on Governmental Operations, the chairs of the  
30 Joint Legislative Oversight Committee on Information Technology, the House Appropriations  
31 Committee on Information Technology, and the Fiscal Research Division. An interim report  
32 shall be submitted by July 30, 2016. Overhead charges to agencies shall be consistently applied  
33 and shall reflect industry standards for the particular service. Rate increases shall require the  
34 approval of OSBM and consultation with the Joint Legislative Commission on Governmental  
35 Operations. Rate reductions may be implemented following notification of OSBM. However, if  
36 these rates are not approved by OSBM, the rates shall revert back to the rates for the  
37 immediately previous fiscal year.

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

44           **SECTION 7.2.(g)** Unspecified Uses. – Any uses of the IT Internal Service Fund  
45 not specifically related to the operation of the Office of Information Technology Services, to  
46 include any transfers to other State agencies, shall immediately be reported to the Office of  
47 State Budget and Management and the Fiscal Research Division with a detailed explanation as  
48 to why it was necessary to use the Fund.

49           **SECTION 7.2.(h)** If the Director of the Budget determines that funds appropriated  
50 to a State agency for Information Technology Shared Services purposes exceed the amount  
51 required by that agency for that purpose, the Director may reallocate those funds, in addition to

1 the appropriations set forth in Section 2.1 of this act, to other State agencies that received  
2 insufficient funds for Information Technology Shared Services.

### 4 INFORMATION TECHNOLOGY RESERVE

5 **SECTION 7.3.(a)** The appropriations for the Information Technology Reserve  
6 Fund for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	FY 2016-2017
9 Government Data Analytics Center	\$8,000,000	\$8,000,000
10 Improve Efficiency and Customer		
11 Service through IT	\$4,475,454	\$4,672,575
12 Planning	\$2,000,000	\$2,000,000
13 Information Technology Security	\$4,768,462	\$4,765,966
14 Economic Modeling Initiative	\$500,000	-
15 Maintenance Management System Replacement		
16 Core Functionality	\$108,730	\$79,300
17 Additional Functionality	\$64,450	\$50,601

18  
19 **SECTION 7.3.(b)** Of the funds appropriated for Information Technology Security,  
20 four hundred twenty-four thousand nine hundred seventy-four dollars (\$424,974) for fiscal year  
21 2015-2016 and four hundred six thousand three hundred seventy-four dollars (\$406,374) for  
22 fiscal year 2016-2017 shall be transferred to the Department of Revenue to fund three security  
23 positions. The security positions shall include a Security Design Engineer, a Security Impact  
24 Analyst, and a Security Specialist.

25 **SECTION 7.3.(c)** The funds appropriated for Maintenance Management System  
26 Replacement shall be transferred to the Department of Administration to support the acquisition  
27 of a cloud-based facilities management system. The system shall include core system  
28 functionality consisting of maintenance, inventory, and utility management systems. The  
29 system shall also include three additional modules for system failure alerts, automation of  
30 utility bills, and the extension of maintenance management to mobile devices.

31 **SECTION 7.3.(d)** The funds appropriated for Planning shall be used solely for  
32 information technology strategic planning.

33 **SECTION 7.3.(e)** Funds appropriated to the Information Technology Reserve  
34 Fund shall be spent only as specified in this section unless a change is approved by the State  
35 Chief Information Officer after consultation with the Office of State Budget and Management.  
36 An authorized change may not result in any degradation to the information technology  
37 operations or projects listed in this section for which the funds were originally appropriated.  
38 Any changes to the specified uses for the funds shall be reported immediately, in writing, to the  
39 chairs of the Joint Legislative Oversight Committee on Information Technology, the chairs of  
40 the House Appropriations Committee on Information Technology, and the Fiscal Research  
41 Division.

42 **SECTION 7.3.(f)** The Office of State Budget and Management shall establish a  
43 fund code for the Information Technology Reserve Fund and shall manage it separately from  
44 other funding for the Office of Information Technology Services and the Office of the State  
45 Chief Information Officer.

### 47 INFORMATION TECHNOLOGY ARCHITECTURE

48 **SECTION 7.4.(a)** By January 15, 2016, the State Chief Information Officer shall  
49 develop an information technology architecture for State government.

50 **SECTION 7.4.(b)** The completed State information technology architecture  
51 developed pursuant to this section shall be provided to the Joint Legislative Oversight

1 Committee on Information Technology and the Fiscal Research Division. This architecture,  
2 along with State and agency business plans, shall be incorporated into a biennial State  
3 Information Technology Plan (State IT Plan).

## 4 5 INFORMATION TECHNOLOGY SECURITY

6 SECTION 7.5. G.S. 147-33.110 reads as rewritten:

7 "Part 5. Security for Information Technology Services.

8 "**§ 147-33.110. Statewide security ~~standards~~; ~~standards~~; ~~restrictions on use of State data.~~**

9 (a) The State Chief Information Officer (State CIO) is responsible for the establishment  
10 and enforcement of security standards for all State agency information technology systems and  
11 associated data in order to provide for the most effective and efficient protection of State data.

12 (b) The State ~~Chief Information Officer~~ CIO shall establish a statewide set of standards  
13 for information technology security to maximize the functionality, security, and interoperability  
14 of the State's ~~distributed~~ information technology assets, ~~including communications~~ assets. This  
15 function includes:

16 (1) Management of all executive branch information technology security.

17 (2) Establishment of statewide standards for information technology security to  
18 maximize the functionality, security, and interoperability of the State's  
19 distributed information technology assets.

20 (3) Data classification and management.

21 (4) Maintaining an inventory of where State data is stored.

22 (5) Communications and encryption technologies.

23 (c) The State CIO shall review and revise the security standards annually. As part of  
24 this function, the State ~~Chief Information Officer~~ CIO shall review periodically existing  
25 security standards and practices in place among the various State agencies to determine  
26 whether those standards and practices meet statewide security and encryption requirements.  
27 The State ~~Chief Information Officer~~ CIO may assume the direct responsibility of providing for  
28 the information technology security of any State agency that fails to adhere to security  
29 standards adopted under this Article.

30 (d) Further, the State CIO shall establish standards for the management and  
31 safeguarding of all State data held jointly by State agencies and private entities and shall  
32 develop and implement a process to monitor and ensure adherence to the established standards.  
33 For data maintained by non-State entities, the State CIO shall document the reasons for the use  
34 of the non-State entity and certify, in writing, that the use of the non-State entity is the best  
35 course of action. The State CIO shall ensure that State data held by non-State entities is  
36 properly protected and is held in facilities that meet State security standards. By October 1 each  
37 year, the State CIO shall certify, in writing, that data held in non-State facilities is being  
38 maintained in accordance with State information technology security standards and shall  
39 provide a copy of this certification to the Joint Legislative Oversight Committee on Information  
40 Technology and the Fiscal Research Division.

41 (e) Before a State agency can contract for the storage, maintenance, or use of State data  
42 by a private vendor, the agency shall obtain the written approval of the State CIO."

## 43 44 INFORMATION TECHNOLOGY PROJECT MANAGEMENT

45 SECTION 7.6.(a) Notwithstanding the provisions of G.S. 147-33.72E or any other  
46 provision of law to the contrary, for the 2015-2017 fiscal biennium, all information technology  
47 projects shall be managed through a standardized, fully documented process established and  
48 overseen by the State Chief Information Officer as provided by this section.

49 SECTION 7.6.(b) The State Chief Information Officer shall be responsible for  
50 ensuring that participating agency information technology projects are completed on time,  
51 within budget, and meet all defined business requirements upon completion. The State Chief

1 Information Officer shall ensure that projects follow the Office of Information Technology  
2 Service's established process and shall monitor schedule, budget, and adherence to business  
3 requirements.

4 **SECTION 7.6.(c)** The State Chief Information Officer shall establish procedures to  
5 reduce the need for change requests and shall report on this process to the Joint Legislative  
6 Oversight Committee on Information Technology and the Fiscal Research Division by October  
7 1, 2015. The State Chief Information Officer shall also ensure that agency information  
8 technology project requirements are documented in biennial information technology plans. If  
9 an agency updates a biennial information technology plan to add a new project, the State Chief  
10 Information Officer shall immediately report to the Joint Legislative Oversight Committee on  
11 Information Technology and the Fiscal Research Division on the reasons for the new  
12 requirement.

13 **SECTION 7.6.(d)** This section does not apply to agencies exempt under  
14 G.S. 147-33.80.

## 15 16 **INFORMATION TECHNOLOGY PROCUREMENT**

17 **SECTION 7.7.(a)** For the 2015-2017 fiscal biennium, and notwithstanding any  
18 provision of law to the contrary, State agency information technology procurement shall be  
19 conducted through the Office of the State Chief Information Officer.

20 **SECTION 7.7.(b)** To effectuate the purposes of this section, the State Chief  
21 Information Officer (State CIO) shall be responsible for establishing policies and procedures  
22 for information technology procurement for State agencies, including the establishment of time  
23 lines for completing procurements. These policies and procedures shall include metrics for  
24 determining the performance of both the Office of Information Technology Services and State  
25 agencies during the procurement process.

26 **SECTION 7.7.(c)** The Office of State Budget and Management (OSBM) shall not  
27 permit funding for information technology procurements that are not authorized by the State  
28 CIO under this section. If any State agency fails to conduct information technology  
29 procurements as required by this section, the State CIO and the OSBM shall report the violation  
30 immediately to the Joint Legislative Oversight Committee on Information Technology.

31 **SECTION 7.7.(d)** By October 1, 2015, the State CIO shall report to the Joint  
32 Legislative Oversight Committee on Information Technology on policies and processes  
33 established by the Office of Information Technology Services to ensure the timely and efficient  
34 management of information technology procurement efforts.

35 **SECTION 7.7.(e)** This section does not apply to State agencies exempt under  
36 G.S. 147-33.80.

## 37 38 **STATE AGENCY STANDARDIZATION**

39 **SECTION 7.8.(a)** Beginning with the 2015-2017 fiscal biennium, the State Chief  
40 Information Officer shall establish consistent standards for the purchase of State agency  
41 hardware and software that reflect identified, documented agency needs, and State agencies  
42 shall adhere to these established standards.

43 **SECTION 7.8.(b)** By October 1, 2015, and then quarterly thereafter during the  
44 2015-2017 fiscal biennium, the State Chief Information Officer shall report to the Joint  
45 Legislative Oversight Committee on Information Technology and the Fiscal Research Division  
46 on the development, implementation, and enforcement of State agency information technology  
47 standardization.

48 **SECTION 7.8.(c)** This section does not apply to any agency exempt under  
49 G.S. 147-33.80.

## 50 51 **DATA CENTERS/CONSOLIDATION**

1           **SECTION 7.9.(a)** Beginning with the 2015-2017 fiscal biennium, the State Chief  
2 Information Officer shall create an inventory of data center operations in the executive branch,  
3 and shall develop and implement a detailed, written plan for consolidation of agency data  
4 centers in the most efficient manner possible. By December 1, 2015, the State Chief  
5 Information Officer shall present a report on the completed data center consolidation plan to the  
6 Joint Legislative Oversight Committee on Information Technology and the Fiscal Research  
7 Division.

8           **SECTION 7.9.(b)** State agencies shall use the State infrastructure to host their  
9 projects, services, data, and applications, except that the State Chief Information Officer may  
10 grant an exception if the State agency demonstrates any of the following:

- 11           (1) Using an outside contractor would be more cost-effective for the State.
- 12           (2) The Department does not have the technical capabilities required to host the  
13 application.
- 14           (3) Valid security requirements preclude the use of State infrastructure, and a  
15 vendor can provide a more secure environment.

16           **SECTION 7.9.(c)** This section does not apply to any agency exempt under  
17 G.S. 147-33.80.

## 18           **INFORMATION TECHNOLOGY HUMAN RESOURCES**

19           **SECTION 7.10.(a)** Beginning with the 2015-2017 fiscal biennium, the State Chief  
20 Information Officer shall establish a detailed, standardized, and systemic inventory of State  
21 information technology personnel.

22           **SECTION 7.10.(b)** The inventory shall include the following information:

- 23           (1) An inventory of current agency information technology personnel and their  
24 skills.
- 25           (2) Documentation of current information technology personnel requirements.
- 26           (3) Analysis and documentation of the gaps between current personnel and  
27 identified requirements.
- 28           (4) A detailed, fully executable plan to fill identified gaps.
- 29           (5) A detailed, fully executable plan to eliminate positions that may no longer be  
30 required.
- 31           (6) A detailed, fully executable plan for employees whose skills are no longer  
32 required.

33           This inventory and associated plans shall be completed by December 1, 2015, and shall be  
34 provided to the Joint Legislative Oversight Committee on Information Technology and the  
35 Fiscal Research Division.

36           **SECTION 7.10.(c)** The State Chief Information Officer shall establish standard  
37 information technology career paths for both management and technical tracks, including  
38 defined qualifications, career progression, training requirements, and appropriate  
39 compensation. For information technology procurement professionals, the State Chief  
40 Information Officer shall establish a career path that includes defined qualifications, career  
41 progression, training requirements, and appropriate compensation. These career paths shall be  
42 completely documented by December 1, 2015, and shall be provided to the Joint Legislative  
43 Oversight Committee on Information Technology and the Fiscal Research Division by  
44 December 1, 2015. They shall be updated on an annual basis.

45           **SECTION 7.10.(d)** The State Chief Information Officer may, with written  
46 permission of the agency heads concerned, repurpose or leverage an agency resource across  
47 another agency. This includes the use of information technology personnel with a level of  
48 expertise needed for a particular matter to be used across agencies.

49           **SECTION 7.10.(e)** This section does not apply to agencies exempt under  
50 G.S. 147-33.80.  
51

**INFORMATION TECHNOLOGY PERFORMANCE MEASURES**

**SECTION 7.11.(a)** By September 1, 2015, the State Chief Information Officer shall establish specific, quantifiable performance measures for each function performed by the Office of Information Technology Services and the Office of the State Chief Information Officer. These performance measures shall be posted on the Office of Information Technology Services Web site and, at a minimum, shall be updated on a monthly basis. Any plans shall include mitigation strategies to resolve any failure to meet established performance measures.

**SECTION 7.11.(b)** By September 1, 2015, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the establishment of performance measures.

**STATE INFORMATION TECHNOLOGY/CONSOLIDATION OF INFORMATION TECHNOLOGY GOVERNANCE AND RESOURCES**

**SECTION 7.12.(a)** By May 1, 2016, in order to ensure the maximum effectiveness and efficiency of State government information technology, the following requirements shall be accomplished by the executive branch under the coordination of the Office of the State Chief Information Officer:

- (1) An inventory of information technology personnel across all State agencies, their responsibilities, and associated funding.
- (2) An inventory of all information technology assets throughout State agencies.
- (3) A prioritized action plan to achieve the following goals:
  - a. Ensure the security of State-maintained information.
  - b. Implement a motor data management plan for State agencies.
  - c. Consolidate IT procurement.
  - d. Eliminate duplication and waste.
  - e. Promote efficiency by implementing best practices for all IT processes.
- (4) Completion dates and projected savings earned from each initiative.

The Office of State Budget and Management shall assist the State Chief Information Officer in conducting this analysis. Each State agency shall comply and cooperate fully with the State Chief Information Officer concerning this review. This section does not apply to agencies exempt under G.S. 147-33.80.

**SECTION 7.12.(b)** By May 15, 2016, the State Chief Information Officer shall report findings and any recommended organizational or statutory changes related to the consolidation of State agency information technology to the chairs of the House of Representatives Appropriations Committee and the Senate Appropriations/Base Budget Committee, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division.

**ELECTRONIC SIGNATURES**

**SECTION 7.13.(a)** The State Chief Information Officer shall implement a digital form program for State agencies that includes secure electronic signature capability. This program shall be developed in consultation with participating agencies and shall include requirements identified by them.

By October 1, 2015, the State CIO shall provide a completed plan for the program to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. This plan shall include a priority list for implementing specific electronic forms, a time line for each implementation, and costs associated with the program.

**SECTION 7.13.(b)** The following definitions apply in this section:

- 1 (1) Electronic signature. – A signature that consists of one or more letters,  
2 characters, numbers, or other symbols in digital form incorporated in,  
3 attached to, or associated with an electronic document.
- 4 (2) Secure electronic signature. – An electronic signature that:  
5 a. Is unique to the person making the signature;  
6 b. The technology or process used to make the signature is under the  
7 sole control of the person making the signature;  
8 c. The technology or process can be used to identify the person using  
9 the technology or process; and  
10 d. The electronic signature can be linked with an electronic document in  
11 such a way that it can be used to determine whether the electronic  
12 document has been changed since the electronic signature was  
13 incorporated in, attached to, or associated with the electronic  
14 document.  
15

## 16 ECONOMIC MODELING INITIATIVE

17 **SECTION 7.14.(a)** Of the funds appropriated to the Information Technology  
18 Reserve, the sum of five hundred thousand dollars (\$500,000) for the 2015-2016 fiscal year  
19 shall be allocated to the Board of Governors of The University of North Carolina for the  
20 University of North Carolina at Charlotte (UNC-Charlotte) to provide economic modeling for  
21 the State.

22 **SECTION 7.14.(b)** UNC-Charlotte shall develop and implement an economic  
23 modeling capability to facilitate the efforts of State agencies working to create economic  
24 development and growth opportunities for the State. UNC-Charlotte shall work with State  
25 agencies involved in economic development and growth initiatives to define their requirements  
26 and to provide timely, effective products to support their needs. All State agencies shall support  
27 this effort by providing required data in a timely manner.

28 **SECTION 7.14.(c)** By January 15, 2016, UNC-Charlotte shall report to the Joint  
29 Legislative Oversight Committee on Information Technology and Fiscal Research Division on  
30 the status of the economic modeling initiative.  
31

## 32 STATE CIO AND AGENCY COMPLIANCE WITH IT DIRECTIVES

33 **SECTION 7.15.** The State Chief Information Officer shall monitor State agency  
34 compliance with directives from the General Assembly relating to the use or procurement of  
35 information technology services and shall notify the head of any agency determined to be in  
36 noncompliance. Beginning October 1, 2015, for the 2015-2017 fiscal biennium, the State Chief  
37 Information Officer shall report State agency noncompliance immediately to the Joint  
38 Legislative Oversight Committee on Information Technology and the Fiscal Research Division.  
39

## 40 PART VIII. PUBLIC SCHOOLS

### 41 FUNDS FOR CHILDREN WITH DISABILITIES

42 **SECTION 8.1.** The State Board of Education shall allocate additional funds for  
43 children with disabilities on the basis of three thousand nine hundred twenty-six dollars and  
44 ninety-seven cents (\$3,926.97) per child. Each local school administrative unit shall receive  
45 funds for the lesser of (i) all children who are identified as children with disabilities or (ii)  
46 twelve and one-half percent (12.5%) of its 2015-2016 allocated average daily membership in  
47 the local school administrative unit. The dollar amounts allocated under this section for  
48 children with disabilities shall also be adjusted in accordance with legislative salary increments,  
49 retirement rate adjustments, and health benefit adjustments for personnel who serve children  
50 with disabilities.  
51

**FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

**SECTION 8.2.** The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred eighty dollars and seventy cents (\$1,280.70) per child for fiscal years 2015-2016 and 2016-2017. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2015-2016 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

**USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

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

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

- (1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.
- (2) "Anticipated total county revenue availability" means the sum of the following:
  - a. Anticipated county property tax revenue availability.
  - b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
  - c. Sales tax hold harmless reimbursement received by the county under G.S. 105-521.
  - d. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.
- (3) "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.
- (4) "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.
- (5) "Average daily membership" means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.
- (6) "County-adjusted property tax base" shall be computed as follows:

- 1 a. Subtract the present-use value of agricultural land, horticultural land,  
2 and forestland in the county, as defined in G.S. 105-277.2, from the  
3 total assessed real property valuation of the county.
- 4 b. Adjust the resulting amount by multiplying by a weighted average of  
5 the three most recent annual sales assessment ratio studies.
- 6 c. Add to the resulting amount the following:
  - 7 1. Present-use value of agricultural land, horticultural land, and  
8 forestland, as defined in G.S. 105-277.2.
  - 9 2. Value of property of public service companies, determined in  
10 accordance with Article 23 of Chapter 105 of the General  
11 Statutes.
  - 12 3. Personal property value for the county.
- 13 (7) "County-adjusted property tax base per square mile" means the  
14 county-adjusted property tax base divided by the number of square miles of  
15 land area in the county.
- 16 (8) "County wealth as a percentage of State average wealth" shall be computed  
17 as follows:
  - 18 a. Compute the percentage that the county per capita income is of the  
19 State per capita income and weight the resulting percentage by a  
20 factor of five-tenths.
  - 21 b. Compute the percentage that the anticipated total county revenue  
22 availability per student is of the anticipated State average revenue  
23 availability per student and weight the resulting percentage by a  
24 factor of four-tenths.
  - 25 c. Compute the percentage that the county-adjusted property tax base  
26 per square mile is of the State-adjusted property tax base per square  
27 mile and weight the resulting percentage by a factor of one-tenth.
  - 28 d. Add the three weighted percentages to derive the county wealth as a  
29 percentage of the State average wealth.
- 30 (9) "Effective county tax rate" means the actual county tax rate multiplied by a  
31 weighted average of the three most recent annual sales assessment ratio  
32 studies.
- 33 (10) "Effective State average tax rate" means the average of effective county tax  
34 rates for all counties.
- 35 (11) "Local current expense funds" means the most recent county current expense  
36 appropriations to public schools, as reported by local boards of education in  
37 the audit report filed with the Secretary of the Local Government  
38 Commission pursuant to G.S. 115C-447.
- 39 (12) "Per capita income" means the average for the most recent three years for  
40 which data are available of the per capita income according to the most  
41 recent report of the United States Department of Commerce, Bureau of  
42 Economic Analysis, including any reported modifications for prior years as  
43 outlined in the most recent report.
- 44 (13) "Sales assessment ratio studies" means sales assessment ratio studies  
45 performed by the Department of Revenue under G.S. 105-289(h).
- 46 (14) "State average current expense appropriations per student" means the most  
47 recent State total of county current expense appropriations to public schools,  
48 as reported by local boards of education in the audit report filed with the  
49 Secretary of the Local Government Commission pursuant to G.S. 115C-447.

1 (15) "State average adjusted property tax base per square mile" means the sum of  
2 the county-adjusted property tax bases for all counties divided by the  
3 number of square miles of land area in the State.

4 (16) "Supplant" means to decrease local per student current expense  
5 appropriations from one fiscal year to the next fiscal year.

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

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

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

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

39 **SECTION 8.3.(f) Minimum Effort Required.** – A county that (i) maintains an  
40 effective county tax rate that is at least one hundred percent (100%) of the effective State  
41 average tax rate in the most recent year for which data are available or (ii) maintains a county  
42 appropriation per student to the school local current expense fund of at least one hundred  
43 percent (100%) of the current expense appropriations per student to the school local current  
44 expense fund that the county could provide given the county's wealth and an average effort to  
45 fund public schools shall receive full funding under this section. A county that maintains a  
46 county appropriation per student to the school local current expense fund of less than one  
47 hundred percent (100%) of the current expense appropriations per student to the school local  
48 current expense fund that the county could provide given the county's wealth and an average  
49 effort to fund public schools shall receive funding under this section at the same percentage that  
50 the county's appropriation per student to the school local current expense fund is of the current

1 expense appropriations per student to the school local current expense fund that the county  
 2 could provide given the county's wealth and an average effort to fund public schools.

3 **SECTION 8.3.(g) Nonsupplant Requirement.** – A county in which a local school  
 4 administrative unit receives funds under this section shall use the funds to supplement local  
 5 current expense funds and shall not supplant local current expense funds. For the 2015-2017  
 6 fiscal biennium, the State Board of Education shall not allocate funds under this section to a  
 7 county found to have used these funds to supplant local per student current expense funds. The  
 8 State Board of Education shall make a finding that a county has used these funds to supplant  
 9 local current expense funds in the prior year, or the year for which the most recent data are  
 10 available, if all of the following criteria apply:

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

17 The State Board of Education shall adopt rules to implement the requirements of  
 18 this subsection.

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

23 **SECTION 8.3.(i) Reports.** – For the 2015-2017 fiscal biennium, the State Board of  
 24 Education shall report to the Fiscal Research Division prior to May 15 of each year if it  
 25 determines that counties have supplanted funds.

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

35  
 36 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

37 **SECTION 8.4.(a) Allotment Schedule for the 2015-2017 Fiscal Biennium.** –  
 38 Except as otherwise provided in subsection (d) of this section, each eligible county school  
 39 administrative unit shall receive a dollar allotment according to the following schedule:

Allotted ADM	Small County Allotment
0-600	\$1,710,000
601-1,300	\$1,820,000
1,301-1,700	\$1,548,700
1,701-2,000	\$1,600,000
2,001-2,300	\$1,560,000
2,301-2,600	\$1,470,000
2,601-2,800	\$1,498,000
2,801-3,200	\$1,548,000

40  
 41  
 42  
 43  
 44  
 45  
 46  
 47  
 48  
 49 **SECTION 8.4.(b) Phase-Out Provision for the 2015-2016 Fiscal Year.** – If a local  
 50 school administrative unit becomes ineligible for funding under the schedule in subsection (a)  
 51 of this section in the 2015-2016 fiscal year, funding for that unit shall be phased out over a

1 five-year period. Funding for such local administrative units shall be reduced in equal  
2 increments in each of the five years after the local administrative unit becomes ineligible.  
3 Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes  
4 ineligible.

5 Allotments for eligible local school administrative units under this subsection shall  
6 not be reduced by more than twenty percent (20%) of the amount received in fiscal year  
7 2014-2015 in any fiscal year.

8 **SECTION 8.4.(c) Phase-Out Provision for the 2016-2017 Fiscal Year.** – If a local  
9 school administrative unit becomes ineligible for funding under the schedule in subsection (a)  
10 of this section in the 2016-2017 fiscal year, funding for that unit shall be phased out over a  
11 five-year period. Funding for such local administrative units shall be reduced in equal  
12 increments in each of the five years after the local administrative unit becomes ineligible.  
13 Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes  
14 ineligible.

15 Allotments for eligible local school administrative units under this subsection shall  
16 not be reduced by more than twenty percent (20%) of the amount received in fiscal year  
17 2015-2016 in any fiscal year.

18 **SECTION 8.4.(d) Nonsupplant Requirement for the 2015-2017 Fiscal Biennium.** –  
19 A county in which a local school administrative unit receives funds under this section shall use  
20 the funds to supplement local current expense funds and shall not supplant local current  
21 expense funds. For the 2015-2017 fiscal biennium, the State Board of Education shall not  
22 allocate funds under this section to a county found to have used these funds to supplant local  
23 per student current expense funds. The State Board of Education shall make a finding that a  
24 county has used these funds to supplant local current expense funds in the prior year, or the  
25 year for which the most recent data are available, if all of the following criteria apply:

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

32 The State Board of Education shall adopt rules to implement the requirements of  
33 this subsection.

34 **SECTION 8.4.(e) Reports.** – For the 2015-2017 fiscal biennium, the State Board of  
35 Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it  
36 determines that counties have supplanted funds.

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

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

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

45 **SECTION 8.5.(a)** Funds appropriated for disadvantaged student supplemental  
46 funding shall be used, consistent with the policies and procedures adopted by the State Board of  
47 Education, only to do the following:

- 49 (1) Provide instructional positions or instructional support positions and/or  
50 professional development.
- 51 (2) Provide intensive in-school and/or after-school remediation.

1 (3) Purchase diagnostic software and progress-monitoring tools.

2 (4) Provide funds for teacher bonuses and supplements. The State Board of  
3 Education shall set a maximum percentage of the funds that may be used for  
4 this purpose.

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

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

15 (1) For counties with wealth greater than ninety percent (90%) of the statewide  
16 average, a ratio of 1:19.9.

17 (2) For counties with wealth not less than eighty percent (80%) and not greater  
18 than ninety percent (90%) of the statewide average, a ratio of 1:19.4.

19 (3) For counties with wealth less than eighty percent (80%) of the statewide  
20 average, a ratio of 1:19.1.

21 (4) For local school administrative units receiving DSSF funds in fiscal year  
22 2005-2006, a ratio of 1:16. These local school administrative units shall  
23 receive no less than the DSSF amount allotted in fiscal year 2006-2007.

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

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

### 31 LITIGATION RESERVE FUNDS

32 **SECTION 8.6.** The State Board of Education may expend up to five hundred  
33 thousand dollars (\$500,000) each year for the 2015-2016 and 2016-2017 fiscal years from  
34 unexpended funds for licensed employees' salaries to pay expenses related to litigation.  
35

### 36 UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

37 **SECTION 8.7.** Funds appropriated for the Uniform Education Reporting System  
38 (UERS) for the 2015-2017 fiscal biennium shall not revert at the end of each fiscal year but  
39 shall remain available until expended.  
40

### 41 COOPERATIVE INNOVATIVE HIGH SCHOOLS

42 **SECTION 8.8.** G.S. 115C-238.54 is amended by adding a new subsection to read:

43 "(j) Any State funds appropriated for cooperative innovative high schools shall not be  
44 adjusted to reflect legislative salary increments, retirement rate adjustments, and health benefit  
45 adjustments for school personnel, unless specifically provided for by the General Assembly."  
46

### 47 FUNDS FOR EVAAS IN GRADES K-2

48 **SECTION 8.9.** The State Board of Education may use funds appropriated to the  
49 Department of Public Instruction under this act to implement the requirements of the Excellent  
50 Public Schools Act, established under Part 7A of S.L. 2012-142, as amended by Sections 2.1

1 and 2.5 of S.L. 2012-145 and Section 9.4 of S.L. 2013-360, to provide access to the Education  
2 Value-Added Assessment System for kindergarten, first, and second grades.  
3

#### 4 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL (NCVPS) REVENUES**

5 **SECTION 8.10.** G.S. 66-58 reads as rewritten:

6 "**§ 66-58. Sale of merchandise or services by governmental units.**

7 (a) Except as may be provided in this section, it shall be unlawful for any unit,  
8 department or agency of the State government, or any division or subdivision of the unit,  
9 department or agency, or any individual employee or employees of the unit, department or  
10 agency in his, or her, or their capacity as employee or employees thereof, to engage directly or  
11 indirectly in the sale of goods, wares or merchandise in competition with citizens of the State,  
12 or to engage in the operation of restaurants, cafeterias or other eating places in any building  
13 owned by or leased in the name of the State, or to maintain service establishments for the  
14 rendering of services to the public ordinarily and customarily rendered by private enterprises,  
15 or to provide transportation services, or to contract with any person, firm or corporation for the  
16 operation or rendering of the businesses or services on behalf of the unit, department or agency,  
17 or to purchase for or sell to any person, firm or corporation any article of merchandise in  
18 competition with private enterprise. The leasing or subleasing of space in any building owned,  
19 leased or operated by any unit, department or agency or division or subdivision thereof of the  
20 State for the purpose of operating or rendering of any of the businesses or services herein  
21 referred to is hereby prohibited.

22 (b) The provisions of subsection (a) of this section shall not apply to:

23 (1) Counties and municipalities.

24 (2) The Department of Health and Human Services or the Department of  
25 Agriculture and Consumer Services for the sale of serums, vaccines, and  
26 other like products.

27 (3) The Department of Administration, except that the agency shall not exceed  
28 the authority granted in the act creating the agency.

29 (4) The State hospitals for the mentally ill.

30 (5) The Department of Health and Human Services.

31 (6) The North Carolina School for the Blind at Raleigh.

32 (6a) The Division of Juvenile Justice of the Department of Public Safety.

33 (7) The North Carolina Schools for the Deaf.

34 (7a) The North Carolina Virtual Public School.

35 ...

36 (c) The provisions of subsection (a) shall not prohibit:

37 ...

38 ~~(20) The sale by the State Board of Education of NCVPS courses to home~~  
39 ~~schools, private schools, and out-of-state educational entities.~~

40 ...."

#### 41 **NCVPS ALTERNATIVE FUNDING FORMULA**

42 **SECTION 8.11.(a)** Notwithstanding Section 7.22(d) of S.L. 2011-145, as amended  
43 by Section 8.9 of S.L. 2013-360, the State Board of Education may adopt an alternative funding  
44 formula for the North Carolina Virtual Public School (NCVPS) for use by local school  
45 administrative units and charter schools. A local school administrative unit or charter school  
46 may elect to use the alternative funding formula in lieu of the funding formula adopted by the  
47 State Board pursuant to Section 7.22(d) of S.L. 2011-145, as amended by Section 8.9 of S.L.  
48 2013-360.

49 **SECTION 8.11.(b)** If any local school administrative unit or charter school elects  
50 to adopt the alternative funding formula as provided under subsection (a) of this section, the  
51

1 superintendent of the local school administrative unit or the executive officer of the charter  
2 school, as applicable, shall submit a written statement confirming selection of the alternative  
3 funding formula to the North Carolina Virtual Public School administrative office no later than  
4 May 1 each year to be eligible to apply the alternative formula in the subsequent fiscal year.

5 **SECTION 8.11.(c)** This section applies beginning with the 2016-2017 school year.  
6

## 7 **COMPETENCY-BASED LEARNING AND ASSESSMENTS**

8 **SECTION 8.12.(a)** It is the intent of the General Assembly to transition to a  
9 system of testing and assessments applicable for all elementary and secondary public school  
10 students that utilizes competency-based learning assessments to measure student performance  
11 and student growth, whenever practicable. The competency-based student assessment system  
12 should provide that (i) students advance upon mastery, (ii) competencies are broken down into  
13 explicit and measurable learning objectives, (iii) assessment is meaningful for students, (iv)  
14 students receive differentiated support based on their learning needs, and (v) learning outcomes  
15 emphasize competencies that include the application and creation of knowledge.

16 **SECTION 8.12.(b)** In order to develop the use of competency-based assessments  
17 for all elementary and secondary public school students in North Carolina in accordance with  
18 subsection (a) of this section, the State Board of Education is encouraged to evaluate the  
19 feasibility of integrating competency-based assessments for use in local school administrative  
20 units and as part of the statewide testing system for measuring student performance and student  
21 growth. The State Board may examine competency-based student assessment systems utilized  
22 in other states, including potential benefits and obstacles to implementing similar systems in  
23 North Carolina, and the relationship between competency-based assessments and innovative  
24 teaching methods utilized in North Carolina schools, such as blended learning models and  
25 digital teaching tools.  
26

## 27 **COLLABORATIVE PROCUREMENT**

28 **SECTION 8.14.(a)** Section 7.6 of S.L. 2013-360, as amended by Section 91 of  
29 S.L. 2014-115, is repealed.

30 **SECTION 8.14.(b)** The Department of Public Instruction shall collaborate with the  
31 Friday Institute for Educational Innovation of North Carolina State University to implement  
32 public school cooperative purchasing agreements for the procurement of information  
33 technology (IT) goods and services to support public schools. For purposes of this section, the  
34 phrase "public school cooperative purchasing agreement" means an agreement implemented  
35 pursuant to this section and available for local school administrative units, regional schools,  
36 charter schools, or some combination thereof providing for collaborative or collective  
37 purchases of information technology goods and services in order to leverage economies of  
38 scale and to reduce costs.

39 **SECTION 8.14.(c)** Each public school cooperative purchasing agreement shall be  
40 based on a defined statewide information technology need to support education in the public  
41 schools. Each public school cooperative purchasing agreement shall allow for equal access to  
42 technology tools and services and shall provide a standard competitive cost throughout North  
43 Carolina for each tool or service. Public school cooperative purchasing agreements shall follow  
44 State information technology procurement laws, rules, and procedures.

45 **SECTION 8.14.(d)** By October 15, 2015, and annually thereafter, the Department  
46 of Public Instruction and the Friday Institute shall report on the establishment of the  
47 cooperative purchasing agreements, savings resulting from the establishment of the agreements,  
48 and any issues impacting the establishment of the agreements. The reports shall be made to the  
49 Joint Legislative Oversight Committee on Information Technology, the Joint Legislative  
50 Education Oversight Committee, and the Fiscal Research Division.  
51

**CHARTER SCHOOL ACCELERATOR GRANT PROGRAM**

**SECTION 8.15.(a)** Parents for Educational Freedom in North Carolina, Inc. (PEFNC), shall use up to one million dollars (\$1,000,000) for the 2015-2016 fiscal year and up to one million dollars (\$1,000,000) in the 2016-2017 fiscal year from funds made available to it under this act to provide grant funding to participants for the development of charter schools to be located in counties that have no more than one charter school. State funds shall only be used to provide grants to applicants participating in the program and shall not be used by PEFNC for its overhead costs in administering the program.

**SECTION 8.15.(b)** PEFNC shall provide grants to grant recipients participating in the program as follows:

- (1) An entity seeking to develop a charter school application for approval by the State Board of Education may receive a grant of up to one hundred thousand dollars (\$100,000) to support the development of the charter application. If the charter school is approved by the State Board, second-year funding may be provided to support the charter school during its initial planning year.
- (2) A charter school approved by the State Board of Education, but that has not begun operation, may receive a one-year grant of up to one hundred thousand dollars (\$100,000) for its initial planning year.

**SECTION 8.15.(c)** Beginning in 2016-2017, the State funds made available to PEFNC under this act that are used as grants for initial planning years for the participants shall be matched on the basis of one dollar (\$1.00) in grant funds for every one dollar (\$1.00) in nongrant funds. Matching funds may be provided by PEFNC or a grant recipient in its second year of operation as a charter school. Matching funds shall not include other State funds and may include in-kind contributions.

**SECTION 8.15.(d)** Grant recipients shall be subject to audit oversight by the State Auditor.

**SECTION 8.15.(e)** By March 15, 2016, and annually thereafter, PEFNC shall submit to the Joint Legislative Education Oversight Committee a report on the progress of the program, an accounting of expenditures, source and amount of matching funds, and the status of grant recipients.

**TEACHER EDUCATION PREPARATION REDESIGN**

**SECTION 8.16.(a)** The State Board of Education shall issue a request for proposals from approved teacher education programs at constituent institutions of The University of North Carolina to participate in a redesign of a teacher education program at a constituent institution. A constituent institution seeking to participate shall provide a detailed proposal of how the constituent institution will revise the program to ensure that graduates are prepared to be highly effective teachers immediately upon entering the classroom. The proposal shall include at least the following information:

- (1) Detailed plans for vigorous recruitment strategies and stringent admissions criteria to ensure that only outstanding candidates with strong academic credentials are admitted to the teacher education program.
- (2) Proposed revisions to curriculum, including (i) examples of cooperation with other departments and colleges outside the teacher education program; (ii) coursework in candidates' major course of study that are successfully completed in the relevant college or university department rather than through the teacher education program; and (iii) close cooperation with local school administrative units and schools to ensure that teacher education students are effectively prepared in content area knowledge applicable to their future profession.

- 1 (3) Redesign of clinical experiences to ensure that teacher education students  
2 have embedded classroom experiences spanning the course of one  
3 instructional year in a partner elementary or secondary school setting  
4 mentored by teachers who have been identified as highly effective on the  
5 North Carolina teacher evaluation rubric, that clinical coursework is  
6 reflective and connected to embedded classroom experiences, and that a  
7 nationally normed and valid pedagogy assessment is used to determine  
8 clinical practice performance.

9 **SECTION 8.16.(b)** A constituent institution that submits a proposal under  
10 subsection (a) of this section must commit to (i) implementation of the redesign of the teacher  
11 education program beginning in the 2016-2017 academic year and (ii) beginning October 1  
12 following the graduation of the first cohort to complete the redesigned program, reporting to  
13 the State Board of Education and the Joint Legislative Education Oversight Committee on  
14 outcomes of graduates of the redesigned program for five years after graduation. Graduate  
15 outcomes shall include, at a minimum, academic growth of the students for which the graduate  
16 serves as teacher of record and recruitment, retention, and evaluation ratings of each student  
17 cohort.

18 **SECTION 8.16.(c)** The State Board of Education shall require proposals to be  
19 submitted no later than October 15, 2015. The State Board shall select one constituent  
20 institution of The University of North Carolina to award one hundred thousand dollars  
21 (\$100,000) in recurring funds for the 2015-2016 and 2016-2017 fiscal years no later than  
22 December 15, 2015, for personnel and other costs associated with the redesign of the teacher  
23 education program in accordance with this section.

24 **SECTION 8.16.(d)** The constituent institution selected by the State Board of  
25 Education for the award of funds under this section shall report to the State Board of Education  
26 and the Joint Legislative Education Oversight Committee on the redesign and implementation  
27 of the teacher education program by December 31, 2017.

## 28 **STATEWIDE MICROSOFT® OFFICE COOPERATIVE AGREEMENT**

29 **SECTION 8.17.** The Department of Public Instruction shall enter into a statewide  
30 cooperative purchasing agreement to provide Microsoft® Office products to students, teachers,  
31 and other school personnel in the North Carolina public schools, including charter schools, at  
32 no cost to local school administrative units, charter schools, school personnel, and students.  
33

## 34 **REVISE THE DESIGNATION OF THE TEXTBOOK FUNDING ALLOTMENT**

35 **SECTION 8.18.(a)** Effective July 1, 2015, the existing Textbooks funding  
36 allotment in the State Public School Fund shall be designated as the Textbooks and Digital  
37 Resources funding allotment in the State Public School Fund.  
38

39 **SECTION 8.18.(b)** The State Board of Education shall adopt a policy to establish  
40 the purposes for which the funds within the new Textbooks and Digital Resources funding  
41 allotment may be used, which shall include the same purposes as were permitted under the  
42 Textbooks funding allotment as of June 30, 2015.  
43

## 44 **BONUSES FOR INDUSTRY CERTIFICATIONS AND CREDENTIALS PROGRAM**

45 **SECTION 8.19.(a)** G.S. 115C-156.2 reads as rewritten:

46 "**§ 115C-156.2. Industry certifications and credentials program.**

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

~~eredentials:~~ credentials and teachers shall receive bonuses for each student who earns an approved industry certification or credential as follows:

- (1) Students enrolled in public schools and in career and technical education courses shall be exempt from paying any fees for one administration of examinations leading to industry certifications and credentials pursuant to 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.
  - (4) Bonuses shall be awarded to teachers of students earning approved industry certifications or credentials, pursuant to rules adopted by the State Board of Education. No teacher shall be awarded bonuses pursuant to this subdivision that exceeds two thousand dollars (\$2,000) in any given school year. Direct instruction teacher bonuses shall be provided in the following amounts:
    - a. A bonus in the amount of twenty-five dollars (\$25.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a twenty-five-dollar (\$25.00) value ranking.
    - b. A bonus in the amount of fifty dollars (\$50.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a fifty-dollar (\$50.00) value ranking.
  - (5) The Department of Commerce, in consultation with the State Board of Education, shall assign a value ranking for each industry certification based on academic rigor and employment value in accordance with this subdivision. Fifty percent (50%) of the ranking shall be based on academic rigor and the remaining fifty percent (50%) on employment value. Academic rigor and employment value shall be based on the following elements:
    - a. Academic rigor shall be based on the number of instructional hours, including work experience or internship hours, required to earn the industry certification or credential, with a bonus given for coursework that also provides community college credit.
    - b. Employment value shall be based on the entry wage, growth rate in employment for each occupational category, and average annual openings for the primary occupation linked with the industry certification or credential.
- (b) ~~Beginning in 2014, the State Board of Education shall report to the Joint Legislative Education Oversight Committee by September 15 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 8.19.(b)** This section applies beginning with the 2015-2016 school year.

1 **ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER**  
 2 **BONUSES**

3 **SECTION 8.20.(a)** G.S. 115C-174.26 reads as rewritten:

4 **"§ 115C-174.26. Advanced courses.**

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

11 (1) ~~students~~Students enrolled in public schools shall be exempt from paying  
 12 any fees for administration of examinations for advanced courses and  
 13 registration fees for advanced courses in which the student is enrolled  
 14 regardless of the score the student achieves on an examination.

15 (2) Bonuses shall be awarded to teachers of advanced courses according to the  
 16 following:

17 a. A bonus in the amount of fifty dollars (\$50.00) for each student  
 18 taught by an advanced course teacher in each advanced course who  
 19 receives the following score:

20 1. For Advanced Placement courses, a score of three or higher  
 21 on the College Board Advanced Placement Examination.

22 2. For International Baccalaureate Diploma Programme courses,  
 23 a score of four or higher on the International Baccalaureate  
 24 course examination.

25 b. No teacher shall be awarded bonuses pursuant to this subdivision that  
 26 exceeds two thousand dollars (\$2,000) in any given school year. The  
 27 bonus awarded to a teacher pursuant to this subdivision shall be in  
 28 addition to any regular wage or other bonus the teacher receives or is  
 29 scheduled to receive.

30 ...

31 ~~(h) Beginning October 15, November 15, 2014, the State Board of Education shall~~  
 32 ~~report annually to the Joint Legislative Education Oversight Committee on advanced courses in~~  
 33 ~~North Carolina. The report shall include, at a minimum, the following information:~~

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

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

40 (3) ~~Student performance on advanced course examinations, including~~  
 41 ~~information by course, local school administrative unit, and school.~~

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

43 (5) ~~Number of teachers attending summer institutes offered by the North~~  
 44 ~~Carolina Advanced Placement Partnership.~~

45 (6) ~~Distribution of funding appropriated for advanced course testing fees and~~  
 46 ~~professional development by local school administrative unit and school.~~

47 (7) ~~Status and efforts of the North Carolina Advanced Placement Partnership.~~

48 (8) ~~Other trends in advanced courses and examinations."~~

49 **SECTION 8.20.(b)** This section applies beginning with the 2015-2016 school year.

50  
 51 **READ TO ACHIEVE**

1           **SECTION 8.21.(a)** G.S. 115C-83.3 reads as rewritten:

2   "**§ 115C-83.3. Definitions.**

3       The following definitions apply in this Part:

4           ...

5           (2) "Alternative assessment" means a valid and reliable standardized assessment  
6           of reading comprehension, approved by the State Board of Education, that is  
7           not the same test as the State-approved standardized test of reading  
8           comprehension administered to third grade students. The State Board of  
9           Education shall (i) provide several valid and reliable alternative assessments  
10          to local school administrative units upon request, (ii) approve valid and  
11          reliable alternative assessments submitted by local school administrative  
12          units, and (iii) establish achievement level ranges for each approved  
13          alternative assessment. The State Board of Education shall annually review  
14          all alternative assessments to ensure ongoing relevance, validity, and  
15          reliability. The State Board of Education shall complete the review and  
16          approval process as provided in this subdivision by September 15 of each  
17          year.

18          ...

19          (8) "Student reading portfolio" means a compilation of independently produced  
20          student work selected by the student's teacher, beginning during the first half  
21          of the school year, and signed by the teacher and principal, as an accurate  
22          picture of the student's reading ~~ability.~~ proficiency. The student reading  
23          portfolio shall include an organized collection of evidence of the student's  
24          ~~mastery of the State's reading standards that are assessed by the~~  
25          ~~State approved standardized test of reading comprehension administered to~~  
26          ~~third grade students.~~ reading proficiency. A single piece of evidence may be  
27          used to show mastery of reading proficiency for up to two standards. For  
28          each ~~benchmark,~~ reading standard, there shall be ~~three~~ two examples of  
29          student ~~work~~ work, gathered over the course of the school year,  
30          demonstrating mastery by a grade of seventy percent (70%) or above the  
31          student's reading proficiency. If a student correctly responds to eighty  
32          percent (80%) of the comprehension questions about one reading passage as  
33          used as an initial work sample, then that one work sample shall suffice to  
34          demonstrate student reading proficiency on the standards covered in that  
35          sample. A student reading portfolio shall only be compiled with students  
36          when it is determined that administration of a standardized test of reading  
37          comprehension would likely not yield positive findings of a student's reading  
38          proficiency.

39          ....."

40           **SECTION 8.21.(b)** G.S. 115C-83.6 reads as rewritten:

41   "**§ 115C-83.6. Facilitating early grade reading proficiency.**

42       (a) Kindergarten, first, second, and third grade students shall be assessed with valid,  
43       reliable, formative, and diagnostic reading assessments made available to local school  
44       administrative units by the State Board of Education pursuant to G.S. 115C-174.11(a).  
45       Difficulty with reading development identified through administration of formative and  
46       diagnostic assessments shall be addressed with instructional supports and services. To the  
47       greatest extent possible, kindergarten through third grade reading assessments shall yield data  
48       that can be used with the Education Value-Added Assessment System (EVAAS), or a  
49       compatible and comparable system approved by the State Board of Education, to analyze  
50       student data to identify root causes for difficulty with reading development and to determine  
51       actions to address them.

1 (b) Formative and diagnostic assessments and resultant instructional supports and  
2 services shall address oral language, phonological and phonemic awareness, phonics,  
3 vocabulary, fluency, and comprehension using developmentally appropriate practices.

4 (c) Local school administrative units are encouraged to partner with community  
5 organizations, businesses, and other groups to provide volunteers, mentors, or tutors to assist  
6 with the provision of instructional supports and services that enhance reading development and  
7 proficiency.

8 (d) The teacher of record for a kindergarten, first, second, or third grade student shall  
9 not be prohibited from administering the assessments made available to local school  
10 administrative units in subsection (a) of this section to that student."

11 **SECTION 8.21.(c)** G.S. 115C-83.7(b)(4) reads as rewritten:

12 "(4) Students who demonstrate, through a student reading portfolio, reading  
13 proficiency appropriate for third grade students. Student reading portfolio  
14 and review processes used by local school administrative units shall be  
15 approved by the State Board of Education. A local school administrative unit  
16 implementing the student reading portfolio process established by the State  
17 Board of Education shall limit the use of this portfolio process only to a  
18 student for whom it is appropriate as determined by the student's principal,  
19 after consulting with the teacher and the student's parents, and shall  
20 discontinue administration of the portfolio passages whenever a student is  
21 not demonstrating reading proficiency."

22 **SECTION 8.21.(d)** G.S. 115C-83.8(a) reads as rewritten:

23 "(a) Parents or guardians of students not demonstrating reading proficiency shall be  
24 encouraged to enroll their student in a reading camp provided by the local school administrative  
25 unit. Parents or guardians of a student not demonstrating reading proficiency shall make the  
26 final decision regarding a student's reading camp attendance. If a parent or guardian does not  
27 enroll the student in a reading camp, the parent shall notify the school in which the student is  
28 enrolled of any alternative reading interventions or instructional supports that shall be provided  
29 to the student to achieve reading proficiency. Local school administrative units shall provide at  
30 least one opportunity for students not participating in a reading camp to demonstrate reading  
31 proficiency appropriate for third grade students on an alternative assessment or through a  
32 student reading portfolio process approved by the State Board of Education prior to retaining  
33 the student."

34 **SECTION 8.21.(e)** G.S. 115C-83.9(d) reads as rewritten:

35 "(d) Teachers and principals shall provide opportunities, including, but not limited to,  
36 information sessions, to discuss with parents and guardians the notifications listed in this  
37 section. Principals shall provide at least one information session within the first 30 days of  
38 school regarding the requirement for reading proficiency for third grade students."

39 **SECTION 8.21.(f)** G.S. 115C-174.11 reads as rewritten:

40 **"§ 115C-174.11. Components of the testing program.**

41 (a) Assessment Instruments for Kindergarten, First, Second, and Third Grades. – The  
42 State Board of Education shall develop, adopt, and provide to the local school administrative  
43 units developmentally appropriate individualized assessment instruments consistent with the  
44 Basic Education Program and Part 1A of Article 8 of this Chapter for the kindergarten, first,  
45 second, and third grades. The State Board shall approve three valid, reliable, formative, and  
46 diagnostic reading assessment instruments for selection by local school administrative units in  
47 accordance with the following:

48 (1) Each approved assessment instrument shall provide initial assessments,  
49 interim formative assessments, and progress monitoring capabilities.

1           (2) In determining which instruments to approve for use by local school  
2 administrative units, the State Board shall also consider at least the following  
3 factors:

4           a. The time required to conduct formative and diagnostic assessments  
5 with the intention of minimizing the impact on instructional time.

6           b. The level of integration of assessment results with instructional  
7 support for teachers and students.

8           c. The timeliness in reporting assessment results to teachers and  
9 administrators.

10          d. The ability to provide timely assessment results to parents and  
11 guardians.

12          (3) In no case shall an assessment instrument be approved for use by local  
13 school administrative units if the cost of the assessment instrument,  
14 including related instructional content, materials, and resources for teachers  
15 and students, exceeds the funds appropriated for this purpose divided by the  
16 projected enrollment of students in kindergarten, first, second, and third  
17 grades.

18          (a1) Each local school administrative unit shall select one valid, reliable, formative, and  
19 diagnostic reading assessment from the three assessment instruments approved by the State  
20 Board under subsection (a) of this section. Local school administrative units shall use ~~these~~ the  
21 assessment instruments provided to them by the State Board for kindergarten, first, second, and  
22 third grade students to assess progress, diagnose difficulties, and inform instruction and  
23 remediation needs. Local school administrative units shall not use standardized tests for  
24 summative assessment of kindergarten, first, and second grade students except as required as a  
25 condition of receiving federal grants.

26          ...."

27                 **SECTION 8.21.(g)** Subsections (a) through (e) of this section apply beginning with  
28 the 2015-2016 school year. Subsection (f) of this section applies beginning with the 2016-2017  
29 school year.  
30

## 31 **TWELVE-MONTH PERSONNEL POSITIONS FOR VOCATIONAL AGRICULTURE** 32 **TEACHERS**

33                 **SECTION 8.22.** G.S. 115C-302.1(b) reads as rewritten:

34                 "(b) Salary Payments. – State-allotted teachers shall be paid for a term of 10 months.  
35 State-allotted months of employment for vocational education to local boards shall be used for  
36 the employment of teachers of vocational and technical education for a term of employment to  
37 be determined by the local boards of education. However, local boards shall not reduce the  
38 term of employment for any vocational agriculture teacher personnel position that was 12  
39 calendar months for the 1982-83 school year for any school year thereafter. In addition, local  
40 boards shall not reduce the term of employment for any vocational agriculture teacher  
41 personnel position that was 12 calendar months for the 2003-2004 school year for any school  
42 year thereafter. In addition, local boards shall not reduce the term of employment for any  
43 vocational agriculture teacher personnel position that was 12 calendar months for the  
44 2014-2015 school year for any school year thereafter.

45                 Each local board of education shall establish a set date on which monthly salary payments  
46 to State-allotted teachers shall be made. This set pay date may differ from the end of the month  
47 of service. The daily rate of pay for teachers shall equal midway between one twenty-first and  
48 one twenty-second of the monthly rate of pay. Except for teachers employed in a year-round  
49 school or paid in accordance with a year-round calendar, or both, the initial pay date for  
50 teachers shall be no later than August 31 and shall include a full monthly payment. Subsequent

1 pay dates shall be spaced no more than one month apart and shall include a full monthly  
2 payment.

3 Teachers may be prepaid on the monthly pay date for days not yet worked. A teacher who  
4 fails to attend scheduled workdays or who has not worked the number of days for which the  
5 teacher has been paid and who resigns, is dismissed, or whose contract is not renewed shall  
6 repay to the local board any salary payments received for days not yet worked. A teacher who  
7 has been prepaid and continues to be employed by a local board but fails to attend scheduled  
8 workdays may be subject to dismissal under G.S. 115C-325 or other appropriate discipline.

9 Any individual teacher who is not employed in a year-round school may be paid in 12  
10 monthly installments if the teacher so requests on or before the first day of the school year. The  
11 request shall be filed in the local school administrative unit which employs the teacher. The  
12 payment of the annual salary in 12 installments instead of 10 shall not increase or decrease the  
13 teacher's annual salary nor in any other way alter the contract made between the teacher and the  
14 local school administrative unit. Teachers employed for a period of less than 10 months shall  
15 not receive their salaries in 12 installments.

16 Notwithstanding this subsection, the term "daily rate of pay" for the purpose of  
17 G.S. 115C-12(8) or for any other law or policy governing pay or benefits based on the teacher  
18 salary schedule shall not exceed one twenty-second of a teacher's monthly rate of pay."  
19

## 20 EDUCATION-BASED SUPPLEMENTS FOR CERTAIN TEACHERS

21 **SECTION 8.23.(a)** Section 8.22 of S.L. 2013-360, as amended by Section 8.3(a) of  
22 S.L. 2014-100, is repealed.

23 **SECTION 8.23.(b)** Notwithstanding any other provision of law, only the following  
24 teachers and instructional support personnel shall be classified as "M" teachers or receive a  
25 salary supplement for academic preparation at the six-year degree level or at the doctoral  
26 degree level for the 2015-2016 school year and subsequent school years:

- 27 (1) Certified school nurses and instructional support personnel in positions for  
28 which a master's degree is required for licensure.
- 29 (2) Teachers and instructional support personnel who were paid on the "M"  
30 salary schedule or received that salary supplement prior to the 2014-2015  
31 school year.
- 32 (3) Teachers and instructional support personnel who (i) complete a degree at  
33 the master's, six-year, or doctoral degree level for which they completed at  
34 least one course prior to August 1, 2013, and (ii) would have qualified for  
35 the salary supplement pursuant to State Board of Education policy,  
36 TCP-A-006, as it was in effect on June 30, 2013.
- 37 (4) Teachers and instructional support personnel who do not qualify under  
38 subdivisions (1), (2), and (3) of this subsection but who spend at least  
39 seventy percent (70%) of their work time as follows:
  - 40 a. For teachers, in classroom instruction related to their graduate  
41 academic preparation in their field or subject area within their area of  
42 licensure. Most of the teachers' remaining time shall be spent in one  
43 or more of the following:
    - 44 1. Mentoring teachers.
    - 45 2. Performing demonstration lessons for teachers.
    - 46 3. Writing curricula.
    - 47 4. Developing and leading staff development programs for  
48 teachers.
  - 49 b. For instructional support personnel, performing work within the  
50 employee's area of graduate academic preparation.

1           **SECTION 8.23.(c)** Beginning with the 2015-2016 fiscal year and subsequent fiscal  
2 years thereafter, for teachers who are classified as "M" teachers under subdivision (4) of  
3 subsection (b) of this section, determination of whether teachers and instructional support  
4 personnel shall be classified as "M" teachers or receive a salary supplement for academic  
5 preparation shall take place on an annual basis. Teachers and instructional support personnel  
6 may be removed from the classification as an "M" teacher or discontinue receiving salary  
7 supplements if they are not meeting the requirements of subdivision (4) of subsection (b) of this  
8 section in that year.

9           **SECTION 8.23.(d)** Unless an individual otherwise qualifies under subdivision (2)  
10 or (3) of subsection (b) of this section, teachers and instructional support personnel who earn an  
11 advanced degree in school administration shall not be classified as "M" teachers or receive a  
12 salary supplement for academic preparation unless they serve as an assistant principal or  
13 principal.  
14

### 15 **NC ELEVATING EDUCATORS ACT/ADVANCED TEACHING ROLES**

16           **SECTION 8.24.(a)** Purpose. – The State Board of Education shall establish a  
17 three-year pilot program to develop advanced teaching roles in selected local school  
18 administrative units to provide for, in addition to base salary and other applicable local  
19 supplements, advanced teaching supplements for classroom teachers based on a teacher's  
20 demonstrated effectiveness and additional responsibilities in advanced roles. The goal of the  
21 pilot is to develop highly effective models for advancement and compensation for teachers that  
22 can be used in local school administrative units statewide. The purpose of the program shall be  
23 to do at least the following:

- 24           (1) Enable local school administrative units to prototype advanced teaching  
25 roles and pay systems for eligible classroom teachers, in addition to base  
26 salary and other applicable local supplements, based on a classroom  
27 teacher's demonstrated effectiveness and additional responsibilities in  
28 reaching more students. For the purposes of this section, a classroom teacher  
29 is a teacher who works in the classroom providing instruction at least  
30 seventy percent (70%) of the instructional day and who is not instructional  
31 support personnel.
- 32           (2) Enable local school administrative units to provide salary supplements and  
33 other supports to classroom teachers in advanced teaching roles. Advanced  
34 teaching roles shall focus on rewarding excellent teaching with more pay  
35 while staying within regular budgetary restraints.
- 36           (3) Evaluate local plans to establish and compensate teachers in advanced  
37 teaching roles to form the basis for public schools statewide to provide  
38 advanced teaching roles that are sustainable for local school administrative  
39 units.

40           **SECTION 8.24.(b)** Request for Proposal Requirements. – No later than September  
41 15, 2015, the State Board of Education shall develop a Request for Proposal (RFP) for local  
42 boards of education to participate in the pilot. Local boards of education shall submit proposals  
43 for consideration no later than January 1, 2016. The RFP shall require local boards of education  
44 to include in their proposals advanced teaching roles that meet, at a minimum, the following  
45 criteria:

- 46           (1) Advanced teaching roles eligibility and duties. –
  - 47           a. Create job classifications for which eligible classroom teachers may  
48 apply for advanced teaching roles that include minimum  
49 qualifications and specific job responsibilities.
    - 50           1. Minimum qualifications for advanced teaching roles shall  
51 include criteria demonstrating that the individual has had a

- 1 positive effect on student outcomes and is a qualified  
2 classroom teacher as well as an effective collaborator with  
3 other staff members. Minimum qualifications shall include at  
4 least one of the following:
- 5 I. Advanced certifications, such as National Board  
6 Certification or a master's degree in the area in which  
7 the teacher is licensed and teaching.
  - 8 II. A rating of at least accomplished on each of the  
9 Teacher Evaluation Standards 1-5 on the North  
10 Carolina Teacher Evaluation instrument.
  - 11 III. Exceeding expected student growth based on three  
12 years of teacher evaluation data as calculated by the  
13 State Board of Education.
- 14 2. Job responsibilities for advanced teaching roles may include  
15 opportunities for leadership, advising, and mentoring, such as  
16 becoming a leader for peers in positions formally accountable  
17 for students within their purview, by implementing  
18 age-appropriate blended learning and other new staffing  
19 models, leading a collaborative teaching community,  
20 modeling planning and assessment strategies, serving as an  
21 advisor and mentor, helping develop other teachers,  
22 completing and sharing action research projects focused on  
23 solving a school or classroom level concern for learning,  
24 co-teaching across multiple classrooms with other teachers, or  
25 coaching other teachers in highly effective instruction  
26 through modeling, co-teaching, and reflection.
- 27 b. Provide information in a form readily accessible to both teachers and  
28 the public on the criteria and procedures for selection for advanced  
29 teaching roles.
  - 30 c. Establish equally stringent eligibility requirements to remain in an  
31 advanced teaching role as those required to initially attain that role.
  - 32 d. Establish a procedure for determining whether a teacher in an  
33 advanced teaching role is successfully performing the additional  
34 duties associated with that position.
  - 35 e. Ensure that teachers in advanced teaching roles may opt out of the  
36 pilot by voluntarily relinquishing the associated additional duties.  
37 Voluntary relinquishment of duties associated with advanced  
38 teaching roles shall not be considered a demotion under Part 3 or Part  
39 3A of Article 22 of Chapter 115C of the General Statutes.
- 40 (2) Advanced teaching role supplements. –
- 41 a. Pay advanced teaching role salary supplements of up to thirty percent  
42 (30%) of the State teacher salary schedule.
  - 43 b. Require that advanced teaching role salary supplements be paid as a  
44 supplement to the teacher's regular salary and not be included in the  
45 average salary calculation used for budgeting State allotments.
  - 46 c. Require that teacher in an advanced teaching role who (i) fails to  
47 maintain the minimum criteria established for the position or (ii) is  
48 not successfully performing the additional duties associated with the  
49 advanced teaching role shall be paid only the salary applicable to him  
50 or her on the State salary schedule and any other local supplements  
51 that would otherwise apply to the teacher's compensation.

- 1 d. Require that a teacher who opts out of the advanced teaching role  
2 pilot shall be paid only the salary applicable to him or her on the  
3 State salary schedule and any other local supplements that would  
4 otherwise apply to the teacher's compensation.
- 5 (3) System goals. – Develop measures for determining how the advanced  
6 teaching role plan shall do at least the following:  
7 a. Improve the quality of classroom instruction and increase  
8 school-wide growth.  
9 b. Increase the attractiveness of teaching.  
10 c. Encourage the recognition, impact, and retention of high-quality  
11 teachers.  
12 d. Assist and retain beginning teachers.  
13 e. Improve and expand use of technology and digital learning.
- 14 (4) Implementation requirements. – By the end of the 2016-2017 school year,  
15 demonstration of implementation of the advanced teaching role plan in at  
16 least five schools or twenty-five percent (25%) of the schools within the  
17 local school administrative unit, whichever is less. Implementation is  
18 defined as a minimum of seventy-five percent (75%) of students enrolled in  
19 schools with the advanced teaching role plan having, as their teacher of  
20 record in at least English Language Arts, math, social studies, and science, a  
21 classroom teacher who:  
22 a. Has an advanced certification, such as National Board Certification  
23 or a master's degree in the area in which the teacher is licensed and  
24 teaching.  
25 b. Has a rating of at least accomplished on each of the Teacher  
26 Evaluation Standards 1-5 on the North Carolina Teacher Evaluation  
27 instrument.  
28 c. Exceeds expected student growth based on three years of teacher  
29 evaluation data as calculated by the State Board of Education.
- 30 (5) Sustainability of Pilot Program. – Demonstration of how the local school  
31 administrative unit will achieve financial sustainability for the plan  
32 developed and implemented in the pilot when grant funds are no longer  
33 provided.

34 **SECTION 8.24.(c)** Selection of Pilot Units. – By March 15, 2016, the State Board  
35 of Education shall review the proposals submitted by local boards of education in accordance  
36 with subsection (b) of this section and shall select up to 10 local school administrative units that  
37 meet criteria established by the State Board, including plans for incorporating digital tools in  
38 classroom instruction to expand learning opportunities and sharing of lessons as follows:

- 39 (1) Up to five local school administrative units with an average daily  
40 membership (ADM) equal to or less than 4,000.  
41 (2) Up to three local school administrative units with an ADM of 4,001 to  
42 20,000.  
43 (3) Up to two local school administrative units with an ADM of 20,001 or more.

44 **SECTION 8.24.(d)** Pilot Implementation. – The selected local school  
45 administrative units shall implement their approved pilots beginning with the 2016-2017 school  
46 year and ending with the 2018-2019 school year. The local board of education for each selected  
47 pilot local school administrative unit shall provide any requested information and access to the  
48 independent research organization selected by the State Board of Education to evaluate the  
49 pilots.

50 **SECTION 8.24.(e)** Use of Grant Funds. – Funds awarded to pilot local school  
51 administrative units shall be used for any of the following:

- 1 (1) Salary supplements for advanced teaching roles.
- 2 (2) Development of advanced teaching role plans.
- 3 (3) Transition costs associated with designing and implementing advanced
- 4 teaching role models in schools within the local school administrative unit.
- 5 Transition costs may include employing staff members or contractors to
- 6 assist with design and implementation of the pilot plan.

7 **SECTION 8.24.(f)** Pilot Evaluation. – The State Board of Education shall contract  
8 with an independent research organization to evaluate how the advanced teaching role pilots  
9 have accomplished, at a minimum, the following:

- 10 (1) Improvement in the quality of classroom instruction and increases in
- 11 school-wide growth.
- 12 (2) An increase in the attractiveness of teaching.
- 13 (3) Recognition, impact, and retention of high quality teachers.
- 14 (4) Assistance to and retention of beginning teachers.
- 15 (5) Improvement in and expansion of use of technology and digital learning.

16 The independent research organization shall report annually beginning October 15,  
17 2016, until the conclusion of the pilot, to the State Board of Education on all aspects of the  
18 implementation and evaluation of the pilot. The independent research organization shall also  
19 evaluate, as part of the annual report, the existing Project LIFT, Inc., program in the  
20 Charlotte-Mecklenburg local school administrative unit and the proposed Project Advance in  
21 the Chapel Hill-Carrboro City Schools, if that project is implemented. The State Board of  
22 Education shall provide the annual report to the offices of the President Pro Tempore of the  
23 Senate and the Speaker of the House of Representatives, the Senate Appropriations/Base  
24 Budget Committee, the House Committee on Appropriations, the Senate Appropriations  
25 Committee on Education/Higher Education, the House Appropriations Subcommittee on  
26 Education, the Fiscal Research Division, and the Joint Legislative Education Oversight  
27 Committee.

28 **SECTION 8.24.(g)** Appropriated Funds. – Of the funds appropriated to the  
29 Department of Public Instruction under this act for the 2015-2017 fiscal biennium to implement  
30 the requirements of this section, the Department may use up to two hundred thousand dollars  
31 (\$200,000) for each fiscal year for the State Board of Education to contract with an independent  
32 research organization for the pilot evaluations. For the 2016-2017 fiscal year, the Department  
33 shall use the sum of nine million eight hundred thousand dollars (\$9,800,000) for the State  
34 Board of Education to select up to 10 local school administrative units to award funds for the  
35 advanced teaching role pilot program in accordance with this section. Funds awarded to local  
36 school administrative units shall be awarded in proportion to the current expenditure of the  
37 pilot local school administrative unit on teacher salaries.

38 **SECTION 8.24.(h)** Flexibility for Local School Administrative Units. –  
39 Notwithstanding G.S. 115C-301, local school administrative units receiving grants under this  
40 program may exceed the maximum class size requirements for kindergarten through third  
41 grade.

## 42 **REPEAL UNNECESSARY STATE BOARD OF EDUCATION REPORTS**

43 **SECTION 8.25.(a)** School Connectivity Initiative report. – Section 7.28(d) of S.L.  
44 2007-323 is repealed.

45 **SECTION 8.25.(b)** Report on paperwork reduction. – G.S. 115C-12(19) reads as  
46 rewritten:

- 47 "(19) Duty to Identify Required Reports and to Eliminate Unnecessary Reports
- 48 and Paperwork. – Prior to the beginning of each school year, the State Board
- 49 of Education shall identify all reports that are required at the State level for
- 50 the school year.
- 51

1 The State Board of Education shall adopt policies to ensure that local  
2 school administrative units are not required by the State Board of Education,  
3 the State Superintendent, or the Department of Public Instruction staff to (i)  
4 provide information that is already available on the student information  
5 management system or housed within the Department of Public Instruction;  
6 (ii) provide the same written information more than once during a school  
7 year unless the information has changed during the ensuing period; (iii)  
8 complete forms, for children with disabilities, that are not necessary to  
9 ensure compliance with the federal Individuals with Disabilities Education  
10 Act (IDEA); or (iv) provide information that is unnecessary to comply with  
11 State or federal law and not relevant to student outcomes and the efficient  
12 operation of the public schools. Notwithstanding the foregoing, the State  
13 Board may require information available on its student information  
14 management system or require the same information twice if the State Board  
15 can demonstrate a compelling need and can demonstrate there is not a more  
16 expeditious manner of getting the information.

17 The State Board shall permit schools and local school administrative  
18 units to submit all reports to the Department of Public Instruction  
19 electronically.

20 The State Board of Education, in collaboration with the education  
21 roundtables within the Department of Public Instruction, shall consolidate all  
22 plans that affect the school community, including school improvement plans.  
23 The consolidated plan shall be posted on each school's Web site for easy  
24 access by the public and by school personnel.

25 ~~The State Board shall report to the Joint Legislative Education Oversight~~  
26 ~~Committee by November 15 of each year on the reports identified that are~~  
27 ~~required at the State level, the evaluation and determination for continuing~~  
28 ~~individual reports, including the consideration of whether those reports~~  
29 ~~exceed what is required by State and federal law, and any reports that it has~~  
30 ~~consolidated or eliminated for the upcoming school year."~~

31 **SECTION 8.25.(c)** Report on the ABC's. – G.S. 115C-12(25) reads as rewritten:

32 "(25) Duty to Report to Joint Legislative Education Oversight Committee. – Upon  
33 the request of the Joint Legislative Education Oversight Committee, the  
34 State Board shall examine and evaluate issues, programs, policies, and fiscal  
35 information, and shall make reports to that Committee. Furthermore,  
36 beginning ~~October 15, 1997,~~ October 15, 2015, and annually thereafter, the  
37 State Board shall submit reports to that Committee regarding ~~the continued~~  
38 ~~implementation of Chapter 716 of the 1995 Session Laws, 1996 Regular~~  
39 ~~Session. Each report shall include information regarding the composition~~  
40 ~~and activity of assistance teams, schools that received incentive awards,~~  
41 schools identified as low-performing, school improvement plans found to  
42 significantly improve student performance, personnel actions taken in  
43 low-performing schools, and recommendations for additional legislation to  
44 improve student performance and increase local flexibility."

45 **SECTION 8.25.(d)** Notification of federal grant applications. – G.S. 115C-12(42)  
46 is repealed.

47 **SECTION 8.25.(e)** Report on Founding Principles/Civic Literacy. –  
48 G.S. 115C-81(g)(6) is repealed.

49 **SECTION 8.25.(f)** Report on State School Technology Plan. –  
50 G.S. 115C-102.6B(b) reads as rewritten:

1       "(b) The Board shall submit the plan to the State Chief Information Officer for approval  
2 of the technical components of the plan set out in G.S. 115C-102.6A(1) through (4). At least  
3 one-fourth of the members of any technical committee that reviews the plan for the State Chief  
4 Information Officer shall be people actively involved in primary or secondary education.

5       ~~The Board shall report annually by February 15 of each year to the Joint Legislative  
6 Education Oversight Committee on the status of the State School Technology Plan."~~

7       **SECTION 8.25.(g)** Evaluation of the School-Based Accountability System. –  
8 G.S. 115C-105.35(a) reads as rewritten:

9       "(a) The School-Based Management and Accountability Program shall (i) focus on  
10 student performance in the basics of reading, mathematics, and communications skills in  
11 elementary and middle schools, (ii) focus on student performance in courses required for  
12 graduation and on other measures required by the State Board in the high schools, and (iii) hold  
13 schools accountable for the educational growth of their students. To those ends, the State Board  
14 shall design and implement an accountability system that sets annual performance standards for  
15 each school in the State in order to measure the growth in performance of the students in each  
16 individual school. ~~During the 2004-2005 school year and at least every five years thereafter, the  
17 State Board shall evaluate the accountability system and, if necessary, modify the testing  
18 standards to assure the testing standards continue to reasonably reflect the level of performance  
19 necessary to be successful at the next grade level or for more advanced study in the content  
20 area.~~

21       ~~As part of this evaluation, the Board shall, where available, review the historical trend data  
22 on student academic performance on State tests. To the extent that the historical trend data  
23 suggest that the current standards for student performance may not be appropriate, the State  
24 Board shall adjust the standards to assure that they continue to reflect the State's high  
25 expectations for student performance."~~

26       **SECTION 8.25.(h)** Reports by local school administrative units and charter  
27 schools on students with diabetes. – G.S. 115C-375.3 reads as rewritten:

28       "**§ 115C-375.3. Guidelines to support and assist students with diabetes.**

29       Local boards of education and boards of directors of charter schools shall ensure that the  
30 guidelines adopted by the State Board of Education under G.S. 115C-12(31) are implemented  
31 in schools in which students with diabetes are enrolled. In particular, the boards shall require  
32 the implementation of the procedures set forth in those guidelines for the development and  
33 implementation of individual diabetes care plans. The boards also shall make available  
34 necessary information and staff development to teachers and school personnel in order to  
35 appropriately support and assist students with diabetes in accordance with their individual  
36 diabetes care plans. ~~Local boards of education and boards of directors of charter schools shall  
37 report to the State Board of Education annually, on or before August 15, whether they have  
38 students with diabetes enrolled and provide information showing compliance with the  
39 guidelines adopted by the State Board of Education under G.S. 115C-12(31). These reports  
40 shall be in compliance with the federal Family Educational Rights and Privacy Act, 20 U.S.C. §  
41 1232g."~~

## 43 SCHOOL SAFETY/STATEWIDE SCHOOL RISK AND RESPONSE MANAGEMENT 44 SYSTEM

45       **SECTION 8.26.(a)** G.S. 115C-47(40) reads as rewritten:

46       "(40) ~~To adopt emergency response plans.~~ Local boards Adopt School Risk  
47       Management Plans. – Each local board of education shall, in coordination  
48       with local law enforcement and emergency management agencies, adopt  
49       emergency response plans a School Risk Management Plan (SRMP) relating  
50       to incidents of school violence-violence for each school in its jurisdiction. In  
51       constructing and maintaining these plans, local boards of education and local

1 school administrative units shall utilize the School Risk and Response  
2 Management System (SRRMS) established pursuant to G.S. 115C-105.49A.  
3 These plans are not a public record as the term "public record" is defined  
4 under G.S. 132-1 and shall not be subject to inspection and examination  
5 under G.S. 132-6."

6 **SECTION 8.26.(b)** G.S. 115C-105.49 reads as rewritten:

7 **"§ 115C-105.49. School safety exercises.**

8 (a) At least every two years, once annually, each local school administrative unit is  
9 encouraged to shall require each school under its control to hold a full systemwide school  
10 safety and school lockdown exercise with the school-wide tabletop exercise and drill based on  
11 the procedures documented in its School Risk Management Plan (SRMP). The drill shall  
12 include a practice school lockdown due to an intruder on school grounds. Each school is  
13 encouraged to hold a tabletop exercise and drill for multiple hazards included in its SRMP.  
14 Schools are strongly encouraged to include local law enforcement agencies that are part of the  
15 local board of education's emergency response plan, and emergency management agencies in  
16 its tabletop exercises and drills. The purpose of the exercise tabletop exercises and drills shall  
17 be to permit participants to (i) discuss simulated emergency situations in a low-stress  
18 environment, (ii) clarify their roles and responsibilities and the overall logistics of dealing with  
19 an emergency, and (iii) identify areas in which the emergency response plan SRMP needs to be  
20 modified.

21 (b) As part of a local board of education's emergency response plan, at least once a  
22 year, each school is encouraged to hold a full schoolwide school safety and lockdown exercise  
23 with local law enforcement agencies. For the purposes of this section, a tabletop exercise is an  
24 exercise involving key personnel conducting simulated scenarios related to emergency  
25 planning.

26 (c) For the purposes of this section, a drill is a school-wide practice exercise in which  
27 simulated scenarios related to emergency planning are conducted.

28 (d) The Department of Public Safety, Division of Emergency Management, and the  
29 Center for Safer Schools shall provide guidance and recommendations to local school  
30 administrative units on the types of multiple hazards to plan and respond to, including intruders  
31 on school grounds."

32 **SECTION 8.26.(c)** Article 8C of Chapter 115C of the General Statutes is amended  
33 by adding a new section to read:

34 **"§ 115C-105.49A. School Risk and Response Management System.**

35 (a) The Department of Public Safety, Division of Emergency Management, and the  
36 Center for Safer Schools shall construct and maintain a statewide School Risk and Response  
37 Management System (SRRMS). The system shall fully integrate and leverage existing data and  
38 applications that support school risk planning, exercises, monitoring, and emergency response  
39 via 911 dispatch.

40 (b) In constructing the SRRMS, the Division of Emergency Management and the  
41 Center for Safer Schools shall leverage the existing enterprise risk management database, the  
42 School Risk Management Planning tool managed by the Division. The Division shall also  
43 leverage the local school administrative unit schematic diagrams of school facilities. Where  
44 technically feasible, the system shall integrate any anonymous tip lines established pursuant to  
45 G.S. 115C-105.51 and any 911-initiated panic alarm systems authorized as part of an SRMP  
46 pursuant to G.S. 115C-47(40). The Division and Center for Safer Schools shall collaborate with  
47 the Department of Public Instruction and the North Carolina 911 Board in the design,  
48 implementation, and maintenance of the SRRMS.

49 (c) All data and information acquired and stored in the SRRMS as provided in  
50 subsections (a) and (b) of this section are not considered public records as the term "public

1 record" is defined under G.S. 132-1 and shall not be subject to inspection and examination  
2 under G.S. 132-6."

3 **SECTION 8.26.(d)** G.S. 115C-105.51 reads as rewritten:

4 "**§ 115C-105.51. Anonymous tip ~~lines~~ lines and monitoring and response applications.**

5 (a) Each local school administrative unit is encouraged to develop and operate an  
6 anonymous tip line, in coordination with local law enforcement and social services agencies, to  
7 receive anonymous information on internal or external risks to the school population, school  
8 buildings—buildings, and school-related activities. The Department of Public Safety, in  
9 consultation with the Department of Public Instruction, may develop standards and guidelines  
10 for the development, operation, and staffing of tip lines.

11 (b) ~~The Department of Public Instruction, in consultation with the Department of Public~~  
12 ~~Safety, may develop standards and guidelines for the development, operation, and staffing of~~  
13 ~~tip lines.~~ The Department of Public Safety, Division of Emergency Management, and the Center  
14 for Safer Schools, in collaboration with the Department of Public Instruction, shall implement  
15 and maintain an anonymous safety tip line application for purposes of receiving anonymous  
16 student information on internal or external risks to the school population, school buildings, and  
17 school-related activities.

18 (c) ~~The Department of Public Instruction may provide information to local school~~  
19 ~~administrative units on federal, State, local, and private grants available for this purpose.~~ The  
20 Department of Public Safety, Division of Emergency Management, and the Center for Safer  
21 Schools, in collaboration with the Department of Public Instruction and the North Carolina 911  
22 Board, shall implement and maintain a statewide panic alarm system for the purposes of  
23 launching real-time 911 messaging to public safety answering points of internal and external  
24 risks to the school population, school buildings, and school-related activities. The Department  
25 of Public Safety, in consultation with the Department of Public Instruction and the North  
26 Carolina 911 Board, may develop standards and guidelines for the operations and use of the  
27 panic alarm tool.

28 (d) The Department of Public Safety shall ensure that the anonymous safety tip line  
29 application is integrated with and supports the statewide School Risk and Response  
30 Management System (SRRMS) as provided in G.S. 115C-105.49A. Where technically feasible  
31 and cost-efficient, the Department of Public Safety is encouraged to implement a single  
32 solution supporting both the anonymous safety tip line application and panic alarm system.

33 (e) All data and information acquired and stored by the anonymous safety tip line  
34 application are not considered public records as the term "public record" is defined under  
35 G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

36 (f) Notwithstanding subsection (e) of this section, the Division may collect the annual  
37 aggregate number and type of tips sent to the anonymous tip line. The collection of this  
38 aggregate data shall not have any identifying information on the reporter of the tip, including,  
39 but not limited to, the school where the incident was reported and the date the tip was  
40 reported."

41 **SECTION 8.26.(e)** G.S. 115C-105.52 reads as rewritten:

42 "**§ 115C-105.52. School crisis kits.**

43 The Department of Public Instruction, in consultation with the Department of Public Safety  
44 through the North Carolina Center for Safer Schools, may develop and adopt policies on the  
45 placement of school crisis kits in schools and on the contents of those kits. The kits should  
46 include, at a minimum, basic first-aid supplies, communications devices, and other items  
47 recommended by the International Association of Chiefs of Police.

48 The principal of each school, in coordination with the law enforcement agencies that are  
49 part of the local board of education's ~~emergency response plan,~~ School Risk Management Plan,  
50 may place one or more crisis kits at appropriate locations in the school."

51 **SECTION 8.26.(f)** G.S. 115C-105.53 reads as rewritten:

1 **"§ 115C-105.53. Schematic diagrams and emergency access to school buildings for local**  
2 **law enforcement agencies.**

3 (a) Each local school administrative unit shall provide the following to local law  
4 enforcement agencies: (i) schematic diagrams, including digital schematic diagrams, and (ii)  
5 either keys to the main entrance of all school buildings or emergency access to key storage  
6 devices such as KNOX® boxes for all school buildings. Local school administrative units shall  
7 provide updates of the schematic diagrams to local law enforcement agencies when substantial  
8 modifications such as new facilities or modifications to doors and windows are made to school  
9 buildings. Local school administrative units shall also be responsible for providing local law  
10 enforcement agencies with updated access to school building key storage devices such as  
11 KNOX® boxes when changes are made to these boxes or devices.  
12 buildings when changes are  
13 made to the locks of the main entrances or to key storage devices such as KNOX® boxes.

14 (b) The Department of Public Instruction, in consultation with the Department of Public  
15 Safety, shall develop standards and guidelines for the preparation and content of schematic  
16 diagrams and necessary updates. Local school administrative units may use these standards and  
17 guidelines to assist in the preparation of their schematic diagrams.

18 (c) Schematic diagrams are not considered a public record as the term "public record" is  
19 defined under G.S. 132-1 and shall not be subject to inspection and examination under  
20 G.S. 132-6."

21 **SECTION 8.26.(g)** G.S. 115C-105.54 reads as rewritten:

22 **"§ 115C-105.54. Schematic diagrams and emergency response information provided to**  
23 **Division of Emergency Management.**

24 (a) Each local school administrative unit shall provide the following to the Division of  
25 Emergency Management (Division) at the Department of Public Safety: (i) schematic diagrams,  
26 including digital schematic diagrams, and (ii) emergency response information requested by the  
27 Division for the School Risk Management Plan (SRMP) ~~and the School Emergency Response~~  
28 ~~Plan (SERP).~~ (SRMP). Local school administrative units shall also provide updated schematic  
29 diagrams and emergency response information to the Division when such updates are made.  
30 The Division shall ensure that the diagrams and emergency response information are securely  
31 stored and distributed as provided in the SRMP ~~and SERP~~ to first responders, emergency  
32 personnel, and school personnel and approved by the Department of Public Instruction.

33 (b) The schematic diagrams and emergency response information are not considered a  
34 public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to  
35 inspection and examination under G.S. 132-6."

36 **SECTION 8.26.(h)** G.S. 115C-218.75 reads as rewritten:

37 **"§ 115C-218.75. General operating requirements.**

38 (a) Health and Safety Standards. – A charter school shall meet the same health and  
39 safety requirements required of a local school administrative unit. The Department of Public  
40 Instruction shall ensure that charter schools provide parents and guardians with information  
41 about meningococcal meningitis and influenza and their vaccines at the beginning of every  
42 school year. This information shall include the causes, symptoms, and how meningococcal  
43 meningitis and influenza are spread and the places where parents and guardians may obtain  
44 additional information and vaccinations for their children.

45 The Department of Public Instruction shall also ensure that charter schools provide parents  
46 and guardians with information about cervical cancer, cervical dysplasia, human  
47 papillomavirus, and the vaccines available to prevent these diseases. This information shall be  
48 provided at the beginning of the school year to parents of children entering grades five through  
49 12. This information shall include the causes and symptoms of these diseases, how they are  
50 transmitted, how they may be prevented by vaccination, including the benefits and possible  
51 side effects of vaccination, and the places where parents and guardians may obtain additional  
information and vaccinations for their children.

1 The Department of Public Instruction shall also ensure that charter schools provide students  
2 in grades seven through 12 with information annually on the preventable risks for preterm birth  
3 in subsequent pregnancies, including induced abortion, smoking, alcohol consumption, the use  
4 of illicit drugs, and inadequate prenatal care.

5 The Department of Public Instruction shall also ensure that charter schools provide students  
6 in grades nine through 12 with information annually on the manner in which a parent may  
7 lawfully abandon a newborn baby with a responsible person, in accordance with G.S. 7B-500.

8 The Department of Public Instruction shall also ensure that the guidelines for individual  
9 diabetes care plans adopted by the State Board of Education under G.S. 115C-12(31) are  
10 implemented in charter schools in which students with diabetes are enrolled and that charter  
11 schools otherwise comply with the provisions of G.S. 115C-375.3.

12 The Department of Public Instruction shall ensure that charter schools comply with  
13 G.S. 115C-375.2A. The board of directors of a charter school shall provide the school with a  
14 supply of emergency epinephrine auto-injectors necessary to carry out the provisions of  
15 G.S. 115C-375.2A.

16 (b) ~~Emergency Response Plan.~~ School Risk Management Plan. – Each charter  
17 school, in coordination with local law enforcement ~~agencies, and emergency management~~  
18 ~~agencies,~~ is encouraged to adopt ~~an emergency response plan~~ a School Risk Management Plan  
19 (SRMP) relating to incidents of school violence. In constructing and maintaining these plans,  
20 charter schools may utilize the School Risk and Response Management System (SRRMS)  
21 established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as  
22 the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and  
23 examination under G.S. 132-6.

24 Charter schools are encouraged to provide schematic diagrams and keys to the main  
25 entrance of school facilities to local law enforcement agencies, in addition to implementing the  
26 provisions in ~~G.S. 115C-105.49(b) and~~ G.S. 115C-105.52.

27 (c) Policy Against Bullying. – A charter school is encouraged to adopt a policy against  
28 bullying or harassing behavior, including cyber bullying, that is consistent with the provisions  
29 of Article 29C of this Chapter. If a charter school adopts a policy to prohibit bullying and  
30 harassing behavior, the charter school shall, at the beginning of each school year, provide the  
31 policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8).

32 (d) School Safety Exercises. – At least once a year, a charter school is encouraged to  
33 hold a full school-wide lockdown exercise with local law enforcement and emergency  
34 management agencies that are part of the charter school's SRMP.

35 (e) School Safety Information Provided to Division of Emergency Management. – A  
36 charter school is encouraged to provide the following: (i) schematic diagrams, including digital  
37 schematic diagrams, and (ii) emergency response information requested by the Division for the  
38 SRMP. The schematic diagrams and emergency response information are not considered public  
39 records as the term "public record" is defined under G.S. 132-1 and shall not be subject to  
40 inspection and examination under G.S. 132-6."

41 **SECTION 8.26.(i)** G.S. 115C-238.66 reads as rewritten:

42 **"§ 115C-238.66. Board of directors; powers and duties.**

43 The board of directors shall have the following powers and duties:

44 (1) Academic program. –

- 45 a. The board of directors shall establish the standard course of study for  
46 the regional school. This course of study shall set forth the subjects  
47 to be taught in each grade and the texts and other educational  
48 materials on each subject to be used in each grade. The board of  
49 directors shall design its programs to meet at least the student  
50 performance standards adopted by the State Board of Education and  
51 the student performance standards contained in this Chapter.

- 1           b.       The board of directors shall conduct student assessments required by  
2           the State Board of Education.
- 3           c.       The board of directors shall provide the opportunity to earn or obtain  
4           credit toward degrees from a community college subject to Chapter  
5           115D of the General Statutes or a constituent institution of The  
6           University of North Carolina.
- 7           d.       The board of directors shall adopt a school calendar consisting of a  
8           minimum of 185 days or 1,025 hours of instruction covering at least  
9           nine calendar months.
- 10          (2)       Standards of performance and conduct. – The board of directors shall  
11           establish policies and standards for academic performance, attendance, and  
12           conduct for students of the regional school. The policies of the board of  
13           directors shall comply with Article 27 of this Chapter.
- 14          (3)       School attendance. – Every parent, guardian, or other person in this State  
15           having charge or control of a child who is enrolled in the regional school and  
16           who is less than 16 years of age shall cause such child to attend school  
17           continuously for a period equal to the time that the regional school shall be  
18           in session. No person shall encourage, entice, or counsel any child to be  
19           unlawfully absent from the regional school. Any person who aids or abets a  
20           student's unlawful absence from the regional school shall, upon conviction,  
21           be guilty of a Class 1 misdemeanor. The principal shall be responsible for  
22           implementing such additional policies concerning compulsory attendance as  
23           shall be adopted by the board of directors, including regulations concerning  
24           lawful and unlawful absences, permissible excuses for temporary absences,  
25           maintenance of attendance records, and attendance counseling.
- 26          (4)       Reporting. – The board of directors shall comply with the reporting  
27           requirements established by the State Board of Education in the Uniform  
28           Education Reporting System.
- 29          (5)       Assessment results. – The board of directors shall provide data to the  
30           participating unit in which a student is domiciled on the performance of that  
31           student on any testing required by the State Board of Education.
- 32          (6)       Education of children with disabilities. – The board of directors shall require  
33           compliance with laws and policies relating to the education of children with  
34           disabilities.
- 35          (7)       Health and safety. – The board of directors shall require that the regional  
36           school meet the same health and safety standards required of a local school  
37           administrative unit.
- 38           The Department of Public Instruction shall ensure that regional schools  
39           comply with G.S. 115C-375.2A. The board of directors of a regional school  
40           shall provide the school with a supply of emergency epinephrine  
41           auto-injectors necessary to carry out the provisions of G.S. 115C-375.2A.
- 42          (7a)       ~~Emergency Response Plan.~~ School Risk Management Plan. – Each  
43           regional school, in coordination with local law enforcement agencies, is  
44           encouraged to adopt ~~an emergency response plan~~ a School Risk  
45           Management Plan (SRMP) relating to incidents of school violence. In  
46           constructing and maintaining these plans, a regional school may utilize the  
47           School Risk and Response Management System (SRRMS) established  
48           pursuant to G.S. 115C-105.49A. These plans are not considered a public  
49           record as the term "public record" is defined under G.S. 132-1 and shall not  
50           be subject to inspection and examination under G.S. 132-6.

- 1           (7b) Schematic diagrams and school crisis kits. – Regional schools are  
2           encouraged to provide schematic diagrams and keys to the main entrance of  
3           school facilities to local law enforcement agencies, in addition to  
4           implementing the provisions in ~~G.S. 115C-105.49(b)~~ and G.S. 115C-105.52.  
5           (7c) School safety exercises. – At least once a year, a regional school is  
6           encouraged to hold a full school-wide lockdown exercise with local law  
7           enforcement and emergency management agencies that are part of the  
8           regional school's SRMP.  
9           (7d) Safety information provided to Division of Emergency Management. – A  
10          regional school is encouraged to provide the following: (i) schematic  
11          diagrams, including digital schematic diagrams, and (ii) emergency response  
12          information requested by the Division for the SRMP. The schematic  
13          diagrams and emergency response information are not considered public  
14          records as the term "public record" is defined under G.S. 132-1 and shall not  
15          be subject to inspection and examination under G.S. 132-6.  
16          (8) Driving eligibility certificates. – The board of directors shall apply the rules  
17          and policies established by the State Board of Education for issuance of  
18          driving eligibility certificates.  
19          (9) Purchasing and contracts. – The board of directors shall comply with the  
20          purchasing and contract statutes and regulations applicable to local school  
21          administrative units.  
22          (10) Exemption from the Administrative Procedures Act. – The board of directors  
23          shall be exempt from Chapter 150B of the General Statutes, except final  
24          decisions of the board of directors in a contested case shall be subject to  
25          judicial review in accordance with Article 4 of Chapter 150B of the General  
26          Statutes.  
27          (11) North Carolina School Report Cards. – A regional school shall ensure that  
28          the report card issued for it by the State Board of Education receives wide  
29          distribution to the local press or is otherwise provided to the public. A  
30          regional school shall ensure that the overall school performance score and  
31          grade earned by the regional school for the current and previous four school  
32          years is prominently displayed on the school Web site. If a regional school is  
33          awarded a grade of D or F, the regional school shall provide notice of the  
34          grade in writing to the parent or guardian of all students enrolled in that  
35          school.  
36          (12) Policy against bullying. – A regional school is encouraged to adopt a policy  
37          against bullying or harassing behavior, including cyber-bullying, that is  
38          consistent with the provisions of Article 29C of this Chapter. If a regional  
39          school adopts a policy to prohibit bullying and harassing behavior, the  
40          regional school shall, at the beginning of each school year, provide the  
41          policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8)."

42          **SECTION 8.26.(j)** G.S. 166A-19.12 is amended by adding a new subdivision to

43 read:

44          "(22) Serving as the lead State agency for the implementation and maintenance of  
45          the statewide School Risk and Response Management System (SRRMS)  
46          under G.S. 115C-105.49A."

47          **SECTION 8.26.(k)** By March 1, 2017, each local board of education shall adopt a  
48 School Risk Management Plan as required under G.S. 115C-47(40), as amended by subsection  
49 (a) of this section.

1           **SECTION 8.26.(l)** Each charter school is encouraged to adopt a School Risk  
2 Management Plan as provided for under G.S. 115C-218.75, as amended by subsection (h) of  
3 this section, by March 1, 2017.

4           **SECTION 8.26.(m)** Each regional school is encouraged to adopt a School Risk  
5 Management Plan as provided for under G.S. 115C-238.66, as amended by subsection (i) of  
6 this section, by March 1, 2017.

7           **SECTION 8.26.(n)** By July 1, 2016, the Department of Public Safety shall  
8 implement an anonymous safety tip line application and a statewide panic alarm system as  
9 required under G.S. 115C-105.51, as amended by subsection (d) of this section.

10           **SECTION 8.26.(o)** By December 1, 2015, the Department of Public Safety,  
11 Division of Emergency Management, and the Center for Safer Schools shall provide a report to  
12 the Joint Legislative Commission on Governmental Operations on (i) the status of the School  
13 Risk and Response Management System (SRRMS) implementation under G.S. 115C-105.49A,  
14 as enacted by this section, and (ii) the anticipated annual cost to operate and maintain the  
15 system.

16           **SECTION 8.26.(p)** Except as otherwise provided for in this section, this section  
17 applies beginning with the 2015-2016 school year.

#### 18 19 **INVESTING IN INNOVATION GRANT**

20           **SECTION 8.27.(a)** Section 8.25 of S.L. 2013-360, as amended by Section 8.27 of  
21 S.L. 2014-100, is repealed.

22           **SECTION 8.27.(b)** The federal Investing in Innovation Fund Grant: Validating  
23 Early College Strategies for Traditional Comprehensive High Schools awarded to the North  
24 Carolina New Schools Project for 2012-2020 requires students to enroll in a community college  
25 course in the 10th grade. Notwithstanding any other provision of law, specified local school  
26 administrative units may offer one community college course to participating sophomore (10th  
27 grade) students. Participating local school administrative units are Alleghany, Beaufort, Bladen,  
28 Duplin, Hertford, Harnett, Jones, Madison, Martin, Richmond, Rutherford, Scotland, Surry,  
29 Warren, and Yancey County Schools.

30           **SECTION 8.27.(c)** Grant funds shall be used to pay for all costs incurred by the  
31 local school administrative units and the community college partners to implement the grant,  
32 including community college FTE. Community colleges shall not earn budget FTE for student  
33 course enrollments supported with this grant.

34           **SECTION 8.27.(d)** Research for the project shall address the effects of early  
35 college strategies in preparing students for college completion. The North Carolina New  
36 Schools Project shall report on the implementation of the grant to the State Board of Education,  
37 State Board of Community Colleges, Office of the Governor, and the Joint Legislative  
38 Education Oversight Committee no later than March 15, 2016, and annually thereafter until the  
39 end of the grant period.

#### 40 41 **STUDY ON CHARTER SCHOOL CLOSURE FUNDS**

42           **SECTION 8.28.(a)** The State Board of Education shall study and develop a  
43 proposed policy regarding circumstances in which a charter school, approved by the State  
44 Board pursuant to G.S. 115C-218.5, shall not be subject to the minimum value requirement of  
45 fifty thousand dollars (\$50,000) as required by G.S. 115C-218.100 for the purposes of ensuring  
46 payment of expenses related to closure proceedings. The State Board shall consider providing  
47 certain charter schools with a total or partial waiver of the requirement. In doing so, the State  
48 Board shall examine criteria for potentially eligible charter schools, such as the years of  
49 operation of the charter school, proven compliance with finance, governance, academic  
50 requirements of its charter, State law, and State Board policy requirements, as well as  
51 appropriate documentation to show the charter school's financial health and sustainability.

1           **SECTION 8.28.(b)** By February 15, 2016, the State Board of Education shall  
2 report to the Joint Legislative Education Oversight Committee on the results of the study and a  
3 proposed policy as required by subsection (a) of this section, including any legislative  
4 recommendations.  
5

#### 6 **AFTER-SCHOOL QUALITY IMPROVEMENT COMPETITIVE GRANTS**

7           **SECTION 8.29.(a)** Of the funds appropriated by this act for the At-Risk Student  
8 Services Alternative School Allotment for the 2015-2017 fiscal biennium, the State Board of  
9 Education shall use six million dollars (\$6,000,000) for the 2015-2016 fiscal year and six  
10 million dollars (\$6,000,000) for the 2016-2017 fiscal year for the After-School Quality  
11 Improvement Grant Program administered by the Department of Public Instruction. The  
12 Department may use these funds to provide a second-year grant to grant recipients approved  
13 under the After-School Quality Improvement Grant Program pursuant to Section 8.19 of S.L.  
14 2014-100. Of the funds appropriated for the program, the Department of Public Instruction may  
15 use up to two hundred thousand dollars (\$200,000) for each fiscal year to administer the  
16 program.

17           **SECTION 8.29.(b)** The purpose of the After-School Quality Improvement Grant  
18 Program is to fund after-school learning programs for at-risk students that raise standards for  
19 student academic outcomes by focusing on the following:

- 20           (1) Use of an evidence-based model with a proven track record of success.
- 21           (2) Inclusion of rigorous, quantitative performance measures to confirm their  
22 effectiveness during the grant cycle and at the end-of-grant cycle.
- 23           (3) Alignment with State performance measures, student academic goals, and  
24 the North Carolina Standard Course of Study.
- 25           (4) Prioritization in programs to integrate clear academic content, in particular,  
26 science, technology, engineering, and mathematics (STEM) learning  
27 opportunities or reading development and proficiency instruction.
- 28           (5) Emphasis on minimizing student class size when providing instruction.
- 29           (6) Expansion of student access to learning activities and academic support that  
30 strengthen student engagement and leverage community-based resources,  
31 which may include organizations that provide mentoring services and  
32 private-sector employer involvement.
- 33           (7) Emphasis on utilization of digital content to expand learning time, when  
34 practicable.

35           **SECTION 8.29.(c)** Grants may be provided for new or existing after-school  
36 learning programs for at-risk students operated by local school administrative units, charter  
37 schools, nonprofits, and nonprofits working in collaboration with local school administrative  
38 units. Participants are eligible to receive grants for up to two years in an amount of up to five  
39 hundred thousand dollars (\$500,000) each year. Programs should focus on serving at-risk  
40 students not performing at grade level as demonstrated by statewide assessments.

41           A grant participant shall provide certification to the Department of Public  
42 Instruction that the grants received under the program shall be matched on the basis of three  
43 dollars (\$3.00) in grant funds for every one dollar (\$1.00) in nongrant funds. Matching funds  
44 shall not include other State funds. Matching funds may include in-kind contributions.

45           **SECTION 8.29.(d)** A nonprofit may act as its own fiscal agent for the purposes of  
46 this program. Grant recipients shall report to the Department of Public Instruction after the first  
47 year of funding on the progress of the grant, including alignment with State academic  
48 standards, data collection for reporting student progress, the source and amount of matching  
49 funds, and other measures, before receiving funding for the next fiscal year. Grant recipients  
50 shall report after the second year of funding on key performance data, including statewide test

1 results, attendance rates, and promotion rates, and financial sustainability of the after-school  
 2 program.

3 **SECTION 8.29.(e)** The Department of Public Instruction shall provide interim  
 4 reports on the grant program to the Joint Legislative Education Oversight Committee by  
 5 September 15, 2016, with a final report on the program by September 15, 2017. The final report  
 6 shall include the final results of the program and recommendations regarding effective  
 7 after-school program models, standards, and performance measures based on student  
 8 performance, leveraging of community-based resources to expand student access to learning  
 9 activities and academic support, and the experience of the grant recipients.

10 **SECTION 8.29.(f)** Section 8.19 of S.L. 2014-100 is repealed.

11  
 12 **DPI STUDY/IMPROVE OUTCOMES FOR STUDENTS WITH DISABILITIES**

13 **SECTION 8.30.(a)** The Department of Public Instruction shall study and develop  
 14 potential policy changes for improving the outcomes for elementary and secondary students  
 15 with disabilities, including raising the graduation rates, providing more outcome-based goals,  
 16 creating greater access to career-ready diplomas, increasing integration of accessible digital  
 17 learning options, and providing earlier and improved transition services planning. The  
 18 Department shall do at least the following toward achieving the goals set forth in this section:

- 19 (1) Examine current Individualized Education Program (IEP) requirements and  
 20 develop reforms with greater focus on outcome-based goals for students with  
 21 disabilities.
- 22 (2) Solicit input and bring together stakeholders and other interested parties to  
 23 develop policies on transition services plans for students with disabilities  
 24 from elementary to middle school, middle to high school, and high school to  
 25 postsecondary education, and for employment opportunities and adult living  
 26 options.
- 27 (3) Solicit input and bring together stakeholders to create accessible ways for  
 28 students with IEPs to access the Future Ready Core Course of Study in more  
 29 significant numbers as a viable option to the Occupational Course of Study.
- 30 (4) Examine model programs that may be employed by local school  
 31 administrative units aimed at increasing the graduation rate and school  
 32 performance of students with disabilities.

33 **SECTION 8.30.(b)** By November 15, 2015, and annually thereafter, the  
 34 Department of Public Instruction shall report to the Joint Legislative Education Oversight  
 35 Committee on the progress of developing and implementing policy changes on (i) IEP reforms,  
 36 (ii) transition planning policies, (iii) increased access to Future Ready Core Course of Study for  
 37 students with disabilities, and (iv) model programs for use by local school administrative units  
 38 to improve graduation rates and school performance of students with disabilities.

39  
 40 **PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**

41  
 42 **TEACHER SALARY SCHEDULE**

43 **SECTION 9.1.(a)** The following monthly teacher salary schedule shall apply for  
 44 the 2015-2016 fiscal year to licensed personnel of the public schools who are classified as  
 45 teachers. The schedule contains steps with each step corresponding to one year of teaching  
 46 experience.

47 2015-2016 Teacher Monthly Salary Schedule

48 Years of Experience	"A" Teachers
49 0-4	\$3,500
50 5-9	3,723
51 10-14	4,080

1	15-19	4,437
2	20-24	4,743
3	25+	5,100

**SECTION 9.1.(b)** Salary Supplements for Teachers Paid on This Salary Schedule.

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

**SECTION 9.1.(c)** The first step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the masters degree level or higher, and (iii) school audiologists who are licensed as audiologists at the masters degree level or higher shall be equivalent to Step 5 of the "A" salary schedule. These employees shall receive a salary supplement each month of ten percent (10%) of their monthly salary and are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.

**SECTION 9.1.(d)** The twenty-sixth step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the masters degree level or higher, and (iii) school audiologists who are licensed as audiologists at the masters degree level or higher shall be seven and one-half percent (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

**SECTION 9.1.(e)** In lieu of providing annual longevity payments to teachers paid on this salary schedule for the 2014-2015 fiscal year and subsequent fiscal years, the amounts of those longevity payments are included in the monthly amounts under this salary schedule.

**SECTION 9.1.(f)** A teacher compensated in accordance with this salary schedule shall receive an amount equal to the greater of (i) the applicable amount on the salary schedule for the 2015-2016 school year, (ii) for teachers who were eligible for longevity for the 2013-2014 school year, the sum of the teacher's salary for the 2013-2014 school year plus longevity based on the percentage of that salary equivalent to the teacher's years of service under the longevity system in effect for the 2013-2014 school year, or (iii) the salary and bonus the teacher received for the 2014-2015 school year plus two percent (2%) of those amounts.

**SECTION 9.1.(g)** As used in this section, the term "teacher" shall also include instructional support personnel.

**SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

**SECTION 9.2.(a)** The following base salary schedule for school-based administrators shall apply only to principals and assistant principals. This base salary schedule shall apply for the 2015-2016 fiscal year commencing July 1, 2015.

2015-2016 Principal and Assistant Principal Salary Schedules

1 2	Years of Exp	Classification				
		Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
3						
4	0-9	\$3,972	-	-	-	-
5	10	\$4,057	-	-	-	-
6	11	\$4,205	-	-	-	-
7	12	\$4,325	-	-	-	-
8	13	\$4,409	\$4,409	-	-	-
9	14	\$4,465	\$4,465	-	-	-
10	15	\$4,523	\$4,523	\$4,579	-	-
11	16	\$4,579	\$4,579	\$4,638	-	-
12	17	\$4,638	\$4,638	\$4,698	\$4,758	-
13	18	\$4,698	\$4,698	\$4,758	\$4,821	\$4,884
14	19	\$4,758	\$4,758	\$4,821	\$4,884	\$4,948
15	20	\$4,821	\$4,821	\$4,884	\$4,948	\$5,016
16	21	\$4,884	\$4,884	\$4,948	\$5,016	\$5,083
17	22	\$4,948	\$4,948	\$5,016	\$5,083	\$5,151
18	23	\$5,016	\$5,016	\$5,083	\$5,151	\$5,221
19	24	\$5,083	\$5,083	\$5,151	\$5,221	\$5,292
20	25	\$5,151	\$5,151	\$5,221	\$5,292	\$5,368
21	26	\$5,221	\$5,221	\$5,292	\$5,368	\$5,442
22	27	\$5,292	\$5,292	\$5,368	\$5,442	\$5,517
23	28	\$5,368	\$5,368	\$5,442	\$5,517	\$5,593
24	29	\$5,442	\$5,442	\$5,517	\$5,593	\$5,672
25	30	\$5,517	\$5,517	\$5,593	\$5,672	\$5,754
26	31	\$5,593	\$5,593	\$5,672	\$5,754	\$5,836
27	32	\$5,672	\$5,672	\$5,754	\$5,836	\$5,910
28	33	\$5,754	\$5,754	\$5,836	\$5,910	\$6,027
29	34	\$5,836	\$5,836	\$5,910	\$6,027	\$6,148
30	35	\$5,910	\$5,910	\$6,027	\$6,148	\$6,271
31	36	\$6,027	\$6,027	\$6,148	\$6,271	\$6,396
32	37	-	\$6,148	\$6,271	\$6,396	\$6,524
33	38	-	-	\$6,396	\$6,524	\$6,654
34	39	-	-	\$6,524	\$6,654	\$6,787
35	40	-	-	-	\$6,787	\$6,923
36	41	-	-	-	\$6,923	\$7,061
37	42	-	-	-	-	\$7,202

2015-2016 Principal and Assistant Principal Salary Schedules

41	Years of Exp	Classification			
		Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
42					
43	0-19	\$5,016	-	-	-
44	20	\$5,083	-	-	-
45	21	\$5,151	\$5,221	-	-
46	22	\$5,221	\$5,292	\$5,442	-
47	23	\$5,292	\$5,368	\$5,517	\$5,593
48	24	\$5,368	\$5,442	\$5,593	\$5,672
49	25	\$5,442	\$5,517	\$5,672	\$5,754
50	26	\$5,517	\$5,593	\$5,754	\$5,836
51	27	\$5,593	\$5,672	\$5,836	\$5,910

1	28	\$5,672	\$5,754	\$5,910	\$6,027
2	29	\$5,754	\$5,836	\$6,027	\$6,148
3	30	\$5,836	\$5,910	\$6,148	\$6,271
4	31	\$5,910	\$6,027	\$6,271	\$6,396
5	32	\$6,027	\$6,148	\$6,396	\$6,524
6	33	\$6,148	\$6,271	\$6,524	\$6,654
7	34	\$6,271	\$6,396	\$6,654	\$6,787
8	35	\$6,396	\$6,524	\$6,787	\$6,923
9	36	\$6,524	\$6,654	\$6,923	\$7,061
10	37	\$6,654	\$6,787	\$7,061	\$7,202
11	38	\$6,787	\$6,923	\$7,202	\$7,346
12	39	\$6,923	\$7,061	\$7,346	\$7,493
13	40	\$7,061	\$7,202	\$7,493	\$7,643
14	41	\$7,202	\$7,346	\$7,643	\$7,796
15	42	\$7,346	\$7,493	\$7,796	\$7,952
16	43	\$7,493	\$7,643	\$7,952	\$8,111
17	44	-	\$7,796	\$8,111	\$8,273
18	45	-	\$7,952	\$8,273	\$8,438
19	46+	-	-	\$8,438	\$8,607

**SECTION 9.2.(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
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
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 9.2.(c)** A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certified employee of the public schools and an additional step for every three years of experience serving as a principal on or before June 30, 2009. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

**SECTION 9.2.(d)** Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per month.

1           **SECTION 9.2.(e)** Longevity pay for principals and assistant principals shall be as  
2 provided for State employees under the North Carolina Human Resources Act.

3           **SECTION 9.2.(f)** If a principal is reassigned to a higher job classification because  
4 the principal is transferred to a school within a local school administrative unit with a larger  
5 number of State-allotted teachers, the principal shall be placed on the salary schedule as if the  
6 principal had served the principal's entire career as a principal at the higher job classification.

7           If a principal is reassigned to a lower job classification because the principal is  
8 transferred to a school within a local school administrative unit with a smaller number of  
9 State-allotted teachers, the principal shall be placed on the salary schedule as if the principal  
10 had served the principal's entire career as a principal at the lower job classification.

11           This subsection applies to all transfers on or after the effective date of this section,  
12 except transfers in school systems that have been created, or will be created, by merging two or  
13 more school systems. Transfers in these merged systems are exempt from the provisions of this  
14 subsection for one calendar year following the date of the merger.

15           **SECTION 9.2.(g)** Participants in an approved full-time master's in-school  
16 administration program shall receive up to a 10-month stipend at the beginning salary of an  
17 assistant principal during the internship period of the master's program. The stipend shall not  
18 exceed the difference between the beginning salary of an assistant principal plus the cost of  
19 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,  
20 including awards of the Principal Fellows Program. The Principal Fellows Program or the  
21 school of education where the intern participates in a full-time master's in-school administration  
22 program shall supply the Department of Public Instruction with certification of eligible  
23 full-time interns.

24           **SECTION 9.2.(h)** During the 2015-2016 fiscal year, the placement on the salary  
25 schedule of an administrator with a one-year provisional assistant principal's certificate shall be  
26 at the entry-level salary for an assistant principal or the appropriate step on the teacher salary  
27 schedule, whichever is higher.

28           **SECTION 9.2.(i)** Effective July 1, 2015, any person who was paid on the State  
29 Salary Schedule for the 2014-2015 school year and employed as a school-based administrator  
30 on July 1, 2015, whose years of creditable service exceed the number of steps applicable to him  
31 or her on this salary schedule, shall receive a nonrecurring salary bonus of eight hundred nine  
32 dollars (\$809.00).

### 33 34 **CENTRAL OFFICE SALARIES**

35           **SECTION 9.3.(a)** The monthly salary ranges that follow apply to assistant  
36 superintendents, associate superintendents, directors/coordinators, supervisors, and finance  
37 officers for the 2015-2016 fiscal year, beginning July 1, 2016.

38	School Administrator I	\$3,459	\$6,449
39	School Administrator II	\$3,664	\$6,838
40	School Administrator III	\$3,887	\$7,252
41	School Administrator IV	\$4,041	\$7,539
42	School Administrator V	\$4,202	\$7,843
43	School Administrator VI	\$4,455	\$8,314
44	School Administrator VII	\$4,633	\$8,648

45           The local board of education shall determine the appropriate category and  
46 placement for each assistant superintendent, associate superintendent, director/coordinator,  
47 supervisor, or finance officer within the salary ranges and within funds appropriated by the  
48 General Assembly for central office administrators and superintendents. The category in which  
49 an employee is placed shall be included in the contract of any employee.

50           **SECTION 9.3.(b)** The monthly salary ranges that follow apply to public school  
51 superintendents for the 2015-2016 fiscal year, beginning July 1, 2015.

1	Superintendent I	\$4,915	\$9,171
2	Superintendent II	\$5,215	\$9,723
3	Superintendent III	\$5,530	\$10,311
4	Superintendent IV	\$5,867	\$10,935
5	Superintendent V	\$6,224	\$11,599

6 The local board of education shall determine the appropriate category and  
7 placement for the superintendent based on the average daily membership of the local school  
8 administrative unit and within funds appropriated by the General Assembly for central office  
9 administrators and superintendents.

10 **SECTION 9.3.(c)** Longevity pay for superintendents, assistant superintendents,  
11 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as  
12 provided for State employees under the State Personnel Act.

13 **SECTION 9.3.(d)** Superintendents, assistant superintendents, associate  
14 superintendents, directors/coordinators, supervisors, and finance officers with certification  
15 based on academic preparation at the six-year degree level shall receive a salary supplement of  
16 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided  
17 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,  
18 directors/coordinators, supervisors, and finance officers with certification based on academic  
19 preparation at the doctoral degree level shall receive a salary supplement of two hundred  
20 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this  
21 section.

22 **SECTION 9.3.(e)** The State Board of Education shall not permit local school  
23 administrative units to transfer State funds from other funding categories for salaries for public  
24 school central office administrators.

25 **SECTION 9.3.(f)** The salaries of all permanent full-time personnel paid from the  
26 Central Office Allotment shall be increased by two percent (2%), commencing July 1, 2015.  
27 The State Board of Education shall allocate these funds to local school administrative units.  
28 The local boards of education shall establish guidelines for providing salary increases to these  
29 personnel.  
30

### 31 **NONCERTIFIED PERSONNEL SALARIES**

32 **SECTION 9.4.(a)** The annual salary increase for permanent, full-time noncertified  
33 public school employees whose salaries are supported from the State's General Fund shall be  
34 two percent (2%), commencing July 1, 2015.

35 **SECTION 9.4.(b)** Local boards of education shall increase the rates of pay for  
36 such employees who were employed for all or part of fiscal year 2014-2015 and who continue  
37 their employment for fiscal year 2015-2016 by providing an annual salary increase for  
38 employees of two percent (2%).

39 For part-time employees, the pay increase shall be pro rata based on the number of  
40 hours worked.

41 **SECTION 9.4.(c)** The State Board of Education may adopt salary ranges for  
42 noncertified personnel to support increases of two percent (2%) for the 2015-2016 fiscal year.  
43

### 44 **ENSURE NO PRINCIPAL MAKES LESS THAN AN ASSISTANT PRINCIPAL**

45 **SECTION 9.5.(a)** Section 7.22(b) of S.L. 2009-451 reads as rewritten:

46 "**SECTION 7.22.(b)** This section becomes effective ~~July 1, 2009, and applies to all~~  
47 ~~persons initially employed as assistant principals on or after that date.~~ July 1, 2009."

48 **SECTION 9.5.(b)** G.S. 115C-285(a) is amended by adding a new subdivision to  
49 read:

1           "(9) An assistant principal who becomes a principal without a break in service  
2           shall be paid, on a monthly basis, at least as much as he or she would earn as  
3           an assistant principal employed by that local school administrative unit."  
4

## 5 **STUDY THE COMPENSATION OF SCHOOL-BASED ADMINISTRATORS**

6           **SECTION 9.6.** The Joint Legislative Education Oversight Committee shall study  
7 whether (i) State funds should be used to compensate school-based administrators on a uniform  
8 statewide salary schedule or (ii) local boards of education should have the flexibility to use the  
9 funds to meet local needs.

10           The Committee shall report its findings to the General Assembly prior to April 1,  
11 2016.

## 12 **PART X. COMMUNITY COLLEGES**

### 13 **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

14  
15           **SECTION 10.1.(a)** Notwithstanding any other provision of law, and consistent  
16 with the authority established in G.S. 115D-3, the President of the North Carolina Community  
17 College System may reorganize the System Office in accordance with recommendations and  
18 plans submitted to and approved by the State Board of Community Colleges.

19           **SECTION 10.1.(b)** This section expires June 30, 2017.  
20

### 21 **BASIC SKILLS PLUS**

22           **SECTION 10.2.(a)** G.S. 115D-5(b) is amended by adding a new subdivision to  
23 read:  
24

25           "(b) In order to make instruction as accessible as possible to all citizens, the teaching of  
26 curricular courses and of noncurricular extension courses at convenient locations away from  
27 institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata  
28 portion of the established regular tuition rate charged a full-time student shall be charged a  
29 part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of  
30 Community Colleges shall establish a uniform registration fee, or a schedule of uniform  
31 registration fees, to be charged students enrolling in extension courses for which instruction is  
32 financed primarily from State funds. The State Board of Community Colleges may provide by  
33 general and uniform regulations for waiver of tuition and registration fees for the following:  
34

35           ...  
36           (15) Courses providing employability skills, job-specific occupational or  
37           technical skills, or developmental education instruction to certain students  
38           who are concurrently enrolled in an eligible community college literacy  
39           course, in accordance with rules adopted by the State Board of Community  
40           Colleges.

41           ...  
42           The State Board of Community Colleges shall not waive tuition and registration fees for  
43 other individuals."

44           **SECTION 10.2.(b)** G.S. 115D-31(b1) reads as rewritten:

45           "(b1) A local community college may use all State funds allocated to it, except for  
46 Literacy funds and Customized Training funds, for any authorized purpose that is consistent  
47 with the college's Institutional Effectiveness Plan. The State Board of Community Colleges  
48 may authorize a local community college to use up to twenty percent (20%) of the State  
49 Literacy funds allocated to it to provide employability skills, job-specific occupational and  
50 technical skills, and developmental education instruction to students concurrently enrolled in an  
eligible community college literacy course.

1 Each local community college shall include in its Institutional Effectiveness Plan a section  
2 on how funding flexibility allows the college to meet the demands of the local community and  
3 to maintain a presence in all previously funded categorical programs."  
4

#### 5 **EQUIPMENT FUNDING**

6 **SECTION 10.3.** For the 2015-2017 fiscal biennium, community colleges may  
7 expend regular equipment allocations on equipment and on repairs, renovations, and new  
8 construction, necessary to accommodate equipment. Colleges must match funds expended on  
9 new construction on an equal matching-fund basis in accordance with G.S.115D-31.  
10 Notwithstanding any other provision of law, community colleges are not required to match  
11 funds expended on repairs and renovations of existing facilities.

12 Colleges must have capital improvement projects approved by the State Board of  
13 Community Colleges and any required matching funds identified by June 30, 2017.  
14

#### 15 **EXPAND AGRICULTURAL AND TRANSPORTATION CLASSES TO FRESHMEN 16 AND SOPHOMORES**

17 **SECTION 10.4.** G.S. 115D-20(4)a. reads as rewritten:  
18 "**§ 115D-20. Powers and duties of trustees.**

19 The trustees of each institution shall constitute the local administrative board of such  
20 institution, with such powers and duties as are provided in this Chapter and as are delegated to  
21 it by the State Board of Community Colleges. The powers and duties of trustees shall include  
22 the following:

23 ...

24 (4) To apply the standards and requirements for admission and graduation of  
25 students and other standards established by the State Board of Community  
26 Colleges. Notwithstanding any law or administrative rule to the contrary,  
27 local community colleges are permitted to offer the following programs:

- 28 a. Subject to the approval of the State Board of Community Colleges,  
29 local community colleges may collaborate with local school  
30 administrative units to offer courses through the following programs:
- 31 1. Cooperative innovative high school programs as provided by  
32 Part 9 of Article 16 of Chapter 115C of the General Statutes.
  - 33 2. Academic transition pathways for qualified junior and senior  
34 high school students that lead to a career technical education  
35 certificate or diploma and academic transition pathways for  
36 qualified freshmen and sophomore high school students that  
37 lead to a career technical education certificate or diploma in  
38 (i) industrial and engineering technologies, (ii)  
39 agriculture and natural resources, or (iii) transportation  
40 technology.
  - 41 3. College transfer certificates requiring the successful  
42 completion of thirty semester credit hours of transfer courses,  
43 including English and mathematics, for qualified junior and  
44 senior high school students."  
45

#### 46 **COLLEGES EARN BUDGET FTE FOR CURRICULUM COURSES TAUGHT 47 DURING THE SUMMER TERM**

48 **SECTION 10.5.(a)** G.S. 115D-5(v) reads as rewritten:

49 "(v) Community colleges may teach ~~technical education, health care, developmental~~  
50 ~~education, and STEM-related curriculum~~ courses at any time during the year, including the

1 summer term. Student membership hours from these courses shall be counted when computing  
2 full-time equivalent students (FTE) for use in budget funding formulas at the State level."

3 **SECTION 10.5.(b)** The State Board of Community Colleges shall report to the  
4 Joint Legislative Education Oversight Committee by October 1, 2015, on FTE for the summer  
5 2015 term.

6 **SECTION 10.5.(c)** This section is effective when it becomes law and applies  
7 beginning with the summer 2015 term.

## 8 9 **COMMUNITY COLLEGES PROGRAM COMPLIANCE REVIEW FUNCTION**

10 **SECTION 10.6.(a)** Section 10.15(a) of S.L. 2013-360 is repealed.

11 **SECTION 10.6.(b)** G.S. 115D-5(m) reads as rewritten:

12 "(m) The State Board of Community Colleges shall maintain an ~~education program~~  
13 ~~auditing-accountability~~ function that conducts ~~an annual-audit-periodic~~ reviews of each  
14 community college operating under the provisions of this Chapter. The purpose of the ~~annual~~  
15 ~~audit-compliance review~~ shall be to ensure that ~~college programs and related fiscal operations~~  
16 ~~comply with State law, State regulations, State Board policies, and System Office guidance.~~(i)  
17 data used to allocate State funds among community colleges is reported accurately to the  
18 System Office and (ii) community colleges are charging and waiving tuition and registration  
19 fees consistent with law. The State Board of Community Colleges shall require ~~auditors of~~  
20 ~~community college programs to the use of~~ a statistically valid sample size in performing  
21 ~~program audits-compliance reviews~~ of community colleges. All ~~education program audit~~  
22 ~~compliance review findings that are determined to be material~~ shall be forwarded to the college  
23 president, local college board of trustees, the State Board of Community Colleges, and the State  
24 Auditor. The State Board of Community Colleges shall adopt rules governing the frequency,  
25 scope, and standard of materiality for compliance reviews."

26 **SECTION 10.6.(c)** Subsection (b) of this section applies to compliance reviews  
27 beginning with the 2015-2016 academic year.

## 28 29 **LIMIT ACTIVE DUTY SOLDIERS CC TUITION**

30 **SECTION 10.7.** G.S. 116-143.3 is amended by adding a new subsection to read:

31 "(b3) Notwithstanding G.S. 115D-5(b), if the amount of the out-of-State tuition rate for a  
32 community college exceeds the amount of tuition assistance available from the federal  
33 government, as set forth in the U.S. Department of Defense Directive, 1322.08E, promulgated  
34 pursuant to 10 U.S.C. §§ 2005 and 2007, for active duty members of the Armed Forces, the  
35 amount by which the out-of-State tuition rate exceeds the amount of the federal tuition  
36 assistance available to the institution or active duty member of the Armed Forces shall be  
37 waived, provided the amount of the tuition waived shall not exceed ten percent (10%) of the  
38 out-of-State tuition amount and all of the following conditions are met:

- 39 (1) The active duty member of the Armed Forces was enrolled in a degree or  
40 other program at a community college and charged the in-State tuition rate at  
41 the time of deployment or reassignment.  
42 (2) The active duty member of the Armed Forces was not able to remain  
43 continuously enrolled in the degree or other program at the community  
44 college due to deployment or reassignment.  
45 (3) The active duty member of the Armed Forces reenrolls in the degree or other  
46 program at the community college in which the member was enrolled at the  
47 time the member was deployed or reassigned within 18 months of  
48 deployment or reassignment.  
49 (4) The active duty member of the Armed Forces does not otherwise qualify for  
50 the in-State tuition rate.

1       The amount of tuition charged to an active duty member of the Armed Forces eligible to  
2 receive this waiver shall not be lower than the in-State tuition rate."

#### 4       **COMMUNITY COLLEGE REMEDIATION PILOT PROJECT**

5       **SECTION 10.8.(a)** A four-year remediation Pilot Project shall be established at  
6 South Piedmont Community College. The purpose of the Pilot Project is to implement a  
7 program that will (i) increase high school graduation rates and community college completion  
8 rates in Union and Anson Counties and (ii) serve as a model for the rest of the State.

9       **SECTION 10.8.(b)** The Pilot Project shall consist of two components:

10       (1) Identification and remediation of high school students who do not meet  
11 community college entrance requirements. This component shall be  
12 implemented as follows:

13       a. South Piedmont Community College shall administer a college  
14 competency examination to a representative population of high  
15 school sophomores, juniors, and seniors in the Union County Public  
16 Schools, the Anson County Schools, or both.

17       b. Students who are determined by the examination to be deficient in  
18 mathematics, English, or reading skills shall have the opportunity to  
19 be enrolled during their junior or senior years in community college  
20 remediation courses in lieu of other high school graduation  
21 completion electives.

22       Participating students shall be included in the average daily  
23 membership of the local school administrative unit and the budget  
24 FTE of South Piedmont Community College. Participating students  
25 enrolled in remediation courses at South Piedmont Community  
26 College associated with this pilot shall not be charged tuition.

27       c. Students successfully completing community college remediation  
28 courses may continue their education under the Career and College  
29 Promise program.

30       d. South Piedmont Community College shall report to the Joint  
31 Legislative Education Oversight Committee (i) on the  
32 implementation of this component of the Pilot Project by February  
33 15, 2016, and (ii) on its impact on the college readiness of  
34 participating students annually by September 15, 2016, through  
35 September 15, 2020.

36       e. No State funds shall be used to develop and administer the college  
37 competency examination or to determine the impact of the Pilot  
38 Project on college readiness.

39       f. During the Pilot Project, students electing to participate in this  
40 program shall not be calculated in the local school administrative  
41 unit's graduation or dropout rates or in the South Piedmont  
42 Community College performance funding metrics. These students  
43 shall be regarded as transfer students from the local school  
44 administrative unit to South Piedmont Community College.

45       (2) Authorization for high school students who are at high risk of dropping out  
46 of school to complete high school at South Piedmont Community College.  
47 This component shall be implemented as follows:

48       a. South Piedmont Community College and the each participating local  
49 school administrative unit shall sign a memorandum of  
50 understanding for a recovery program for students at high risk of  
51 dropping out of school to complete high school in an alternative

1 setting. Under this memorandum of understanding, students with no  
2 serious disciplinary experience who are at high risk of dropping out  
3 of school may, with the consent of the local school administrative  
4 unit and South Piedmont Community College, earn a high school  
5 diploma at South Piedmont Community College.

6 b. The participating students and their parents shall sign a contract with  
7 the high school and college agreeing to the terms and conditions of  
8 the program.

9 c. South Piedmont Community College shall generate budget FTE for  
10 these students.

## 11 12 **COMMUNITY COLLEGE INNOVATIVE PILOT PROGRAM**

13 **SECTION 10.9.(a)** The State Board of Community Colleges shall establish the  
14 Community College Innovative Pilot Program for participating community colleges to establish  
15 new, innovative workforce development programs in development tier one and tier two  
16 counties as defined in G.S. 143B-437.08. The purpose of the pilot program is to expand the  
17 options available to community colleges in establishing new programs targeting the workforce  
18 development needs of economically distressed areas of the State by providing (i) initial funding  
19 for planning and start-up operational costs for new programs and (ii) the opportunity for  
20 community colleges to build student enrollment to create tuition-supported programs and  
21 increased job attainment for students. Implementation of the pilot program shall begin with the  
22 2016-2017 academic year, continue for a period of three academic years, ending with the  
23 2018-2019 academic year.

24 **SECTION 10.9.(b)** The State Board of Community Colleges, in collaboration with  
25 the Department of Commerce, shall develop criteria for approval of an application submitted by  
26 a community college serving a development tier one or tier two county to participate in the  
27 pilot program in accordance with the provisions of this section. Depending on the pool of  
28 applicants, the State Board shall select community college programs for participation in the  
29 pilot program that represent the geographic diversity of North Carolina's resident population. A  
30 community college seeking to participate in the pilot program shall submit to the State Board a  
31 completed Curriculum Program Approval Application.

32 **SECTION 10.9.(c)** The State Board of Community Colleges shall report to the  
33 Joint Legislative Education Oversight Committee by September 1, 2019, on the implementation  
34 and administration of the pilot program, including at least the following information:

- 35 (1) The use of funds by community colleges participating in the pilot program,  
36 including:
- 37 a. Start-up costs to establish new programs.
  - 38 b. Costs associated with student instruction, including faculty salaries,  
39 instructional supplies, and related instructional equipment.
  - 40 c. Financial assistance for students, including assistance with tuition,  
41 registration fees, books, and certification costs.
- 42 (2) Evaluation of the success of the community college programs, including:
- 43 a. Student enrollment numbers.
  - 44 b. Student outcomes, including job attainment and placement data and  
45 completion of any certification, diploma, or associate degree  
46 programs.
  - 47 c. Number and type of programs that were fully supported by student  
48 tuition by the completion of the pilot program.
- 49 (3) Any recommendations on the expansion of the pilot program statewide and  
50 potential modifications to the State funding method for community colleges  
51 related to providing funds for new programs.

1           **SECTION 10.9.(d)** Of the funds appropriated under this act to the Community  
2 Colleges System Office for the 2015-2017 fiscal biennium to implement the requirements of  
3 this section, the System Office shall use one million three hundred sixty thousand dollars  
4 (\$1,360,000) for the 2015-2016 fiscal year and one million five hundred thousand dollars  
5 (\$1,500,000) for the 2016-2017 fiscal year to award funds to community colleges participating  
6 in the pilot program. The System Office may use up to one hundred thousand dollars  
7 (\$100,000) of those funds each fiscal year for administration and evaluation of the pilot  
8 program.

## 9 10 **STUDY COMMUNITY COLLEGE FACULTY SALARIES**

11           **SECTION 10.10.** The Joint Legislative Education Oversight Committee shall  
12 study the adequacy of community college faculty salaries for recruiting and retaining qualified  
13 faculty members. In the course of the study, the Committee shall consider (i) instructional areas  
14 and geographical areas for which it is difficult to recruit and retain qualified faculty members,  
15 (ii) labor market conditions, including opportunities in the private sector and in four-year  
16 institutions of higher education for the individuals with identical qualifications, (iii) the need to  
17 increase salaries to appropriately staff certain instructional areas, especially in Tier 1A and 1B  
18 courses, and (iv) other relevant factors. The Committee shall report its findings to the 2015  
19 General Assembly upon the convening of the 2016 Regular Session.

## 20 21 **YOUTH CAREER CONNECT PROGRAM**

22           **SECTION 10.11.(a)** The federal Youth Career Connect Grant awarded to Anson  
23 County Schools for 2014-2018 requires students to enroll in community college courses in the  
24 ninth and tenth grades. Notwithstanding any other provision of law, South Piedmont  
25 Community College may enroll Anson County Schools freshman (ninth grade) and sophomore  
26 (tenth grade) students in community college courses associated with this grant. Ninth and tenth  
27 grade students enrolled in curriculum courses at South Piedmont Community College  
28 associated with the federal Youth Career Connect Grant shall not be charged tuition.

29           **SECTION 10.11.(b)** South Piedmont Community College shall earn budget FTE  
30 for student course enrollments provided in this act.

31           **SECTION 10.11.(c)** This section is effective when this act becomes law and  
32 expires June 30, 2018.

## 33 34 **PART XI. UNIVERSITIES**

### 35 36 **USE OF ESCHEAT FUNDS FOR NEED-BASED FINANCIAL AID PROGRAMS**

37           **SECTION 11.1.(a)** The funds appropriated by this act from the Escheat Fund for  
38 the 2015-2017 fiscal biennium shall be allocated by the State Education Assistance Authority  
39 (SEAA) for need-based student financial aid in accordance with G.S. 116B-7. If the interest  
40 income generated from the Escheat Fund is less than the amounts referenced in this section, the  
41 difference may be taken from the Escheat Fund principal to reach the appropriations referenced  
42 in this section; however, under no circumstances shall the Escheat Fund principal be reduced  
43 below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat Fund by  
44 this act remain uncommitted for need-based financial aid as of the end of a fiscal year, the  
45 funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount  
46 of the Escheat Fund income for that fiscal year.

47           **SECTION 11.1.(b)** The State Education Assistance Authority shall perform all of  
48 the administrative functions necessary to implement this program of financial aid. The SEAA  
49 shall conduct periodic evaluations of expenditures of the scholarship programs to determine if  
50 allocations are utilized to ensure access to institutions of higher learning and to meet the goals  
51 of the respective programs. The SEAA may make recommendations for redistribution of funds

1 to The University of North Carolina, the Department of Administration, and the President of  
2 the Community College System regarding their respective scholarship programs, who then may  
3 authorize redistribution of unutilized funds for a particular fiscal year.  
4

5 **AMEND REGULATION OF UNC INSTITUTIONAL TRUST FUNDS AND FUNDS OF**  
6 **UNC HEALTH CARE SYSTEM**

7 **SECTION 11.2.** G.S. 116-36.1(h) reads as rewritten:

8 "(h) The Board may authorize, through the President, that the chancellors may deposit or  
9 invest each institution's available trust fund cash balances in interest-bearing accounts and other  
10 investments as may be authorized by the Board in the exercise of its sound discretion, without  
11 regard to any statute or rule of law relating to the investment of funds by fiduciaries. All cash  
12 balances deposited under this subsection shall be secured by deposit insurance, surety bonds, or  
13 investment securities satisfying the rules or regulations prescribed under G.S. 147-79. Within  
14 120 days of the effective date of this act, the Board of Governors shall prescribe an investment  
15 policy that shall identify the authorized forms of public deposits and investment securities held  
16 under this subsection."  
17

18 **IN-STATE TUITION FOR CERTAIN VETERANS AND OTHER INDIVIDUALS**  
19 **ENTITLED TO FEDERAL EDUCATIONAL BENEFITS**

20 **SECTION 11.3.(a)** Article 14 of Chapter 116 of the General Statutes is amended  
21 by adding a new section to read:

22 **"§ 116-143.3A. Waiver of 12-month residency requirement for certain veterans and other**  
23 **individuals entitled to federal education benefits under 38 U.S.C. Chapter 30 or**  
24 **38 U.S.C. Chapter 33.**

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

26 (1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).

27 (2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).

28 (3) Veteran. – A person who served active duty for not less than 90 days in the  
29 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,  
30 or the National Oceanic and Atmospheric Administration and who was  
31 discharged or released from such service under conditions other than  
32 dishonorable.

33 (b) Waiver of 12-Month Residency Requirement for Veteran. – Any veteran who  
34 qualifies for admission to an institution of higher education as defined in G.S. 116-143.1(a)(3)  
35 is eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment  
36 without satisfying the 12-month residency requirement under G.S. 116-143.1, provided the  
37 veteran meets all of the following criteria:

38 (1) The veteran applies for admission to the institution of higher education and  
39 enrolls within three years of the veteran's discharge or release from the  
40 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,  
41 or the National Oceanic and Atmospheric Administration.

42 (2) The veteran qualifies for and uses educational benefits pursuant to 38 U.S.C.  
43 Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance  
44 Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as  
45 administered by the U.S. Department of Veterans Affairs.

46 (3) The veteran's abode is North Carolina.

47 (4) The veteran provides the institution of higher education at which the veteran  
48 intends to enroll a letter of intent to establish residence in North Carolina.

49 (c) Eligibility of Other Individuals Entitled to Federal Educational Benefits Under 38  
50 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33. – Any person who is entitled to federal educational  
51 benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 is also eligible to be charged the

1 in-State tuition rate and applicable mandatory fees for enrollment without satisfying the  
2 12-month residency requirement under G.S. 116-143.1 if the person meets all of the following  
3 criteria:

- 4 (1) The person qualifies for admission to the institution of higher education as  
5 defined in G.S. 116-143.1(a)(3) and enrolls in the institution of higher  
6 education within three years of the veteran's discharge or release from the  
7 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,  
8 or the National Oceanic and Atmospheric Administration.  
9 (2) The person is the recipient of federal educational benefits pursuant to 38  
10 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance  
11 Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as  
12 administered by the U.S. Department of Veterans Affairs.  
13 (3) The person's abode is North Carolina.  
14 (4) The person provides the institution of higher education at which the person  
15 intends to enroll a letter of intent to establish residence in North Carolina.

16 (d) Eligibility While Continuously Enrolled at the Same Institution of Higher  
17 Education. – After enrollment in an institution of higher education, any veteran entitled to  
18 federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 and any other  
19 individual entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C.  
20 Chapter 33 who is eligible for in-State tuition under this section shall continue to be eligible for  
21 the in-State tuition rate so long as the covered individual remains continuously enrolled (other  
22 than during regularly scheduled breaks between courses, quarters, terms, or semesters) at that  
23 institution of higher education."

24 **SECTION 11.3.(b)** G.S. 116-143.8 is repealed.

25 **SECTION 11.3.(c)** Funds appropriated to the Board of Governors of The  
26 University of North Carolina pursuant to Section 11.12(b) of S.L. 2014-100 for the 2014-2015  
27 fiscal year for the UNC Yellow Ribbon Reserve shall not revert at the end of the fiscal year.  
28 This subsection becomes effective June 30, 2015.

29 **SECTION 11.3.(d)** Funds appropriated to the Community Colleges System Office  
30 for the 2014-2015 fiscal year for the Community College Yellow Ribbon Reserve pursuant to  
31 Section 11.12(b) of S.L. 2014-100 shall not revert at the end of the fiscal year. This subsection  
32 becomes effective June 30, 2015.

33 **SECTION 11.3.(e)** Unless provided otherwise, this section becomes effective July  
34 1, 2015, and applies to qualifying veterans and other individuals entitled to federal educational  
35 benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who are enrolled or who enroll in  
36 institutions of higher education for any academic quarter, term, or semester that begins on or  
37 after that date.

### 38 **UNC MANAGEMENT FLEXIBILITY REDUCTION**

39 **SECTION 11.4.(a)** The management flexibility reduction for The University of  
40 North Carolina shall not be allocated by the Board of Governors to the constituent institutions  
41 and affiliated entities using an across-the-board method but shall be done in a manner that  
42 recognizes the importance of the academic missions and differences among The University of  
43 North Carolina entities.

44 Before taking reductions in instructional budgets, the Board of Governors and the  
45 campuses of the constituent institutions shall consider all of the following:

- 46 (1) Reducing State funding for centers and institutes, speaker series, and other  
47 nonacademic activities.  
48 (2) Faculty workload adjustments.  
49 (3) Restructuring of research activities.  
50 (4) Implementing cost-saving span of control measures.  
51

- 1 (5) Reducing the number of senior and middle management positions.
- 2 (6) Eliminating low-performing, redundant, or low-enrollment programs.
- 3 (7) Using alternative funding sources.
- 4 (8) Protecting direct classroom services.

5 The Board of Governors and the campuses of the constituent institutions also shall  
6 review the institutional trust funds and the special funds held by or on behalf of The University  
7 of North Carolina and its constituent institutions to determine whether there are monies  
8 available in those funds that can be used to assist with operating costs. In addition, the  
9 campuses of the constituent institutions also shall require their faculty to have a teaching  
10 workload equal to the national average in their Carnegie classification.

11 **SECTION 11.4.(b)** In allocating the management flexibility reduction, no  
12 reduction in State funds shall be allocated in either fiscal year of the 2015-2017 biennium to  
13 any of the following:

- 14 (1) UNC Need-Based Financial Aid.
- 15 (2) North Carolina Need-Based Scholarship.
- 16 (3) Elizabeth City State University.
- 17 (4) Fayetteville State University.
- 18 (5) NC School of Science and Mathematics.
- 19 (6) University of North Carolina at Asheville.
- 20 (7) University of North Carolina School of the Arts.
- 21 (8) State funds allocated to NC State University for support to the Agriculture  
22 Education/Future Farmers of America Program.

23 **SECTION 11.4.(c)** The University of North Carolina shall report on the  
24 implementation of the management flexibility reduction in subsection (a) of this section to the  
25 Office of State Budget and Management and the Fiscal Research Division no later than April 1,  
26 2016. This report shall identify both of the following by campus:

- 27 (1) The total number of positions eliminated by type (faculty/nonfaculty).
- 28 (2) The low-performing, redundant, and low-enrollment programs that were  
29 eliminated.

30

### 31 **UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS**

32 **SECTION 11.5.** Of the funds appropriated in this act to the Board of Governors of  
33 The University of North Carolina, the Board of Governors shall use twenty-nine million dollars  
34 (\$29,000,000) for the 2015-2016 fiscal year and twenty-nine million dollars (\$29,000,000) for  
35 the 2016-2017 fiscal year to support UNC-related activities at the North Carolina Research  
36 Campus at Kannapolis.

37

### 38 **LIMIT USE OF STATE FUNDS FOR UNC ADVANCEMENT PROGRAMS**

39 **SECTION 11.6.** For the 2015-2016 fiscal year and subsequent fiscal years, a  
40 constituent institution as defined in G.S. 116-2 shall not expend more than one million dollars  
41 (\$1,000,000) of State funds annually on advancement programs. Constituent institutions shall  
42 take reasonable actions to increase the reliance of advancement programs on funds generated  
43 from fund-raising activities.

44

### 45 **NC GUARANTEED ADMISSION PROGRAM (NCGAP)**

46 **SECTION 11.7.(a)** The General Assembly finds that the six-year graduation rate  
47 for students pursuing a baccalaureate degree from any constituent institution of The University  
48 of North Carolina is too low. The General Assembly further finds that it is important to design  
49 and implement a program for the purpose of achieving the following goals: to assist more  
50 students to obtain a baccalaureate degree within a shorter time period; to provide students with  
51 a college education at significantly lower costs for both the student and the State; to help

1 decrease the amount of debt resulting from loans that a student may owe upon graduation; to  
2 provide a student with an interim degree that may increase a student's job opportunities if the  
3 student chooses not to continue postsecondary education; and to provide easier access to  
4 academic counseling that will assist a student in selecting coursework that reflects the student's  
5 educational and career goals and helps the student succeed academically.

6 **SECTION 11.7.(b)** To address the issues and goals set out in subsection (a) of this  
7 section, the Board of Governors of The University of North Carolina shall establish a deferred  
8 admission program for students identified as academically at risk to be known as the North  
9 Carolina Guaranteed Admission Program (NCGAP). Under NCGAP, each constituent  
10 institution shall analyze its current six-year graduation rate, determine what factors lead to  
11 academic success and failure within those campuses, and report those findings to the Board of  
12 Governors of The University of North Carolina no later than January 30, 2016.

13 Based on the results of the analysis conducted pursuant to this subsection, the  
14 constituent institution shall develop a deferred admission program that requires a student who  
15 satisfies the admission criteria of the constituent institution but whose academic credentials are  
16 not as competitive as other students admitted to the institution to enroll in a community college  
17 in this State and earn an associate degree prior to enrolling as a student at the constituent  
18 institution. A student who earns an associate degree from a community college in this State  
19 within three years from the date of the deferred acceptance is guaranteed admission at that  
20 constituent institution to complete the requirements for a baccalaureate degree. A constituent  
21 institution shall hold in reserve an enrollment slot in the appropriate future academic year for  
22 any student who accepts a deferred admission. A constituent institution shall also reduce its  
23 enrollment for each academic year by the number of deferred admissions granted for that  
24 academic year.

25 The Board of Governors of The University of North Carolina shall ensure that a  
26 minimum of 1,305 budget FTEs are deferred admissions and is encouraged to increase the  
27 number of deferred admissions as appropriate.

28 **SECTION 11.7.(c)** The State Board of Community Colleges, in consultation with  
29 the Board of Governors of The University of North Carolina, shall adopt rules to ensure that a  
30 student participating in NCGAP is provided counseling and assistance in selecting coursework  
31 that reflects the student's educational and career goals and that provides a smooth transition  
32 from the community college to the constituent institution.

33 **SECTION 11.7.(d)** The State Board of Community Colleges shall allocate a  
34 portion of the nonrecurring funds appropriated to the NCGAP Reserve by this act for the  
35 2016-2017 fiscal year to assist community colleges with students who are participating in  
36 NCGAP.

37 **SECTION 11.7.(e)** The Board of Governors of The University of North Carolina  
38 shall study and report to the Joint Legislative Education Oversight Committee by March 1,  
39 2016, on methods to improve the collection of data regarding completion and outcomes of  
40 students who enroll as undergraduates. The report shall include (i) methods of measuring  
41 completion by student, year, and type of entry and (ii) methods of measuring success by  
42 student, year, and type of entry.

43 **SECTION 11.7.(f)** NCGAP shall be implemented for the 2016-2017 academic  
44 year and shall continue for each subsequent academic year.

45 **SECTION 11.7.(g)** This section does not apply to the North Carolina School of  
46 Science and Mathematics.

47  
48 **APPALACHIAN STATE UNIVERSITY TEACHER RECRUITMENT**  
49 **PROGRAM/FRIDAY INSTITUTE EVALUATION OF TEACHER RECRUITMENT**  
50 **AND PREPARATION PROGRAMS**

1           **SECTION 11.8.(a)** Of the funds appropriated by this act to the Board of Governors  
2 of The University of North Carolina, the sum of ninety-one thousand dollars (\$91,000) for the  
3 2015-2016 fiscal year and the sum of ninety-one thousand dollars (\$91,000) for the 2016-2017  
4 fiscal year shall be allocated to the College of Education at Appalachian State University.  
5 These funds shall be used for a personnel position to implement a pilot program to recruit  
6 undergraduate students to the College of Education and to provide counseling and advising  
7 services to those students once enrolled.

8           **SECTION 11.8.(b)** Of the funds appropriated by this act to the Board of Governors  
9 of The University of North Carolina, the sum of two hundred thirty-five thousand dollars  
10 (\$235,000) for the 2015-2016 fiscal year and the sum of four hundred seventy thousand dollars  
11 (\$470,000) for the 2016-2017 fiscal year shall be allocated to the Friday Institute for  
12 Educational Innovation at North Carolina State University to be used to conduct a three-year  
13 evaluation of six teacher recruitment and training programs in North Carolina that meet the  
14 following criteria:

- 15           (1) One university program that focuses on recruiting high school high achievers  
16 into a four-year teacher preparation program, such as the Maynard  
17 Scholarship at East Carolina University.
- 18           (2) One university program that focuses on recruiting undergraduate students  
19 into teacher preparation programs, such as the Teacher Education Marketing  
20 Pilot at Appalachian State University.
- 21           (3) One university program that focuses on providing fifth-year students an  
22 opportunity to earn a Masters of Arts in Teaching in a shortened time frame,  
23 such as the MAT Program at Meredith College.
- 24           (4) One university program that focuses on connecting community college  
25 students to university teacher preparation programs in connection with the  
26 Comprehensive Articulation Agreement and related 2+2 initiatives, such as  
27 the 2+2 Online Program in Agricultural Education at North Carolina  
28 Agricultural and Technical State University.
- 29           (5) The Regional Alternative Licensing Centers that are focused on improving  
30 the quality and effectiveness of the workforce to lateral entry process.
- 31           (6) One innovative statewide university program focused on improving the  
32 recruitment of educators, such as NC INSPIRE at the University of North  
33 Carolina at Charlotte.

34           Each evaluation shall be contingent upon the continued operation of each program  
35 being evaluated.

36           **SECTION 11.8.(c)** Over the course of the three-year evaluation described in  
37 subsection (b) of this section, the Friday Institute shall, at a minimum, measure the following  
38 outcomes at each of the selected programs:

- 39           (1) Number of applicants and participants and progress toward one hundred  
40 percent (100%) participant capacity.
- 41           (2) Applicant and participant diversity, including information about  
42 demographics and geographic location.
- 43           (3) Where applicable, indicators of participant quality, including participants'  
44 grade point averages and initial leadership qualities and the quality of  
45 participants' colleges and universities.
- 46           (4) Cost per program and per participant.
- 47           (5) Participant assessment of program quality, including information gathered  
48 from participants via surveys, focus groups, or interviews.
- 49           (6) Independent, rubric-based observer assessment of program quality.
- 50           (7) Program completion rates.
- 51           (8) Hiring locations for program completers.

- 1 (9) Changes in program participation rates and cohort size across time.
- 2 (10) Changes in applicant and participant diversity, including information about
- 3 demographics and geographic locations.
- 4 (11) Where applicable, changes in participant quality across time, including
- 5 changes in cohort grade point averages, the quality of participants' colleges
- 6 and universities, and direct and indirect measurements of leadership growth.
- 7 (12) Changes in costs across time, including the costs per program and the costs
- 8 per participant over time.

9 Where practical, the Friday Institute shall consult with the State Board of Education  
10 and the Board of Governors on the design and implementation of the evaluations.

11 **SECTION 11.8.(d)** Beginning December 1, 2016, and annually thereafter until  
12 submission of a final report on December 1, 2018, the Friday Institute shall report to the Joint  
13 Legislative Education Oversight Committee on the status of the evaluation process for each of  
14 the selected programs conducted pursuant to subsections (b) and (c) of this section, including  
15 any outcome data that can be reliably measured at the time of the report. If, upon the  
16 submission of the final report, the Friday Institute finds further outcomes could be determined,  
17 the Friday Institute may request a six-month, no-cost extension to submit a revised version of  
18 the final report.

19 **SECTION 11.8.(e)** The funds allocated pursuant to subsection (b) of this section  
20 for the 2015-2017 fiscal biennium shall not revert but shall remain available for expenditures  
21 pursuant to subsections (b), (c), and (d) of this section through the 2017-2018 fiscal year. Any  
22 unexpended, unencumbered balance of these funds shall revert at the end of the 2017-2018  
23 fiscal year.

## 24 25 **TRANSFORMING PRINCIPAL PREPARATION**

26 **SECTION 11.9.(a)** Purpose. – The purpose of this section is to establish a  
27 competitive grant program for eligible entities to elevate educators in North Carolina public  
28 schools by transforming the preparation of principals across the State. The State Education  
29 Assistance Authority (Authority) shall administer this grant program through a cooperative  
30 agreement with a private, nonprofit corporation to provide funds for the preparation and  
31 support of highly effective future school principals in North Carolina.

32 **SECTION 11.9.(b)** Definitions. – For the purposes of this section, the following  
33 definitions apply:

- 34 (1) Eligible entity. – A for-profit or nonprofit organization or an institution of  
35 higher education that has an evidence-based plan for preparing school  
36 leaders who implement school leadership practices linked to increased  
37 student achievement.
- 38 (2) High-need school. – A public school, including a charter school, that meets  
39 one or more of the following criteria:
  - 40 a. Is a school identified under Part A of Title I of the Elementary and  
41 Secondary Education Act of 1965, as amended.
  - 42 b. Is a persistently low-achieving school, as identified by the  
43 Department of Public Instruction for purposes of federal  
44 accountability.
  - 45 c. A middle school containing any of grades five through eight that  
46 feeds into a high school with less than a sixty percent (60%)  
47 four-year cohort graduation rate.
  - 48 d. A high school with less than a sixty percent (60%) four-year cohort  
49 graduation rate.

- 1 (3) Principal. – The highest administrative official in a public school building  
2 with primary responsibility for the instructional leadership, talent  
3 management, and organizational development of the school.
- 4 (4) School leader. – An individual employed in a school leadership role,  
5 including principal or assistant principal roles.
- 6 (5) Student achievement. – At the whole school level, after three years of  
7 leading a school, consistent and methodologically sound measures of:
  - 8 a. Student academic achievement.
  - 9 b. Aggregated individual student academic growth.
  - 10 c. Additional outcomes, such as high school graduation rates, the  
11 percentage of students taking advanced-level coursework, or the  
12 percentage of students who obtain a career-related credential through  
13 a national business certification exam.

14 **SECTION 11.9.(c)** Program Authorized. – The Authority shall award grants to  
15 eligible entities to support programs that develop well-prepared school leaders in accordance  
16 with the provisions of this section. The Authority shall establish any necessary rules to  
17 administer the grant program.

18 **SECTION 11.9.(d)** Contract With a Nonprofit for Administration. – By September  
19 1, 2015, the Authority shall issue a Request for Proposal (RFP) for a private, nonprofit  
20 corporation to contract with the Authority for the administration of the program, including  
21 making recommendations to the Authority for the award of grants, as authorized by this  
22 section. The nonprofit corporation applying to the Authority shall meet at least the following  
23 requirements:

- 24 (1) The nonprofit corporation shall be a nonprofit corporation organized  
25 pursuant to Chapter 55A of the General Statutes and shall comply at all  
26 times with the provisions of section 501(c)(3) of the Internal Revenue Code.
- 27 (2) The nonprofit corporation shall employ sufficient staff who have  
28 demonstrated a capacity for the development and implementation of grant  
29 selection criteria and a selection process to promote innovative school leader  
30 education programs, including:
  - 31 a. Focus on school leader talent.
  - 32 b. Expertise supporting judgments about grant renewal based on  
33 achievement of or substantial school leader progress toward  
34 measurable results in student achievement.
  - 35 c. Expectation of creating positive experiences working with the  
36 educational community in North Carolina to establish the foundation  
37 for successfully administering the programs set forth in this section.
- 38 (3) The nonprofit corporation shall comply with the limitations on lobbying set  
39 forth in section 501(c)(3) of the Internal Revenue Code.
- 40 (4) No State officer or employee may serve on the board of the nonprofit  
41 corporation.
- 42 (5) The board of the nonprofit corporation shall meet at least quarterly at the call  
43 of its chair.

44 **SECTION 11.9.(e)** Report on Selection of the Nonprofit. – The Authority shall  
45 select a nonprofit corporation to enter into a contract with to administer the program by January  
46 1, 2016. The Authority shall report to the Joint Legislative Education Oversight Committee on  
47 the selection of the nonprofit corporation by January 15, 2016.

48 **SECTION 11.9.(f)** Application Requirements. – The nonprofit corporation  
49 entering into a contract with the Authority under subsection (d) of this section shall issue an  
50 initial RFP with guidelines and criteria for the grants no later than March 1, 2016. An eligible  
51 entity that seeks a grant under the program authorized by this section shall submit to the

1 nonprofit corporation an application at such time, in such manner, and accompanied by such  
2 information as the nonprofit may require. An applicant shall include at least the following  
3 information in its response to the RFP for consideration by the nonprofit corporation:

- 4 (1) The extent to which the entity has a demonstrated record of preparing school  
5 leaders who implement school leadership practices linked to increased  
6 student achievement.
- 7 (2) The extent to which the entity has a rigorous school leader preparation  
8 program design that includes the following research-based programmatic  
9 elements:
  - 10 a. A proactive, aggressive, and intentional recruitment strategy.
  - 11 b. Rigorous selection criteria based on competencies that are predictive  
12 of success as a school leader, including, but not limited to, evidence  
13 of significant positive effect on student learning growth in the  
14 classroom, at the school-level, and the local school administrative  
15 unit-level, professional recommendations, evidence of problem  
16 solving and critical thinking skills, achievement drive, and leadership  
17 of adults.
  - 18 c. Alignment to high-quality national standards for school leadership  
19 development.
  - 20 d. Rigorous coursework that effectively links theory with practice  
21 through the use of field experiences and problem-based learning.
  - 22 e. Full-time clinical practice of at least five months in duration in an  
23 authentic setting, including substantial leadership responsibilities  
24 where candidates are evaluated on leadership skills and effect on  
25 student outcomes as part of program completion.
  - 26 f. Multiple opportunities for school leader candidates to be observed  
27 and coached by program faculty and staff.
  - 28 g. Clear expectations for and firm commitment from school leaders  
29 who will oversee the clinical practice of candidates.
  - 30 h. Evaluation of school leader candidates during and at the end of the  
31 clinical practice based on the North Carolina School Executive  
32 Evaluation Rubric.
  - 33 i. A process for continuous review and program improvement based on  
34 feedback from partnering local school administrative units and data  
35 from program completers, including student achievement data.
  - 36 j. Established relationship and feedback loop with affiliated local  
37 school administrative units that is used to inform and improve  
38 programmatic elements from year to year based on units' needs.

39 **SECTION 11.9.(g) Priorities.** – The nonprofit corporation shall evaluate the  
40 applicants for grants by giving priority to an eligible entity with a record of preparing principals  
41 demonstrating the following:

- 42 (1) Improvement in student achievement.
- 43 (2) Placement as school leaders in eligible schools.
- 44 (3) A proposed focus on and, if applicable, a record of serving high-need  
45 schools, high-need local school administrative units, or both.
- 46 (4) A detailed plan and commitment to share lessons learned and to improve the  
47 capacity of other entities in reaching similar outcomes.

48 **SECTION 11.9.(h) Uses of Funds.** – By June 1, 2016, the nonprofit corporation  
49 shall recommend to the Authority the recipients of grants under the program. Each eligible  
50 entity that receives grant funds shall use those funds to carry out the following:

- 1 (1) Recruiting and selecting, based on a rigorous evaluation of the competencies  
2 of the school leader candidates participating in the program and their  
3 potential and desire to become effective school leaders.
- 4 (2) Operating a school leader preparation program by doing the following:
  - 5 a. Utilizing a research-based content and curriculum, including  
6 embedded participant assessments to evaluate candidates before  
7 program completion, that prepares candidates to do the following:
    - 8 1. Provide instructional leadership, such as developing teachers'  
9 instructional practices and analyzing classroom and  
10 school-wide data to support teachers.
    - 11 2. Manage talent, such as developing a high-performing team.
    - 12 3. Build a positive school culture, such as building a strong  
13 school culture focused on high academic achievement for all  
14 students, including gifted and talented students, students with  
15 disabilities, and English learners, maintaining active  
16 engagement with family and community members, and  
17 ensuring student safety.
    - 18 4. Develop organizational practices, such as aligning staff,  
19 budget, and time to the instructional priorities of the school.
  - 20 b. Providing opportunities for sustained and high-quality job-embedded  
21 practice in an authentic setting where candidates are responsible for  
22 moving the practice and performance of a subset of teachers or for  
23 school-wide performance as principal-in-planning or interim school  
24 leaders.
- 25 (3) Collecting data on program implementation and program completer  
26 outcomes for continuous program improvement.

27 **SECTION 11.9.(i)** Duration of Grants. – The nonprofit corporation shall also  
28 recommend to the Authority the duration and renewal of grants to eligible entities according to  
29 the following:

- 30 (1) The duration of grants shall be as follows:
  - 31 a. Grants shall be no more than five years in duration.
  - 32 b. The nonprofit corporation may recommend renewal of a grant based  
33 on performance, including allowing the grantee to scale up or  
34 replicate the successful program as provided in subdivision (2) of this  
35 subsection.
- 36 (2) In evaluating performance for purposes of grant renewal and making  
37 recommendations to the Authority, the nonprofit corporation shall consider:
  - 38 a. For all grantees, the primary consideration in renewing grants shall  
39 be the extent to which program participants improved student  
40 achievement in eligible schools.
  - 41 b. Other criteria from data received in the annual report in subsection (j)  
42 of this section may include the following:
    - 43 1. The percentage of program completers who are placed as  
44 school leaders in this State within three years of receiving a  
45 grant.
    - 46 2. The percentage of program completers who are rated  
47 proficient or above on the North Carolina School Executive  
48 Evaluation Rubric.

49 **SECTION 11.9.(j)** Reporting Requirements for Grant Recipients. – Recipients of  
50 grants under the program shall submit an annual report to the nonprofit corporation contracting  
51 with the Authority, beginning in the third year of the grant, with any information requested by

1 the nonprofit corporation. Whenever practicable and within a reasonable amount of time, grant  
2 recipients shall also make all materials developed as part of the program and with grant funds  
3 publically available to contribute to the broader sharing of promising practices. Materials shall  
4 not include personally identifiable information regarding individuals involved or associated  
5 with the program, including, without limitation, applicants, participants, supervisors,  
6 evaluators, faculty, and staff, without their prior written consent. The nonprofit corporation  
7 shall work with recipients and local school administrative units, as needed, to enable the  
8 collection, analysis, and evaluation of at least the following relevant data, within necessary  
9 privacy constraints:

- 10 (1) Student achievement in eligible schools.
- 11 (2) The percentage of program completers who are placed as school leaders  
12 within three years in the State.
- 13 (3) The percentage of program completers rated proficient or above on school  
14 leader evaluation and support systems.

15 **SECTION 11.9.(k)** Licensure Process. – By June 1, 2016, the State Board of  
16 Education shall adopt a policy to provide for a specific licensure process applicable to school  
17 administrators who provide documentation to the State Board of successful completion of a  
18 principal preparation program selected for a competitive grant in accordance with this section.

19 **SECTION 11.9.(l)** Evaluation and Revision of Program. – The nonprofit  
20 corporation administering the program shall provide the State Board of Education with the data  
21 collected in accordance with subsection (j) of this section on an annual basis. By September 15,  
22 2021, the State Board of Education, in coordination with the Board of Governors of The  
23 University of North Carolina, shall revise, as necessary, the licensure requirements for school  
24 administrators and the standards for approval of school administrator preparation programs  
25 after evaluating the data collected from the grant recipients, including the criteria used in  
26 selecting grant recipients and the outcomes of program completers. The State Board of  
27 Education shall report to the Joint Legislative Education Oversight Committee by November  
28 15, 2021, on any changes made to the licensure requirements for school administrators and the  
29 standards for approval of school administrator preparation programs in accordance with this  
30 section.

31 **SECTION 11.9.(m)** Of the funds appropriated each fiscal year for this program,  
32 the sum of five hundred thousand dollars (\$500,000) shall be allocated to the State Education  
33 Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection  
34 (e) of this section to establish and administer the program. The State Education Assistance  
35 Authority may use up to five percent (5%) of those funds each fiscal year for administrative  
36 costs.

37 **SECTION 11.9.(n)** Beginning with the 2016-2017 fiscal year, of the funds  
38 appropriated for this program, the sum of nine million dollars (\$9,000,000) shall be allocated each  
39 fiscal year to the State Education Assistance Authority to award grants to selected recipients.

40 **SECTION 11.9.(o)** This section is effective when this act becomes law.

## 41 **TEACHER RECRUITMENT AND SCHOLARSHIPS**

42 **SECTION 11.10.(a)** Article 23 of Chapter 116 of the General Statutes is amended  
43 by adding a new Part to read:

44 "Part 3. North Carolina Competitive Teaching Scholarship Loan Program.

### 45 **§ 116-209.60. Definitions.**

46 The following definitions apply in this Part:

- 47 (1) Commission. – The North Carolina Competitive Teaching Scholarship Loan  
48 Commission.
  - 49 (2) Director. – The Director of the North Carolina Competitive Teaching  
50 Scholarship Loan Program.
- 51

1           (3)     Fund. – The North Carolina Competitive Teaching Scholarship Loan Fund.

2           (4)     Program. – The North Carolina Competitive Teaching Scholarship Loan  
3           Program.

4           (5)     Scholarship loan. – A forgivable scholarship loan made under the Program.

5     **"§ 116-209.61. North Carolina Competitive Teaching Scholarship Loan Commission**  
6     **established; membership.**

7           (a)     Commission Established. – There is established the North Carolina Competitive  
8     Teaching Scholarship Loan Commission. The Director of the North Carolina Competitive  
9     Teaching Scholarship Loan Program shall staff the Commission. The Authority shall be  
10    responsible for implementing scholarship loan agreements, monitoring, cancelling through  
11    service, collecting, and otherwise enforcing the agreements for the Program scholarship loans  
12    established in accordance with this Part.

13          (b)     Membership. – The Commission shall consist of 11 members appointed or shall  
14    serve ex officio as follows:

15           (1)     One dean of an approved school of education at a postsecondary constituent  
16           institution of The University of North Carolina, appointed by the President  
17           of The University of North Carolina.

18           (2)     One dean of an approved school of education at a private postsecondary  
19           institution operating in the State, appointed by the President of the North  
20           Carolina Independent Colleges and Universities, Inc.

21           (3)     The North Carolina Teacher of the Year, ex officio.

22           (4)     A teacher who graduated from an approved teacher preparation program  
23           located in the State within three years of appointment to serve on the  
24           Commission, appointed by the General Assembly upon the recommendation  
25           of the Speaker of the House of Representatives.

26           (5)     The North Carolina Principal of the Year, ex officio.

27           (6)     A principal, appointed by the General Assembly upon the recommendation  
28           of the President Pro Tempore of the Senate.

29           (7)     The North Carolina Superintendent of the Year, ex officio.

30           (8)     One member to represent business and industry appointed by the Governor.

31           (9)     One local school board member appointed by the chair of the State Board of  
32           Education.

33           (10)    The chairperson of the Board of the State Education Assistance Authority,  
34           ex officio.

35           (11)    The Director of the North Carolina Competitive Teaching Scholarship Loan  
36           Program, ex officio. The Director shall chair the Commission.

37          (c)     Terms of Office. – Appointments to the Commission shall be for two-year terms,  
38    expiring on July 1 in odd-numbered years. Members serving ex officio, other than the  
39    chairperson of the Board of the State Education Assistance Authority and Director of the North  
40    Carolina Competitive Teaching Scholarship Loan Program, who have otherwise completed  
41    their term of service, shall continue to serve on the Commission until July 1, annually.

42          (d)     Vacancies. – Except as otherwise provided, if a vacancy occurs in the membership,  
43    the appointing authority shall appoint another person to serve for the balance of the unexpired  
44    term.

45          (e)     Expenses. – Commission members shall receive per diem, subsistence, and travel  
46    allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.

47          (f)     Meetings. – The Commission shall meet regularly, at times and places deemed  
48    necessary by the chair.

49     **"§ 116-209.62. North Carolina Competitive Teaching Scholarship Loan Program**  
50     **established; administration.**

1       (a) Program. – There is established the North Carolina Competitive Teaching  
2 Scholarship Loan Program to be administered by the Authority in collaboration with the  
3 Commission. The purpose of the Program is to recruit, prepare, and support North Carolina  
4 residents for preparation as highly effective teachers serving in hard-to-staff licensure areas and  
5 hard-to-staff schools. The Program shall be used to provide a scholarship loan to individuals  
6 interested in preparing to teach in the public schools of the State in hard-to-staff licensure areas  
7 and hard-to-staff schools.

8       (b) Fund. – There is established the North Carolina Competitive Teaching Scholarship  
9 Loan Program Fund to be administered by the Authority. The purpose of the Fund is to provide  
10 financial assistance to qualified students for completion of teacher education and licensure  
11 programs to fill hard-to-staff licensure areas and hard-to-staff schools in the State. All funds  
12 appropriated to or otherwise received by the Authority to provide loans through the Program,  
13 all funds received as repayment of loans, and all interest earned on these funds shall be placed  
14 in the Fund. The Fund shall be used only for loans made pursuant to this section and for  
15 administrative costs of the Authority.

16       (c) Director. – The board of directors of the Authority shall appoint a Director of the  
17 Program. The Director shall chair and staff the Commission and shall be responsible for  
18 recruitment and coordination of the Program, including proactive, aggressive, and strategic  
19 recruitment of potential recipients, active engagement with educators, business leaders, experts  
20 in human resources, elected officials, and other community leaders throughout the State, and  
21 attracting candidates in hard-to-staff licensure areas. The Authority shall provide office space  
22 and clerical support staff for the Program.

23       (d) Student Selection Criteria. – The Commission shall determine selection criteria,  
24 methods of selection, and shall select recipients to receive scholarship loans. The Commission  
25 shall adopt stringent standards for awarding these scholarship loans based on multiple measures  
26 to ensure that only the strongest applicants receive them, including, but not limited to, the  
27 following:

28           (1) Grade point averages.

29           (2) Performance on relevant career and college readiness assessments.

30           (3) Experience, accomplishments, and other criteria demonstrating qualities  
31 positively correlated with highly effective teachers.

32           (4) Stated commitments to either serving in a hard-to-staff school or licensure in  
33 a hard-to-staff licensure area for a minimum of four years.

34       (e) Program Selection Criteria. – The Authority shall administer the program in  
35 cooperation with selected institutions of higher education with educator preparation programs  
36 selected by the Commission, including North Carolina community colleges, postsecondary  
37 constituent institutions of The University of North Carolina, and private postsecondary  
38 institutions operating in the State. The Commission shall adopt stringent standards for selection  
39 of only the most effective educator preparation programs, including, but not limited to, the  
40 following:

41           (1) Measures of program quality based on objective criteria developed by third  
42 parties.

43           (2) Measurable impact of prior graduates on student learning, including impact  
44 of graduates teaching in hard-to-staff schools and graduates teaching in  
45 hard-to-staff licensure areas.

46           (3) Demonstration of appropriate program accreditation and program approval  
47 by the State Board of Education.

48           (4) Measurable success of the program's clinical component based on student  
49 outcomes on a nationally normed and valid pedagogy assessment to  
50 determine clinical practice performance.

1        (f) Awards. – The Program shall provide scholarship loans to selected students to be  
2 used at selected institutions for completion of a program leading to teacher licensure as follows:

3        (1) North Carolina high school seniors. – Scholarship loans of up to eight  
4 thousand five hundred dollars (\$8,500) per year for up to four years.

5        (2) Community college students and private, nonprofit two-year college students  
6 applying for transfer to an educator preparation program at an institution of  
7 higher education. – Scholarship loans of up to eight thousand five hundred  
8 dollars (\$8,500) per year for up to two years.

9        (3) Individuals currently holding a bachelor's degree seeking preparation for  
10 teacher licensure. – Scholarship loans of up to eight thousand five hundred  
11 dollars (\$8,500) per year for up to two years.

12        Scholarship loans may be used for tuition, fees, and the cost of books.

13        (g) Identification of Hard-to-Staff Licensure Areas and Hard-to-Staff Schools. – The  
14 State Board of Education shall annually identify and provide to the Commission and the  
15 Authority a list of hard-to-staff areas of licensure and a list of hard-to-staff schools by local  
16 school administrative unit using, at a minimum, the following criteria to identify those lists:

17        (1) Hard-to-staff licensure areas. – The number of available positions in a  
18 licensure area relative to the number of current and anticipated teachers in  
19 that area of licensure.

20        (2) Hard-to-staff school. – Annual teacher turnover rates, number and  
21 percentage of teaching positions unfilled for more than half of the school  
22 year, number and percentage of teachers with entry professional educator  
23 licenses intended for teachers with two or less years of teaching experience,  
24 percentage of students at school failing to meet expected growth, percentage  
25 of students at school scoring below grade level on standardized assessments,  
26 and school performance grade on the annual school report card.

27        The Commission shall make the list readily available to applicants. A student awarded a  
28 scholarship loan who enrolls in a program leading to a hard-to-staff licensure area shall  
29 continue to receive the scholarship and be permitted to fulfill the requirements of the  
30 scholarship loan even if that licensure area does not remain on the list following the student's  
31 year of enrollment. A student awarded a scholarship loan who, upon graduation, is employed  
32 by a local board of education to teach in a hard-to-staff school shall be permitted to fulfill the  
33 requirements of the scholarship loan even if that school does not remain on the list following  
34 the student's year of initial employment.

35        (h) Upon the naming of recipients of the scholarship loans by the Commission, the  
36 Commission shall transfer to the Authority its decisions. The Authority, in coordination with  
37 the Director, shall perform all of the administrative functions necessary to implement this Part,  
38 which functions shall include rule making, dissemination of information, disbursement, receipt,  
39 liaison with participating educational institutions, determination of the acceptability of service  
40 repayment agreements, and all other functions necessary for the execution, payment, and  
41 enforcement of promissory notes required under this Part.

42        (i) Annual Report. – The Commission, in coordination with the Authority, shall report  
43 no later than January 1, 2017, and annually thereafter, to the Joint Legislative Education  
44 Oversight Committee regarding the following:

45        (1) Loans awarded from the Fund, including the following:

46        a. Demographic information regarding recipients.

47        b. Number of recipients by institution of higher education and program.

48        c. Information on number of recipients by anticipated program  
49 licensure area.

50        (2) Placement and repayment rates, including the following:

- 1                   a.     Number of graduates who have been employed in a hard-to-staff  
2                   school and number of graduates who have been employed in a  
3                   hard-to-staff area within two years of program completion.  
4                   b.     Number of graduates who have begun loan repayment, including  
5                   years of service, if any, prior to beginning loan repayment, including  
6                   information as to whether the person was designated as hard-to-staff  
7                   area or hard-to-staff subject loan.  
8                   c.     Number of graduates who have fulfilled service requirements  
9                   through employment in a hard-to-staff school and number of  
10                  graduates who have fulfilled service requirements through  
11                  employment in a hard-to-staff area.  
12                  d.     Number of graduates employed in a hard-to-staff school or  
13                  hard-to-staff area who have received an overall rating of at least  
14                  accomplished and of meeting expected growth on applicable  
15                  standards of the teacher evaluation instrument.  
16                  e.     Aggregate information on student growth and proficiency in courses  
17                  taught by graduates who have fulfilled service requirements through  
18                  employment in a hard-to-staff school and in a hard-to-staff area.  
19                  (3)    Selected school outcomes, by program, including the following:  
20                   a.     Turnover rate for scholarship loan graduates.  
21                   b.     Aggregate information on student growth and proficiency in courses  
22                   taught by scholarship loan graduates.  
23                   c.     Fulfillment rate of scholarship loan graduates.

24    **"§ 116-209.63. Terms of loans; receipt and disbursement of funds.**

25           (a)    Notes. – All scholarship loans shall be evidenced by notes made payable to the  
26           Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the  
27           Authority and beginning 90 days after completion of the program leading to teacher licensure,  
28           or 90 days after termination of the scholarship loan, whichever is earlier. The scholarship loan  
29           may be terminated upon the recipient's withdrawal from school or by the recipient's failure to  
30           meet the standards set by the Commission.

31           (b)    Forgiveness. – The Authority shall forgive the loan and any interest accrued on the  
32           loan if, within seven years after graduation from a program leading to teacher licensure,  
33           exclusive of any authorized deferment for extenuating circumstances, the recipient serves for  
34           four years as a teacher at a North Carolina public school identified as hard to staff or at a North  
35           Carolina public school in an identified hard-to-staff area of licensure, as provided in  
36           G.S. 116-209.61(d). The Authority shall also forgive the loan if it finds that it is impossible for  
37           the recipient to work for four years, within seven years after completion of the program leading  
38           to teacher licensure at a North Carolina public school because of the death or permanent  
39           disability of the recipient. If the recipient repays the scholarship loan by cash payments, all  
40           indebtedness shall be repaid within eight years after completion of the program leading to  
41           teacher licensure supported by the scholarship loan. If the recipient completes a program  
42           leading to teacher licensure, payment of principal and interest shall begin no later than 27  
43           months after the completion of the program. Should a recipient present extenuating  
44           circumstances, the Authority may extend the period to repay the loan in cash to no more than a  
45           total of 12 years.

46           (c)    Purposes of Fund. – All funds appropriated to, or otherwise received by, the  
47           Program for scholarships, all funds received as repayment of scholarship loans, and all interest  
48           earned on these funds shall be placed in the Fund. The Fund may be used only for scholarship  
49           loans granted under the Program and administrative costs associated with the Program,  
50           including recruitment and recovery of funds advanced under the Program. The Authority may  
51           use up to two hundred thousand dollars (\$200,000) from the Fund in each fiscal year for its

1 administrative costs, the salary of the Director of the Program, and expenses of the  
2 Commission."

3 **SECTION 11.10.(b)** Notwithstanding the requirements established in  
4 G.S. 116-209.61, as enacted by this section, initial appointments to the Commission shall be  
5 made no later than August 15, 2015. Initial appointment to the Commission shall expire July 1,  
6 2017.

7 **SECTION 11.10.(c)** The Commission shall establish initial selection criteria for  
8 recipients and institutions of higher education no later than November 15, 2015, and shall make  
9 available applications to prospective students no later than December 31, 2015.

10 **SECTION 11.10.(d)** The State Board of Education shall establish criteria and  
11 identify hard-to-staff areas of licensure and hard-to-staff schools by local school administrative  
12 unit and provide that information to the Commission and Authority no later than November 1,  
13 2015.

14 **SECTION 11.10.(e)** The Commission shall select recipients and award the initial  
15 scholarship loans for the 2016-2017 school year no later than April 1, 2016.

## 16 17 **SPECIAL EDUCATION SCHOLARSHIP CHANGES AND REEVALUATION FUNDS**

18 **SECTION 11.11.(a)** G.S. 115C-112.6 reads as rewritten:

### 19 **"§ 115C-112.6. Scholarships.**

20 (a) **Scholarship Applications.** – The Authority shall make available no later than May 1  
21 annually applications to eligible students for the award of scholarships. Information about  
22 scholarships and the application process shall be made available on the Authority's Web site.  
23 The Authority shall give priority in awarding scholarships to eligible students who received a  
24 scholarship during the previous semester. Except as otherwise provided by the Authority for  
25 prior scholarship recipients, scholarships shall be awarded to eligible students in the order in  
26 which the applications are received.

27 (a1) **Web Site Availability.** – Information about scholarships and the application process  
28 shall be made available on the Authority's Web site. The Authority shall also include  
29 information on the Web site notifying parents that federal regulations adopted under IDEA  
30 provide that no parentally placed private school child with a disability has an individual right to  
31 receive some or all of the special education and related services that the child would receive if  
32 enrolled in a public school.

33 (b) **Scholarship Awards.** – Scholarships awarded to eligible students shall be for  
34 amounts of not more than ~~three~~four thousand dollars ~~(\$3,000)~~(\$4,000) per semester per eligible  
35 student. Eligible students awarded scholarships may not be enrolled in a public school to which  
36 that student has been assigned as provided in G.S. 115C-366. Scholarships shall be awarded  
37 only for tuition and for the reimbursement of tuition, special education, related services, and  
38 educational technology, as provided in subsection (b1) of this section. The Authority shall  
39 notify parents in writing of their eligibility to receive scholarships for costs that will be incurred  
40 during the spring semester of the following year by December 1 and for costs incurred during  
41 the fall semester of that year by July 1.

42 (b1) Disbursement of Scholarship Funds. – The Authority shall disburse scholarship  
43 funds for tuition and for the reimbursement of costs incurred by the parent of an eligible student  
44 as follows:

45 (1) Scholarship endorsement for tuition. – The Authority shall remit, at least two  
46 times each school year, scholarship funds awarded to eligible students for  
47 endorsement by at least one of the student's parents or guardians for tuition  
48 to attend (i) a North Carolina public school other than the public school to  
49 which that student has been assigned as provided in G.S. 115C-366 or (ii) a  
50 nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39  
51 of this Chapter as identified by the Department of Administration, Division

1 of Nonpublic Education. Scholarship funds shall not be provided for tuition  
2 for home schooled students. If the student is attending a nonpublic school,  
3 the school must be deemed eligible by the Division of Nonpublic Education,  
4 pursuant to G.S. 115C-562.4, and the school shall be subject to the  
5 requirements of G.S. 115C-562.5. The parent or guardian shall restrictively  
6 endorse the scholarship funds awarded to the eligible student to the school  
7 for deposit into the account of the school. The parent or guardian shall not  
8 designate any entity or individual associated with the school as the parent's  
9 attorney-in-fact to endorse the scholarship funds but shall endorse the  
10 scholarship funds in person at the site of the school. A parent's or guardian's  
11 failure to comply with this section shall result in forfeiture of the scholarship  
12 funds. A scholarship forfeited for failure to comply with this section shall be  
13 returned to the Authority to be awarded to another student.

14 (2) Scholarship Reimbursements. — ~~reimbursements for costs.~~ — Scholarship  
15 reimbursement for costs incurred shall be provided as follows:

16 ~~(1)~~a. Preapproval process. — Prior to the start of each school semester, the  
17 parent of an eligible student may submit documentation of the  
18 ~~tuition,~~ special education, related services, or educational technology  
19 the parent anticipates incurring costs on in that semester for  
20 preapproval by the Authority.

21 ~~(2)~~b. Reimbursement submissions. — Following the conclusion of each  
22 school semester, the parent of an eligible student shall submit to the  
23 Authority any receipts or other documentation approved by the  
24 Authority to demonstrate the costs incurred during the semester. In  
25 addition, parents shall provide documentation of the following to  
26 seek reimbursement:

27 a. ~~Tuition reimbursement.~~ — ~~Parents may only receive~~  
28 ~~reimbursement for tuition if the parent provides~~  
29 ~~documentation that the student was enrolled in nonpublic~~  
30 ~~school or public school for which payment of tuition is~~  
31 ~~required for no less than 75 days of the semester for which~~  
32 ~~the parent seeks reimbursement. Tuition reimbursement shall~~  
33 ~~not be provided for home schooled students.~~

34 ~~b.1.~~ Special education reimbursement. — Parents may only receive  
35 reimbursement for special education if the parent provides  
36 documentation that the student received special education for  
37 no less than 75 days of the semester for which the parent  
38 seeks reimbursement. Special education reimbursement shall  
39 not be provided for special education instruction provided to  
40 a home schooled student by a member of the household of a  
41 home school, as defined in G.S. 115C-563(a).

42 ~~e.2.~~ Related services reimbursement. — Parents may only receive  
43 reimbursement for related services if the parent provides  
44 documentation that the student also received special  
45 education for no less than 75 days of the semester for which  
46 the parent seeks reimbursement for the related services.  
47 Related services reimbursement shall not be provided for  
48 related services provided to a home schooled student by a  
49 member of the household of a home school, as defined in  
50 G.S. 115C-563(a).

1                   ~~d.3.~~ Educational technology reimbursement. – Parents may only  
2 receive reimbursement for educational technology if the  
3 parent provides documentation that the student used the  
4 educational technology for no less than 75 days of the  
5 semester for which the parent seeks reimbursement.

6                   (3)c. Scholarship award. – The Authority shall award a scholarship in the  
7 amount of costs demonstrated by the parent up to the maximum  
8 amount. If the costs incurred by the parent do not meet the maximum  
9 amount, the Authority shall use the remainder of those funds for the  
10 award of scholarships to eligible students for the following semester.  
11 The Authority shall award scholarships to the parents of eligible  
12 students at least semiannually.

13           (c) Student Reevaluation. – After an eligible student's initial receipt of a scholarship,  
14 the Authority shall ensure that the student is reevaluated at least every three years by the local  
15 educational agency in order to verify that the student continues to be a child with a disability.

16           (d) Rule Making. – The Authority shall establish rules and regulations for the  
17 administration and awarding of scholarships. The Authority shall adopt rules providing for pro  
18 rata return of funds if a student withdraws prior to the end of the semester from a school to  
19 which scholarship funds have been remitted. The Authority shall annually develop a list of  
20 educational technology for which scholarships may be used and shall provide scholarship  
21 recipients with information about the list.

22           (e) Public Records Exception. – Scholarship applications and personally identifiable  
23 information related to eligible students receiving scholarships shall not be a public record under  
24 Chapter 132 of the General Statutes. For the purposes of this section, personally identifiable  
25 information means any information directly related to a student or members of a student's  
26 household, including the name, birthdate, address, Social Security number, telephone number,  
27 e-mail address, financial information, or any other information or identification number that  
28 would provide information about a specific student or members of a specific student's  
29 household."

30           **SECTION 11.11.(b)** G.S. 115C-112.9 reads as rewritten:

31 **"§ 115C-112.9. Duties of State Board of Education agencies.**

32           (a) The State Board, as part of its duty to monitor all local educational agencies to  
33 determine compliance with this Article and IDEA as provided in G.S. 115C-107.4, shall ensure  
34 that local educational agencies do the following:

- 35                   (1) Conduct evaluations requested by a child's parent or guardian of suspected  
36 children with disabilities, as defined in G.S. 115C-107.3, in a timely manner  
37 as required by IDEA.  
38                   (2) Provide reevaluations to identified children with disabilities receiving  
39 scholarships as provided in Part 1H of this Article at the request of the parent  
40 or guardian to ensure compliance with G.S. 115C-112.6(c).

41           (b) The Authority shall analyze, in conjunction with the Department of Public  
42 Instruction, past trends in scholarship data on an annual basis to ensure that the amount of  
43 funds transferred each fiscal year by the Authority to the Department for reevaluations by local  
44 school administrative units of eligible students under G.S. 115C-112.6(c) are sufficient and  
45 based on actual annual cost requirements."

46           **SECTION 11.11.(c)** The Authority shall adopt rules within 60 days of the date this  
47 act becomes law providing for pro rata return of funds if a student withdraws prior to the end of  
48 the semester from a school to which scholarship funds have been remitted.

49           **SECTION 11.11.(d)** This section applies to scholarships awarded for the  
50 2015-2016 school year and each subsequent school year.

51

1 **INTERNSHIPS AND CAREER-BASED OPPORTUNITIES FOR STUDENTS**  
2 **ATTENDING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES**  
3 **(HBCU)**

4 **SECTION 11.12.(a)** The internship program created pursuant to S.L. 2014-100 to  
5 provide internships and career-based opportunities for students attending Historically Black  
6 Colleges and Universities may be offered to four or more HBCUs in the discretion of the Board  
7 of Governors of The University of North Carolina. Further, there is no requirement that  
8 Elizabeth City State University be a permanent participant in the internship program. The  
9 internship program shall be administered as provided by subsection (b) of this section.

10 **SECTION 11.12.(b)** The Board of Governors shall conduct a competitive process  
11 to select institutions of higher education that are Historically Black Colleges and Universities to  
12 participate in the internship program which links 60 students attending Historically Black  
13 Colleges and Universities with North Carolina-based companies. The Board of Governors shall  
14 determine the number of institutions that may participate in the program; however, at least two  
15 of the institutions shall be private institutions. Funds appropriated by this act for this internship  
16 program shall be allocated only to constituent institutions of The University of North Carolina  
17 that are designated as an HBCU and private colleges and universities located in North Carolina  
18 that are designated as an HBCU.

19 **SECTION 11.12.(c)** Of the funds appropriated by this act for the support of the  
20 internship program, The University of North Carolina may use up to five percent (5%) for costs  
21 associated with administering this program.

22 **SECTION 11.12.(d)** This section applies to the 2015-2016 fiscal year and each  
23 subsequent fiscal year.

24  
25 **ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS**  
26 **REPORT**

27 **SECTION 11.13.** No later than October 1, 2015, and quarterly thereafter, the  
28 president of The University of North Carolina shall report to the Office of State Budget and  
29 Management and the Fiscal Research Division of the General Assembly on the status of budget  
30 stabilization funds appropriated to Elizabeth City State University by this act for the purpose of  
31 enhancing technology related to enrollment and recruitment of students, campus access and  
32 safety, and human resources management. The reports shall provide detailed descriptions of the  
33 scope of work that has been completed to date, anticipated activities for the next quarter, and a  
34 plan with time line to complete the full scope of work. The reports shall also include evidence  
35 of improved services and outcomes achieved from improvements implemented using these  
36 funds.

37  
38 **UNC ENROLLMENT GROWTH REPORT**

39 **SECTION 11.14.** G.S. 116-30.7 reads as rewritten:

40 "**§ 116-30.7. Biennial projection of enrollment growth for The University of North**  
41 **Carolina.**

42 By ~~October~~ December 15 of each even-numbered year, the General Administration of The  
43 University of North Carolina shall provide to the Joint Education Legislative Oversight  
44 Committee and to the Office of State Budget and Management a projection of the total student  
45 enrollment in The University of North Carolina that is anticipated for the next biennium. The  
46 enrollment projection shall be divided into the following categories and shall include the  
47 projected growth for each year of the biennium in each category at each of the constituent  
48 institutions: undergraduate students, graduate students (students earning master's and doctoral  
49 degrees), first professional students, and any other categories deemed appropriate by General  
50 Administration. The projection shall also distinguish between on-campus and distance  
51 education students. The projections shall be considered by the Director of the Budget when

1 determining the amount the Director proposes to appropriate to The University of North  
2 Carolina in the Recommended State Budget submitted pursuant to G.S. 143C-3-5(b)."

3  
4 **NEED-BASED SCHOLARSHIPS FOR STUDENTS ATTENDING ONLINE PRIVATE**  
5 **SCHOOLS OF HIGHER EDUCATION**

6 **SECTION 11.15.(a)** G.S. 116-280(3) reads as rewritten:

7 **"§ 116-280. Definitions.**

8 The following definitions apply to this Article:

9 ...

10 (3) Eligible private postsecondary institution. – A school that is any of the  
11 following:

12 a. A nonprofit postsecondary educational institution with a main  
13 permanent campus located in this State that is not owned or operated  
14 by the State of North Carolina or by an agency or political  
15 subdivision of the State or by any combination thereof that satisfies  
16 all of the following:

17 1. Is accredited by the Southern Association of Colleges and  
18 Schools under the standards of the College Delegate  
19 Assembly of the Association or by the New England  
20 Association of Schools and Colleges through its Commission  
21 on Institutions of Higher Education.

22 2. Awards a postsecondary degree as defined in G.S. 116-15.

23 b. A postsecondary institution owned or operated by a hospital  
24 authority as defined in G.S. 131E-16(14) or school of nursing  
25 affiliated with a nonprofit postsecondary educational institution as  
26 defined in sub-subdivision a. of this subsection.

27 c. A nonprofit postsecondary online educational institution that is not  
28 owned or operated by the State of North Carolina or by an agency or  
29 political subdivision of the State or by any combination thereof that  
30 satisfies all of the following:

31 1. Is accredited by the Northwest Commission on Colleges and  
32 Universities through its Commission on Institutions of Higher  
33 Education.

34 2. Awards a postsecondary degree as defined in G.S. 116-15.

35 3. Satisfies the competencies for online educational institutions  
36 established by executive order of the Governor."

37 **SECTION 11.15.(b)** G.S. 116-282 reads as rewritten:

38 **"§ 116-282. Scholarship amounts; amounts dependent on availability of funds.**

39 (a) Subject to the sum appropriated by the General Assembly for an academic year to  
40 be awarded as scholarships under this Article, a scholarship awarded under this Article to a  
41 student at an eligible private postsecondary institution shall be determined annually by the  
42 Authority based upon the enrollment ~~status~~-status, mode of course delivery for an instructional  
43 program, and expected family contribution of the student, consistent with the methodology for  
44 the federal Title IV programs.

45 (b) The Authority shall have the power to determine the actual scholarship amounts  
46 disbursed to students in any given year based on the sum appropriated for purposes of this  
47 Article by the General Assembly for that academic year and any unexpended funds that may be  
48 available pursuant to G.S. 116-283.

49 (b1) No scholarship awarded under this Article to a student at an eligible postsecondary  
50 online educational institution, when combined with federal Title IV program grant funds, shall  
51 be equal to or greater than the amount of the tuition for that academic year.

1 (c) The minimum award of a scholarship under this Article shall be five hundred dollars  
2 (\$500.00)."

3 **SECTION 11.15.(c)** G.S. 147-12(a) is amended by adding a new subdivision to  
4 read:

5 "(15) To establish competencies and any other standards necessary to ensure that  
6 all instructional programs conducted by nonprofit postsecondary online  
7 educational institutions shall be of high quality and relevant to student  
8 needs."

## 10 **EARLY COLLEGE GRADUATES/UNC ADMISSION POLICY**

11 **SECTION 11.16.(a)** The Board of Governors of The University of North Carolina  
12 shall adopt a policy to require each constituent institution to offer to any student who graduated  
13 from a cooperative innovative high school program with an associate degree and who applies  
14 for admission to the constituent institution the option of being considered for admission as a  
15 freshman or as a transfer student. The constituent institution shall also provide written  
16 information to the student regarding the consequences that accompany each option and any  
17 other relevant information that may be helpful to the student when considering which option to  
18 select.

19 **SECTION 11.16.(b)** Beginning November 1, 2016, the Board of Governors shall  
20 report annually to the Joint Legislative Education Oversight Committee regarding the number  
21 of students who graduated from a cooperative innovative high school program with an  
22 associate degree and which option was chosen by those students when applying for admission  
23 to a constituent institution.

24 **SECTION 11.16.(c)** This section applies to the 2016-2017 academic year and each  
25 subsequent academic year.

## 27 **ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER** 28 **BONUSES FOR THE NCSSM AND NC SCHOOL OF THE ARTS HIGH SCHOOL**

29 **SECTION 11.17.(a)** Article 29 of Chapter 116 of the General Statutes is amended  
30 by adding a new section to read:

### 31 **§ 116-235.5. Advanced courses.**

32 (a) Students enrolled in the North Carolina School of Science and Mathematics or in  
33 high school courses at the North Carolina School of the Arts shall have access to and shall be  
34 encouraged to enroll in and successfully complete more rigorous advanced courses to enable  
35 success in postsecondary education. For the purposes of this section, an advanced course is an  
36 Advanced Placement or International Baccalaureate Diploma Programme course.

37 (b) To attain this goal, to the extent funds are made available for this purpose, the  
38 following shall be provided:

39 (1) Students shall be exempt from paying any fees for administration of  
40 examinations for advanced courses and registration fees for advanced  
41 courses in which the student is enrolled regardless of the score the student  
42 achieves on an examination.

43 (2) Bonuses shall be awarded to teachers of advanced courses according to the  
44 following:

45 a. A bonus in the amount of fifty dollars (\$50.00) for each student  
46 taught by an advanced course teacher in each advanced course who  
47 receives the following score:

48 1. For Advanced Placement courses, a score of three or higher  
49 on the College Board Advanced Placement Examination.



- 1 (1) Assess gaps and system needs to support transitions of people with  
2 disabilities to adulthood.
- 3 (2) Develop a program and fiscal policies to expand and sustain postsecondary  
4 education and employment opportunities for people with disabilities.
- 5 (3) Plan and implement approaches to public awareness about postsecondary  
6 education and employment for people with disabilities.
- 7 (4) Plan and implement joint policies and common data indicators for tracking  
8 the outcomes of people with disabilities after leaving high school.
- 9 (5) Consider options for technology to link agency databases.

10 The Division of Mental Health, Developmental Disabilities, and Substance Abuse  
11 Services shall report to the Joint Legislative Education Oversight Committee and the Joint  
12 Legislative Oversight Committee on Health and Human Services by November 15, 2015, and  
13 annually thereafter through November 15, 2017, on the implementation of this section.

14 **SECTION 11.19.(b)** The State Education Assistance Authority shall study  
15 strategies for ensuring that the State system of financial assistance for postsecondary education  
16 is fully available to assist qualified students with disabilities who are enrolled in  
17 certificate-based, approved university programs developed for them. The Authority shall report  
18 to the Joint Legislative Education Oversight Committee and the Joint Legislative Oversight  
19 Committee on Health and Human Services by March 15, 2016, on the results of this study.

## 20 **PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

### 21 **SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT**

#### 22 **TRANSITION TO PERFORMANCE-BASED MANAGED CARE, CARE** 23 **MANAGEMENT, HEALTH SERVICES, AND HEALTH-RELATED SERVICES** 24 **CONTRACTS**

25 **SECTION 12A.1.(a)** The Department of Health and Human Services shall ensure  
26 that any contract related to managed care, care management, health services, or health-related  
27 services entered into or renewed by the Department, including any of its divisions, on or after  
28 the effective date of this section, contains all of the following clauses:

- 29 (1) A clause that clearly defines (i) objective, measurable outcomes and  
30 improvements in health status to be achieved at concrete milestones defined  
31 by the Department during the contract period and (ii) health outcomes  
32 measures to be maintained by the contractor during the contract period.
- 33 (2) A retainage clause specifying that, during the first year of the contract, five  
34 percent (5%) of the total amount of payment due from the Department will  
35 be withheld pending satisfactory achievement of the objective, measurable  
36 outcomes and improvements in health status specified in the contract. For  
37 each subsequent year of the contract, this percentage shall increase up to a  
38 maximum of ten percent (10%) by the third year of the contract.
- 39 (3) A clause specifying eligibility for, and the amount of, any bonuses to be paid  
40 to the contractor for exceeding specific health outcomes and improvements  
41 identified by the Department. In the event no bonuses are available for  
42 exceeding specific health outcomes and improvements, the Department shall  
43 ensure that this clause explicitly states the unavailability of such bonuses.
- 44 (4) A termination clause that allows the Department to terminate the contract  
45 without cause upon 30 days' notice.

46 **SECTION 12A.1.(b)** Provider participation agreements are not considered  
47 contracts related to the provision of health services for the purposes of this section.  
48  
49  
50  
51

1 **FUNDING FOR PROGRAMS TO IMPROVE CHILDREN'S HEALTH/ESTABLISH**  
2 **COMPETITIVE GRANTS PROCESS**

3 **SECTION 12A.2.(a)** Findings. – The General Assembly finds that America spends  
4 twice as much on health care as any other nation, yet Americans are not the healthiest people in  
5 the world. Research indicates that spending on health care to treat people may actually come at  
6 the expense of investing in public health programs meant to keep people from getting sick in  
7 the first place. The General Assembly further finds that infant mortality rates are an indicator of  
8 a state's overall health status. North Carolina currently ranks 40th in the nation on infant  
9 mortality. Implementing statewide policies to invest in evidence-based programs that are  
10 scientifically proven to lower infant mortality rates, and improve birth outcomes and the health  
11 of children ages birth to five, will assure that future rankings for North Carolina are among the  
12 best in the nation.

13 **SECTION 12A.2.(b)** Designation of Lead Agency. – The Secretary of the North  
14 Carolina Department of Health and Human Services (Secretary) shall designate a lead agency  
15 that is responsible for doing all of the following:

- 16 (1) Assuming responsibility for controlling all funding and contracts designed to  
17 (i) improve North Carolina's birth outcomes, (ii) improve the overall health  
18 status of children in this State from ages birth to five, and (iii) lower this  
19 State's infant mortality rates.
- 20 (2) Working in consultation with the University of North Carolina Gillings  
21 School of Global Public Health to develop a statewide, comprehensive plan  
22 to accomplish the goals described in subdivision (1) of this subsection.
- 23 (3) Conducting a justification review of all programs and activities funded with  
24 State appropriations described under subsection (c) of this section.

25 **SECTION 12A.2.(c)** Nonrecurring Allocations. – For fiscal year 2015-2016 only,  
26 the Department of Health and Human Services shall allocate the following designated amounts  
27 for the following programs on a nonrecurring basis:

28 (1) Maternal and Child Health Contracts	\$ 2,847,094 NR
29 (2) Healthy Beginnings	170,779 NR
30 (3) Pregnancy Care Case Management	300,901 NR
31 (4) Maternal, Infant, and Early Childhood Home Visiting	425,643 NR
32 (5) Triple P-Positive Parenting Program	828,233 NR
33 (6) NC Perinatal and Maternal Substance Abuse Initiative	2,729,316 NR
34 (7) Perinatal Substance Abuse Specialist	45,000 NR
35 (8) Residential Maternity Homes	375,000 NR

36 **SECTION 12A.2.(d)** Statewide Proposal and Justification Review. – By March 1,  
37 2016, the Secretary shall submit the statewide proposal developed pursuant to subsection (b) of  
38 this section to the Joint Legislative Oversight Committee on Health and Human Services and  
39 the Fiscal Research Division for consideration during the 2016 Regular Session of the 2015  
40 General Assembly. The statewide proposal shall include at least all of the following:

- 41 (1) Details of the statewide plan and identification of the lead agency  
42 responsible for assuring the success of the plan.
- 43 (2) Justification for continuing, reducing, or eliminating funding for the  
44 programs and activities that receive nonrecurring allocations for the  
45 2015-2016 fiscal year.
- 46 (3) Recommendations for reallocation of funding from programs and activities  
47 that are not evidence-based and that are not producing positive returns on  
48 investment consistent with the goals described in subdivision (1) of  
49 subsection (b) of this section.
- 50 (4) Recommendations for investments in new initiatives that accomplish the  
51 goals described in subdivision (1) of subsection (b) of this section.



1       (a)     The Secretary of Health and Human Services shall appoint a Director of OPERA,  
2 who shall perform the duties of the position independently. The Director shall report directly to  
3 the Secretary and shall not report to any other deputy, division director, or staff member of the  
4 Department.

5       (b)     The Director must have a minimum of 10 years of experience in program evaluation  
6 equivalent to the duties of the office, including at least three years of experience at the  
7 management level.

8       (c)     The Director may only be removed by the Governor effective 30 days after written  
9 notification by the Secretary of Health and Human Services to the Speaker of the House of  
10 Representatives, the President Pro Tempore of the Senate, the State Auditor, and the Director  
11 of the Fiscal Research Division of the Legislative Services Office. The notification must  
12 itemize the causes and particulars justifying the Director's removal.

13 **"§ 143B-216.54. Duties of the Office of Program Evaluation Reporting and**  
14 **Accountability.**

15     The Office of Program Evaluation Reporting and Accountability has the following duties:

16       (1)     To assess the evidentiary basis of all Department programs as recommended  
17 by Evidence-Based Policymaking: A Guide for Effective Government, a  
18 project of the Results First Initiative of the Pew Charitable Trusts and the  
19 John D. and Katherine T. MacArthur Foundation.

20       (2)     To identify and evaluate any Department program when directed by the  
21 General Assembly, the Secretary, or as deemed necessary by the Director.

22       (3)     To develop an Internet Web site containing an inventory of departmental  
23 programs consisting of the program name and a link to a program profile.  
24 For each program, the profile must contain, at a minimum, all of the  
25 following:

26           a.     Legal authority for the program.

27           b.     Program performance for the past five fiscal years and year to date  
28 for the current fiscal year.

29               1.     Outcome. – The verifiable quantitative effects or results  
30 attributable to the program compared to a performance  
31 standard.

32               2.     Output. – The verifiable number of units of services or  
33 activities compared to a standard.

34               3.     Efficiency. – The verifiable total direct and indirect cost per  
35 output and per outcome compared to a standard.

36               4.     Performance standard. – A quantitative indicator based upon  
37 best practices, generally recognized standards, or  
38 comparisons with relevant programs in other states or regions  
39 for gauging achievement of efficiency, output, and outcomes.

40               5.     Benchmarks. – A broad societal indicator used for gauging  
41 ultimate outcomes of the program, such as U.S. Census data.

42           c.     Funding by source for the current and previous five fiscal years.

43           d.     Listing of filled and vacant employee positions as specified by the  
44 Office of State Budget and Management.

45           e.     Listing of contracts during the previous fiscal year and of the current  
46 fiscal year to date with individuals and firms and the actual and  
47 authorized cost, funding source, and purposes of those contracts.

48           f.     Categorization by evidence of effectiveness as determined by the  
49 Office.

50           g.     Potential return on investment of each program.

- 1                    h. Findings and recommendations from internal and external State or  
2                    federal audits, Office program assessments, and program evaluations.  
3            (4)    To assure that the Office Internet Web site allows users to list all of the  
4                    following:  
5                    a. Programs that exceeded, met, or did not meet performance standards  
6                    for efficiency, outputs, and outcomes for the immediate preceding  
7                    fiscal year.  
8                    b. Programs by category of evidence of effectiveness.  
9                    c. Programs by potential return on investment.  
10                   d. Programs listed in a manner determined useful by the Office.  
11            (5)    To cooperate with and respond promptly to requests for program-level data  
12                   and information from the Office of State Budget and Management, the Fiscal  
13                   Research and Program Evaluation Divisions of the Legislative Services  
14                   Office, and the State Auditor.

15    **"§ 143B-216.55. Powers of the Office of Program Evaluation Reporting and**  
16                   **Accountability.**

17            The Office of Program Evaluation Reporting and Accountability is authorized to do all of  
18            the following:

- 19                   (1)    Have unfettered access to any data or record maintained by the Department  
20                   and to assure its confidentiality when required by State or federal law.  
21                   (2)    Interview any Department employee or independent contractor without  
22                   others present.  
23                   (3)    Conduct announced or unannounced inspections of departmental-owned or  
24                   departmental-leased facilities."

25  
26    **HEALTH INFORMATION TECHNOLOGY**

27            **SECTION 12A.4.(a)** The Department of Health and Human Services, in  
28            cooperation with the State Chief Information Officer, shall coordinate health information  
29            technology (HIT) policies and programs within the State of North Carolina. The Department's  
30            goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and  
31            to ensure that each State agency, public entity, and private entity that undertakes health  
32            information technology activities does so within the area of its greatest expertise and technical  
33            capability and in a manner that supports coordinated State and national goals, which shall  
34            include at least all of the following:

- 35                   (1)    Ensuring that patient health information is secure and protected, in  
36                   accordance with applicable law.  
37                   (2)    Improving health care quality, reducing medical errors, reducing health  
38                   disparities, and advancing the delivery of patient-centered medical care.  
39                   (3)    Providing appropriate information to guide medical decisions at the time and  
40                   place of care.  
41                   (4)    Ensuring meaningful public input into HIT infrastructure development.  
42                   (5)    Improving the coordination of information among hospitals, laboratories,  
43                   physicians' offices, and other entities through an effective infrastructure for  
44                   the secure and authorized exchange of health care information.  
45                   (6)    Improving public health services and facilitating early identification and  
46                   rapid response to public health threats and emergencies, including  
47                   bioterrorist events and infectious disease outbreaks.  
48                   (7)    Facilitating health and clinical research.  
49                   (8)    Promoting early detection, prevention, and management of chronic diseases.

50            **SECTION 12A.4.(b)** The Department of Health and Human Services shall  
51            establish and direct an HIT management structure that is efficient and transparent and that is

1 compatible with the Office of the National Health Coordinator for Information Technology  
2 (National Coordinator) governance mechanism. The HIT management structure shall be  
3 responsible for all of the following:

- 4 (1) Developing a State plan for implementing and ensuring compliance with  
5 national HIT standards and for the most efficient, effective, and widespread  
6 adoption of HIT.
- 7 (2) Ensuring that (i) specific populations are effectively integrated into the State  
8 plan, including aging populations, populations requiring mental health  
9 services, and populations utilizing the public health system, and (ii) unserved  
10 and underserved populations receive priority consideration for HIT support.
- 11 (3) Identifying all HIT stakeholders and soliciting feedback and participation  
12 from each stakeholder in the development of the State plan.
- 13 (4) Ensuring that existing HIT capabilities are considered and incorporated into  
14 the State plan.
- 15 (5) Identifying and eliminating conflicting HIT efforts where necessary.
- 16 (6) Identifying available resources for the implementation, operation, and  
17 maintenance of health information technology, including identifying  
18 resources and available opportunities for North Carolina institutions of  
19 higher education.
- 20 (7) Ensuring that potential State plan participants are aware of HIT policies and  
21 programs and the opportunity for improved health information technology.
- 22 (8) Monitoring HIT efforts and initiatives in other states and replicating  
23 successful efforts and initiatives in North Carolina.
- 24 (9) Monitoring the development of the National Coordinator's strategic plan and  
25 ensuring that all stakeholders are aware of and in compliance with its  
26 requirements.
- 27 (10) Monitoring the progress and recommendations of the HIT Policy and  
28 Standards Committee and ensuring that all stakeholders remain informed of  
29 the Committee's recommendations.
- 30 (11) Monitoring all studies and reports provided to the United States Congress  
31 and reporting to the Joint Legislative Oversight Committee on Information  
32 Technology and the Fiscal Research Division on the impact of report  
33 recommendations on State efforts to implement coordinated HIT.

34 **SECTION 12A.4.(c)** By no later than January 15, 2016, the Department of Health  
35 and Human Services shall provide a written report on the status of HIT efforts to the Joint  
36 Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
37 Division. The report shall be comprehensive and shall include all of the following:

- 38 (1) Current status of federal HIT initiatives.
- 39 (2) Current status of State HIT efforts and initiatives among both public and  
40 private entities.
- 41 (3) Other State information technology initiatives with potential applicability to  
42 State HIT efforts.
- 43 (4) Efforts to ensure coordination and avoid duplication of HIT efforts within  
44 the State.
- 45 (5) A breakdown of current public and private funding sources and dollar  
46 amounts for State HIT initiatives.
- 47 (6) Department efforts to coordinate HIT initiatives within the State and any  
48 obstacles or impediments to coordination.
- 49 (7) HIT research efforts being conducted within the State and sources of funding  
50 for research efforts.

- 1 (8) Opportunities for stakeholders to participate in HIT funding and other efforts  
2 and initiatives during the next quarter.  
3 (9) Issues associated with the implementation of HIT in North Carolina and  
4 recommended solutions to these issues.  
5

6 **TRANSFER OF OVERSIGHT AND ADMINISTRATION OF STATEWIDE HEALTH**  
7 **INFORMATION EXCHANGE NETWORK**

8 **SECTION 12A.5.** Of the funds appropriated to the Department of Health and  
9 Human Services, Division of Central Management and Support, the sum of three million one  
10 hundred sixty thousand six hundred eleven dollars (\$3,160,611) in fiscal year 2015-2016 and  
11 the sum of three million one hundred sixty thousand six hundred eleven dollars (\$3,160,611) in  
12 fiscal year 2016-2017 shall be used by the Department to effect the transfer of the Orion Master  
13 Development Service Agreement and any other underlying contracts or agreements associated  
14 with the functionality of the HIE Network, as defined in G.S. 90-413.3, from the North  
15 Carolina Health Information Exchange (NC HIE), as defined in G.S. 90-413.3, to the  
16 Department of Health and Human Services, in the event of the dissolution of the NC HIE. The  
17 Department shall ensure that any transfer agreement contains a clause that obligates the NC  
18 HIE, prior to dissolution, to fully cooperate with the Department in all efforts related to the  
19 transfer, including providing the Department with access to any requested financial information  
20 pertaining to the HIE Network. The Department may use these funds for monthly operating  
21 expenses of the NC HIE. The Department shall not use these funds for purposes other than the  
22 purposes described in this section.  
23

24 **FUNDS FOR NCTRACKS, THE REPLACEMENT MULTIPAYER MEDICAID**  
25 **MANAGEMENT INFORMATION SYSTEM**

26 **SECTION 12A.6.** Funds appropriated in this act in the amount of two million  
27 seven hundred thousand dollars (\$2,700,000) for the 2015-2016 fiscal year and in the amount  
28 of one million three hundred forty thousand dollars (\$1,340,000) for the 2016-2017 fiscal year  
29 shall be used to match federal funds for NCTRACKS, the replacement multipayer Medicaid  
30 Management Information System. In the event these funds are insufficient, the Department  
31 may, with prior approval from the Office of State Budget and Management (OSBM), utilize  
32 overrealized receipts and funds appropriated to the Department to achieve the level of funding  
33 specified in this section for NCTRACKS. The Department shall report to the Joint Legislative  
34 Oversight Committees on Health and Human Services and Information Technology and the  
35 Fiscal Research Division on the utilization and amounts of any overrealized receipts or other  
36 funds used to make up for any shortfall in funding for NCTRACKS.  
37

38 **FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH**  
39 **TECHNOLOGY (NC FAST)**

40 **SECTION 12A.7.** Funds appropriated in this act in the amount of five million eight  
41 hundred three thousand dollars (\$5,803,000) for the 2015-2016 fiscal year and thirteen million  
42 fifty-two thousand dollars (\$13,052,000) for the 2016-2017 fiscal year along with prior year  
43 earned revenue in the amount of nine million four hundred thousand dollars (\$9,400,000) and  
44 the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families Accessing  
45 Services through Technology (NC FAST) project shall be used to match federal funds in the  
46 2015-2016 and 2016-2017 fiscal years to expedite the development and implementation of  
47 Child Care, Low Income Energy Assistance, Crisis Intervention Programs, Child Services, and  
48 NC FAST Federally-Facilitated Marketplace (FFM) Interoperability components of the NC  
49 FAST program. The Department shall report any changes in approved federal funding or  
50 federal match rates within 30 days after the change to the Joint Legislative Oversight

1 Committees on Health and Human Services and Information Technology and the Fiscal  
2 Research Division.

3  
4 **FUNDING FOR NONPROFIT ORGANIZATIONS COMPETITIVE GRANTS**  
5 **PROCESS**

6 **SECTION 12A.8.(a)** Of the funds appropriated in this act to the Department of  
7 Health and Human Services, Division of Central Management and Support, the sum of ten  
8 million three hundred twenty-eight thousand nine hundred eleven dollars (\$10,328,911) for  
9 each year of the 2015-2017 fiscal biennium and the sum of three million eight hundred  
10 fifty-two thousand five hundred dollars (\$3,852,500) appropriated in Section 12I.1 of this act in  
11 Social Services Block Grant funds for each year of the 2015-2017 fiscal biennium shall be used  
12 to allocate funds for nonprofit organizations.

13 **SECTION 12A.8.(b)** The Department shall continue administering a competitive  
14 grants process for nonprofit funding. The Department shall administer a plan that, at a  
15 minimum, includes each of the following:

- 16 (1) A request for application (RFA) process to allow nonprofits to apply for and  
17 receive State funds on a competitive basis.
- 18 (2) A requirement that nonprofits match a minimum of ten percent (10%) of the  
19 total amount of the grant award.
- 20 (3) A requirement that the Secretary prioritize grant awards to those nonprofits  
21 that are able to leverage non-State funds in addition to the grant award.
- 22 (4) A process that awards grants to nonprofits that have the capacity to provide  
23 services on a statewide basis and that support any of the following State  
24 health and wellness initiatives:
  - 25 a. A program targeting advocacy, support, education, or residential  
26 services for persons diagnosed with autism.
  - 27 b. A system of residential supports for those afflicted with substance  
28 abuse addiction.
  - 29 c. A program of advocacy and supports for individuals with intellectual  
30 and developmental disabilities or severe and persistent mental illness,  
31 substance abusers, or the elderly.
  - 32 d. Supports and services to children and adults with developmental  
33 disabilities or mental health diagnoses.
  - 34 e. A food distribution system for needy individuals.
  - 35 f. The provision and coordination of services for the homeless.
  - 36 g. The provision of services for individuals aging out of foster care.
  - 37 h. Programs promoting wellness, physical activity, and health education  
38 programming for North Carolinians.
  - 39 i. A program focused on enhancing vision screening through the State's  
40 public school system.
  - 41 j. Provision for the delivery of after-school services for apprenticeships  
42 or mentoring at-risk youth.
  - 43 k. The provision of direct services for amyotrophic lateral sclerosis  
44 (ALS) and those diagnosed with the disease. No less than four  
45 hundred thousand dollars (\$400,000) shall be awarded for a program  
46 meeting the requirements of this sub-subdivision.
  - 47 l. A comprehensive smoking prevention and cessation program that  
48 screens and treats tobacco use in pregnant women and postpartum  
49 mothers.

1 m. A program providing long-term residential substance abuse services.  
2 For purposes of this sub-subdivision, "long-term" means a minimum  
3 of 12 months.

4 (5) Ensures that funds received by the Department to implement the plan  
5 supplement and do not supplant existing funds for health and wellness  
6 programs and initiatives.

7 (6) A requirement that grants be awarded to nonprofits for two years.

8 **SECTION 12A.8.(c)** No later than December 1 of each fiscal year, each nonprofit  
9 organization receiving funding pursuant to subsection (b) of this section shall submit to the  
10 Division of Central Management and Support a written report of all activities funded by State  
11 appropriations. The report shall include the following information about the fiscal year  
12 preceding the year in which the report is due:

13 (1) The entity's mission, purpose, and governance structure.

14 (2) A description of the types of programs, services, and activities funded by  
15 State appropriations.

16 (3) Statistical and demographical information on the number of persons served  
17 by these programs, services, and activities, including the counties in which  
18 services are provided.

19 (4) Outcome measures that demonstrate the impact and effectiveness of the  
20 programs, services, and activities.

21 (5) A detailed program budget and list of expenditures, including all positions  
22 funded, matching expenditures, and funding sources.

23 **SECTION 12A.8.(d)** No later than July 1, 2015, and every two years thereafter,  
24 the Secretary shall announce the recipients of the competitive grant awards and allocate funds  
25 to the grant recipients for the respective two-year period pursuant to the amounts designated  
26 under subsection (a) of this section. After awards have been granted, the Secretary shall submit  
27 a report to the Joint Legislative Oversight Committee on Health and Human Services on the  
28 grant awards that includes at least all of the following:

29 (1) The identity and a brief description of each grantee and each program or  
30 initiative offered by the grantee.

31 (2) The amount of funding awarded to each grantee.

32 (3) The number of persons served by each grantee, broken down by program or  
33 initiative.

34 **SECTION 12A.8.(e)** For the 2015-2017 fiscal biennium only, from the sum of ten  
35 million three hundred twenty-eight thousand nine hundred eleven dollars (\$10,328,911)  
36 referred to in subsection (a) of this section, the Department shall allocate the sum of one  
37 million three hundred thousand dollars (\$1,300,000) in each year of the 2015-2017 fiscal  
38 biennium to Triangle Residential Options for Substance Abusers, Inc., (TROSAs) for the  
39 purpose of assisting individuals with substance abuse addiction. TROSA shall be required to  
40 seek future funding through the competitive grants process in accordance with subsection (b) of  
41 this section.

## 42 43 **COMMUNITY HEALTH GRANT PROGRAM CHANGES**

44 **SECTION 12A.9.** The Department of Health and Human Services, Office of Rural  
45 Health and Community Care, shall repurpose two million two hundred fifty thousand dollars  
46 (\$2,250,000) in Health Net appropriations to the Community Health Grant Program. The new  
47 appropriation for this program is seven million six hundred eighty-seven thousand one hundred  
48 sixty-nine dollars (\$7,687,169) in recurring funds. To ensure continuity of care, safety-net  
49 agencies receiving Health Net funds at the end of the 2014-2015 fiscal year shall be eligible to  
50 apply for and receive Community Health Grant funds at their current level of funding for the  
51 2015-2016 and 2016-2017 fiscal years. After the 2016-2017 fiscal year, these agencies must

1 submit an application for funding through the competitive Community Health Grant process.  
2 The Community Health Grant Program is available to rural health centers, free clinics, public  
3 health departments, school-based health centers, federally qualified health centers, and other  
4 nonprofit organizations that provide primary care and preventive health services to low-income  
5 populations, including uninsured, underinsured, Medicaid, and Medicare residents across the  
6 State.

## 8 **RURAL HEALTH LOAN REPAYMENT PROGRAMS**

9 **SECTION 12A.10.(a)** The Department of Health and Human Services, Office of  
10 Rural Health and Community Care, shall use funds appropriated in this act for loan repayment  
11 to medical, dental, and psychiatric providers practicing in State hospitals or in rural or  
12 medically underserved communities in this State to combine the following loan repayment  
13 programs in order to achieve efficient and effective management of these programs:

- 14 (1) The Physician Loan Repayment Program.
- 15 (2) The Psychiatric Loan Repayment Program.
- 16 (3) The Loan Repayment Initiative at State Facilities.

17 **SECTION 12A.10.(b)** These funds may be used for the following additional  
18 purposes:

- 19 (1) Continued funding of the State Loan Repayment Program for primary care  
20 providers and expansion of State incentives to general surgeons practicing in  
21 Critical Access Hospitals (CAHs) located across the State.
- 22 (2) Expansion of the State Loan Repayment Program to include eligible  
23 providers residing in North Carolina who use telemedicine in rural and  
24 underserved areas.

## 26 **SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION**

### 28 **NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED** 29 **FACILITIES**

30 **SECTION 12B.1.(a)** Eligibility. – The Department of Health and Human Services,  
31 Division of Child Development and Early Education, shall continue implementing the  
32 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four  
33 years of age on or before August 31 of the program year. In determining eligibility, the  
34 Division shall establish income eligibility requirements for the program not to exceed  
35 seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children  
36 enrolled may have family incomes in excess of seventy-five percent (75%) of median income if  
37 those children have other designated risk factors. Furthermore, any age-eligible child who is a  
38 child of either of the following shall be eligible for the program: (i) an active duty member of  
39 the Armed Forces of the United States, including the North Carolina National Guard, State  
40 military forces, or a reserve component of the Armed Forces who was ordered to active duty by  
41 the proper authority within the last 18 months or is expected to be ordered within the next 18  
42 months or (ii) a member of the Armed Forces of the United States, including the North  
43 Carolina National Guard, State military forces, or a reserve component of the Armed Forces  
44 who was injured or killed while serving on active duty. Eligibility determinations for  
45 prekindergarten participants may continue through local education agencies and local North  
46 Carolina Partnership for Children, Inc., partnerships.

47 Other than developmental disabilities or other chronic health issues, the Division  
48 shall not consider the health of a child as a factor in determining eligibility for participation in  
49 the NC Pre-K program.

1           **SECTION 12B.1.(b)** Multiyear Contracts. – The Division of Child Development  
2 and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for  
3 licensed private child care centers providing NC Pre-K classrooms.

4           **SECTION 12B.1.(c)** Programmatic Standards. – All entities operating  
5 prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of  
6 Child Development and Early Education regarding programmatic standards and classroom  
7 requirements.

8           **SECTION 12B.1.(d)** NC Pre-K Committees. – Local NC Pre-K committees shall  
9 use the standard decision-making process developed by the Division of Child Development and  
10 Early Education in awarding prekindergarten classroom slots and student selection.

11           **SECTION 12B.1.(e)** Reporting. – The Division of Child Development and Early  
12 Education shall submit an annual report no later than March 15 of each year to the Joint  
13 Legislative Oversight Committee on Health and Human Services, the Office of State Budget  
14 and Management, and the Fiscal Research Division. The report shall include the following:

- 15           (1) The number of children participating in the NC Pre-K program by county.
- 16           (2) The number of children participating in the NC Pre-K program who have  
17 never been served in other early education programs such as child care,  
18 public or private preschool, Head Start, Early Head Start, or early  
19 intervention programs.
- 20           (3) The expected NC Pre-K expenditures for the programs and the source of the  
21 local contributions.
- 22           (4) The results of an annual evaluation of the NC Pre-K program.

23           **SECTION 12B.1.(f)** Audits. – The administration of the NC Pre-K program by  
24 local partnerships shall be subject to the financial and compliance audits authorized under  
25 G.S. 143B-168.14(b).

## 26 **CHILD CARE SUBSIDY RATES**

27           **SECTION 12B.2.(a)** The maximum gross annual income for initial eligibility,  
28 adjusted biennially, for subsidized child care services shall be determined based on a  
29 percentage of the federal poverty level as follows:  
30

31 <b>AGE/GRADE</b>	32 <b>INCOME PERCENTAGE LEVEL</b>
33 0 - 3rd grade	200%
34 4th grade - age 12	133%

35  
36           The eligibility for any child with special needs, including a child who is 13 years of  
37 age or older, shall be two hundred percent (200%) of the federal poverty level.

38           **SECTION 12B.2.(b)** Effective July 1, 2015, the Department of Health and Human  
39 Services, Division of Child Development and Early Education, shall revise its child care  
40 subsidy policy to exclude from the policy's definition of "income unit" a nonparent relative  
41 caretaker, and the caretaker's spouse and child, if applicable, when the parent of the child  
42 receiving child care subsidy does not live in the home with the child.

43           **SECTION 12B.2.(c)** Fees for families who are required to share in the cost of care  
44 are established based on ten percent (10%) of gross family income. Co-payments shall be  
45 prorated for part-time care based on policies that were in place prior to October 1, 2014.

46           **SECTION 12B.2.(d)** Payments for the purchase of child care services for  
47 low-income children shall be in accordance with the following requirements:

- 48           (1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106  
49 and licensed child care centers and homes that meet the minimum licensing  
50 standards that are participating in the subsidized child care program shall be  
51 paid the one-star county market rate or the rate they charge privately paying

1 parents, whichever is lower, unless prohibited by subsection (g) of this  
2 section.

3 (2) Licensed child care centers and homes with two or more stars shall receive  
4 the market rate for that rated license level for that age group or the rate they  
5 charge privately paying parents, whichever is lower, unless prohibited by  
6 subsection (g) of this section.

7 (3) Nonlicensed homes shall receive fifty percent (50%) of the county market  
8 rate or the rate they charge privately paying parents, whichever is lower.

9 (4) No payments shall be made for transportation services or registration fees  
10 charged by child care facilities.

11 (5) Payments for subsidized child care services for postsecondary education  
12 shall be limited to a maximum of 20 months of enrollment.

13 (6) The Department of Health and Human Services shall implement necessary  
14 rule changes to restructure services, including, but not limited to, targeting  
15 benefits to employment.

16 **SECTION 12B.2.(e)** Provisions of payment rates for child care providers in  
17 counties that do not have at least 50 children in each age group for center-based and  
18 home-based care are as follows:

19 (1) Except as applicable in subdivision (2) of this subsection, payment rates  
20 shall be set at the statewide or regional market rate for licensed child care  
21 centers and homes.

22 (2) If it can be demonstrated that the application of the statewide or regional  
23 market rate to a county with fewer than 50 children in each age group is  
24 lower than the county market rate and would inhibit the ability of the county  
25 to purchase child care for low-income children, then the county market rate  
26 may be applied.

27 **SECTION 12B.2.(f)** A market rate shall be calculated for child care centers and  
28 homes at each rated license level for each county and for each age group or age category of  
29 enrollees and shall be representative of fees charged to parents for each age group of enrollees  
30 within the county. The Division of Child Development and Early Education shall also calculate  
31 a statewide rate and regional market rate for each rated license level for each age category.

32 **SECTION 12B.2.(g)** The Division of Child Development and Early Education  
33 shall continue implementing policies that improve the quality of child care for subsidized  
34 children, including a policy in which child care subsidies are paid, to the extent possible, for  
35 child care in the higher-quality centers and homes only. The Division shall define  
36 higher-quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For  
37 those counties with an inadequate number of four- and five-star-rated facilities, the Division  
38 shall continue a transition period that allows the facilities to continue to receive subsidy funds  
39 while the facilities work on the increased star ratings. The Division may allow exemptions in  
40 counties where there is an inadequate number of four- and five-star-rated facilities for  
41 non-star-rated programs, such as religious programs.

42 **SECTION 12B.2.(h)** Facilities licensed pursuant to Article 7 of Chapter 110 of the  
43 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the  
44 program that provides for the purchase of care in child care facilities for minor children of  
45 needy families. Except as authorized by subsection (g) of this section, no separate licensing  
46 requirements shall be used to select facilities to participate. In addition, child care facilities  
47 shall be required to meet any additional applicable requirements of federal law or regulations.  
48 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of  
49 the General Statutes shall meet the requirements established by other State law and by the  
50 Social Services Commission.

1 County departments of social services or other local contracting agencies shall not  
2 use a provider's failure to comply with requirements in addition to those specified in this  
3 subsection as a condition for reducing the provider's subsidized child care rate.

4 **SECTION 12B.2.(i)** Payment for subsidized child care services provided with  
5 Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations  
6 and policies issued by the Division of Child Development for the subsidized child care  
7 program.

8 **SECTION 12B.2.(j)** Noncitizen families who reside in this State legally shall be  
9 eligible for child care subsidies if all other conditions of eligibility are met. If all other  
10 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be  
11 eligible for child care subsidies only if at least one of the following conditions is met:

- 12 (1) The child for whom a child care subsidy is sought is receiving child  
13 protective services or foster care services.
- 14 (2) The child for whom a child care subsidy is sought is developmentally  
15 delayed or at risk of being developmentally delayed.
- 16 (3) The child for whom a child care subsidy is sought is a citizen of the United  
17 States.

18 **SECTION 12B.2.(k)** The Department of Health and Human Services, Division of  
19 Child Development and Early Education, shall require all county departments of social services  
20 to include on any forms used to determine eligibility for child care subsidy whether the family  
21 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.  
22

## 23 **CHILD CARE ALLOCATION FORMULA**

24 **SECTION 12B.3.(a)** The Department of Health and Human Services shall allocate  
25 child care subsidy voucher funds to pay the costs of necessary child care for minor children of  
26 needy families. The mandatory thirty-percent (30%) North Carolina Partnership for Children,  
27 Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each  
28 county's child care subsidy allocation. The Department of Health and Human Services shall use  
29 the following method when allocating federal and State child care funds, not including the  
30 aggregate mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc.,  
31 subsidy allocation:

- 32 (1) Funds shall be allocated to a county based upon the projected cost of serving  
33 children under age 11 in families with all parents working who earn less than  
34 the applicable federal poverty level percentage set forth in Section 12B.2 of  
35 this act.
- 36 (2) No county's allocation shall be less than ninety percent (90%) of its State  
37 fiscal year 2001-2002 initial child care subsidy allocation.
- 38 (3) The Department of Health and Human Services shall allocate to counties all  
39 State funds appropriated for child care subsidy and shall not withhold funds  
40 during the 2015-2016 and 2016-2017 fiscal years.

41 **SECTION 12B.3.(b)** The Department of Health and Human Services may  
42 reallocate unused child care subsidy voucher funds in order to meet the child care needs of  
43 low-income families. Any reallocation of funds shall be based upon the expenditures of all  
44 child care subsidy voucher funding, including North Carolina Partnership for Children, Inc.,  
45 funds within a county.

46 **SECTION 12B.3.(c)** When implementing the formula under subsection (a) of this  
47 section, the Department of Health and Human Services, Division of Child Development and  
48 Early Education, shall include the market rate increase in the formula process, rather than  
49 calculating the increases outside of the formula process. Additionally, the Department shall do  
50 the following:

- 1 (1) For fiscal year 2015-2016, (i) continue implementing one-third of the change  
2 in a county's allocation based on the new Census data; (ii) implement an  
3 additional one-third of the change in a county's allocation beginning fiscal  
4 year 2016-2017; and (iii) the final one-third change in a county's allocation  
5 beginning fiscal year 2018-2019. However, the following applies regarding  
6 increases to a county's allocation:
- 7 a. For the 2015-2016 fiscal year allocations, a county that did not have  
8 a child care subsidy waiting list during the 2014-2015 fiscal year  
9 shall not receive an increase in its allocation due to the new  
10 allocation formula directed in this subdivision.
- 11 b. Beginning fiscal year 2015-2016, a county whose spending  
12 coefficient is below ninety-five percent (95%) in the previous fiscal  
13 year shall not receive an increase in its allocation in the following  
14 fiscal year. The Division may waive this requirement and allow an  
15 increase if the spending coefficient is below ninety-five percent  
16 (95%) due to extraordinary circumstances, such as a State or federal  
17 disaster declaration in the affected county. By October 1 of each  
18 year, the Division shall report to the Joint Legislative Oversight  
19 Committee on Health and Human Services and the Fiscal Research  
20 Division the counties that received a waiver pursuant to this  
21 sub-subdivision and the reasons for the waiver.
- 22 (2) Effective immediately following the next new Census data release,  
23 implement (i) one-third of the change in a county's allocation in the year  
24 following the data release; (ii) an additional one-third of the change in a  
25 county's allocation beginning two years after the initial change under this  
26 subdivision; and (iii) the final one-third change in a county's allocation  
27 beginning the following two years thereafter.

## 28 **CHILD CARE FUNDS MATCHING REQUIREMENTS**

29 **SECTION 12B.4.** No local matching funds may be required by the Department of  
30 Health and Human Services as a condition of any locality's receiving its initial allocation of  
31 child care funds appropriated by this act unless federal law requires a match. If the Department  
32 reallocates additional funds above twenty-five thousand dollars (\$25,000) to local purchasing  
33 agencies beyond their initial allocation, local purchasing agencies must provide a twenty  
34 percent (20%) local match to receive the reallocated funds. Matching requirements shall not  
35 apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).  
36  
37

## 38 **CHILD CARE REVOLVING LOAN**

39 **SECTION 12B.5.** Notwithstanding any law to the contrary, funds budgeted for the  
40 Child Care Revolving Loan Fund may be transferred to and invested by the financial institution  
41 contracted to operate the Fund. The principal and any income to the Fund may be used to make  
42 loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's  
43 cost of operating the Fund, or pay the Department's cost of administering the program.  
44

## 45 **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL 46 SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION**

47 **SECTION 12B.6.(a)** The Department of Health and Human Services, Division of  
48 Child Development and Early Education, shall fund the allowance that county departments of  
49 social services may use for administrative costs at four percent (4%) of the county's total child  
50 care subsidy funds allocated in the Child Care and Development Fund Block Grant plan or  
51 eighty thousand dollars (\$80,000), whichever is greater.

1           **SECTION 12B.6.(b)** Each county department of social services may use up to two  
2 percent (2%) of child care subsidy funds allocated to the county for fraud detection and  
3 investigation initiatives.

4           **SECTION 12B.6.(c)** The Division of Child Development and Early Education may  
5 adjust the allocations in the Child Care and Development Fund Block Grant under Section  
6 12I.1 of this act according to (i) the final allocations for local departments of social services  
7 under subsection (a) of this section and (ii) the funds allocated for fraud detection and  
8 investigation initiatives under subsection (b) of this section. The Division shall submit a report  
9 on the final adjustments to the allocations of the four percent (4%) administrative costs to the  
10 Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
11 Division no later than September 30 of each year.

## 12 13 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES** 14 **ENHANCEMENTS**

15           **SECTION 12B.7.(a)** Policies. – The North Carolina Partnership for Children, Inc.,  
16 and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s  
17 mission of improving child care quality in North Carolina for children from birth to five years  
18 of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting  
19 child care facilities with (i) improving quality, including helping one-, two-, and  
20 three-star-rated facilities increase their star ratings and (ii) implementing prekindergarten  
21 programs. State funding for local partnerships shall also be used for evidence-based or  
22 evidence-informed programs for children from birth to five years of age that do the following:

- 23           (1) Increase children's literacy.
- 24           (2) Increase the parents' ability to raise healthy, successful children.
- 25           (3) Improve children's health.
- 26           (4) Assist four- and five-star-rated facilities in improving and maintaining  
27 quality.

28           **SECTION 12B.7.(b)** Administration. – Administrative costs shall be equivalent to,  
29 on an average statewide basis for all local partnerships, not more than eight percent (8%) of the  
30 total statewide allocation to all local partnerships. For purposes of this subsection,  
31 administrative costs shall include costs associated with partnership oversight, business and  
32 financial management, general accounting, human resources, budgeting, purchasing,  
33 contracting, and information systems management. The North Carolina Partnership for  
34 Children, Inc., shall continue using a single statewide contract management system that  
35 incorporates features of the required standard fiscal accountability plan described in  
36 G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract  
37 management system and, directed by the North Carolina Partnership for Children, Inc., to  
38 collaborate, to the fullest extent possible, with other local partnerships to increase efficiency  
39 and effectiveness.

40           **SECTION 12B.7.(c)** Salaries. – The salary schedule developed and implemented  
41 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State  
42 funds that may be used for the salary of the Executive Director of the North Carolina  
43 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina  
44 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 45           (1) The population of the area serviced by a local partnership.
- 46           (2) The amount of State funds administered.
- 47           (3) The amount of total funds administered.
- 48           (4) The professional experience of the individual to be compensated.
- 49           (5) Any other relevant factors pertaining to salary, as determined by the North  
50 Carolina Partnership for Children, Inc.

1 The salary schedule shall be used only to determine the maximum amount of State  
2 funds that may be used for compensation. Nothing in this subsection shall be construed to  
3 prohibit a local partnership from using non-State funds to supplement an individual's salary in  
4 excess of the amount set by the salary schedule established under this subsection.

5 **SECTION 12B.7.(d) Match Requirements.** – The North Carolina Partnership for  
6 Children, Inc., and all local partnerships shall, in the aggregate, be required to match one  
7 hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the  
8 2015-2017 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the  
9 local partnerships are required to match, contributions of cash shall be equal to at least eleven  
10 percent (11%), and in-kind donated resources shall be equal to no more than four percent (4%)  
11 for a total match requirement of fifteen percent (15%) for the 2015-2017 fiscal biennium. The  
12 North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the  
13 required match for a fiscal year in order to meet the match requirement of the succeeding fiscal  
14 year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match  
15 requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the  
16 match requirement of this subsection. Volunteer services that qualify as professional services  
17 shall be valued at the fair market value of those services. All other volunteer service hours shall  
18 be valued at the statewide average wage rate as calculated from data compiled by the  
19 Employment Security Commission in the Employment and Wages in North Carolina Annual  
20 Report for the most recent period for which data are available. Expenses, including both those  
21 paid by cash and in-kind contributions, incurred by other participating non-State entities  
22 contracting with the North Carolina Partnership for Children, Inc., or the local partnerships,  
23 also may be considered resources available to meet the required private match. In order to  
24 qualify to meet the required private match, the expenses shall:

- 25 (1) Be verifiable from the contractor's records.
- 26 (2) If in-kind, other than volunteer services, be quantifiable in accordance with  
27 generally accepted accounting principles for nonprofit organizations.
- 28 (3) Not include expenses funded by State funds.
- 29 (4) Be supplemental to and not supplant preexisting resources for related  
30 program activities.
- 31 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and  
32 be necessary and reasonable for the proper and efficient accomplishment of  
33 the Program's objectives.
- 34 (6) Be otherwise allowable under federal or State law.
- 35 (7) Be required and described in the contractual agreements approved by the  
36 North Carolina Partnership for Children, Inc., or the local partnership.
- 37 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local  
38 partnership by the contractor in the same manner as reimbursable expenses.

39 Failure to obtain a fifteen-percent (15%) match by June 30 of the 2015-2016 and  
40 2016-2017 fiscal years shall result in a dollar-for-dollar reduction in the appropriation for the  
41 Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall  
42 be responsible for compiling information on the private cash and in-kind contributions into a  
43 report that is submitted to the Joint Legislative Oversight Committee on Health and Human  
44 Services in a format that allows verification by the Department of Revenue. The same match  
45 requirements shall apply to any expansion funds appropriated by the General Assembly.

46 **SECTION 12B.7.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,  
47 and all local partnerships shall use competitive bidding practices in contracting for goods and  
48 services on contract amounts as follows:

- 49 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures  
50 specified by a written policy as developed by the Board of Directors of the  
51 North Carolina Partnership for Children, Inc.

- 1 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen  
2 thousand dollars (\$15,000), three written quotes.  
3 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than  
4 forty thousand dollars (\$40,000), a request for proposal process.  
5 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for  
6 proposal process and advertising in a major newspaper.

7 **SECTION 12B.7.(f)** Allocations. – The North Carolina Partnership for Children,  
8 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the  
9 2012-2013 funding level.

10 **SECTION 12B.7.(g)** Performance-Based Evaluation. – The Department of Health  
11 and Human Services shall continue to implement the performance-based evaluation system.

12 **SECTION 12B.7.(h)** Expenditure Restrictions. – The Department of Health and  
13 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the  
14 allocation of funds for Early Childhood Education and Development Initiatives for the  
15 2015-2017 fiscal biennium shall be administered and distributed in the following manner:

- 16 (1) Capital expenditures are prohibited for the 2015-2017 fiscal biennium. For  
17 the purposes of this section, "capital expenditures" means expenditures for  
18 capital improvements as defined in G.S. 143C-1-1(d)(5).  
19 (2) Expenditures of State funds for advertising and promotional activities are  
20 prohibited for the 2015-2017 fiscal biennium.

21 For the 2015-2017 fiscal biennium, local partnerships shall not spend any State funds on  
22 marketing campaigns, advertising, or any associated materials. Local partnerships may spend  
23 any private funds the local partnerships receive on those activities.  
24

## 25 STATEWIDE EARLY EDUCATION AND FAMILY SUPPORT PROGRAMS

26 **SECTION 12B.8.(a)** The Joint Legislative Oversight Committee on Health and  
27 Human Services shall appoint a subcommittee to study early childhood and family support  
28 programs, including the Child Care Subsidy program, NC Prekindergarten program (NC  
29 Pre-K), and the Smart Start program. In conducting the study, the subcommittee shall consider  
30 the following:

- 31 (1) The purpose, outcomes, and effectiveness of each program.  
32 (2) The flexibility needed to ensure the needs of young children in counties  
33 across the State are met.  
34 (3) The potential for streamlined administration across the programs.  
35 (4) Any other relevant issues the subcommittee deems appropriate.

36 **SECTION 12B.8.(b)** The subcommittee may seek input from other states,  
37 stakeholders, and national experts on early child and family support programs as it deems  
38 necessary.

39 **SECTION 12B.8.(c)** The subcommittee shall develop a proposal for a statewide  
40 plan that addresses how to meet county or regional needs of children by county or region. The  
41 subcommittee shall submit a report on the proposed statewide plan to the Joint Legislative  
42 Oversight Committee on Health and Human Services on or before April 1, 2016, at which time  
43 the subcommittee shall terminate.  
44

## 45 SUBPART XII-C. DIVISION OF SOCIAL SERVICES

### 46 TANF BENEFIT IMPLEMENTATION

47 **SECTION 12C.1.(a)** The General Assembly approves the plan titled "North  
48 Carolina Temporary Assistance for Needy Families State Plan FY 2013-2016," prepared by the  
49 Department of Health and Human Services and presented to the General Assembly. The North  
50 Carolina Temporary Assistance for Needy Families State Plan covers the period October 1,  
51

1 2013, through September 30, 2016. The Department shall submit the State Plan, as revised in  
2 accordance with subsection (b) of this section, to the United States Department of Health and  
3 Human Services.

4 **SECTION 12C.1.(b)** The counties approved as Electing Counties in the North  
5 Carolina Temporary Assistance for Needy Families State Plan FY 2013-2016, as approved by  
6 this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

7 **SECTION 12C.1.(c)** Counties that submitted the letter of intent to remain as an  
8 Electing County or to be redesignated as an Electing County and the accompanying county plan  
9 for years 2013 through 2016, pursuant to G.S. 108A-27(e), shall operate under the Electing  
10 County budget requirements effective July 1, 2015. For programmatic purposes, all counties  
11 referred to in this subsection shall remain under their current county designation through  
12 September 30, 2016.

13 **SECTION 12C.1.(d)** For each year of the 2015-2017 fiscal biennium, Electing  
14 Counties shall be held harmless to their Work First Family Assistance allocations for the  
15 2014-2015 fiscal year, provided that remaining funds allocated for Work First Family  
16 Assistance and Work First Diversion Assistance are sufficient for payments made by the  
17 Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

18 **SECTION 12C.1.(e)** In the event that departmental projections of Work First  
19 Family Assistance and Work First Diversion Assistance for the 2015-2016 fiscal year or the  
20 2016-2017 fiscal year indicate that remaining funds are insufficient for Work First Family  
21 Assistance and Work First Diversion Assistance payments to be made on behalf of Standard  
22 Counties, the Department is authorized to deallocate funds, of those allocated to Electing  
23 Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11,  
24 up to the requisite amount for payments in Standard Counties. Prior to deallocation, the  
25 Department shall obtain approval by the Office of State Budget and Management. If the  
26 Department adjusts the allocation set forth in subsection (d) of this section, then a report shall  
27 be made to the Joint Legislative Oversight Committee on Health and Human Services and the  
28 Fiscal Research Division.

## 29 30 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 31 **PERFORMANCE ENHANCEMENTS**

32 **SECTION 12C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the  
33 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to  
34 children and families in cases of abuse, neglect, and dependency where a child is at imminent  
35 risk of removal from the home and to children and families in cases of abuse where a child is  
36 not at imminent risk of removal. The Program shall be developed and implemented statewide  
37 on a regional basis. The IFPS shall ensure the application of standardized assessment criteria  
38 for determining imminent risk and clear criteria for determining out-of-home placement.

39 **SECTION 12C.2.(b)** The Department of Health and Human Services shall require  
40 that any program or entity that receives State, federal, or other funding for the purpose of IFPS  
41 shall provide information and data that allows for the following:

- 42 (1) An established follow-up system with a minimum of six months of  
43 follow-up services.
- 44 (2) Detailed information on the specific interventions applied, including  
45 utilization indicators and performance measurement.
- 46 (3) Cost-benefit data.
- 47 (4) Data on long-term benefits associated with IFPS. This data shall be obtained  
48 by tracking families through the intervention process.
- 49 (5) The number of families remaining intact and the associated interventions  
50 while in IFPS and 12 months thereafter.

1 (6) The number and percentage, by race, of children who received IFPS  
2 compared to the ratio of their distribution in the general population involved  
3 with Child Protective Services.

4 **SECTION 12C.2.(c)** The Department shall establish a performance-based funding  
5 protocol and shall only provide funding to those programs and entities providing the required  
6 information specified in subsection (b) of this section. The amount of funding shall be based on  
7 the individual performance of each program.

#### 8 9 **CHILD CARING INSTITUTIONS**

10 **SECTION 12C.3.** Until the Social Services Commission adopts rules setting  
11 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the  
12 maximum reimbursement for child caring institutions shall not exceed the rate established for  
13 the specific child caring institution by the Department of Health and Human Services, Office of  
14 the Controller. In determining the maximum reimbursement, the State shall include county and  
15 IV-E reimbursements.

#### 16 17 **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

18 **SECTION 12C.4.** Of the funds available for the provision of foster care services,  
19 the Department of Health and Human Services, Division of Social Services, may provide for  
20 the financial support of children who are deemed to be (i) in a permanent family placement  
21 setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency.  
22 No additional expenses shall be incurred beyond the funds budgeted for foster care for the  
23 Guardianship Assistance Program (GAP). The Guardianship Assistance Program rates shall  
24 reimburse the legal guardian for room and board and be set at the same rate as the foster care  
25 room and board rates in accordance with rates established under G.S. 108A-49.1. The Social  
26 Services Board shall adopt rules establishing a Guardianship Assistance Program to implement  
27 this section, including defining the phrase "legal guardian" as used in this section.

#### 28 29 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

30 **SECTION 12C.5.(a)** Funds appropriated from the General Fund to the Department  
31 of Health and Human Services for the child welfare postsecondary support program shall be  
32 used to continue providing assistance with the "cost of attendance" as that term is defined in 20  
33 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system  
34 and special needs children adopted from foster care after age 12. These funds shall be allocated  
35 by the State Education Assistance Authority.

36 **SECTION 12C.5.(b)** Of the funds appropriated from the General Fund to the  
37 Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the  
38 2015-2016 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2016-2017 fiscal  
39 year shall be allocated to the North Carolina State Education Assistance Authority (SEAA).  
40 The SEAA shall use these funds only to perform administrative functions necessary to manage  
41 and distribute scholarship funds under the child welfare postsecondary support program.

42 **SECTION 12C.5.(c)** Of the funds appropriated from the General Fund to the  
43 Department of Health and Human Services, the sum of three hundred thirty-nine thousand four  
44 hundred ninety-three dollars (\$339,493) for the 2015-2016 fiscal year and the sum of three  
45 hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2016-2017  
46 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary  
47 support program described under subsection (a) of this section, which administration shall  
48 include the performance of case management services.

49 **SECTION 12C.5.(d)** Funds appropriated to the Department of Health and Human  
50 Services for the child welfare postsecondary support program shall be used only for students  
51 attending public institutions of higher education in this State.

**SUCCESSFUL TRANSITION/FOSTER CARE YOUTH**

**SECTION 12C.6.(a)** It is the intent of the General Assembly to fund and support transitional living services that demonstrate positive outcomes for youth, attract significant private sector funding, and will lead to the development of evidence-based programs to serve the at-risk population described in this section.

**SECTION 12C.6.(b)** To that end, there is created the Foster Care Transitional Living Initiative Fund that will support a demonstration project with services provided by Youth Villages to (i) improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services, (ii) identify cost-savings in social services and juvenile and adult correction services associated with the provision of Transitional Living Services to youth aging out of foster care, and (iii) take necessary steps to establish an evidence-based transitional living program available to all youth aging out of foster care. In implementing these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

- (1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent Randomized Controlled Trial. Results indicate that Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings, economic hardship, mental health, and intimate partner violence in comparison to the control population.
- (2) Public-Private Partnership, which is a commitment by private-sector funding partners to match one hundred percent (100%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2015-2017 fiscal biennium for the purposes of providing Transitional Living Services through the Youth Villages Transitional Living Model to youth aging out of foster care.
- (3) Impact Measurement and Evaluation, which are services funded through private partners to provide independent measurement and evaluation of the impact the Youth Villages Transitional Living Model has on the youth served, the foster care system, and on other programs and services provided by the State which are utilized by former foster care youth.
- (4) Advancement of Evidence-Based Process, which is the implementation and ongoing evaluation of the Youth Villages Transitional Living Model for the purposes of establishing the first evidence-based transitional living program in the nation. To establish the evidence-based program, additional randomized controlled trials may be conducted to advance the model.

**SECTION 12C.6.(c)** G.S. 131D-10.9A reads as rewritten:

**"§ 131D-10.9A. Permanency Innovation Initiative Oversight Committee created.**

(a) Creation and Membership. – The Permanency Innovation Initiative Oversight Committee is established. The Committee shall be located administratively in the General Assembly. The Committee shall consist of ~~11~~12 members serving staggered terms. In making appointments, each appointing authority shall select members who have appropriate experience and knowledge of the issues to be examined by the Committee and shall strive to ensure racial, gender, and geographical diversity among the membership. The initial Committee members shall be appointed on or after July 1, 2013, as follows:

- (1) Four members shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives. Of the members appointed under this subdivision, at least one shall be a member of

1 the judiciary who shall serve for a term of two years and at least one shall be  
 2 a representative from the Children's Home Society of North Carolina who  
 3 shall serve for a term of three years. One member of the House shall be  
 4 appointed for a one-year term. The remaining appointee shall serve a  
 5 one-year term.

6 (2) Four members shall be appointed by the General Assembly upon the  
 7 recommendation of the President Pro Tempore of the Senate. Of the  
 8 members appointed under this subdivision, at least one shall be a  
 9 representative from the Department of Health and Human Services, Division  
 10 of Social Services, who shall serve for a term of two years and at least one  
 11 shall be a representative from The Duke Endowment who shall serve for a  
 12 term of three years. One member of the Senate shall be appointed for a  
 13 one-year term. The remaining appointee shall serve a one-year term.

14 (3) ~~Three~~ Four members shall be appointed by the Governor. Of the members  
 15 appointed under this subdivision, at least one shall be a representative from a  
 16 county department of social services who shall serve for a term of three  
 17 ~~years and years,~~ at least one shall be a representative from the University of  
 18 North Carolina at Chapel Hill who shall serve for a term of two ~~years~~ years,  
 19 and at least one shall be a representative from Youth Villages who shall  
 20 serve for a term of two years. The remaining member shall serve a one-year  
 21 term.

22 ...  
 23 (c) Purpose and Powers. – The Committee shall:

24 (1) Design and implement a data tracking methodology to collect and analyze  
 25 information to gauge the success of the ~~initiative~~ initiative established under  
 26 this section as well as an initiative for foster care youth transitioning to  
 27 adulthood in accordance with Part 3 of this Article.

28 (2) Develop a methodology to identify short- and long-term cost-savings in the  
 29 provision of foster care and foster care transitional living services and any  
 30 potential reinvestment strategies.

31 (3) Oversee program implementation to ensure fidelity to the program models  
 32 identified under subdivisions (1) and (2) of  
 33 ~~G.S. 131D-10.9B(a).~~ G.S. 131D-10.9B(a) and under subdivisions (1) through  
 34 (4) of G.S. 131D-10.9G(a).

35 (4) Study, review, and recommend other policies and services that may  
 36 positively impact ~~permanency and well-being~~ outcomes ~~permanency,~~  
 37 well-being outcomes, and youth aging out of the foster care system.

38 ...."  
 39

40 **FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS**

41 **SECTION 12C.7.(a)** Centralized Services. – The North Carolina Child Support  
 42 Services Section (NCCSS) of the Department of Health and Human Services, Division of  
 43 Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive  
 44 payments it receives from the federal government to enhance centralized child support services.  
 45 To accomplish this requirement, NCCSS shall do the following:

46 (1) In consultation with representatives from county child support services  
 47 programs, identify how federal incentive funding could improve centralized  
 48 services.

49 (2) Use federal incentive funds to improve the effectiveness of the State's  
 50 centralized child support services by supplementing and not supplanting  
 51 State expenditures for those services.

- 1 (3) Develop and implement rules that explain the State process for calculating  
2 and distributing federal incentive funding to county child support services  
3 programs.

4 **SECTION 12C.7.(b)** County Child Support Services Programs. – NCCSS shall  
5 allocate no less than eighty-five percent (85%) of the annual federal incentive payments it  
6 receives from the federal government to county child support services programs to improve  
7 effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall  
8 do the following:

- 9 (1) In consultation with representatives from county child support services  
10 programs, examine the current methodology for distributing federal  
11 incentive funding to the county programs and determine whether an  
12 alternative formula would be appropriate. NCCSS shall use its current  
13 formula for distributing federal incentive funding until an alternative  
14 formula is adopted.
- 15 (2) Upon adopting an alternative formula, develop a process to phase-in the  
16 alternative formula for distributing federal incentive funding over a  
17 four-year period.

18 **SECTION 12C.7.(c)** Reporting by County Child Support Services Programs. –  
19 NCCSS shall establish guidelines that identify appropriate uses for federal incentive funding.  
20 To ensure those guidelines are properly followed, NCCSS shall require county child support  
21 services programs to comply with each of the following:

- 22 (1) Submit an annual plan describing how federal incentive funding would  
23 improve program effectiveness and efficiency as a condition of receiving  
24 federal incentive funding.
- 25 (2) Report annually on: (i) how federal incentive funding has improved program  
26 effectiveness and efficiency and been reinvested into their programs, (ii)  
27 provide documentation that the funds were spent according to their annual  
28 plans, and (iii) explain any deviations from their plans.

29 **SECTION 12C.7.(d)** Plan/Report by NCCSS. – The NCCSS shall develop a plan  
30 to implement the requirements of this section. Prior to implementing the plan, NCCSS shall  
31 submit a progress report on the plan to the Joint Legislative Oversight Committee on Health  
32 and Human Services and the Fiscal Research Division by November 1, 2015.

33 After implementing the plan, NCCSS shall submit a report on federal child support  
34 incentive funding to the Joint Legislative Oversight Committee on Health and Human Services  
35 and the Fiscal Research Division by November 1 of each year. The report shall describe how  
36 federal incentive funds enhanced centralized child support services to benefit county child  
37 support services programs and improved the effectiveness and efficiency of county child  
38 support services programs. The report shall further include any changes to the State process the  
39 NCCSS used in calculating and distributing federal incentive funding to county child support  
40 services programs and any recommendations for further changes.

41  
42 **CHILD PROTECTIVE SERVICES IMPROVEMENT INITIATIVE/REVISE**  
43 **STATEWIDE EVALUATION REPORT DATE**

44 **SECTION 12C.8.** The Department of Health and Human Services, Division of  
45 Social Services, shall report on the findings and recommendations from the comprehensive,  
46 statewide evaluation of the State's child protective services system required by Section 12C.1(f)  
47 of S.L. 2014-100 to the Joint Legislative Oversight Committee on Health and Human Services  
48 on or before March 1, 2016.

49  
50 **FOSTERING SUCCESS/EXTEND FOSTER CARE TO 19 YEARS OF AGE**

1           **SECTION 12C.9.** Expenditure of the funds provided for in item 27A of the Health  
2 and Human Services portion of the N.C. House of Representatives Appropriations Committee  
3 Report to House Bill 97 is contingent upon passage of House Bill 424 of the 2015 Regular  
4 Session, Senate Bill 424 of the 2015 Regular Session, or any other substantially similar  
5 legislation adopted by the 2015 General Assembly.

## 6 7 **SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES**

### 8 9 **STATE-COUNTY SPECIAL ASSISTANCE RATES**

10           **SECTION 12D.1.(a)** For each year of the 2015-2017 fiscal biennium, the  
11 maximum monthly rate for residents in adult care home facilities shall be one thousand one  
12 hundred eighty-two dollars (\$1,182) per month per resident.

13           **SECTION 12D.1.(b)** For each year of the 2015-2017 fiscal biennium, the  
14 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one  
15 thousand five hundred fifteen dollars (\$1,515) per month per resident.

## 16 17 **SUBPART XII-E. DIVISION OF PUBLIC HEALTH**

### 18 19 **FUNDS FOR SCHOOL NURSES**

20           **SECTION 12E.1.(a)** Funds appropriated in this act for the School Nurse Funding  
21 Initiative shall be used to supplement and not supplant other State, local, or federal funds  
22 appropriated or allocated for this purpose. Communities shall maintain their current level of  
23 effort and funding for school nurses. These funds shall not be used to fund nurses for State  
24 agencies. These funds shall be distributed to local health departments according to a formula  
25 that includes all of the following:

- 26           (1) School nurse-to-student ratio.
- 27           (2) Percentage of students eligible for free or reduced-price meals.
- 28           (3) Percentage of children in poverty.
- 29           (4) Per capita income.
- 30           (5) Eligibility as a low-wealth county.
- 31           (6) Mortality rates for children between one and 19 years of age.
- 32           (7) Percentage of students with chronic illnesses.
- 33           (8) Percentage of county population consisting of minority persons.

34           **SECTION 12E.1.(b)** The Division of Public Health shall ensure that school nurses  
35 funded with State funds (i) do not assist in any instructional or administrative duties associated  
36 with a school's curriculum and (ii) perform all of the following with respect to school health  
37 programs:

- 38           (1) Serve as the coordinator of the health services program and provide nursing  
39 care.
- 40           (2) Provide health education to students, staff, and parents.
- 41           (3) Identify health and safety concerns in the school environment and promote a  
42 nurturing school environment.
- 43           (4) Support healthy food services programs.
- 44           (5) Promote healthy physical education, sports policies, and practices.
- 45           (6) Provide health counseling, assess mental health needs, provide interventions,  
46 and refer students to appropriate school staff or community agencies.
- 47           (7) Promote community involvement in assuring a healthy school and serve as  
48 school liaison to a health advisory committee.
- 49           (8) Provide health education and counseling and promote healthy activities and  
50 a healthy environment for school staff.

- 1 (9) Be available to assist the county health department during a public health  
2 emergency.  
3

#### 4 **AIDS DRUG ASSISTANCE PROGRAM (ADAP)**

5 **SECTION 12E.2.** The Department of Health and Human Services shall work with  
6 the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for the  
7 treatment of individuals in the custody of DPS who have been diagnosed with Human  
8 Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner  
9 that allows these funds to be accounted for as State matching funds in the Department of Health  
10 and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug  
11 Assistance Program (ADAP).  
12

#### 13 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE**

14 **SECTION 12E.3.(a)** Funds appropriated in this act to the Department of Health  
15 and Human Services, Division of Public Health, for the Community-Focused Eliminating  
16 Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid  
17 to close the gap in the health status of African-Americans, Hispanics/Latinos, and American  
18 Indians as compared to the health status of white persons. These grants-in-aid shall focus on the  
19 use of measures to eliminate or reduce health disparities among minority populations in this  
20 State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer.  
21 The Office of Minority Health shall coordinate and implement the grants-in-aid program  
22 authorized by this section.

23 **SECTION 12E.3.(b)** In implementing the grants-in-aid program authorized by  
24 subsection (a) of this section, the Department shall ensure all of the following:

- 25 (1) The amount of any grant-in-aid is limited to three hundred thousand dollars  
26 (\$300,000).  
27 (2) Only community-based organizations, faith-based organizations, local health  
28 departments, hospitals, and CCNC networks located in urban and rural areas  
29 of the western, eastern, and Piedmont areas of this State are eligible to apply  
30 for these grants-in-aid. No more than four grants-in-aid shall be awarded to  
31 applicants located in any one of the three areas specified in this subdivision.  
32 (3) Each eligible applicant shall be required to demonstrate substantial  
33 participation and involvement with all other categories of eligible applicants  
34 in order to ensure an evidence-based medical home model that will affect  
35 change in health and geographic disparities.  
36 (4) Eligible applicants shall select one or more of the following chronic illnesses  
37 or conditions specific to the applicant's geographic area as the basis for  
38 applying for a grant-in-aid under this section to affect change in the health  
39 status of African-Americans, Hispanics/Latinos, or American Indians:  
40 a. Heart Disease.  
41 b. Stroke.  
42 c. Diabetes.  
43 d. Obesity.  
44 e. Asthma.  
45 f. HIV/AIDS.  
46 g. Cancer.  
47 (5) The minimum duration of the grant period for any grant-in-aid is two years.  
48 (6) The maximum duration of the grant period for any grant-in-aid is three  
49 years.  
50 (7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight  
51 percent (8%) of the grant funds for overhead costs and (ii) shall be required

1 at the end of the grant period to demonstrate significant gains in addressing  
2 one or more of the health disparity focus areas identified in subsection (a) of  
3 this section.

- 4 (8) An independent panel with expertise in the delivery of services to minority  
5 populations, health disparities, chronic illnesses and conditions, and  
6 HIV/AIDS shall conduct the review of applications for grants-in-aid. The  
7 Department shall establish the independent panel required by this section.

8 **SECTION 12E.3.(c)** The grants-in-aid awarded under this section shall be awarded  
9 in honor of the memory of the following deceased members of the General Assembly: Bernard  
10 Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne  
11 Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used  
12 for concerted efforts to address large gaps in health status among North Carolinians who are  
13 African-American, as well as disparities among other minority populations in North Carolina.

14 **SECTION 12E.3.(d)** By October 1, 2017, the Department shall submit a report to  
15 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal  
16 Research Division on funds appropriated to the CFEHDI for the 2015-2017 fiscal biennium.  
17 The report shall include specific activities undertaken by grantees pursuant to subsection (a) of  
18 this section to address large gaps in health status among North Carolinians who are  
19 African-American and other minority populations in this State and shall also address all of the  
20 following:

- 21 (1) Which community-based organizations, faith-based organizations, local  
22 health departments, hospitals, and CCNC networks received CFEHDI  
23 grants-in-aid.  
24 (2) The amount of funding awarded to each grantee.  
25 (3) Which of the minority populations were served by each grantee.  
26 (4) Which community-based organizations, faith-based organizations, local  
27 health departments, hospitals, and CCNC networks were involved in  
28 fulfilling the goals and activities of each grant-in-aid awarded under this  
29 section and what activities were planned and implemented by the grantee to  
30 fulfill the community focus of the CFEHDI program.  
31 (5) How the activities implemented by the grantee fulfilled the goal of reducing  
32 health disparities among minority populations and the specific success in  
33 reducing particular incidences.  
34

## 35 MANDATORY MEDICAL EXAMINER TRAINING AND REVOCATION OF 36 APPOINTMENT FOR CAUSE

37 **SECTION 12E.4.(a)** G.S. 130A-382 reads as rewritten:

38 "**§ 130A-382. County medical examiners; appointment; term of office;**  
39 **~~vacancies.~~ vacancies; training requirements; revocation for cause.**

40 (a) The Chief Medical Examiner shall appoint one or more county medical examiners  
41 for each county for a three-year term. In appointing medical examiners for each county, the  
42 Chief Medical Examiner shall give preference to physicians licensed to practice medicine in  
43 this State but may also appoint licensed physician assistants, nurse practitioners, nurses,  
44 ~~examiners,~~ or emergency medical technician paramedics. A medical examiner may serve more  
45 than one county. The Chief Medical Examiner may take jurisdiction in any case or appoint  
46 another medical examiner to do so.

47 (b) County medical examiners shall complete annual continuing education training as  
48 directed by the Office of the Chief Medical Examiner and based upon established and  
49 published guidelines for conducting death investigations. The continuing education training  
50 shall include training regarding sudden unexplained death in epilepsy. The Office of the Chief  
51 Medical Examiner shall annually update and publish these guidelines on its Internet Web site.

1 Newly appointed county medical examiners shall complete mandatory orientation training as  
2 directed by the Office of the Chief Medical Examiner within 90 days of their appointment.

3 (c) The Chief Medical Examiner may revoke a county medical examiner's appointment  
4 for failure to adequately perform the duties of the office after providing the county medical  
5 examiner with written notice of the basis for the revocation and an opportunity to respond."

6 **SECTION 12E.4.(b)** This section becomes effective January 1, 2016.

#### 7 8 **INCREASE IN NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEE**

9 **SECTION 12E.5.(a)** G.S. 130A-389(a) reads as rewritten:

10 "(a) If, in the opinion of the medical examiner investigating the case or of the Chief  
11 Medical Examiner, it is advisable and in the public interest that an autopsy or other study be  
12 made; or, if an autopsy or other study is requested by the district attorney of the county or by  
13 any superior court judge, an autopsy or other study shall be made by the Chief Medical  
14 Examiner or by a competent pathologist designated by the Chief Medical Examiner. A  
15 complete autopsy report of findings and interpretations, prepared on forms designated for the  
16 purpose, shall be submitted promptly to the Chief Medical Examiner. Subject to the limitations  
17 of G.S. 130A-389.1 relating to photographs and video or audio recordings of an autopsy, a  
18 copy of the report shall be furnished to any person upon request. A fee for the autopsy or other  
19 study shall be paid by the State. However, if the deceased is a resident of the county in which  
20 the death or fatal injury occurred, that county shall pay the fee. The fee shall be ~~one thousand~~  
21 ~~two hundred fifty dollars (\$1,250).~~ one thousand seven hundred fifty dollars (\$1,750)."

22 **SECTION 12E.5.(b)** The Department of Health and Human Services, Division of  
23 Public Health, shall study and evaluate (i) the method of autopsy financing and the cost-sharing  
24 of this service between the State and counties and (ii) the amount of State appropriations that  
25 would be necessary to eliminate the shortfall between the amount of the autopsy fee imposed  
26 pursuant to G.S. 130A-389(a) and the actual cost of performing an autopsy. The Department  
27 shall report its findings and any recommended changes in State appropriations for, and  
28 cost-sharing of, this service to the Joint Legislative Oversight Committee on Health and Human  
29 Services and the Fiscal Research Division for consideration during the 2016 Regular Session of  
30 the 2015 General Assembly.

31 **SECTION 12E.5.(c)** Subsection (a) of this section becomes effective July 1, 2015,  
32 and applies to fees imposed for autopsies on or after that date.

#### 33 34 **INCREASE IN MEDICAL EXAMINER FEES**

35 **SECTION 12E.6.(a)** G.S. 130A-387 reads as rewritten:

36 "**§ 130A-387. Fees.**

37 For each investigation and prompt filing of the required report, the medical examiner shall  
38 receive a fee paid by the State. However, if the deceased is a resident of the county in which the  
39 death or fatal injury occurred, that county shall pay the fee. The fee shall be ~~one hundred~~  
40 ~~dollars (\$100.00).~~ two hundred dollars (\$200.00)."

41 **SECTION 12E.6.(b)** Subsection (a) of this section becomes effective July 1, 2015,  
42 and applies to fees imposed for investigations and reports filed on or after that date.

#### 43 44 **SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED** 45 **HEALTHCARE FACILITIES**

#### 46 47 **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

48 **SECTION 12F.1.(a)** Use of Funds. – Of the funds appropriated in Section 2.1 of  
49 this act to the Department of Health and Human Services, Division of Mental Health,  
50 Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of  
51 forty-three million forty-nine thousand one hundred forty-four dollars (\$43,049,144) for the

1 2015-2016 fiscal year and the sum of forty-three million forty-nine thousand one hundred  
2 forty-four dollars (\$43,049,144) for the 2016-2017 fiscal year shall be used to purchase  
3 additional local inpatient psychiatric beds or bed days not currently funded by or through  
4 LME/MCOs. The Department shall continue to implement a two-tiered system of payment for  
5 purchasing these local inpatient psychiatric beds or bed days based on acuity level, with an  
6 enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher  
7 acuity levels, as defined by the Department. The enhanced rate of payment for inpatient  
8 psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the  
9 lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at  
10 the discretion of the Secretary of Health and Human Services, existing funds allocated to  
11 LME/MCOs for community-based mental health, developmental disabilities, and substance  
12 abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.  
13 Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed  
14 days shall not be used to supplant other funds appropriated or otherwise available to the  
15 Department for the purchase of inpatient psychiatric services through contracts with local  
16 hospitals.

17 **SECTION 12F.1.(b)** Distribution and Management of Beds or Bed Days. – The  
18 Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased  
19 in accordance with this section are distributed across the State in LME/MCO catchment areas  
20 and according to need as determined by the Department. The Department shall ensure that beds  
21 or bed days for individuals with higher acuity levels are distributed across the State in LME  
22 catchment areas, including any catchment areas served by managed care organizations, and  
23 according to greatest need based on hospital bed utilization data. The Department shall enter  
24 into contracts with LME/MCOs and local hospitals for the management of these beds or bed  
25 days. The Department shall work to ensure that these contracts are awarded equitably around  
26 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric  
27 beds or bed days, including the determination of the specific local hospital or State psychiatric  
28 hospital to which an individual should be admitted pursuant to an involuntary commitment  
29 order.

30 **SECTION 12F.1.(c)** Funds to Be Held in Statewide Reserve. – Funds appropriated  
31 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be  
32 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental  
33 Health, Developmental Disabilities, and Substance Abuse Services to pay for services  
34 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.  
35 LME/MCOs shall remit claims for payment to the Department within 15 working days after  
36 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days  
37 after receipt of payment from the Department.

38 **SECTION 12F.1.(d)** Ineffective LME/MCO Management of Beds or Bed Days. –  
39 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed  
40 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not  
41 being utilized while demand for services at the State psychiatric hospitals has not reduced, or  
42 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)  
43 of this section, the Department may contract with another LME/MCO to manage the beds or  
44 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital  
45 directly.

46 **SECTION 12F.1.(e)** Reporting by LME/MCOs. – The Department shall establish  
47 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

48 **SECTION 12F.1.(f)** Reporting by Department. – By no later than December 1,  
49 2016, and by no later than December 1, 2017, the Department shall report to the Joint  
50 Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
51 Division on all of the following:

- 1 (1) A uniform system for beds or bed days purchased during the preceding fiscal  
2 year from (i) funds appropriated in this act that are designated for this  
3 purpose in subsection (a) of this section, (ii) existing State appropriations,  
4 and (iii) local funds.
- 5 (2) Other Department initiatives funded by State appropriations to reduce State  
6 psychiatric hospital use.  
7

#### 8 **SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

9 **SECTION 12F.2.** For the purpose of mitigating cash flow problems that many  
10 LME/MCOs experience at the beginning of each fiscal year relative to single stream funding,  
11 the Department of Health and Human Services, Division of Mental Health, Developmental  
12 Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each  
13 LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount  
14 of that distribution from the LME/MCO's total reimbursements for the fiscal year.  
15

#### 16 **FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM**

17 **SECTION 12F.3.(a)** Recurring funds appropriated in this act to the Department of  
18 Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
19 Substance Abuse Services, for the 2015-2017 fiscal biennium for the North Carolina Child  
20 Treatment Program (NC CTP) shall be used for the following purposes:

- 21 (1) To continue to provide clinical training and coaching to licensed Medicaid  
22 clinicians on an array of evidence-based treatments and to provide a  
23 statewide platform to assure accountability and outcomes.
- 24 (2) To maintain and manage a public roster of program graduates, linking  
25 high-quality clinicians with children, families, and professionals.
- 26 (3) To partner with State, LME/MCO, and private sector leadership to bring  
27 effective mental health treatment to children in juvenile justice and mental  
28 health facilities.

29 **SECTION 12F.3.(b)** All data, including any entered or stored in the State-funded  
30 secure database developed for the NC CTP to track individual-level and aggregate-level data  
31 with interface capability to work with existing networks within State agencies, is and remains  
32 the sole property of the State.  
33

#### 34 **FUNDS TO INCREASE CAPACITY FOR BEHAVIORAL HEALTH CRISIS** 35 **SERVICES**

36 **SECTION 12F.4.(a)** The following definitions apply in this section:

- 37 (1) Behavioral health urgent care center. – An outpatient facility that provides  
38 walk-in crisis assessment, referral, and treatment by licensed behavioral  
39 health professionals with prescriptive authority to individuals with an urgent  
40 or emergent need for mental health, intellectual or developmental  
41 disabilities, or substance abuse services.
- 42 (2) Facility-based crisis center. – A 24-hour residential facility licensed under  
43 10A NCAC 27G .5000 to provide facility-based crisis services as described  
44 in 10A NCAC 27G .5001.
- 45 (3) Secretary. – The Secretary of the North Carolina Department of Health and  
46 Human Services.

47 **SECTION 12F.4.(b)** Of the funds appropriated in this act to the Department of  
48 Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
49 Substance Abuse Services, for community services for the 2015-2016 fiscal year, the Division  
50 shall use two million dollars (\$2,000,000) in nonrecurring funds to accomplish the following:

- 1 (1) To increase the number of co-located or operationally linked behavioral  
2 health urgent care centers and facility-based crisis centers.
- 3 (2) To increase the number of facility-based crisis centers designated by the  
4 Secretary as facilities for the custody and treatment of involuntary clients  
5 pursuant to G.S. 122C-252 and 10A NCAC 26C .0101. The Department  
6 shall give priority to areas of the State experiencing a shortage of these types  
7 of facilities.
- 8 (3) To provide reimbursement for services provided by facility-based crisis  
9 centers.
- 10 (4) To establish facility-based crisis centers for children and adolescents.

## 11 12 **BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE** 13 **MONITORING**

14 **SECTION 12F.5.(a)** The Department of Health and Human Services shall require  
15 local management entities, including local management entities that have been approved to  
16 operate the 1915(b)/(c) Medicaid Waiver (LME/MCOs), to implement clinical integration  
17 activities with Community Care of North Carolina (CCNC) through Total Care, a collaborative  
18 initiative designed to improve and minimize the cost of care for patients who suffer from  
19 comorbid mental health or substance abuse and primary care or other chronic conditions.

20 **SECTION 12F.5.(b)** The Department shall ensure that all LME/MCOs continue to  
21 submit claims data, including to the extent practical, retrospective claims data and integrated  
22 payment and reporting system (IPRS) data, to the CCNC Informatics Center and to the  
23 Medicaid Management Information System. Upon receipt of this claims data, CCNC shall  
24 provide access to clinical data and care management information within the CCNC Informatics  
25 Center to LME/MCOs and authorized behavioral health providers to support (i) treatment,  
26 quality assessment, and improvement activities or (ii) coordination of appropriate and effective  
27 patient care, treatment, or habilitation.

28 **SECTION 12F.5.(c)** The Department, in consultation with CCNC and the  
29 LME/MCOs, shall develop quality and performance statistics on the status of mental health,  
30 developmental disabilities, and substance abuse services, including, but not limited to,  
31 variations in total cost of care, clinical outcomes, and access to and utilization of services.

32 **SECTION 12F.5.(d)** The Department shall, within available appropriations and as  
33 deemed necessary by the Department, expand or alter existing contracts by mutual agreement  
34 of all parties to the contract in order to implement the provisions of this section.

35 **SECTION 12F.5.(e)** By no later than March 1, 2016, and semiannually thereafter,  
36 the Department shall submit a report to the Joint Legislative Oversight Committee on Health  
37 and Human Services and the Fiscal Research Division on the progress, outcomes, and savings  
38 associated with the implementation of clinical integration activities with CCNC pursuant to this  
39 section.

## 40 41 **TRAUMATIC BRAIN INJURY FUNDING**

42 **SECTION 12F.6.** Of the funds appropriated in this act to the Department of Health  
43 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance  
44 Abuse Services, for the 2015-2016 fiscal year, the sum of two million three hundred  
45 seventy-three thousand eighty-six dollars (\$2,373,086) shall be used exclusively to support  
46 traumatic brain injury (TBI) services as follows:

- 47 (1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars  
48 (\$359,218) shall be used to fund contracts with the Brain Injury Association  
49 of North Carolina, Carolinas Rehabilitation, or other appropriate service  
50 providers.

- 1 (2) The sum of seven hundred ninety-six thousand nine hundred thirty-four  
2 dollars (\$796,934) shall be used to support residential programs across the  
3 State that are specifically designed to serve individuals with TBI.
- 4 (3) The sum of one million two hundred sixteen thousand nine hundred  
5 thirty-four dollars (\$1,216,934) shall be used to support requests submitted  
6 by individual consumers for assistance with residential support services,  
7 home modifications, transportation, and other requests deemed necessary by  
8 the consumer's local management entity and primary care physician.  
9

## 10 ESTABLISHMENT OF BEHAVIORAL HEALTH PARTNERSHIP PILOT PROGRAM

11 **SECTION 12F.7.(a)** It is the intent of the General Assembly to increase inpatient  
12 bed capacity for short-term care of individuals experiencing an acute mental health, substance  
13 abuse, or developmental disability crisis. Toward that end and subject to the availability of  
14 funds deposited into the Trust Fund for Mental Health, Developmental Disabilities, and  
15 Substance Abuse Services and Bridge Funding Needs and appropriated pursuant to subsection  
16 (e) of this section, the Department of Health and Human Services (Department) shall conduct a  
17 three-year pilot program to assist rural hospitals in the conversion of existing, unused acute  
18 care beds into licensed, short-term inpatient behavioral health beds. The Secretary shall select  
19 rural hospitals located in three different regions of the State that are currently participating in  
20 the statewide telepsychiatry program established under G.S. 143B-139.4B to participate in the  
21 pilot program. The maximum number of beds that may be converted into short-term inpatient  
22 behavioral health beds in each region is 50. At least one of the regions selected to participate in  
23 the pilot program shall be located in a rural area surrounding Wake County. Notwithstanding  
24 the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any  
25 other provision of law to the contrary, each selected rural hospital shall be allowed to convert  
26 unused acute care beds into licensed, inpatient psychiatric or substance abuse beds without  
27 undergoing certificate of need review by the Division of Health Service Regulation. All  
28 converted beds shall be subject to existing licensure laws and requirements. As a condition of  
29 participating in the pilot program, each selected rural hospital shall reserve at least fifty percent  
30 (50%) of the beds converted under the pilot program for (i) purchase by the Department under  
31 the State-administered three-way contract and (ii) referrals by local management  
32 entities/managed care organizations (LME/MCOs) of individuals who are indigent or Medicaid  
33 recipients.

34 **SECTION 12F.7.(b)** At least once every six months, the Department shall conduct  
35 monitoring visits of the rural hospitals participating in the pilot program and shall also be  
36 responsible for investigating all complaints related to the pilot program. Each rural hospital  
37 participating in the pilot program shall provide a monthly report to the Department on the  
38 number of individuals receiving short-term, inpatient psychiatric, substance abuse, or  
39 developmental disability services under the pilot program and the average length of stay of  
40 individuals receiving these behavioral health services under the pilot program. The Department  
41 shall have the authority to suspend or terminate the pilot program at any time due to  
42 noncompliance with applicable regulatory requirements that has resulted in serious harm to  
43 individuals receiving behavioral health services under the pilot program or when there is a  
44 substantial risk that serious harm will occur to individuals receiving behavioral health services  
45 under the pilot program.

46 **SECTION 12F.7.(c)** The Department of Health and Human Services shall report  
47 on the status of the pilot program at least once each year to the Program Evaluation Division  
48 and the Fiscal Research Division. The report shall include at a minimum all of the following:

- 49 (1) The number of beds converted into licensed, inpatient psychiatric beds in  
50 each region, broken down by hospital.

- 1 (2) The number of beds or bed days purchased at each participating hospital by  
2 the Department under the State-administered three-way contract.
- 3 (3) The number of referrals to participating hospitals by the LME/MCOs.
- 4 (4) The number and age of the individuals receiving short-term, inpatient  
5 psychiatric, substance abuse, or developmental disability services under the  
6 pilot program.
- 7 (5) Objective, measurable outcomes of the individuals served through this pilot  
8 program.

9 **SECTION 12F.7.(d)** The Joint Legislative Program Evaluation Oversight  
10 Committee shall consider including in the 2017-2018 Work Plan for the Program Evaluation  
11 Division of the General Assembly a comprehensive evaluation of the pilot program authorized  
12 in subsection (a) of this section. The Program Evaluation Division shall submit its findings and  
13 recommendations to the Joint Legislative Program Evaluation Oversight Committee, the Joint  
14 Legislative Oversight Committee on Health and Human Services, and the Fiscal Research  
15 Division no later than November 1, 2018.

16 **SECTION 12F.7.(e)** Notwithstanding G.S. 146-30 or any other provision of law to  
17 the contrary, the net proceeds of any sale of the State-owned property encompassing the  
18 Dorothea Dix Hospital campus shall be deposited into the Trust Fund for Mental Health,  
19 Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust  
20 Fund). Notwithstanding G.S. 143C-9-2 or any other provision of law to the contrary, the sum of  
21 up to twenty-five million dollars (\$25,000,000) is hereby appropriated from the Trust Fund to  
22 the Department of Health and Human Services, Division of Mental Health, Developmental  
23 Disabilities, and Substances Abuse Services, for the 2015-2016 fiscal year to pay for any  
24 renovation or building costs associated with converting existing acute care beds into licensed,  
25 short-term inpatient behavioral health beds designated for voluntarily and involuntarily  
26 committed patients in the rural hospitals selected to participate in the pilot program authorized  
27 under subsection (a) of this section. The Department shall not use these funds for any purpose  
28 other than as outlined in this section and shall not use these funds to supplement or supplant  
29 other State, local, or federal funds appropriated or allocated to the Department.

30 **SECTION 12F.7.(f)** The pilot program authorized under subsection (a) of this  
31 section expires three years from the date on which it commences.

32 **SECTION 12F.7.(g)** The balance of the proceeds of the sale of Dorothea Dix  
33 Hospital remaining after the appropriation under subsection (e) of this section shall remain in  
34 the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services  
35 and Bridge Funding Needs (Trust Fund) until appropriated by the General Assembly. The  
36 Department shall report its recommendations for using the remaining Dix proceeds to increase  
37 the availability of community-based behavioral health treatment and services statewide to the  
38 chairs of the House of Representatives Appropriations Committee on Health and Human  
39 Services and Senate Appropriations Committee on Health and Human Services, the Joint  
40 Legislative Oversight Committee on Health and Human Services, and Fiscal Research by  
41 February 1, 2016.

#### 42

#### 43 **COMMUNITY PARAMEDIC MOBILE CRISIS MANAGEMENT PILOT PROGRAM**

44 **SECTION 12F.8.(a)** Of the funds appropriated to the Department of Health and  
45 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse  
46 Services, the sum of two hundred twenty-five thousand dollars (\$225,000) for fiscal year  
47 2015-2016 shall be used to continue the Department's community paramedic mobile crisis  
48 management program to divert behavioral health consumers from emergency departments by  
49 implementing a pilot of the thirteen programs across the State.

50 **SECTION 12F.8.(b)** The Department shall develop an evaluation plan for the  
51 community paramedic mobile crisis management pilot program based on the U.S. Department

1 of Health and Human Services, Health Resources and Services Administration Office of Rural  
2 Health Policy's, Community Paramedicine Evaluation Tool, published in March 2012.

3 **SECTION 12F.8.(c)** The Department shall submit a report to the Senate  
4 Appropriations Committee on Health and Human Services, House Appropriations, Health and  
5 Human Services, and the Fiscal Research Division by June 1, 2016, on the progress of the  
6 project and the Department's evaluation plan.

7 **SECTION 12F.8.(d)** The Department of Health and Human Services shall submit  
8 a final report to the Joint Legislative Oversight Committee on Health and Human Services and  
9 the Fiscal Research Division by November 1, 2016. At a minimum, the final report shall  
10 include the following:

- 11 (1) An updated version of the evaluation plan required by subsection (b) of this  
12 section.
- 13 (2) An estimate of the cost to expand the program incrementally.
- 14 (3) An estimate of any potential savings of State funds associated with  
15 expansion of the program.
- 16 (4) If expansion of the program is recommended, a time line for expanding the  
17 program.

### 18 **CONSOLIDATION OF LME/MCOS**

19 **SECTION 12F.9.(a)** The Department of Health and Human Services, Division of  
20 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall consolidate  
21 the existing local management entities/managed care organizations (LME/MCOs) to no more  
22 than five LME/MCOs by July 1, 2017. In consolidating the LME/MCOs, the Department shall  
23 consider the impact of the following:

- 24 (1) Savings on the administrative cost included in the capitation rates as a result  
25 of economies of scale.
- 26 (2) Enhancing access to and coordination of behavioral health care throughout  
27 the State.
- 28 (3) The fiscal sustainability of the LME/MCO system.
- 29 (4) The competencies and capacities of the LME/MCOs to manage care  
30 effectively to ensure the best outcomes at the lowest cost.

31 **SECTION 12F.9.(b)** The Department shall report to the Joint Legislative  
32 Oversight Committee on Health and Human Services by January 15, 2016, on the plan for  
33 consolidation and the progress toward completion of the plan.

### 34 **SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION**

#### 35 **MORATORIUM ON HOME CARE AGENCY LICENSES FOR IN-HOME AIDE 36 SERVICES**

37 **SECTION 12G.1.(a)** Section 12G.4(a) of S.L. 2014-100 reads as rewritten:

38 **"SECTION 12G.4.(a)** For the period commencing on the effective date of this section, and  
39 ending ~~June 30, 2016,~~ June 30, 2017, and notwithstanding the provisions of the Home Care  
40 Agency Licensure Act set forth in Part 3 of Article 6 of Chapter 131E of the General Statutes or  
41 any rules adopted pursuant to that Part, the Department of Health and Human Services shall not  
42 issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer  
43 in-home aide services. This prohibition does not apply to companion and sitter services and  
44 shall not restrict the Department from doing any of the following:

- 45 (1) Issuing a license to a certified home health agency as defined in  
46 G.S. 131E-176(12) that intends to offer in-home aide services.
- 47 (2) Issuing a license to an agency that needs a new license for an existing home  
48 care agency being acquired.

- 1 (3) Issuing a license for a new home care agency in any area of the State upon a  
2 determination by the Secretary of the Department of Health and Human  
3 Services that increased access to care is necessary in that area."

4 **SECTION 12G.1.(a1)** The Department shall submit a report to the Joint  
5 Legislative Oversight Committee on Health and Human Services by March 1, 2016, containing  
6 at least the following information:

- 7 (1) The number of licensed home care agencies in the State.  
8 (2) The capacity of the currently licensed home care agencies to serve people in  
9 need of their services.  
10 (3) The anticipated growth in the number of people who will need the services  
11 of a licensed home care agency.  
12 (4) The number of applications received from home care agencies seeking  
13 licensure as permitted by this section, and the number of those applications  
14 that were not approved.

15 **SECTION 12G.1.(b)** This section is effective when this act becomes law.  
16

### 17 **MORATORIUM ON SPECIAL CARE UNIT LICENSES**

18 **SECTION 12G.2.(a)** Section 12G.1(a) of S.L. 2013-360, as amended by Section  
19 12G.5 of S.L. 2014-100, reads as rewritten:

20 "**SECTION 12G.1.(a)** For the period beginning July 31, 2013, and ending ~~June 30,~~  
21 2016, June 30, 2017, the Department of Health and Human Services, Division of Health Service  
22 Regulation (Department), shall not issue any licenses for special care units as defined in  
23 G.S. 131D-4.6 and G.S. 131E-114. This prohibition shall not restrict the Department from  
24 doing any of the following:

- 25 (1) Issuing a license to a facility that is acquiring an existing special care unit.  
26 (2) Issuing a license for a special care unit in any area of the State upon a  
27 determination by the Secretary of the Department of Health and Human  
28 Services that increased access to this type of care is necessary in that area  
29 during the moratorium imposed by this section.  
30 (3) Processing all completed applications for special care unit licenses received  
31 by the Division of Health Service Regulation along with the applicable  
32 license fee prior to June 1, 2013.  
33 (4) Issuing a license to a facility that was in possession of a certificate of need as  
34 of July 31, 2013, that included authorization to operate special care unit  
35 beds."

36 **SECTION 12G.2.(a1)** The Department shall submit a report to the Joint  
37 Legislative Oversight Committee on Health and Human Services by March 1, 2016, containing  
38 at least the following information:

- 39 (1) The number of licensed special care units in the State.  
40 (2) The capacity of the currently licensed special care units to serve people in  
41 need of their services.  
42 (3) The anticipated growth in the number of people who will need the services  
43 of a licensed special care unit.  
44 (4) The number of applications received from special care units seeking  
45 licensure as permitted by this section, and the number of those applications  
46 that were not approved.

47 **SECTION 12G.2.(b)** This section is effective when this act becomes law.  
48

### 49 **LICENSURE OF OVERNIGHT RESPITE FACILITIES**

50 **SECTION 12G.3.(a)** Article 1 of Chapter 131D of the General Statutes is amended  
51 by adding a new section to read:

1 **"§ 131D-6.1. Licensure to offer overnight respite; rules; enforcement.**

2 (a) As used in this section, "overnight respite services" means the provision of group  
3 care and supervision in a place other than their usual place of abode on a 24-hour basis to adults  
4 who may be physically or mentally disabled and includes services provided by the following:

5 (1) Any facility certified to provide adult day care services pursuant to  
6 G.S. 131D-6, or adult day health services pursuant to 10A NCAC 06S, or  
7 both.

8 (2) Any adult care home or family care home licensed under this Article.

9 (b) Any facility described under subsection (a) of this section may apply to the  
10 Department for licensure to offer a program of overnight respite services. The Department shall  
11 annually license facilities providing overnight respite services under rules adopted by the  
12 Department pursuant to subsection (c) of this section. As part of the licensure process, the  
13 Division of Health Service Regulation shall inspect the construction projects associated with,  
14 and the operations of, each facility providing overnight respite services for compliance with the  
15 rules adopted by the Department pursuant to subsection (c) of this section.

16 (c) The Department shall adopt rules governing the licensure of facilities providing  
17 overnight respite in accordance with this section. The Department shall seek input from  
18 stakeholders before proposing rules for adoption as required by this subsection. The rules shall  
19 limit the provision of 24-hour care for each adult to (i) not more than 14 consecutive calendar  
20 days, and not more than 60 total calendar days, during a 365-day period or (ii) the amount of  
21 respite allowed under the North Carolina Innovations waiver or Community Alternatives  
22 Program for Disabled Adults (CAP/DA) waiver, as applicable. The rules shall include  
23 minimum requirements to ensure the health and safety of adult day care overnight respite  
24 participants. These requirements shall address all of the following:

25 (1) Program management.

26 (2) Staffing.

27 (3) Building specifications.

28 (4) Fire safety.

29 (5) Sanitation.

30 (6) Nutrition.

31 (7) Enrollment.

32 (8) Bed capacity limitations, which shall not exceed six beds in each adult day  
33 care program.

34 (9) Medication management.

35 (10) Program activities.

36 (d) The Division of Health Service Regulation shall have the authority to enforce the  
37 rules adopted by the Department under subsection (c) of this section and shall be responsible  
38 for the investigation of complaints pertaining to facilities licensed to provide overnight respite  
39 services.

40 (e) Each facility that is licensed to provide a program of overnight respite services  
41 under this section shall periodically report the number of individuals served and the average  
42 daily census to the Division of Health Service Regulation on a schedule determined by the  
43 Division.

44 (f) The Division of Health Service Regulation shall have the authority to suspend or  
45 revoke a facility's license to provide a program of overnight respite services at any time due to  
46 noncompliance with regulatory requirements that has resulted in death or serious physical  
47 harm, or when there is a substantial risk that death or serious physical harm will occur.

48 (g) Nothing in this section shall be construed to prevent a facility licensed to provide  
49 overnight respite services under this section from receiving State funds or participating in any  
50 government insurance plan, including the Medicaid program, to the extent authorized or  
51 permitted under applicable State or federal law.

1       (h) The Department shall charge each facility seeking to provide overnight respite  
 2 services a nonrefundable initial licensure fee of three hundred fifty dollars (\$350.00) and a  
 3 nonrefundable renewal licensure fee in the amount of three hundred fifteen dollars (\$315.00)."

4               **SECTION 12G.3.(b)** G.S. 131E-267(g) reads as rewritten:

5       (g) The fee imposed for the review of the following residential construction projects is:

<b>Residential Project</b>	<b>Project Fee</b>
6 Family Care Homes	\$225.00 flat fee
7 ICF/MR Group Homes	\$350.00 flat fee
8 Group Homes: 1-3 beds	\$125.00 flat fee
9 Group Homes: 4-6 beds	\$225.00 flat fee
10 Group Homes: 7-9 beds	\$275.00 flat fee
11 <u>Adult Day Care Overnight Respite Facility</u>	<u>\$225.00 flat fee</u>
12 <u>Adult Day Health Overnight Respite Facility</u>	<u>\$225.00 flat fee</u>
13 Other residential:	
14 More than 9 beds	\$275.00 plus \$0.15 per square foot of
15	project space."

17               **SECTION 12G.3.(c)** Of the funds appropriated to the Department of Health and  
 18 Human Services, Division of Health Service Regulation, the sum of eighty-two thousand six  
 19 hundred six dollars (\$82,606) for the 2015-2016 fiscal year and the sum of eighty-eight  
 20 thousand thirty-three dollars (\$88,033) for the 2016-2017 fiscal year shall be used to create one  
 21 full-time equivalent Nursing Consultant position and one full-time equivalent  
 22 Engineer/Architect position within the Division dedicated to inspecting adult day care, adult  
 23 day health, adult care home, and family care home facilities seeking licensure to provide  
 24 overnight respite services in accordance with G.S. 131D-6.1, as enacted by subsection (a) of  
 25 this section.

26               **SECTION 12G.3.(d)** The Department of Health and Human Services, Division of  
 27 Aging and Adult Services, shall add adult day care overnight respite programs as a service  
 28 category under the Home and Community Care Block Grant. Counties may elect to use an adult  
 29 day care, adult day health, adult care home, or family care home facility licensed under  
 30 G.S. 131D-6.1, as enacted by subsection (a) of this section, to provide overnight respite  
 31 services to caregivers of older adults from funds received under the Home and Community  
 32 Care Block Grant.

33               **SECTION 12G.3.(e)** The Department of Health and Human Services, Division of  
 34 Medical Assistance, shall take any and all action necessary to amend the North Carolina  
 35 Innovations waiver and the North Carolina Community Alternatives Program for Disabled  
 36 Adults (CAP/DA) waiver for the purpose of allowing facilities licensed to provide adult day  
 37 health overnight respite services under G.S. 131D-6.1, as enacted by subsection (a) of this  
 38 section, to become allowable providers of overnight respite under each waiver.

40 **SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)**

41  
 42 **REINSTATE MEDICAID ANNUAL REPORT**

43               **SECTION 12H.1.** The Department of Health and Human Services, Division of  
 44 Medical Assistance, shall reinstate the publication of the Medicaid Annual Report and  
 45 accompanying tables, which was discontinued after 2008. The Division shall publish the report  
 46 and tables on its Web site and shall not publish copies in print.

47  
 48 **MEDICAID ELIGIBILITY**

49               **SECTION 12H.2.(a)** Families and children who are categorically and medically  
 50 needy are eligible for Medicaid, subject to the following annual income levels:

<b>Categorically</b>	<b>Medically</b>
----------------------	------------------

	Family Size	Needy Income Level	Needy Income Level
1			
2			
3	1	\$ 5,208	\$ 2,904
4	2	6,828	3,804
5	3	8,004	4,404
6	4	8,928	4,800
7	5	9,888	5,196
8	6	10,812	5,604
9	7	11,700	6,000
10	8	12,432	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.2.(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 ninety-six percent (196%) 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 ten percent (210%) 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 ten percent (210%) of the federal poverty guidelines and without regard to resources.
- (5) Children aged six through 18 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources.
- (6) Workers with disabilities described in G.S. 108A-66A with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

The Department of Health and Human Services, Division of Medical Assistance, shall also provide family planning services to men and women of childbearing age with family incomes equal to or less than one hundred ninety-five percent (195%) of the federal poverty guidelines and without regard to resources.

**SECTION 12H.2.(c)** The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs, regardless of the adoptive family's income.

**SECTION 12H.2.(d)** The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. § 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

1           **SECTION 12H.2.(e)** The Department of Health and Human Services, Division of  
2 Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast  
3 or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

4           **SECTION 12H.2.(f)** G.S. 108A-70.21 reads as rewritten:

5       "**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing;**  
6       **coverage from private plans; purchase of extended coverage.**

7       (a) Eligibility. – The Department may enroll eligible children based on availability of  
8 funds. Following are eligibility and other requirements for participation in the Program:

9           (1) Children must:

- 10           a. Be between the ages of 6 through 18;  
11           b. Be ineligible for Medicaid, Medicare, or other federal  
12 government-sponsored health insurance;  
13           c. Be uninsured;  
14           d. Be in a family whose family income is above one hundred  
15 thirty-three percent (133%) ~~through and less than or equal to two~~  
16 hundred eleven percent (~~200%~~)(~~211%~~) of the federal poverty level;  
17           e. Be a resident of this State and eligible under federal law; and  
18           f. Have paid the Program enrollment fee required under this Part.

19           ...

20       (b) Benefits. – All health benefits changes of the Program shall meet the coverage  
21 requirements set forth in this subsection. Except as otherwise provided for eligibility, fees,  
22 deductibles, copayments, and other cost sharing charges, health benefits coverage provided to  
23 children eligible under the Program shall be equivalent to coverage provided for dependents  
24 under North Carolina Medicaid Program except for the following:

- 25           (1) No services for long-term care.  
26           (2) No nonemergency medical transportation.  
27           (3) No EPSDT.  
28           (4) Dental services shall be provided on a restricted basis in accordance with  
29 criteria adopted by the Department to implement this subsection.

30       In addition to the benefits provided under the North Carolina Medicaid Program, the  
31 following services and supplies are covered under the Health Insurance Program for Children  
32 established under this Part:

- 33           (1), (1a) Repealed by Session Laws 2011-145, s. 10.41(b), effective July 1, 2011.  
34           (2) Vision: Scheduled routine eye examinations once every 12 months, eyeglass  
35 lenses or contact lenses once every 12 months, routine replacement of  
36 eyeglass frames once every 24 months, and optical supplies and solutions  
37 when needed. NCHC recipients must obtain optical services, supplies, and  
38 solutions from NCHC enrolled, licensed or certified ophthalmologists,  
39 optometrists, or opticians. In accordance with G.S. 148-134, NCHC  
40 providers must order complete eyeglasses, eyeglass lenses, and ophthalmic  
41 frames through Nash Optical Plant. Eyeglass lenses are limited to  
42 NCHC-approved single vision, bifocal, trifocal, or other complex lenses  
43 necessary for a Plan enrollee's visual welfare. Coverage for oversized lenses  
44 and frames, designer frames, photosensitive lenses, tinted contact lenses,  
45 blended lenses, progressive multifocal lenses, coated lenses, and laminated  
46 lenses is limited to the coverage for single vision, bifocal, trifocal, or other  
47 complex lenses provided by this subsection. Eyeglass frames are limited to  
48 NCHC-approved frames made of zylonite, metal, or a combination of  
49 zylonite and metal. All visual aids covered by this subsection require prior  
50 approval. Requests for medically necessary complete eyeglasses, eyeglass  
51 lenses, and ophthalmic frames outside of the NCHC-approved selection

1 require prior approval. Requests for medically necessary fabrication of  
 2 complete eyeglasses or eyeglass lenses outside of Nash Optical Plant require  
 3 prior approval. Upon prior approval refractions may be covered more often  
 4 than once every 12 months.

- 5 (3) Under the North Carolina Health Choice Program for Children, the  
 6 co-payment for nonemergency visits to the emergency room for children  
 7 whose family income is ~~at or below~~ less than or equal to one hundred  
 8 ~~fifty~~ fifty-nine percent ~~(150%)(159%)~~ of the federal poverty level is ten  
 9 dollars (\$10.00). The co-payment for children whose family income is  
 10 ~~between~~ above one hundred fifty-one fifty-nine percent ~~(151%)(159%)~~ and  
 11 less than or equal to two hundred eleven percent ~~(200%)(211%)~~ of the  
 12 federal poverty level is twenty-five dollars (\$25.00).

13 ...

14 (c) Annual Enrollment Fee. – There shall be no enrollment fee for Program coverage  
 15 for enrollees whose family income is ~~at or below~~ less than or equal to one hundred  
 16 ~~fifty~~ fifty-nine percent ~~(150%)(159%)~~ of the federal poverty level. The enrollment fee for Program  
 17 coverage for enrollees whose family income is above one hundred ~~fifty~~ fifty-nine percent  
 18 ~~(150%)(159%)~~ through and less than or equal to two hundred eleven percent ~~(200%)(211%)~~ of  
 19 the federal poverty level shall be fifty dollars (\$50.00) per year per child with a maximum  
 20 annual enrollment fee of one hundred dollars (\$100.00) for two or more children. The  
 21 enrollment fee shall be collected by the county department of social services and retained to  
 22 cover the cost of determining eligibility for services under the Program. County departments of  
 23 social services shall establish procedures for the collection of enrollment fees.

24 (d) Cost-Sharing. – There shall be no deductibles, copayments, or other cost-sharing  
 25 charges for families covered under the Program whose family income is ~~at or below~~ less than or  
 26 equal to one hundred ~~fifty~~ fifty-nine percent ~~(150%)(159%)~~ of the federal poverty level, except  
 27 that fees for outpatient prescription drugs are applicable and shall be one dollar (\$1.00) for each  
 28 outpatient generic prescription drug, for each outpatient brand-name prescription drug for  
 29 which there is no generic substitution available, and for each covered over-the-counter  
 30 medication. The fee for each outpatient brand-name prescription drug for which there is a  
 31 generic substitution available is three dollars (\$3.00). Families covered under the Program  
 32 whose family income is above one hundred ~~fifty~~ fifty-nine percent ~~(150%)(159%)~~ of the  
 33 federal poverty level shall be responsible for copayments to providers as follows:

- 34 (1) Five dollars (\$5.00) per child for each visit to a provider, except that there  
 35 shall be no copayment required for well-baby, well-child, or age-appropriate  
 36 immunization services;  
 37 (2) Five dollars (\$5.00) per child for each outpatient hospital visit;  
 38 (3) A one dollar (\$1.00) fee for each outpatient generic prescription drug, for  
 39 each outpatient brand-name prescription drug for which there is no generic  
 40 substitution available, and for each covered over-the-counter medication.  
 41 The fee for each outpatient brand-name prescription drug for which there is a  
 42 generic substitution available is ten dollars (\$10.00).  
 43 (4) Twenty dollars (\$20.00) for each emergency room visit unless:  
 44 a. The child is admitted to the hospital, or  
 45 b. No other reasonable care was available as determined by the  
 46 Department.

47 ..."

#### 49 LME/MCO OUT-OF-NETWORK AGREEMENTS

50 **SECTION 12H.3.(a)** The Department of Health and Human Services (Department)  
 51 shall ensure that local management entities/managed care organizations (LME/MCOs) utilize

1 an out-of-network agreement that contains standardized elements developed in consultation  
2 with LME/MCOs. The out-of-network agreement shall be a streamlined agreement between a  
3 single provider of behavioral health or intellectual/developmental disability (IDD) services and  
4 an LME/MCO to ensure access to care in accordance with 42 C.F.R. 438.206(b)(4), reduce  
5 administrative burden on the provider, and comply with all requirements of State and federal  
6 laws and regulations. Beginning July 1, 2015, LME/MCOs shall use the out-of-network  
7 agreement in lieu of a comprehensive provider contract when all of the following conditions are  
8 met:

- 9 (1) The services requested are medically necessary and cannot be provided by  
10 an in-network provider.
- 11 (2) The behavioral health or IDD provider's site of service delivery is located  
12 outside of the geographical catchment area of the LME/MCO, and the  
13 LME/MCO is not accepting applications or the provider does not wish to  
14 apply for membership in the LME/MCO closed network.
- 15 (3) The behavioral health or IDD provider is not excluded from participation in  
16 the Medicaid program, the NC Health Choice program or other State or  
17 federal health care program.
- 18 (4) The behavioral health or IDD provider is serving no more than two enrollees  
19 of the LME/MCO, unless the agreement is for inpatient hospitalization, in  
20 which case the LME/MCO may, but shall not be required to, enter into more  
21 than five such out-of-network agreements with a single hospital or health  
22 system in any 12-month period.

23 **SECTION 12H.3.(b)** Medicaid providers providing services pursuant to an  
24 out-of-network agreement shall be considered a network provider for purposes of Chapter  
25 108D of the General Statutes only as it relates to enrollee grievances and appeals.  
26

#### 27 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

28 **SECTION 12H.4.** The Department of Health and Human Services, Division of  
29 Medical Assistance, shall charge an application fee of one hundred dollars (\$100.00), and the  
30 amount federally required, to each provider enrolling in the Medicaid Program for the first  
31 time. The fee shall be charged to all providers at recredentialing every three years.  
32

#### 33 **REIMBURSEMENT FOR IMMUNIZING PHARMACIST SERVICES**

34 **SECTION 12H.5.(a)** Effective January 1, 2016, the Department of Health and  
35 Human Services, Division of Medical Assistance (Department), shall provide Medicaid and NC  
36 Health Choice reimbursement for the administration of covered vaccinations or immunizations  
37 provided by immunizing pharmacists in accordance with G.S. 90-85.15B.

38 **SECTION 12H.5.(b)** In order to implement the requirements of subsection (a) of  
39 this section, the Department shall enroll immunizing pharmacists as providers.

40 **SECTION 12H.5.(c)** The Department shall submit any State plan amendments  
41 necessary to accomplish the requirements of this section.  
42

#### 43 **TRAUMATIC BRAIN INJURY MEDICAID WAIVER**

44 **SECTION 12H.6.(a)** The Department of Health and Human Services, Division of  
45 Medical Assistance and Division of Mental Health, Developmental Disabilities, and Substance  
46 Abuse Services (Department), shall submit to the Centers for Medicare and Medicaid Services  
47 a request for approval of the 1915(c) waiver for individuals with traumatic brain injury (TBI)  
48 that the Department designed pursuant to Section 12H.6 of S.L. 2014-100, which the Joint  
49 Legislative Oversight Committee on Health and Human Services recommended as part of its  
50 December 2014 report to the General Assembly, and which is further described in the  
51 Department's February 1, 2015, report to the General Assembly.

1           **SECTION 12H.6.(b)** The Department shall report to the Joint Legislative  
2 Oversight Committee on Health and Human Services on the status of the Medicaid TBI waiver  
3 request and the plan for implementation no later than December 1, 2015. The Department shall  
4 submit an updated report by March 1, 2016. Each report shall include the following:

- 5           (1) The number of individuals who are being served under the waiver and the  
6           total number of individuals expected to be served.
- 7           (2) The expenditures to date and a forecast of future expenditures.
- 8           (3) Any recommendations regarding expansion of the waiver.

9           **SECTION 12H.6.(c)** Of the funds appropriated to the Department of Health and  
10 Human Services, Division of Medical Assistance, two million dollars (\$2,000,000) for fiscal  
11 year 2015-2016 and two million dollars (\$2,000,000) for fiscal year 2016-2017 shall be used to  
12 fund the Medicaid TBI waiver.  
13

#### 14 **STUDY MEDICAID COVERAGE FOR VISUAL AIDS**

15           **SECTION 12H.6A.** The Department of Health and Human Services, Division of  
16 Medical Assistance, in consultation with the Department of Public Safety, shall submit a report  
17 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal  
18 Research Division by October 1, 2015, containing an analysis of the fiscal impact to the State  
19 of reinstating Medicaid coverage for visual aids for adults utilizing a contract with the  
20 Department of Public Safety for fabrication of the eyeglasses at Nash Optical Plant Optical  
21 Laboratory. The report shall also analyze the cost of reinstating Medicaid coverage for routine  
22 eye examinations for adults in addition to the coverage for visual aids.  
23

#### 24 **ASSESSMENTS**

25           **SECTION 12H.7.** G.S. 108A-122(b) reads as rewritten:

26           "(b) Allowable Cost. – An assessment paid under this Article may be included as  
27 allowable costs of a hospital for purposes of any applicable Medicaid reimbursement ~~formula~~.  
28 formula; assessments paid under this Article shall be excluded from cost settlement. An  
29 assessment imposed under this Article may not be added as a surtax or assessment on a patient's  
30 bill."  
31

#### 32 **ELIMINATE 2% FUNDING OF LME/MCO RISK RESERVE**

33           **SECTION 12H.8.** Effective July 1, 2016, the Department of Health and Human  
34 Services, Division of Medical Assistance, shall discontinue paying the two percent (2%) added  
35 to the administrative payments to local management entities/managed care organizations  
36 (LME/MCOs), which have funded the LME/MCOs' contractually required risk reserve  
37 accounts.  
38

#### 39 **ADMINISTRATIVE HEARINGS FUNDING**

40           **SECTION 12H.9.** The Department of Health and Human Services (Department)  
41 shall transfer the sum of one million dollars (\$1,000,000) for the 2015-2016 fiscal year and the  
42 sum of one million dollars (\$1,000,000) for the 2016-2017 fiscal year to the Office of  
43 Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation  
44 services provided for Medicaid applicant and recipient appeals and to contract for other  
45 services necessary to conduct the appeals process. OAH shall continue the Memorandum of  
46 Agreement (MOA) with the Department for mediation services provided for Medicaid recipient  
47 appeals and contracted services necessary to conduct the appeals process. The MOA will  
48 facilitate the Department's ability to draw down federal Medicaid funds to support this  
49 administrative function. Upon receipt of invoices from OAH for covered services rendered in  
50 accordance with the MOA, the Department shall transfer the federal share of Medicaid funds  
51 drawn down for this purpose.

**ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

**SECTION 12H.10.(a)** Receivables reserved at the end of the 2015-2016 and 2016-2017 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

**SECTION 12H.10.(b)** For the 2015-2016 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars (\$139,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2016-2017 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars (\$139,000,000) 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 nonindigent 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.11.** 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 2015-2016 fiscal year and the sum of forty-three million dollars (\$43,000,000) for the 2016-2017 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.

**MISCELLANEOUS MEDICAID PROVISIONS**

**SECTION 12H.12.(a)** Volume Purchase Plans and Single Source Procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

**SECTION 12H.12.(b)** Cost Containment Programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

**SECTION 12H.12.(c)** Medicaid Identification Cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

**NONEMERGENCY MEDICAL TRANSPORTATION**

**SECTION 12H.13.** The Department of Health and Human Services, Division of Medical Assistance, shall develop and issue a request for proposal for a contract beginning January 1, 2016, for the statewide management of Medicaid nonemergency medical transportation services.

**MISCELLANEOUS HEALTH CHOICE PROVISIONS**

**SECTION 12H.14.(a)** G.S. 108A-70.18(4a) is repealed.

**SECTION 12H.14.(b)** G.S. 108A-70.20 reads as rewritten:

1 **"§ 108A-70.20. Program established.**

2 The Health Insurance Program for Children is established. The Program shall be known as  
3 North Carolina Health Choice for Children, and it shall be administered by the Department of  
4 Health and Human Services in accordance with this Part and as required under Title XXI and  
5 related federal rules and regulations. Administration of ~~Program benefits and claims processing~~  
6 shall be as ~~provided under Part 5 of Article 3 of Chapter 135 of the General Statutes described~~  
7 in 42 C.F.R. § 447.45(d)(1)."

8 **SECTION 12H.14.(c)** Subsections (g) and (h) of G.S. 108A-70.21 are repealed.

9 **SECTION 12H.14.(d)** G.S. 108A-70.21(i) reads as rewritten:

10 "(i) ~~No Lifetime Maximum Benefit Limit.~~—Benefits provided to an enrollee in the  
11 Program ~~shall not be subject to a maximum lifetime limit,~~ may be subject to lifetime maximum  
12 limits set forth in Medicaid and NC Health Choice medical coverage policies adopted pursuant  
13 to G.S. 108A-54.2."

14 **SECTION 12H.14.(e)** G.S. 108A-70.27(c) is repealed.

15  
16 **AUTHORIZE DHHS TO ADMINISTER MEDICAID AND HEALTH CHOICE**  
17 **WITHIN THEIR ENACTED BUDGETS**

18 **SECTION 12H.15.(a)** Notwithstanding G.S. 108A-54.1A, 108A-54.2(c), and  
19 108A-70.25, and except as specifically set forth in this act or other State law, for the 2015-2017  
20 fiscal biennium, the Department of Health and Human Services (Department) is fully  
21 authorized to make any changes or take any actions necessary to administer and operate the  
22 Medicaid and Health Choice programs provided that the total expenditures, net of agency  
23 receipts, for the Medicaid program do not exceed three billion seven hundred seventy-three  
24 million four hundred two thousand seven hundred seventy-eight dollars (\$3,773,402,778) for  
25 fiscal year 2015-2016 and three billion nine hundred thirty-six million ninety-six thousand  
26 eight hundred eighty-eight dollars (\$3,936,096,888) for fiscal year 2016-2017, and for the NC  
27 Health Choice program do not exceed fourteen million three hundred ninety-seven thousand  
28 five hundred seventy-nine dollars (\$14,397,579) for fiscal year 2015-2016 and two million one  
29 hundred five thousand forty-two dollars (\$2,105,042) for fiscal year 2016-2017.

30 **SECTION 12H.15.(b)** Notwithstanding any other provision of law, neither the  
31 Director of the Budget nor any other State official, officer, or agency shall authorize any  
32 adjustment, drawdown, or transfer unearned or borrowed receipts to implement this section or  
33 expend any other funds to implement this section, if doing so would impose, increase, or  
34 continue a financial obligation in the 2015-2016 fiscal year or any subsequent fiscal year.

35 **SECTION 12H.15.(c)** Chapter 120 of the General Statutes is amended by adding  
36 the following new Article to read:

37 "Article 23B.

38 "Joint Legislative Oversight Committee on Medicaid.

39 **"§ 120-209. Creation and membership of Joint Legislative Oversight Committee on**  
40 **Medicaid.**

41 (a) The Joint Legislative Oversight Committee on Medicaid is established. The  
42 Committee consists of 14 members as follows:

43 (1) Seven members of the Senate appointed by the President Pro Tempore of the  
44 Senate, at least two of whom are members of the minority party.

45 (2) Seven members of the House of Representatives appointed by the Speaker of  
46 the House of Representatives, at least two of whom are members of the  
47 minority party.

48 (b) Terms on the Committee are for two years and begin on the convening of the  
49 General Assembly in each odd-numbered year. Members may complete a term of service on  
50 the Committee even if they do not seek reelection or are not reelected to the General Assembly.

1 but resignation or removal from service in the General Assembly constitutes resignation or  
2 removal from service on the Committee.

3 (c) A member continues to serve until a successor is appointed. A vacancy shall be  
4 filled within 30 days by the officer who made the original appointment.

5 **"§ 120-209.1. Purpose and powers of Committee.**

6 (a) The Joint Legislative Oversight Committee on Medicaid shall examine budgeting,  
7 financing, administrative, outcomes, and operational issues related to the Medicaid and NC  
8 Health Choice programs and to the Department of Health and Human Services.

9 (b) The Committee may make interim reports to the General Assembly on matters for  
10 which it may report to a regular session of the General Assembly. A report to the General  
11 Assembly may contain any legislation needed to implement a recommendation of the  
12 Committee.

13 **"§ 120-209.2. Organization of Committee.**

14 (a) The President Pro Tempore of the Senate and the Speaker of the House of  
15 Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on  
16 Medicaid. The Committee shall meet upon the joint call of the cochairs and may meet while the  
17 General Assembly is in regular session.

18 (b) A quorum of the Committee is eight members. No action may be taken except by a  
19 majority vote at a meeting at which a quorum is present. While in the discharge of its official  
20 duties, the Committee has the powers of a joint committee under G.S. 120-19 and  
21 G.S. 120-19.1 through G.S. 120-19.4.

22 (c) Members of the Committee receive subsistence and travel expenses, as provided in  
23 G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance  
24 with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services  
25 Officer, shall assign professional staff to assist the Committee in its work. Upon the direction  
26 of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate  
27 and of the House of Representatives shall assign clerical staff to the Committee. The expenses  
28 for clerical employees shall be borne by the Committee.

29 (d) The Committee cochairs may establish subcommittees for the purpose of examining  
30 issues relating to its Committee charge.

31 **"§ 120-209.3. Additional powers.**

32 The Joint Legislative Oversight Committee on Medicaid, while in discharge of official  
33 duties, shall have access to any paper or document, and may compel the attendance of any State  
34 official or employee before the Committee or secure any evidence under G.S. 120-19. In  
35 addition, G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee  
36 as if it were a joint committee of the General Assembly.

37 **"§ 120-209.4. Reports to Committee.**

38 Whenever Medicaid or NC Health Choice is required by law to report to the General  
39 Assembly or to any of its permanent, study, or oversight committees or subcommittees on  
40 matters affecting the Department, the Department shall transmit a copy of the report to the  
41 cochairs of the Joint Legislative Oversight Committee on Medicaid."

42 **SECTION 12H.15.(d)** Beginning July 1, 2015, and quarterly thereafter, the  
43 Department shall submit a report on the outcomes, operations, and budget of the Medicaid and  
44 NC Health Choice programs to the Joint Legislative Oversight Committee on Medicaid, the  
45 Fiscal Research Division, and the Office of State Budget and Management.

46 **SECTION 12H.15.(e)** On January 1 of each year, beginning in 2016, the  
47 Department shall submit a report to the Joint Legislative Oversight Committee on Medicaid,  
48 the Fiscal Research Division, and the Office of State Budget and Management on the Medicaid  
49 and NC Health Choice programs that includes at least the following information:

- 50 (1) A detailed four-year forecast of expected changes to enrollment growth and  
51 enrollment mix.

1 (2) What program changes will be made by the Department in order to stay  
2 within the existing budget for the programs based on the next fiscal year's  
3 forecasted enrollment growth and enrollment mix.

4 (3) The cost to maintain the current level of services based on the next fiscal  
5 year's forecasted enrollment growth and enrollment mix.

6 **SECTION 12H.15.(f)** Notwithstanding G.S. 108A-54.1A, when the Department  
7 gives notice to the Native Americans of a State plan amendment, waiver, or waiver  
8 amendment, as required under federal law, the Department shall post the State plan  
9 amendment, waiver, or waiver amendment on its Web site and notify the members of the Joint  
10 Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the Office of  
11 State Budget and Management of the posting. The Department shall maintain on its Web site  
12 the most current version of all State plan amendments, waivers, and waiver amendments posted  
13 as required by this subsection at least until the plan has been approved, rejected, or withdrawn.

14 **SECTION 12H.15.(g)** Prior to submitting any State plan amendment, waiver, or  
15 waiver amendment related to Medicaid reform to the Centers for Medicare and Medicaid  
16 Services, the Department shall submit a detailed report of the reform plan to the Joint  
17 Legislative Commission on Governmental Operations (Commission) and consult with the  
18 Commission. If the Commission does not hold a meeting to hear the consultation within 90  
19 days of receiving the submission of the detailed report, the consultation requirement is  
20 satisfied.

## 21 **1915(C) INNOVATIONS WAIVER SERVICES ASSESSMENT**

22 **SECTION 12H.16.(a)** If (i) federal law or regulation is amended to allow the  
23 imposition of assessments on 1915(c) North Carolina Innovations Waiver (formerly  
24 Community Alternatives Program for Persons with Mental Retardation/Developmental  
25 Disabilities (CAP-MR/DD)) services or such assessments are otherwise allowed by the Centers  
26 for Medicare & Medicaid Services (CMS) through waivers and (ii) the providers of such  
27 services are willing to participate in an assessment program, then the Department of Health and  
28 Human Services, Division of Medical Assistance, may implement a Medicaid assessment  
29 program for such services up to the maximum percentage allowed by federal regulation. The  
30 Department may retain up to sixty-five percent (65%) of the amount from such an assessment  
31 program to support Medicaid expenditures. The Department shall amend contracts with local  
32 management entities that have been approved to operate as managed care organizations  
33 (LME/MCOs) to ensure that any assessment funds not retained by the Department are used to  
34 increase LME/MCO capitation rates and that the additional amounts are passed along to the  
35 providers of Innovations Waiver services through increased reimbursement rates.

36 **SECTION 12H.16.(b)** The authorization provided to the Department under  
37 subsection (a) of this section to impose a new assessment program on Innovations Waiver  
38 services shall continue to exist until July 1, 2017. If an assessment program has not been  
39 established by July 1, 2017, then this section expires.

## 40 **REINSTATE COST SETTLEMENT PURSUANT TO 1993 STATE AGREEMENT**

41 **SECTION 12H.17.** Effective July 1, 2015, the cost settlement for outpatient  
42 Medicaid services performed by Vidant Medical Center, which was previously known as Pitt  
43 County Memorial Hospital, shall be at one hundred percent (100%) of allowable costs.  
44

## 45 **SUBPART XII-I. DHHS BLOCK GRANTS**

### 46 **DHHS BLOCK GRANTS**

47  
48  
49

1           **SECTION 12L.1.(a)** Except as otherwise provided, appropriations from federal  
 2 block grant funds are made for each year of the fiscal biennium ending June 30, 2017,  
 3 according to the following schedule:

4  
 5   **TEMPORARY ASSISTANCE FOR NEEDY           FY2015-2016           FY2016-2017**  
 6   **FAMILIES (TANF) FUNDS**

7  
 8   Local Program Expenditures

9  
 10    Division of Social Services

11			
12	01.	Work First Family Assistance	\$ 57,167,454           \$ 57,167,454
13			
14	02.	Work First County Block Grants	80,093,566           78,073,437
15			
16	03.	Work First Electing Counties	2,378,213           2,378,213
17			
18	04.	Adoption Services – Special Children's	
19		Adoption Fund	2,026,877           2,026,877
20			
21	05.	Child Protective Services – Child Welfare	
22		Workers for Local DSS	9,412,391           9,412,391
23			
24	06.	Child Welfare Collaborative	632,416           632,416
25			
26	07.	Boys and Girls Clubs	2,427,975           2,427,975
27			
28	08.	Reserve for Statewide Early Education	
29		And Family Support Programs – Plan and	
30		Statewide Proposal to Improve	
31		Children's Health	0           2,723,306
32			

33    Division of Child Development and Early Education

34			
35	09.	Subsidized Child Care Program	34,584,319           34,584,319
36			
37	10.	Swap Child Care Subsidy	6,352,644           6,352,644
38			
39	11.	Pre-K Swap Out	11,301,722           6,806,397
40			
41	12.	Smart Start	5,527,584           5,527,584
42			

43    Division of Public Health

44			
45	13.	Teen Pregnancy Prevention Initiatives	2,500,000           2,500,000
46			

47    DHHS Administration

48			
49	14.	Division of Social Services	2,482,260           2,482,260
50			
51	15.	Office of the Secretary	34,042           34,042

1			
2	16.	Eligibility Systems – Operations and	
3		Maintenance	2,738,926 4,206,640
4			
5		Transfers to Other Block Grants	
6			
7		Division of Child Development and Early Education	
8			
9	17.	Transfer to the Child Care and	
10		Development Fund	71,773,001 71,773,001
11			
12		Division of Social Services	
13			
14	18.	Transfer to Social Services Block	
15		Grant for Child Protective Services –	
16		Training	1,300,000 1,300,000
17			
18	19.	Transfer to Social Services Block	
19		Grant for Child Protective Services	5,040,000 5,040,000
20			
21	20.	Transfer to Social Services Block	
22		Grant for County Departments of	
23		Social Services for Children's Services	4,148,001 4,148,001
24			
25	21.	Transfer to Social Services Block	
26		Grant – Foster Care Services	1,385,152 1,385,152
27			
28		<b>TOTAL TEMPORARY ASSISTANCE FOR</b>	
29		<b>NEEDY FAMILIES (TANF) FUNDS</b>	<b>\$303,306,543 \$ 300,982,109</b>
30			
31		<b>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)</b>	
32		<b>EMERGENCY CONTINGENCY FUNDS</b>	
33			
34		Local Program Expenditures	
35			
36		Division of Child Development and Early Education	
37			
38	01.	Subsidized Child Care	29,033,340 28,600,000
39			
40	02.	Subsidized Child Care Swap Out	4,547,023 0
41			
42		<b>TOTAL TEMPORARY ASSISTANCE FOR</b>	
43		<b>NEEDY FAMILIES (TANF) EMERGENCY</b>	
44		<b>CONTINGENCY FUNDS</b>	<b>\$33,580,363 \$ 28,600,000</b>
45			
46		<b>SOCIAL SERVICES BLOCK GRANT</b>	
47			
48		Local Program Expenditures	
49			
50		Divisions of Social Services and Aging and Adult Services	
51			

1	01.	County Departments of Social Services		
2		(Transfer from TANF \$4,148,001)	\$ 27,335,315	\$ 27,108,324
3				
4	02.	Child Protective Services		
5		(Transfer from TANF)	5,040,000	5,040,000
6				
7	03.	State In-Home Services Fund	2,035,075	1,943,950
8				
9	04.	Adult Protective Services	1,245,363	1,245,363
10				
11	05.	State Adult Day Care Fund	2,085,209	1,994,084
12				
13	06.	Child Protective Services/CPS		
14		Investigative Services – Child Medical		
15		Evaluation Program	563,868	563,868
16				
17	07.	Special Children Adoption Incentive Fund	462,600	462,600
18				
19	08.	Child Protective Services – Child		
20		Welfare Training for Counties		
21		(Transfer from TANF)	1,300,000	1,300,000
22				
23	09.	Home and Community Care Block		
24		Grant (HCCBG)	1,788,014	1,696,888
25				
26	10.	Child Advocacy Centers	375,000	375,000
27				
28	11.	Guardianship	4,235,704	4,035,704
29				
30	12.	Foster Care Services		
31		(Transfer from TANF)	1,385,152	1,385,152
32				
33		Division of Central Management and Support		
34				
35	13.	DHHS Competitive Block Grants		
36		for Nonprofits	3,852,500	3,852,500
37				
38	14.	NC FAST – Operations and		
39		Maintenance	712,324	939,315
40				
41		Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
42				
43	15.	Mental Health Services – Adult and		
44		Child/Developmental Disabilities Program/		
45		Substance Abuse Services – Adult	4,030,730	4,030,730
46				
47		DHHS Program Expenditures		
48				
49		Division of Services for the Blind		
50				
51	16.	Independent Living Program	3,361,323	3,361,323

1			
2	Division of Health Service Regulation		
3			
4	17. Adult Care Licensure Program	381,087	381,087
5			
6	18. Mental Health Licensure and		
7	Certification Program	190,284	190,284
8			
9	DHHS Administration		
10			
11	19. Division of Aging and Adult Services	577,745	577,745
12			
13	20. Division of Social Services	559,109	559,109
14			
15	21. Office of the Secretary/Controller's Office	127,731	127,731
16			
17	22. Division of Child Development and		
18	Early Education	13,878	13,878
19			
20	23. Division of Mental Health, Developmental		
21	Disabilities, and Substance Abuse Services	27,446	27,446
22			
23	24. Division of Health Service Regulation	118,946	118,946
24			
25	<b>TOTAL SOCIAL SERVICES BLOCK GRANT</b>	<b>\$ 61,804,403</b>	<b>\$ 61,331,027</b>
26			
27	<b>LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT</b>		
28			
29	Local Program Expenditures		
30			
31	Division of Social Services		
32			
33	01. Low-Income Energy Assistance		
34	Program (LIEAP)	\$ 40,244,534	\$ 39,303,674
35			
36	02. Crisis Intervention Program (CIP)	40,244,534	39,303,674
37			
38	Local Administration		
39			
40	Division of Social Services		
41			
42	03. County DSS Administration	6,454,961	6,454,961
43			
44	DHHS Administration		
45			
46	04. Office of the Secretary/DIRM	412,488	412,488
47			
48	05. Office of the Secretary/Controller's Office	18,378	18,378
49			
50	06. NC FAST Development	1,075,319	3,381,373
51			

1	Transfers to Other State Agencies		
2			
3	Department of Environment and Natural		
4	Resources (DENR)		
5			
6	07.	Weatherization Program	11,847,017 11,570,050
7			
8	08.	Heating Air Repair and Replacement	
9		Program (HARRP)	6,303,514 6,156,147
10			
11	09.	Local Residential Energy Efficiency Service	
12		Providers – Weatherization	475,046 475,046
13			
14	10.	Local Residential Energy Efficiency Service	
15		Providers – HARRP	252,761 252,761
16			
17	11.	DENR – Weatherization Administration	475,046 475,046
18			
19	12.	DENR – HARRP Administration	252,760 252,760
20			
21	Department of Administration		
22			
23	13.	N.C. Commission on Indian Affairs	87,736 87,736
24			
25	<b>TOTAL LOW-INCOME ENERGY</b>		
26	<b>ASSISTANCE BLOCK GRANT \$ 108,144,094 \$ 108,144,094</b>		
27			
28	<b>CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT</b>		
29			
30	Local Program Expenditures		
31			
32	Division of Child Development and Early Education		
33			
34	01.	Child Care Services	
35		(Smart Start \$7,000,000)	152,370,856 152,370,856
36			
37	02.	Electronic Tracking System	801,240 401,492
38			
39	03.	Transfer from TANF Block Grant	
40		for Child Care Subsidies	71,773,001 71,773,001
41			
42	04.	Quality and Availability Initiatives	
43		(TEACH Program \$3,800,000)	26,019,987 26,019,987
44			
45	DHHS Administration		
46			
47	Division of Child Development and Early Education		
48			
49	05.	DCDEE Administrative Expenses	9,049,505 9,049,505
50			
51	Division of Social Services		

1			
2	06.	Local Subsidized Child Care	
3		Services Support	15,930,279
4			15,930,279
5	07.	NC FAST Development	186,404
6			586,152
7		Division of Central Administration	
8			
9	08.	DHHS Central Administration – DIRM	
10		Technical Services	775,000
11			775,000
12	09.	Central Regional Maintenance	202,000
13			202,000
14	10.	Child Care Health Consultation Contracts	62,205
15			62,205
16		<b>TOTAL CHILD CARE AND DEVELOPMENT</b>	
17		<b>FUND BLOCK GRANT</b>	<b>\$ 277,170,477</b>
18			<b>\$ 277,170,477</b>
19		<b>MENTAL HEALTH SERVICES BLOCK GRANT</b>	
20			
21		Local Program Expenditures	
22			
23	01.	Mental Health Services – Child	3,619,833
24			3,619,833
25	02.	Administration	200,000
26			200,000
27	03.	Mental Health Services – Adult/Child	11,755,152
28			11,755,152
29	04.	Crisis Solutions Initiative – Critical	
30		Time Intervention	750,000
31			750,000
32	05.	Mental Health Services – First	
33		Psychotic Symptom Treatment	643,491
34			643,491
35		<b>TOTAL MENTAL HEALTH SERVICES</b>	
36		<b>BLOCK GRANT</b>	<b>\$ 16,968,476</b>
37			<b>\$ 16,968,476</b>
38		<b>SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT</b>	
39			
40		Local Program Expenditures	
41			
42		Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
43			
44	01.	Substance Abuse – HIV and IV Drug	3,919,723
45			3,919,723
46	02.	Substance Abuse Prevention	8,669,284
47			8,669,284
48	03.	Substance Abuse Services – Treatment for	
49		Children/Adults	29,519,883
50			29,519,883
51	04.	Crisis Solutions Initiatives – Walk-In	

1		Crisis Centers	420,000	420,000
2				
3	05.	Crisis Solutions Initiatives – Collegiate		
4		Wellness/Addiction Recovery	1,085,000	1,085,000
5				
6	06.	Crisis Solutions Initiatives – Community		
7		Paramedic Mobile Crisis Management	60,000	60,000
8				
9	07.	Crisis Solutions Initiatives – Innovative		
10		Technologies	41,000	41,000
11				
12	08.	Crisis Solutions Initiatives – Veteran's Crisis	250,000	250,000
13				
14	09.	Administration	454,000	454,000
15				
16		Division of Public Health		
17				
18	10.	HIV Testing for Individuals in Substance		
19		Abuse Treatment	765,949	765,949
20				
21	<b>TOTAL SUBSTANCE ABUSE PREVENTION</b>			
22	<b>AND TREATMENT BLOCK GRANT</b>			<b>\$ 45,184,839</b>
23				<b>\$ 45,184,839</b>
24	<b>MATERNAL AND CHILD HEALTH BLOCK GRANT</b>			
25				
26	Local Program Expenditures			
27				
28		Division of Public Health		
29				
30	01.	Children's Health Services		
31		(Safe Sleep Campaign		
32		\$45,000; Prevent Blindness \$560,837)	\$ 7,574,703	\$ 7,574,703
33				
34	02.	Women's Health		
35		(March of Dimes \$350,000; Teen Pregnancy		
36		Prevention Initiatives \$650,000;		
37		17P Project \$52,000; Nurse-Family		
38		Partnership \$509,018; Maternity		
39		Homes \$925,000)	7,445,148	7,445,148
40				
41	03.	Oral Health	44,901	44,901
42				
43	04.	Evidence-based Programs in Counties		
44		with Highest Infant Mortality Rates	650,000	650,000
45				
46	DHHS Program Expenditures			
47				
48		Division of Public Health		
49				
50	05.	Children's Health Services	1,342,928	1,342,928
51				

1	06.	Women's Health – Maternal Health	107,714	107,714
2				
3	07.	State Center for Health Statistics	158,583	158,583
4				
5	08.	Health Promotion – Injury and		
6		Violence Prevention	87,271	87,271
7				
8	DHHS Administration			
9				
10	Division of Public Health			
11				
12	09.	Division of Public Health Administration	552,571	552,571
13				
14	<b>TOTAL MATERNAL AND CHILD</b>			
15	<b>HEALTH BLOCK GRANT</b>		<b>\$ 17,963,819</b>	<b>\$ 17,963,819</b>
16				
17	<b>PREVENTIVE HEALTH SERVICES BLOCK GRANT</b>			
18				
19	Local Program Expenditures			
20				
21	01.	Physical Activity and Prevention	\$ 2,855,376	\$ 3,250,582
22				
23	02.	Injury and Violence Prevention		
24		(Services to Rape Victims – Set-Aside)	173,476	173,476
25				
26	03.	Community-Focused Eliminating Health		
27		Disparities Initiative Grants	2,756,855	0
28				
29	DHHS Program Expenditures			
30				
31	Division of Public Health			
32				
33	04.	HIV/STD Prevention and		
34		Community Planning	145,819	145,819
35				
36	05.	Oral Health Preventive Services	46,302	46,302
37				
38	06.	Laboratory Services – Testing,		
39		Training, and Consultation	21,012	21,012
40				
41	07.	Injury and Violence Prevention		
42		(Services to Rape Victims – Set-Aside)	192,315	192,315
43				
44	08.	State Laboratory Services – Testing,		
45		Training, and Consultation	199,634	199,634
46				
47	09.	Performance Improvement and Accountability	565,964	565,964
48				
49	10.	Physical Activity and Nutrition	68,073	68,073
50				
51	11.	State Center for Health Statistics	107,291	107,291

1			
2	DHHS Administration		
3			
4	Division of Public Health		
5			
6	12.    Division of Public Health	172,820	172,820
7			
8	13.    Division of Public Health –		
9	Physical Activity and Nutrition Branch	1,243,899	0
10			
11	<b>TOTAL PREVENTIVE HEALTH</b>		
12	<b>SERVICES BLOCK GRANT</b>	<b>\$ 8,548,836</b>	<b>\$ 4,943,288</b>
13			
14	<b>COMMUNITY SERVICES BLOCK GRANT</b>		
15			
16	Local Program Expenditures		
17			
18	Office of Economic Opportunity		
19			
20	01.    Community Action Agencies	\$ 24,047,065	\$ 24,047,065
21			
22	02.    Limited Purpose Agencies	1,335,948	1,335,948
23			
24	DHHS Administration		
25			
26	03.    Office of Economic Opportunity	1,335,948	1,335,948
27			
28	<b>TOTAL COMMUNITY SERVICES</b>		
29	<b>BLOCK GRANT</b>	<b>\$ 26,718,961</b>	<b>\$ 26,718,961</b>
30			

**GENERAL PROVISIONS**

**SECTION 12I.1.(b)** Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
- (4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
- (5) A projection of current year expenditures by program or activity.
- (6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

**SECTION 12I.1.(c)** Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund

1 availability, the Office of State Budget and Management shall not approve funding for new  
2 programs or activities not appropriated in this section.

3 If the Congress of the United States decreases the federal fund availability for any of  
4 the Block Grants or contingency funds and other grants related to existing Block Grants  
5 administered by the Department of Health and Human Services from the amounts appropriated  
6 in this section, the Department shall develop a plan to adjust the block grants based on reduced  
7 federal funding.

8 Notwithstanding the provisions of this subsection, for fiscal years 2015-2016 and  
9 2016-2017, increases in the federal fund availability for the Temporary Assistance to Needy  
10 Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy  
11 program to pay for child care in four- or five-star-rated facilities for four-year-old children and  
12 shall not be used to supplant State funds.

13 Prior to allocating the change in federal fund availability, the proposed allocation  
14 must be approved by the Office of State Budget and Management. If the Department adjusts the  
15 allocation of any Block Grant due to changes in federal fund availability, then a report shall be  
16 made to the Joint Legislative Oversight Committee on Health and Human Services and the  
17 Fiscal Research Division.

18 **SECTION 12L.1.(d)** Except as otherwise provided, appropriations from federal  
19 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2017,  
20 according to the schedule enacted for State fiscal years 2015-2016 and 2016-2017 or until a  
21 new schedule is enacted by the General Assembly.

22 **SECTION 12L.1.(e)** All changes to the budgeted allocations to the Block Grants or  
23 contingency funds and other grants related to existing Block Grants administered by the  
24 Department of Health and Human Services that are not specifically addressed in this section  
25 shall be approved by the Office of State Budget and Management, and the Office of State  
26 Budget and Management shall consult with the Joint Legislative Oversight Committee on  
27 Health and Human Services for review prior to implementing the changes. The report shall  
28 include an itemized listing of affected programs, including associated changes in budgeted  
29 allocations. All changes to the budgeted allocations to the Block Grants shall be reported  
30 immediately to the Joint Legislative Oversight Committee on Health and Human Services and  
31 the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by  
32 legislative salary increases and benefit adjustments.

33 **SECTION 12L.1.(f)** Except as otherwise provided, the Department of Health and  
34 Human Services shall have flexibility to transfer funding between the Temporary Assistance  
35 for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block  
36 Grant so long as the total allocation for the line items within those block grants remains the  
37 same.

### 38 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

39 **SECTION 12L.1.(g)** The sum of eighty million ninety-three thousand five hundred  
40 sixty-six dollars (\$80,093,566) for the 2015-2016 fiscal year and the sum of seventy-eight  
41 million seventy-three thousand four hundred thirty-seven dollars (\$78,073,437) for the  
42 2016-2017 fiscal year appropriated in this section in TANF funds to the Department of Health  
43 and Human Services, Division of Social Services, shall be used for Work First County Block  
44 Grants. The Division shall certify these funds in the appropriate State-level services based on  
45 prior year actual expenditures. The Division has the authority to realign the authorized budget  
46 for these funds among the State-level services based on current year actual expenditures.

47 **SECTION 12L.1.(h)** The sum of nine million four hundred twelve thousand three  
48 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of  
49 Health and Human Services, Division of Social Services, in TANF funds for each year of the  
50 2015-2017 fiscal biennium for child welfare improvements shall be allocated to the county  
51

1 departments of social services for hiring or contracting staff to investigate and provide services  
2 in Child Protective Services cases; to provide foster care and support services; to recruit, train,  
3 license, and support prospective foster and adoptive families; and to provide interstate and  
4 post-adoption services for eligible families.

5 Counties shall maintain their level of expenditures in local funds for Child  
6 Protective Services workers. Of the Block Grant funds appropriated for Child Protective  
7 Services workers, the total expenditures from State and local funds for fiscal years 2015-2016  
8 and 2016-2017 shall not be less than the total expended from State and local funds for the  
9 2012-2013 fiscal year.

10 **SECTION 12L.1.(i)** The sum of two million twenty-six thousand eight hundred  
11 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the  
12 Department of Health and Human Services, Special Children Adoption Fund, for each year of  
13 the 2015-2017 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division  
14 of Social Services, in consultation with the North Carolina Association of County Directors of  
15 Social Services and representatives of licensed private adoption agencies, shall develop  
16 guidelines for the awarding of funds to licensed public and private adoption agencies upon the  
17 adoption of children described in G.S. 108A-50 and in foster care. Payments received from the  
18 Special Children Adoption Fund by participating agencies shall be used exclusively to enhance  
19 the adoption services program. No local match shall be required as a condition for receipt of  
20 these funds.

21 **SECTION 12L.1.(j)** The sum of two million four hundred twenty-seven thousand  
22 nine hundred seventy-five dollars (\$2,427,975) appropriated in this section to the Department  
23 of Health and Human Services in the TANF Block Grant for each year of the 2015-2017 fiscal  
24 biennium for Boys and Girls Clubs shall be used to make grants for approved programs. The  
25 Department of Health and Human Services, in accordance with federal regulations for the use  
26 of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and  
27 Girls Clubs across the State in order to implement programs that improve the motivation,  
28 performance, and self-esteem of youths and to implement other initiatives that would be  
29 expected to reduce gang participation, school dropout, and teen pregnancy rates. The  
30 Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and  
31 Support Our Students, Communities in Schools, and similar programs to submit joint  
32 applications for the funds, if appropriate.

### 33 **SOCIAL SERVICES BLOCK GRANT**

34 **SECTION 12L.1.(k)** The sum of twenty-seven million three hundred thirty-five  
35 thousand three hundred fifteen dollars (\$27,335,315) for the 2015-2016 fiscal year and the sum  
36 of twenty-seven million one hundred eight thousand three hundred twenty-four dollars  
37 (\$27,108,324) for the 2016-2017 fiscal year appropriated in this section in the Social Services  
38 Block Grant to the Department of Health and Human Services, Division of Social Services,  
39 shall be used for county block grants. The Division shall certify these funds in the appropriate  
40 State-level services based on prior year actual expenditures. The Division has the authority to  
41 realign the authorized budget for these funds among the State-level services based on current  
42 year actual expenditures.

43 **SECTION 12L.1.(l)** The sum of one million three hundred thousand dollars  
44 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department  
45 of Health and Human Services, Division of Social Services, for each year of the 2015-2017  
46 fiscal biennium shall be used to support various child welfare training projects as follows:  
47

- 48 (1) Provide a regional training center in southeastern North Carolina.
- 49 (2) Provide training for residential child caring facilities.
- 50 (3) Provide for various other child welfare training initiatives.

1           **SECTION 12I.1.(m)** The Department of Health and Human Services is authorized,  
2 subject to the approval of the Office of State Budget and Management, to transfer Social  
3 Services Block Grant funding allocated for departmental administration between divisions that  
4 have received administrative allocations from the Social Services Block Grant.

5           **SECTION 12I.1.(n)** Social Services Block Grant funds appropriated for the  
6 Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

7           **SECTION 12I.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)  
8 appropriated in this section in the Social Services Block Grant for each year of the 2015-2017  
9 fiscal biennium shall be allocated to the Department of Health and Human Services, Division  
10 of Social Services. The Division shall allocate these funds to local departments of social  
11 services to replace the loss of Child Protective Services State funds that are currently used by  
12 county government to pay for Child Protective Services staff at the local level. These funds  
13 shall be used to maintain the number of Child Protective Services workers throughout the State.  
14 These Social Services Block Grant funds shall be used to pay for salaries and related expenses  
15 only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five  
16 percent (25%).

17           **SECTION 12I.1.(p)** The sum of three million eight hundred fifty-two thousand  
18 five hundred dollars (\$3,852,500) appropriated in this section in the Social Services Block  
19 Grant to the Department of Health and Human Services, Division of Central Management and  
20 Support, shall be used for DHHS competitive block grants pursuant to Section 12A.8 of this act  
21 for each year of the 2015-2017 fiscal biennium. These funds are exempt from the provisions of  
22 10A NCAC 71R .0201(3).

23           **SECTION 12I.1.(q)** The sum of three hundred seventy-five thousand dollars  
24 (\$375,000) appropriated in this section in the Social Services Block Grant for each year of the  
25 2015-2017 fiscal biennium to the Department of Health and Human Services, Division of  
26 Social Services, shall be used to continue support for the Child Advocacy Centers, and the  
27 funds are exempt from the provisions of 10A NCAC 71R .0201(3).

28           **SECTION 12I.1.(r)** The sum of four million two hundred thirty-five thousand  
29 seven hundred four dollars (\$4,235,704) for the 2015-2016 fiscal year and the sum of four  
30 million thirty-five thousand seven hundred four dollars (\$4,035,704) for the 2016-2017 fiscal  
31 year appropriated in this section in the Social Services Block Grant to the Department of Health  
32 and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used  
33 for guardianship services pursuant to Chapter 35A of the General Statutes. The Department  
34 may expend funds appropriated in this section to support (i) existing corporate guardianship  
35 contracts during the 2015-2016 and 2016-2017 fiscal years and (ii) guardianship contracts  
36 transferred to the State from local management entities or managed care organizations during  
37 the 2015-2016 and 2016-2017 fiscal years.

#### 38 39 **LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

40           **SECTION 12I.1.(s)** Additional emergency contingency funds received may be  
41 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior  
42 consultation with the Joint Legislative Oversight Committee on Health and Human Services.  
43 Additional funds received shall be reported to the Joint Legislative Oversight Committee on  
44 Health and Human Services and the Fiscal Research Division upon notification of the award.  
45 The Department of Health and Human Services shall not allocate funds for any activities,  
46 including increasing administration, other than assistance payments, without prior consultation  
47 with the Joint Legislative Oversight Committee on Health and Human Services.

48           **SECTION 12I.1.(t)** The sum of forty million two hundred forty-four thousand five  
49 hundred thirty-four dollars (\$40,244,534) for the 2015-2016 fiscal year and the sum of  
50 thirty-nine million three hundred three thousand six hundred seventy-four dollars (\$39,303,674)  
51 for the 2016-2017 fiscal year appropriated in this section in the Low-Income Energy Assistance

1 Block Grant to the Department of Health and Human Services, Division of Social Services,  
2 shall be used for energy assistance payments for the households of (i) elderly persons age 60  
3 and above with income up to one hundred thirty percent (130%) of the federal poverty level  
4 and (ii) disabled persons eligible for services funded through the Division of Aging and Adult  
5 Services.

6 County departments of social services shall submit to the Division of Social  
7 Services an outreach plan for targeting households with 60-year-old household members no  
8 later than August 1 of each year. The outreach plan shall comply with the following:

- 9 (1) Ensure that eligible households are made aware of the available assistance  
10 with particular attention paid to the elderly population age 60 and above and  
11 disabled persons receiving services through the Division of Aging and Adult  
12 Services.
- 13 (2) Include efforts by the county department of social services to contact other  
14 State and local governmental entities and community-based organizations to  
15 (i) offer the opportunity to provide outreach and (ii) receive applications for  
16 energy assistance.
- 17 (3) Be approved by the local board of social services or human services board  
18 prior to submission.

#### 19 20 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

21 **SECTION 12L.1.(u)** Payment for subsidized child care services provided with  
22 federal TANF funds shall comply with all regulations and policies issued by the Division of  
23 Child Development for the subsidized child care program.

24 **SECTION 12L.1.(v)** If funds appropriated through the Child Care and  
25 Development Fund Block Grant for any program cannot be obligated or spent in that program  
26 within the obligation or liquidation periods allowed by the federal grants, the Department may  
27 move funds to child care subsidies, unless otherwise prohibited by federal requirements of the  
28 grant, in order to use the federal funds fully.

#### 29 30 **MENTAL HEALTH SERVICES BLOCK GRANT**

31 **SECTION 12L.1.(w)** The sum of six hundred forty-three thousand four hundred  
32 ninety-one dollars (\$643,491) appropriated in this section in the Mental Health Services Block  
33 Grant to the Department of Health and Human Services, Division of Mental Health,  
34 Developmental Disabilities, and Substance Abuse Services, for each year of the 2015-2017  
35 fiscal biennium is allocated for Mental Health Services – First Psychotic Symptom Treatment.  
36 The Division shall report on (i) the specific evidence-based treatment and services provided,  
37 (ii) the number of persons treated, and (iii) the measured outcomes or impact on the participants  
38 served. The Division shall report to the House of Representatives Appropriations Committee on  
39 Health and Human Services, the Senate Appropriations Committee on Health and Human  
40 Services, and the Fiscal Research Division no later than December 31, 2016.

#### 41 42 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

43 **SECTION 12L.1.(x)** The sum of two hundred fifty thousand dollars (\$250,000)  
44 appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to  
45 the Department of Health and Human Services, Division of Mental Health, Developmental  
46 Disabilities, and Substance Abuse Services, for each year of the 2015-2017 fiscal biennium  
47 shall be allocated to the Department of Administration, Division of Veterans Affairs, to  
48 establish a call-in center to assist veterans in locating service benefits and crisis services. The  
49 call-in center shall be staffed by certified veteran peers within the Division of Veterans Affairs  
50 and trained by the Division of Mental Health, Developmental Disabilities, and Substance  
51 Abuse Services.

**MATERNAL AND CHILD HEALTH BLOCK GRANT**

**SECTION 12L.1.(y)** If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2015-2016 fiscal year or the 2016-2017 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

**SECTION 12L.1.(z)** The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

**SECTION 12L.1.(aa)** The sum of six hundred fifty thousand dollars (\$650,000) appropriated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each year of the 2015-2017 fiscal biennium shall be used for Evidence-based Programs in Counties with Highest Infant Mortality Rates. The Division shall report on (i) the counties selected to receive the allocation, (ii) the specific evidenced-based services provided, (iii) the number of women served, and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31, 2016.

**PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES****COMMISSIONER OF AGRICULTURE/VEHICLE BENEFITS**

**SECTION 13.1.** G.S. 143-341(8)(i)7a. reads as rewritten:

"7a. To adopt with the approval of the Governor and to enforce rules and to coordinate State policy regarding (i) the permanent assignment of state-owned passenger motor vehicles and (ii) the use of and reimbursement for those vehicles for the limited commuting permitted by this subdivision. For the purpose of this subdivision 7a, "state-owned passenger motor vehicle" includes any state-owned passenger motor vehicle, whether or not owned, maintained or controlled by the Department of Administration, and regardless of the source of the funds used to purchase it. Notwithstanding the provisions of G.S. 20-190 or any other provisions of law, all state-owned passenger motor vehicles are subject to the provisions of this subdivision 7a; no permanent assignment shall be made and no one shall be exempt from payment of reimbursement for commuting or from the other provisions of this subdivision 7a except as provided by this subdivision 7a. Commuting, as defined and regulated by this subdivision, is limited to those specific cases in which the Secretary has received and accepted written justification, verified by historical data. The Department shall not assign any state-owned motor vehicle that may be used for commuting other than those authorized by the procedure prescribed in this subdivision.

1 A State-owned passenger motor vehicle shall not be  
2 permanently assigned to an individual who is likely to drive it  
3 on official business at a rate of less than 3,150 miles per  
4 quarter unless (i) the individual's duties are routinely related  
5 to public safety or (ii) the individual's duties are likely to  
6 expose the individual routinely to life-threatening situations.  
7 A State-owned passenger motor vehicle shall also not be  
8 permanently assigned to an agency that is likely to drive it on  
9 official business at a rate of less than 3,150 miles per quarter  
10 unless the agency can justify to the Division of Motor Fleet  
11 Management the need for permanent assignment because of  
12 the unique use of the vehicle. Each agency, other than the  
13 Department of Transportation, that has a vehicle assigned to it  
14 or has an employee to whom a vehicle is assigned shall  
15 submit a quarterly report to the Division of Motor Fleet  
16 Management on the miles driven during the quarter by the  
17 assigned vehicle. The Division of Motor Fleet Management  
18 shall review the report to verify that each motor vehicle has  
19 been driven at the minimum allowable rate. If it has not and if  
20 the department by whom the individual to which the car is  
21 assigned is employed or the agency to which the car is  
22 assigned cannot justify the lower mileage for the quarter, the  
23 permanent assignment shall be revoked immediately. The  
24 Department of Transportation shall submit an annual report to  
25 the Division of Motor Fleet Management on the miles driven  
26 during the year by vehicles assigned to the Department or to  
27 employees of the Department. If a vehicle included in this  
28 report has not been driven at least 12,600 miles during the  
29 year, the Department of Transportation shall review the  
30 reasons for the lower mileage and decide whether to  
31 terminate the assignment. The Division of Motor Fleet  
32 Management may not revoke the assignment of a vehicle to  
33 the Department of Transportation or an employee of that  
34 Department for failure to meet the minimum mileage  
35 requirement unless the Department of Transportation  
36 consents to the revocation.

37 Every individual who uses a State-owned passenger  
38 motor vehicle, pickup truck, or van to drive between the  
39 individual's official work station and his or her home, shall  
40 reimburse the State for these trips at a rate computed by the  
41 Department. This rate shall approximate the benefit derived  
42 from the use of the vehicle as prescribed by federal law.  
43 Reimbursement shall be for 20 days per month regardless of  
44 how many days the individual uses the vehicle to commute  
45 during the month. Reimbursement shall be made by payroll  
46 deduction. Funds derived from reimbursement on vehicles  
47 owned by the Motor Fleet Management Division shall be  
48 deposited to the credit of the Division; funds derived from  
49 reimbursements on vehicles initially purchased with  
50 appropriations from the Highway Fund and not owned by the  
51 Division shall be deposited in a Special Depository Account

1 in the Department of Transportation, which shall revert to the  
2 Highway Fund; funds derived from reimbursement on all  
3 other vehicles shall be deposited in a Special Depository  
4 Account in the Department of Administration which shall  
5 revert to the General Fund. Commuting, for purposes of this  
6 paragraph, does not include those individuals whose office is  
7 in their home, as determined by the Department of  
8 Administration, Division of Motor Fleet Management. Also,  
9 this paragraph does not apply to the following vehicles: (i)  
10 clearly marked police and fire vehicles, (ii) delivery trucks  
11 with seating only for the driver, (iii) flatbed trucks, (iv) cargo  
12 carriers with over a 14,000 pound capacity, (v) school and  
13 passenger buses with over 20 person capacities, (vi)  
14 ambulances, (vii) [Repealed]. (viii) bucket trucks, (ix) cranes  
15 and derricks, (x) forklifts, (xi) cement mixers, (xii) dump  
16 trucks, (xiii) garbage trucks, (xiv) specialized utility repair  
17 trucks (except vans and pickup trucks), (xv) tractors, (xvi)  
18 unmarked law-enforcement vehicles that are used in  
19 undercover work and are operated by full-time, fully sworn  
20 law-enforcement officers whose primary duties include  
21 carrying a firearm, executing search warrants, and making  
22 arrests, ~~and (xvii) (xvii)~~ any other vehicle exempted under  
23 Section 274(d) of the Internal Revenue Code of 1954, and  
24 Federal Internal Revenue Services regulations based  
25 ~~thereon.~~ thereon, or (xviii) the vehicle assigned to the  
26 Commissioner of Agriculture, with respect to trips between  
27 the Commissioner's home and locations other than the  
28 Commissioner's office. The Department of Administration,  
29 Division of Motor Fleet Management, shall report quarterly  
30 to the Joint Legislative Commission on Governmental  
31 Operations and to the Fiscal Research Division of the  
32 Legislative Services Office on individuals who use  
33 State-owned passenger motor vehicles, pickup trucks, or vans  
34 between their official work stations and their homes, who are  
35 not required to reimburse the State for these trips.

36 The Department of Administration shall revoke the  
37 assignment or require the Department owning the vehicle to  
38 revoke the assignment of a State-owned passenger motor  
39 vehicle, pickup truck or van to any individual who:

- 40 I. Uses the vehicle for other than official business except  
41 in accordance with the commuting rules;
- 42 II. Fails to supply required reports to the Department of  
43 Administration, or supplies incomplete reports, or  
44 supplies reports in a form unacceptable to the  
45 Department of Administration and does not cure the  
46 deficiency within 30 days of receiving a request to do  
47 so;
- 48 III. Knowingly and willfully supplies false information to  
49 the Department of Administration on applications for  
50 permanent assignments, commuting reimbursement  
51 forms, or other required reports or forms;

- 1 IV. Does not personally sign all reports on forms  
2 submitted for vehicles permanently assigned to him or  
3 her and does not cure the deficiency within 30 days of  
4 receiving a request to do so;  
5 V. Abuses the vehicle; or  
6 VI. Violates other rules or policy promulgated by the  
7 Department of Administration not in conflict with this  
8 act.

9 A new requisition shall not be honored until the Secretary  
10 of the Department of Administration is assured that the  
11 violation for which a vehicle was previously revoked will not  
12 recur.

13 The Department of Administration, with the approval of  
14 the Governor, may delegate, or conditionally delegate, to the  
15 respective heads of agencies which own passenger motor  
16 vehicles or to which passenger motor vehicles are  
17 permanently assigned by the Department, the duty of  
18 enforcing all or part of the rules adopted by the Department  
19 of Administration pursuant to this subdivision 7a. The  
20 Department of Administration, with the approval of the  
21 Governor, may revoke this delegation of authority.

22 Notwithstanding the provisions of this section and  
23 G.S. 14-247, the Department of Administration may allow the  
24 organization sanctioned by the Governor's Council on  
25 Physical Fitness to conduct the North Carolina State Games  
26 to use State trucks and vans for the State Games of North  
27 Carolina. The Department of Administration shall not charge  
28 any fees for the use of the vehicles for the State Games. The  
29 State shall incur no liability for any damages resulting from  
30 the use of vehicles under this provision. The organization that  
31 conducts the State Games shall carry liability insurance of not  
32 less than one million dollars (\$1,000,000) covering such  
33 vehicles while in its use and shall be responsible for the full  
34 cost of repairs to these vehicles if they are damaged while  
35 used for the State Games."  
36

### 37 TVA SETTLEMENT FUNDS

38 **SECTION 13.2.** In fiscal year 2015-2016, The Department of Agriculture and  
39 Consumer Services shall apply for two million two hundred forty thousand dollars (\$2,240,000)  
40 from the Tennessee Valley Authority Settlement Agreement in compliance with the  
41 requirements of paragraphs 122 through 128 of the Consent Decree entered into by the State in  
42 *State of Alabama et al. v. Tennessee Valley Authority*, Civil Action 3:11-cv-00170 in the United  
43 States District Court for the Eastern District of Tennessee, and Appendix C to the Compliance  
44 Agreement. The funds received by the State shall be allocated as follows:

- 45 (1) Five hundred thousand dollars (\$500,000) to WNC Communities to fund  
46 energy efficiency projects for public schools in areas served by the  
47 organization. Of the funds allocated in this subdivision, WNC Communities  
48 may use up to fifty thousand dollars (\$50,000) for administrative expenses.  
49 (2) Seven hundred forty thousand dollars (\$740,000) to municipalities with a  
50 population less than 1,000 located in counties within the Tennessee Valley  
51 Authority Service area that are classified as distressed by the Appalachian

- 1 Regional Commission, for higher efficiency upgrades to electrical  
 2 transmission and distribution equipment and facilities.
- 3 (3) One million dollars (\$1,000,000) to the Department of Environment and  
 4 Natural Resources to provide the nonfederal match to funding from the  
 5 Natural Resources Conservation Service for projects conducted under the  
 6 Western North Carolina Stream Initiative in the following counties: Avery,  
 7 Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson,  
 8 Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, and  
 9 Yancey.

## 10 **DISPOSITION OF ROSE HILL LABORATORY PROPERTY**

11 **SECTION 13.3.** Notwithstanding Article 7 of Chapter 146 of the General Statutes,  
 12 the Department of Administration shall sell the building and associated real property formerly  
 13 used to house the Veterinary Diagnostic Laboratory located in the Town of Rose Hill in Duplin  
 14 County. The Department of Administration shall credit the receipts to the Department of  
 15 Agriculture and Consumer Services' General Fund to improve the efficiency and  
 16 responsiveness of the Department's diagnostic laboratory system, and the net proceeds, once  
 17 realized, are appropriated for that purpose. The Department of Administration may retain a  
 18 service charge not greater than ten percent (10%) of the gross proceeds from the sale, to be  
 19 used as set forth in G.S. 146-30(b)(3).  
 20

## 21 **DRUG MANUFACTURING LICENSING AND REGISTRATION FEES**

22 **SECTION 13.4.(a)** G.S. 106-140.1(h) reads as rewritten:

23 "(h) The Commissioner shall adopt rules to implement the registration requirements of  
 24 this section. These rules ~~may shall~~ provide for an annual registration fee of ~~up to five hundred~~  
 25 ~~dollars (\$500.00)~~ one thousand dollars (\$1,000) for companies operating as ~~manufacturers,~~  
 26 ~~wholesalers, or repackagers.~~ manufacturers or repackagers and seven hundred dollars (\$700.00)  
 27 for companies operating as wholesalers. The Department of Agriculture and Consumer  
 28 Services shall use these funds for the implementation of the North Carolina Food, Drug and  
 29 Cosmetic Act."  
 30

31 **SECTION 13.4.(b)** G.S. 106-145.4(b) reads as rewritten:

32 **"§ 106-145.4. Application and fee for license.**

33 "(b) Fee. – An application for an initial license or a renewed license as a wholesale  
 34 distributor shall be accompanied by a nonrefundable fee of ~~five hundred dollars (\$500.00)~~ one  
 35 thousand dollars (\$1,000) for a manufacturer or ~~three hundred fifty dollars (\$350.00)~~ seven  
 36 hundred dollars (\$700.00) for any other person."  
 37

## 38 **FOOD MANUFACTURER AND RETAILER INSPECTION FEES**

39 **SECTION 13.5.** G.S. 106-254 reads as rewritten:

40 **"§ 106-254. Inspection fees; wholesalers; retailers and cheese factories.**

41 For the purpose of defraying the expenses incurred in the enforcement of this Article, the  
 42 owner, proprietor or operator of each ice cream factory where ice cream, milk shakes, milk  
 43 sherbet, sherbet, water ices, mixes for frozen or semifrozen desserts and other similar frozen or  
 44 semifrozen food products are made or stored, or any cheese factory or butter-processing plant  
 45 that disposes of its products at wholesale to retail dealers for resale in this State shall pay to the  
 46 Commissioner of Agriculture each year an inspection fee of ~~forty dollars (\$40.00)~~ one hundred  
 47 dollars (\$100.00). Each maker of ice cream, milk shakes, milk sherbet, sherbet, water ices  
 48 and/or other similar frozen or semifrozen food products who disposes of his product at retail  
 49 only, and cheese factories, shall pay to the Commissioner of Agriculture an inspection fee of  
 50 ~~ten dollars (\$10.00)~~ fifty dollars (\$50.00) each year. The inspection fee of ~~ten dollars (\$10.00)~~  
 51 fifty dollars (\$50.00) shall not apply to conventional spindle-type milk-shake mixers, but shall

1 apply to milk-shake dispensing and vending machines, which operate on a continuous or  
2 automatic basis."  
3

4 **DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES SPECIAL**  
5 **FUNDS TRANSFER/OFFSET GENERAL FUND APPROPRIATION**

6 **SECTION 13.6.(a)** The Office of State Budget and Management, in conjunction  
7 with the Office of the State Controller and the Department of Agriculture and Consumer  
8 Services, shall transfer to the General Fund the sum of two hundred seventy-five thousand three  
9 hundred ninety-nine dollars (\$275,399) from the Swine Waste Fund (Budget Code  
10 23704-2730).

11 **SECTION 13.6.(b)** The transfer in subsection (a) of this section is to offset  
12 reductions in General Fund appropriations to the Department of Agriculture and Consumer  
13 Services for the 2015-2016 fiscal year.

14 **SECTION 13.6.(c)** The Office of State Budget and Management, in conjunction  
15 with the Office of the State Controller and the Department of Agriculture and Consumer  
16 Services, shall transfer to the General Fund the sum of one million eighty-one thousand one  
17 hundred sixty dollars (\$1,081,160) from the Conservation Reserve Enhancement Program fund  
18 (Budget Code 23704-2711).

19 **SECTION 13.6.(d)** The transfer in subsection (c) of this section is to offset  
20 reductions in General Fund appropriations to the Department of Agriculture and Consumer  
21 Services for the 2016-2017 fiscal year.  
22

23 **PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

24  
25 **PROSPERITY ZONE DENR LIASONS**

26 **SECTION 14.1.** Section 4.1 of S.L. 2014-18 reads as rewritten:

27 **"SECTION 4.1.** No later than January 1, 2015, the Departments of Commerce,  
28 Environment and Natural Resources, and Transportation shall have at least one employee  
29 physically located in the same office in each of the Collaboration for Prosperity Zones set out  
30 in G.S. 143B-28.1 to serve as that department's liaison with the other departments and with  
31 local governments, schools and colleges, planning and development bodies, and businesses in  
32 that zone. The departments shall jointly select the office. For purposes of this Part, the  
33 Department of Commerce may contract with a North Carolina nonprofit corporation pursuant  
34 to G.S. 143B-431A, as enacted by this act, to fulfill the departmental liaison requirements for  
35 each office in each of the Collaboration for Prosperity ~~Zones~~Zones, and the Department of  
36 Environment and Natural Resources shall fulfill the departmental liaison requirements from  
37 existing and funded positions.

38 No later than January 1, 2015, the Community Colleges System Office shall designate at  
39 least one representative from a community college or from the Community Colleges System  
40 Office to serve as a liaison in each Collaboration for Prosperity Zone for the community  
41 college system, the community colleges in the zone, and other educational agencies and schools  
42 within the zone. A liaison may be from a business center located in a community college. These  
43 liaisons are not required to be collocated with the liaisons from the Departments of Commerce,  
44 Environment and Natural Resources, and Transportation.

45 No later than January 1, 2015, the State Board of Education shall designate at least one  
46 representative from a local school administrative unit or from the Department of Public  
47 Instruction to serve as a liaison in each Collaboration for Prosperity Zone for the local school  
48 administrative units and other public schools within the zone. These liaisons are not required to  
49 be collocated with the liaisons from the Departments of Commerce, Environment and Natural  
50 Resources, and Transportation."  
51

1 **IMPROVE FINANCIAL MANAGEMENT OF ENVIRONMENTAL STEWARDSHIP**  
2 **FUNDS THROUGH CONSERVATION GRANT FUND**

3 **SECTION 14.2.** G.S. 147-69.2(d) reads as rewritten:

4 "(d) The State Treasurer may invest funds deposited pursuant to ~~subdivision~~  
5 ~~(a)(17i) subdivisions (a)(17i) or (a)(17j)~~ of this section in any of the investments authorized  
6 under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The  
7 State Treasurer may require a minimum deposit, up to one hundred thousand dollars  
8 (\$100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of  
9 participation pursuant to this subsection. Funds deposited pursuant to this subsection shall  
10 remain the funds of the North Carolina Conservation Easement Endowment ~~Fund, Fund or the~~  
11 Conservation Grant Fund, as applicable, and interest or other investment income earned thereon  
12 shall be prorated and credited to the North Carolina Conservation Easement Endowment ~~Fund~~  
13 Fund or the Conservation Grant Fund on the basis of the amounts ~~thereof~~  
14 contributed, contributed to the respective Funds, figured according to sound accounting  
15 principles."  
16

17 **ALLOW REVENUE GENERATED FROM TIMBER SALE TO BE RETAINED IN A**  
18 **NONREVERTING ACCOUNT FOR A PERIOD OF FOUR YEARS**

19 **SECTION 14.3.** The Department of Environment and Natural Resources'  
20 Stewardship Program may retain revenue generated from timber harvesting on the Great  
21 Coharie property in the Conservation Grant Endowment Interest Fund (6705) for the purpose of  
22 restoration and stewardship of that property. Any unused portion of this revenue remaining in  
23 the Fund on June 30, 2019, shall revert to the General Fund.  
24

25 **SEPARATE NATURAL HERITAGE PROGRAM FROM CLEAN WATER**  
26 **MANAGEMENT TRUST FUND**

27 **SECTION 14.4.** G.S. 113A-253(c)(8e) is repealed.  
28

29 **WATER QUALITY REMEDIATION**

30 **SECTION 14.5.** Of the funds appropriated in this Act to the Clean Water  
31 Management Trust Fund, the sum of five hundred thousand dollars (\$500,000) shall be used for  
32 the remediation and mitigation of stormwater impacts to lakes subject to a Nutrient  
33 Management Strategy approved by the Environmental Management Commission.  
34

35 **SHALLOW DRAFT NAVIGATION CHANNEL DREDGING FUNDING**  
36 **EARMARK/AQUATIC WEED CONTROL**

37 **SECTION 14.6.(a)** G.S. 143-215.73F reads as rewritten:

38 **"§ 143-215.73F. Shallow Draft Navigation Channel Dredging and Lake Maintenance**  
39 **Fund.**

40 (a) Fund Established. – The Shallow Draft Navigation Channel Dredging and Lake  
41 Maintenance Fund is established as a special revenue fund. The Fund consists of fees credited  
42 to it under ~~G.S. 75A-3, 75A-38, G.S. 75A-3 and G.S. 75A-38 and 105-449.126.~~ taxes credited  
43 under G.S. 105-449.126.

44 (b) Uses of Fund. – Revenue in the Fund may only be used for the following purposes:

- 45 (1) ~~to~~ To provide the State's share of the costs associated with any dredging  
46 project designed to keep shallow draft navigation channels located in State  
47 waters or waters of the state located within lakes navigable and ~~safe,~~ safe.  
48 (2) ~~or for~~ For aquatic weed control projects in waters of the State located within  
49 lakes under Article 15 of Chapter 113A of the General Statutes. Funding for  
50 aquatic weed control projects is limited to five hundred thousand dollars  
51 (\$500,000) in each fiscal year.

1 (c) Cost-Share. – Any project funded by revenue from the Fund must be cost-shared  
2 with non-State dollars on a one-to-one basis, provided that the cost-share for a lake located  
3 within a component of the State Parks System shall be provided by the Division of Parks and  
4 Recreation of the Department of Environment and Natural Resources. The Division of Parks  
5 and Recreation may use funds allocated to the State Parks System for capital projects under  
6 G.S. 113-44.15 for the cost-share.

7 (d) Definition. – For purposes of this section, "shallow draft navigation channel" means  
8 (i) a waterway connection with a maximum depth of 16 feet between the Atlantic Ocean and a  
9 bay or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through  
10 which tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft  
11 navigation channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort  
12 Harbor, Bogue Inlet, Carolina Beach Inlet, the channel from Back Sound to Lookout Back,  
13 channels connected to federal navigation channels, Lockwoods Folly River,  
14 Manteo/Shallowbag Bay, including Oregon Inlet, Masonboro Inlet, New River, New Topsail  
15 Inlet, Rodanthe, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting  
16 Pamlico Sound and Beaufort Harbor.

17 (e) Designation of Certain Funds. – Of the taxes credited to the Fund under  
18 G.S. 105-449.126, the sum of three million five hundred thousand dollars (\$3,500,000) per  
19 fiscal year shall be reserved for Oregon Inlet dredging projects. Funds reserved pursuant to this  
20 subsection that are unencumbered as of June 30 of the fiscal year in which the funds are  
21 reserved may be used for any other purpose permitted by the Fund."

22 **SECTION 14.6.(b)** Of the funds appropriated in this Act for aquatic weed control,  
23 up to nine hundred thousand dollars (\$900,000) may be made available for aquatic weed  
24 control in the State's rivers in the 2015-2016 fiscal year.  
25

## 26 **USE OF OYSTER SHELLS PROHIBITED IN COMMERCIAL LANDSCAPING**

27 **SECTION 14.7.(a)** Article 20 of Chapter 113 of the General Statutes is amended  
28 by adding a new section to read:

### 29 **"§ 113-270. Use of oyster shells by landscape contractors prohibited.**

30 (a) No landscape contractor shall use oyster shells as a ground cover.

31 (b) Enforcement of the prohibition set forth in this section shall be under the  
32 jurisdiction of the Marine Fisheries Commission.

33 (c) For purposes of this section, landscape contractor shall have the definition set forth  
34 in G.S. 89D-11."

35 **SECTION 14.7.(b)** This section is effective October 1, 2015.  
36

## 37 **CORE SOUND OYSTER LEASING**

38 **SECTION 14.8.** The Division of Marine Fisheries of the Department of  
39 Environment and Natural Resources shall, in consultation with representatives of the  
40 commercial fishing industry, representatives of the shellfish aquaculture industry, and relevant  
41 federal agencies, create a proposal to open to shellfish cultivation leasing certain areas of Core  
42 Sound that are currently subject to a moratorium on shellfish leasing. The Division will submit  
43 a report regarding the plan no later than April 1, 2016, to the Joint Legislative Commission on  
44 Governmental Operations.  
45

## 46 **AMEND SENATOR JEAN PRESTON MARINE SHELLFISH SANCTUARY** 47 **LEGISLATION**

48 **SECTION 14.9.** Section 44 of S.L. 2014-120 reads as rewritten:

49 **"SENATOR JEAN PRESTON MARINE ~~SHELLFISH~~ OYSTER SANCTUARY**  
50 **PROGRAM**

1       ~~"SECTION 44.(a) It is the intent of the General Assembly to establish a marine shellfish~~  
2 ~~sanctuary in the Pamlico Sound to be named in honor of former Senator Jean Preston, to be~~  
3 ~~called the "Senator Jean Preston Marine Shellfish Sanctuary."to enhance shellfish habitats~~  
4 ~~within the Albemarle and Pamlico Sounds and their tributaries to benefit fisheries, water~~  
5 ~~quality, and the economy. This will be achieved through the establishment of a network of~~  
6 ~~oyster sanctuaries, harvestable enhancement sites, and coordinated support for the development~~  
7 ~~of shellfish aquaculture. The network of oyster sanctuaries is to be named in honor of~~  
8 ~~Senator Jean Preston and will be called the "Senator Jean Preston Oyster Sanctuary~~  
9 ~~Network".~~

10       ~~"SECTION 44.(b) The Division of Marine Fisheries of the Department of Environment~~  
11 ~~and Natural Resources shall designate an area of appropriate acreage within the Pamlico Sound~~  
12 ~~as a recommendation to the Environmental Review Commission for establishment of the~~  
13 ~~"Senator Jean Preston Marine Shellfish Sanctuary" and create a plan for managing the~~  
14 ~~sanctuary that includes develop a plan to construct and manage additional oyster habitats. The~~  
15 ~~new sanctuaries, along with selected existing oyster sanctuaries, will be included in the Senator~~  
16 ~~Jean Preston Oyster Sanctuary Network. The plan will include the following components:~~

17           (1)     ~~Location and delineation of the sanctuary.—oyster sanctuaries. — The plan~~  
18                   ~~should include a locationlocations for the sanctuariesanctuary network~~  
19                   ~~components that minimizes-minimize the impact on commercial trawling. In~~  
20                   ~~addition, the sanctuary should be gridded into areas leased to private parties~~  
21                   ~~for restoration and harvest and areas operated and maintained by the State~~  
22                   ~~for restoration that are not open for harvest. The leased and unleased areas~~  
23                   ~~should be arranged in a pattern where leased squares are surrounded on four~~  
24                   ~~sides by unleased squares.The location of sanctuaries shall take into account~~  
25                   ~~connectivity to existing oyster sanctuaries and proposed oyster enhancement~~  
26                   ~~sites. New oyster sanctuaries shall be designed to provide hook-and-line~~  
27                   ~~fishing while allowing the development of complex fish habitats and~~  
28                   ~~brood-stock oysters that will enhance recruitment in the surrounding reefs.~~  
29                   ~~The plan should outline a 10-year development project to accomplish the~~  
30                   ~~expansion.~~

31           (2)     ~~Administration.— The plan should include the prices to be charged for the~~  
32                   ~~leased portions of the sanctuary, including an administration fee to be~~  
33                   ~~retained by the Division to support the leasing and monitoring program. The~~  
34                   ~~plan shall also provide that the balance of lease payments collected by the~~  
35                   ~~Division be transferred to the General Fund with a recommendation that~~  
36                   ~~some or all of the proceeds be used for the support of the State's special~~  
37                   ~~education programs in memory of Senator Jean Preston.~~

38           (3)     ~~Enhancement of oyster habitat restoration. — The General Assembly finds~~  
39                   ~~that the lack of a reliable State-based supply of oyster seed and inadequate~~  
40                   ~~funding for cultch planting are limitations to the expansion of oyster~~  
41                   ~~harvesting and the restoration of wild oyster habitat in North Carolina.~~  
42                   ~~Therefore, the plan should include the following:~~

43                   a.     ~~Provisions and recommendations to facilitate the availability of~~  
44                           ~~oyster seed produced in North Carolina for wild oyster habitat~~  
45                           ~~restoration projects as well as oyster aquaculture and to reduce~~  
46                           ~~potential negative impacts from importation of non-native oyster~~  
47                           ~~seed.~~

48                   b.     ~~Plans, where feasible, for public-private partnerships for State-based~~  
49                           ~~production of viable oyster seed through the creation of one or more~~  
50                           ~~production hatcheries and recommendations for increased support of~~  
51                           ~~the existing research hatchery at UNC-Wilmington.~~

1                   c.       Plans and cost estimates for an expansion of cultch planting in  
2                               suitable areas of the State's coastal waters in order to expand areas  
3                               suitable for development of wild oyster habitat.

4           (4)       Economic relief. – The plan should consider a waiver of application fees and  
5                               yearly rental fees for new shellfish leases for an established period of time to  
6                               further promote and support shellfish aquaculture in North Carolina. The  
7                               new leasing fee waiver program should include measures to discourage  
8                               speculation and target persons with a genuine interest in starting a shellfish  
9                               aquaculture business, such as a requirement that the lease be nontransferable  
10                              for a five-year period.

11           (5)       Outreach. – The plan should include outreach and education that promotes,  
12                              whenever possible, public-private partnerships utilizing the Sea Grant  
13                              College Program, local colleges, and other nongovernmental organizations  
14                              to (i) encourage shellfish aquaculture and provide technical assistance to  
15                              broaden cost-effective technologies available to leaseholders; (ii) encourage  
16                              best management practices to leaseholders; and (iii) inform fishermen and  
17                              the public on the benefits provided by the Senator Jean Preston Oyster  
18                              Sanctuary Network.

19           (6)       Monitoring. – The plan should include a monitoring plan designed to (i)  
20                              determine the success of oyster reef construction and (ii) evaluate the cost  
21                              benefit of the oyster sanctuary network and harvestable enhancement sites.

22           ~~(3)~~(7)       Funding. – The plan should include a request for appropriations sufficient to  
23                              provide funds for the construction of appropriate bottom habitat and shellfish  
24                              seeding and for Division staff necessary to conduct oyster restoration and  
25                              monitoring activities. The plan should provide that, whenever possible,  
26                              construction and shellfish seeding be carried out by contract with private  
27                              entities for Division staff to expand oyster restoration and monitoring  
28                              activities for 10 years. The plan should provide that, whenever possible,  
29                              public-private partnerships are employed to meet the construction, seeding,  
30                              and outreach requirements of the plan.

31           (4)       ~~Commercial fisherman relief. – To promote the diversification of~~  
32                              ~~commercial fishing opportunities, the plan should include a program to~~  
33                              ~~award free or discounted leases under this section to commercial fishermen~~  
34                              ~~who (i) have held one or more commercial fishing licenses continually for a~~  
35                              ~~period of 10 or more years and (ii) receive at least fifty percent (50%) of~~  
36                              ~~their income from commercial fishing with those licenses.~~

37           ~~(5)~~(8)       Recommendations. – The plan ~~should~~ shall include recommendations for  
38                              statutory or regulatory changes needed to expedite the expansion of shellfish  
39                              restoration and harvesting in order to improve water quality, restore  
40                              ecological habitats, provide enhanced recreational and commercial fishing  
41                              opportunities, and expand the coastal economy.

42           (9)       No funding for sanctuaries in closed areas. – The plan shall provide that no  
43                              funding or other resources shall be available in water bodies where a  
44                              moratorium or other legal prohibition on shellfish leasing under Article 16 of  
45                              Chapter 113 of the General Statutes is currently in effect. This subdivision  
46                              does not apply to leasing moratoria imposed because the area is closed to  
47                              shellfish harvesting or recommended for closure by the State Health Director  
48                              due to pollution.

49       "SECTION 44.(c) ~~No later than December 1, 2014, and quarterly thereafter until~~  
50       ~~submission of a final plan to the Environmental Review Commission, March 1, 2016, the~~  
51       Department of Environment and Natural Resources shall report to the Environmental Review

1 ~~Commission~~Chairs of the House of Representatives Appropriations Committee on Agriculture  
2 and Natural and Economic Resources, the Senate Appropriations Committee on Natural and  
3 Economic Resources, and the Fiscal Research Division regarding its implementation of this  
4 section and its recommended plan."  
5

## 6 SHELLFISH CULTIVATION LEASING REFORM

7 **SECTION 14.10.(a)** G.S. 113-202(i) reads as rewritten:

8 "**§ 113-202. New and renewal leases for shellfish cultivation; termination of leases issued**  
9 **prior to January 1, 1966.**

10 ...

11 (i) After a lease application is approved by the Secretary, the applicant shall submit to  
12 the Secretary ~~a survey of the area approved for leasing and~~ information sufficient to define the  
13 bounds of the area approved for leasing with markers in accordance with the rules of the  
14 Commission. ~~The survey information shall conform to standards prescribed by the Secretary~~  
15 ~~concerning accuracy of survey and the amount of detail to be shown. When an acceptable~~  
16 ~~survey information~~ is submitted, the boundaries are marked and all fees and rents due in  
17 advance are paid, the Secretary shall execute the lease on forms approved by the Attorney  
18 General. The Secretary is authorized, with the approval of the lessee, to amend an existing lease  
19 by reducing the area under lease or by combining contiguous leases without increasing the total  
20 area leased. The information required by this subsection may be based on coordinate  
21 information produced using a device equipped to receive global positioning system data."

22 **SECTION 14.10.(b)** G.S. 113-202(j) reads as rewritten:

23 "(j) Initial leases begin upon the issuance of the lease by the Secretary and expire at  
24 noon on the first day of July following the ~~fifth-tenth~~ anniversary of the granting of the lease.  
25 Renewal leases are issued for a period of ~~five-10~~ years from the time of expiration of the  
26 previous lease. At the time of making application for renewal of a lease, the applicant must pay  
27 a filing fee of one hundred dollars (\$100.00). The rental for initial leases is one dollar (\$1.00)  
28 per acre for all leases entered into before July 1, 1965, and for all other leases until noon on the  
29 first day of July following the first anniversary of the lease. Thereafter, for initial leases entered  
30 into after July 1, 1965, and from the beginning for renewals of leases entered into after that  
31 date, the rental is ten dollars (\$10.00) per acre per year. Rental must be paid annually in  
32 advance prior to the first day of April each year. Upon initial granting of a lease, the pro rata  
33 amount for the portion of the year left until the first day of July must be paid in advance at the  
34 rate of one dollar (\$1.00) per acre per year; then, on or before the first day of April next, the  
35 lessee must pay the rental for the next full year."

36 **SECTION 14.10.(c)** This section applies to shellfish lease applications received by  
37 the Department of Environment and Natural Resources on or after the date this act becomes  
38 law.  
39

## 40 DYNAMIC PRICING FOR STATE PARKS AND ATTRACTIONS

41 **SECTION 14.11.(a)** G.S. 150B-1(d) is amended by adding a new subdivision to  
42 read:

43 "(27) The Department of Environment and Natural Resources with respect to  
44 operating hours, admission fees, or related activity fees at:  
45 a. The North Carolina Zoological Park pursuant to G.S. 143B-335.  
46 b. State Parks pursuant to G.S. 113-35.  
47 c. The North Carolina Aquariums pursuant to G.S. 143B-289.44."

48 **SECTION 14.11.(b)** The Department of Environment and Natural Resources shall  
49 establish admission fees and related activity fees using a dynamic pricing strategy as defined in  
50 subsection (c) of this section. Any rule currently in the Administrative Code related to fees  
51 covered by subsection (a) of this section are ineffective and repealed upon the effective date of

1 new admission fees and related activity fees adopted by the Department under the authority set  
 2 out in subsection (a) of this section. Notice of the initial adoption of new admission fees and  
 3 related activity fees under subsection (a) of this section shall be given by the Department to the  
 4 Codifier of Rules, who, upon receipt of notice of the initial adoption of new admission fees and  
 5 related activity fees by the Department, shall note the repeal of these rules in the Administrative  
 6 Code.

7 **SECTION 14.11.(c)** It is the intent of the General Assembly that the Department of  
 8 Environment and Natural Resources institute dynamic pricing as a flexible pricing strategy for  
 9 entrance fees and related activity fees for the North Carolina Zoological Park, State Parks, and  
 10 the North Carolina Aquariums. Dynamic pricing is the adjustment of fees for admission and  
 11 related activities from time to time to reflect marketing forces, including seasonal variations  
 12 and special event interests, with the intent and effect to maximize revenues from use of these  
 13 State resources to the extent practicable to offset appropriations from the General Assembly.

14 **SECTION 14.11.(d)** Nothing in this section is intended to authorize the  
 15 Department of Environment and Natural Resources to charge new entrance or parking fees at  
 16 the State Parks or to charge new parking fees at the North Carolina Zoological Park or the  
 17 North Carolina Aquariums.

18 **SECTION 14.11.(e)** This section applies to operating hours revised or admission  
 19 fees or related activity fees charged on or after the effective date of this act.  
 20

## 21 STATE PARKS BUDGET/POSITIONS

22 **SECTION 14.12.** Effective July 1, 2015, the following positions are eliminated:

23 <u>Position number</u>	<u>Title</u>
24 60032794	Accounting Clerk V
25 65020598	Facility Maintenance Supervisor II
26 65020599	Facility Maintenance Supervisor II
27 60032862	Park Ranger
28 60033199	Office Assistant V
29 60032905	Park Ranger
30 60032990	Office Assistant III
31 65011956	Maintenance Mechanic IV
32 65020681	Law Enforcement Officer
33 65020682	Maintenance Mechanic II
34 60032817	Park Ranger
35 60032949	Regional Trails Specialist
36 65020704	Law Enforcement Officer
37 65020707	Office Assistant IV
38 60032797	Park Ranger
39 60033242	Processing Assistant IV
40 60032954	Office Assistant IV
41 60033181	Park Ranger
42 60032994	Office Assistant IV
43 60032934	Office Assistant III
44 60033031	Maintenance Mechanic II
45 60033235	Maintenance Mechanic I
46 60033141	Maintenance Mechanic IV
47 60033099	Park Ranger
48 60033226	Office Assistant III
49 60033041	Office Assistant III
50 60033020	Maintenance Mechanic III
51 60033204	Maintenance Mechanic I

**CAMP SERTOMA FUNDS**

**SECTION 14.12A.** Of the twelve million five hundred thousand dollars (\$12,500,000) in nonrecurring funds appropriated in this act for the Parks and Recreation Trust Fund, the sum of one hundred thousand dollars (\$100,000) shall be reserved for renovations at Camp Sertoma in fiscal year 2015-2016.

**WATER INFRASTRUCTURE AUTHORITY REVISIONS**

**SECTION 14.13.(a)** G.S. 159G-20(1) is recodified as G.S. 159G-20(1a), and G.S. 159G-20(1a) is recodified as G.S. 159G-20(1c).

**SECTION 14.13.(b)** G.S. 159G-20, as amended by subsection (a) of this section, reads as rewritten:

**"§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

(1) Affordability. – The relative affordability of a project for a community compared to other communities in North Carolina based on factors that may include water and sewer service rates, median household income, poverty rates, employment rates, or the population of the served community.

(1a) Asset management plan. – The strategic and systematic application of management practices applied to the infrastructure assets of a local government unit in order to minimize the total costs of acquiring, operating, maintaining, improving, and replacing the assets while at the same time maximizing the efficiency, reliability, and value of the assets.

(1b) Authority. – The State Water Infrastructure Authority created and established pursuant to Article 5 of this Chapter.

...

~~(9) High unit cost project.— A project that results in an estimated average household user fee for water and sewer service in the area served by the project in excess of the high unit cost threshold. The average household user fee is calculated for a continuous 12 month period.~~

~~(10) High unit cost threshold.— Either of the following amounts determined on the basis of data from the most recent federal decennial census and updated by the U.S. Department of Housing and Urban Development's annual estimated income adjustment factors:~~

~~a. One and one half percent (1.5%) of the median household income in an area that receives both water and sewer service.~~

~~b. Three fourths of one percent (3/4%) of the median household income in an area that receives only water service or only sewer service.~~

...

(13) Local government unit. – Any of the following:

a. A city as defined in G.S. 160A-1.

b. A county.

c. A consolidated city-county as defined in G.S. 160B-2.

d. A county water and sewer district created pursuant to Article 6 of Chapter 162A of the General Statutes.

e. A metropolitan sewerage district or a metropolitan water district created pursuant to Article 4 of Chapter 162A of the General Statutes.

f. A water and sewer authority created under Article 1 of Chapter 162A of the General Statutes.

- g. A sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the General Statutes.
- h. A joint agency created pursuant to Part 1 of Article 20 of Chapter 160A of the General Statutes.
- i. A joint agency that was created by agreement between two cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water and wastewater services off the airport premises before 1 January 1995.

(13a) Merger. – The consolidation of two or more water and/or sewer systems into one system with common ownership, management, and operation.

(14) Nonprofit water corporation. – A nonprofit corporation that is incorporated under Chapter 55A of the General Statutes solely for the purpose of providing drinking water or wastewater services and is an eligible applicant for a federal loan or grant from the Rural Utility Services Division, U.S. Department of Agriculture.

(15) Public water system. – Defined in G.S. 130A-313.

(16) Regionalization. – The physical interconnecting of an eligible entity's wastewater system to another entity's wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity's public water system to another entity's water system for the purposes of providing regional water supply.

~~(16) Reserved.~~

...

- (21) Targeted interest rate project. – Either of the following types of projects:
  - a. ~~A high unit cost project that is awarded a loan.~~ A project that is awarded a loan from the Drinking Water Reserve or the Wastewater Reserve based on affordability.
  - b. A project that is awarded a loan from the CWSRF or the DWSRF and is in a category for which federal law encourages a special focus.

...."

SECTION 14.13.(c) G.S. 159G-23 reads as rewritten:

**"§ 159G-23. ~~Common criteria~~ Priority consideration for loan or grant from Wastewater Reserve or Drinking Water Reserve.**

The ~~criteria~~ considerations for priority in this section apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Division of Water Infrastructure must ~~establish a system of assigning points to applications based on the following criteria:~~ consider the following items when evaluating applications:

- (1) Public necessity. – ~~An applicant must explain how the project~~ A project that promotes public health and protects the environment. A project that ~~that~~ improves a system that is not in compliance with permit requirements or is under orders from the Department, enables a moratorium to be lifted, or replaces failing septic tanks with a wastewater collection system has priority. system.
- (2) Effect on impaired waters. – A project that improves designated impaired waters of the ~~State has priority.~~ State.
- (3) Efficiency. – A project that achieves efficiencies in meeting the State's water infrastructure needs or reduces vulnerability to drought consistent with Part 2A of Article 21 and Article 38 of Chapter 143 of the General Statutes by one of the following ~~methods has priority:~~ methods:

- 1 a. The combination of two or more wastewater or public water systems  
2 into a regional wastewater or public water system by merger,  
3 consolidation, or another means.
- 4 b. Conservation or reuse of water, including bulk water reuse facilities  
5 and waterlines to supply reuse water for irrigation and other  
6 approved uses.
- 7 c. Construction of an interconnection between water systems intended  
8 for use in drought or other water shortage emergency.
- 9 d. Repair or replacement of leaking waterlines to improve water  
10 conservation and efficiency or to prevent contamination.
- 11 e. Replacement of meters and installation of new metering systems.
- 12 (4) Comprehensive land-use plan. – A project that is located in a city or county  
13 that has adopted or has taken significant steps to adopt a comprehensive  
14 land-use plan under Article 18 of Chapter 153A of the General Statutes or  
15 Article 19 of Chapter 160A of the General Statutes ~~has priority over a~~  
16 ~~project located in a city or county that has not adopted a plan or has not~~  
17 ~~taken steps to do so.~~Statutes. The existence of a plan has more priority than  
18 steps taken to adopt a plan, such as adoption of a zoning ordinance. A plan  
19 that exceeds the minimum State standards for protection of water resources  
20 has ~~more~~ higher priority than one that does not. A project is considered to be  
21 located in a city or county if it is located in whole or in part in that unit. A  
22 land-use plan is not considered a comprehensive land-use plan unless it has  
23 provisions that protect existing water uses and ensure compliance with water  
24 quality standards and classifications in all waters of the State affected by the  
25 plan.
- 26 (5) Flood hazard ordinance. – A project that is located in a city or county that  
27 has adopted a flood hazard prevention ordinance under ~~G.S. 143-215.54A~~  
28 ~~has priority over a project located in a city or county that has not adopted an~~  
29 ~~ordinance.~~G.S. 143-215.54A. A plan that exceeds the minimum standards  
30 under G.S. 143-215.54A for a flood hazard prevention ordinance has ~~more~~  
31 higher priority than one that does not. A project is considered to be located  
32 in a city or county if it is located in whole or in part in that unit. If no part of  
33 the service area of a project is located within the 100-year floodplain, the  
34 project has ~~the same priority~~ equal consideration under this subdivision as if  
35 it were located in a city or county that has adopted a flood hazard prevention  
36 ordinance. The most recent maps prepared pursuant to the National Flood  
37 Insurance Program or approved by the Department determine whether an  
38 area is within the 100-year floodplain.
- 39 (6) Sound management. – A project submitted by a local government unit that  
40 has demonstrated a willingness and ability to meet its responsibilities  
41 through sound fiscal policies and efficient operation and ~~management has~~  
42 priority.management.
- 43 (6a) Asset management plan. – A project submitted by a local government unit  
44 with more than 1,000 service connections that has developed and is  
45 implementing an asset management ~~plan has priority over a project~~  
46 ~~submitted by a local government unit with more than 1,000 service~~  
47 ~~connections that has not developed or is not implementing an asset~~  
48 management plan.
- 49 (7) Capital improvement plan. – A project that implements the applicant's  
50 capital improvement plan for the wastewater system or public water system  
51 it ~~manages has priority over a project that does not implement a capital~~

1 ~~improvement plan. To receive priority, amanges; so long as the capital~~  
 2 ~~improvement plan must sets~~ out the applicant's expected water  
 3 ~~infrastructure needs for at least 10 years.~~

4 (8) Coastal habitat protection. – A project that implements a recommendation of  
 5 a Coastal Habitat Protection Plan adopted by the Environmental  
 6 Management Commission, the Coastal Resources Commission, and the  
 7 Marine Fisheries Commission pursuant to ~~G.S. 143B-279.8 has priority over~~  
 8 ~~other projects that affect counties subject to that Plan.~~G.S. 143B-279.8. If no  
 9 part of the service area of a project is located within a county subject to that  
 10 Plan, the project has equal priority under this subdivision with a project that  
 11 receives priority under this subdivision.

12 (9) ~~High unit cost threshold. A high unit cost project has priority over~~  
 13 ~~projects that are not high unit cost projects. The priority given to a~~  
 14 ~~high unit cost project shall be set using a sliding scale based on the amount~~  
 15 ~~by which the applicant exceeds the high unit cost threshold.~~Affordability. –  
 16 The relative affordability of a project for a community compared to other  
 17 communities in North Carolina.

18 (10) Merger and Regionalization. – A project to provide for the planning of  
 19 regional public water and wastewater systems, to provide for the orderly  
 20 coordination of local actions relating to public water and wastewater  
 21 systems, or to help realize economies of scale in regional public water and  
 22 wastewater systems through consolidation, management, merger, or  
 23 interconnection of public water and wastewater ~~systems has priority.~~systems.  
 24 If an applicant demonstrates that it is not feasible for the project to include  
 25 regionalization, the funding agency shall assign the project the same priority  
 26 under this subdivision as a project that includes regionalization.

27 (11) State water supply plan. – A project that addresses a potential conflict  
 28 between local plans or implements a measure in which local water supply  
 29 plans could be better coordinated, as identified in the State water supply plan  
 30 pursuant to ~~G.S. 143-355(m), has priority.~~G.S. 143-355(m).

31 (12) Water conservation measures for drought. – A project that includes adoption  
 32 of water conservation measures by a local government unit that are more  
 33 stringent than the minimum water conservation measures required pursuant  
 34 to ~~G.S. 143-355.2 has priority.~~G.S. 143-355.2.

35 (13) Low-income residents. – A project that is located in an area annexed by a  
 36 municipality under Article 4A of Chapter 160A of the General Statutes in  
 37 order to provide water or sewer services to low-income ~~residents has~~  
 38 ~~priority. For purposes of this section, low income residents are those with a~~  
 39 ~~family income that is eighty percent (80%) or less of median family~~  
 40 ~~income residents."~~income residents."

41 **SECTION 14.13.(c1)** G.S. 159G-31 reads as rewritten:

42 **"§ 159G-31. Entities eligible to apply for loan or grant.**

43 (a) A local government unit or a nonprofit water corporation is eligible to apply for a  
 44 loan or grant from the CWSRF, the DWSRF, the Wastewater Reserve, or the Drinking Water  
 45 Reserve. An investor-owned drinking water corporation is also eligible to apply for a loan or  
 46 grant from the DWSRF. Other entities are not eligible for a loan or grant from these accounts.

47 (b) Entities eligible in subsection (a) of this section for grants from the Wastewater  
 48 Reserve and the Drinking Water Reserve may be limited, based on affordability, to a portion of  
 49 the total construction costs for the project types defined in G.S. 159G-33(a)(2) and  
 50 G.S. 159G-34(a)(2).

1 (c) To the extent that funds are available, loans shall be considered for the portion of  
2 construction costs not eligible for grant funding."

3 **SECTION 14.13.(d)** G.S. 159G-33(a)(4) is recodified as G.S. 159G-33(a)(5).

4 **SECTION 14.13.(e)** G.S. 159G-33(a), as amended by subsection (d) of this  
5 section, reads as rewritten:

6 "(a) Types. – The Department is authorized to make the types of loans and grants listed  
7 in this subsection from the Wastewater Reserve. Each type of loan or grant must be  
8 administered through a separate account within the Wastewater Reserve.

9 (1) ~~General.—Loan.~~ Loan. – A loan ~~or grant~~ is available for a project authorized in  
10 G.S. 159G-32(b).

11 (2) ~~High unit cost~~Project grant. – A ~~high unit cost~~project grant is available for a  
12 ~~portion of the portion of the~~ construction costs of a wastewater collection  
13 system ~~project or project,~~ a wastewater treatment works ~~project that results in~~  
14 ~~an estimated average household user fee for water and sewer service in the~~  
15 ~~area served by the project that exceeds the high unit cost threshold.~~project,  
16 or a stormwater quality project as authorized in G.S. 159G-32(b).

17 (3) ~~Technical assistance~~Merger/regionalization feasibility grant. – A ~~technical~~  
18 ~~assistance~~merger/regionalization feasibility grant is available to determine  
19 the best way to correct the deficiencies in a wastewater collection system or  
20 wastewater treatment works that either is not in compliance with its permit  
21 limits or, as identified in the most recent inspection report by the Department  
22 under G.S. 143-215.3, is experiencing operational problems and is at risk of  
23 ~~violating its permit limits.~~feasibility of consolidating the management of  
24 multiple utilities into a single utility operation or to provide regional  
25 treatment and the best way of carrying out the consolidation or  
26 regionalization. The Department shall not make a loan or grant under this  
27 subdivision for a merger or regionalization proposal that would result in a  
28 new surface water transfer regulated under G.S. 143-215.22L.

29 (4) Asset inventory and assessment grant. – An asset inventory and assessment  
30 grant is available to inventory the existing water and/or sewer system and  
31 document the condition of the inventoried infrastructure.

32 (5) Emergency loan. – An emergency loan is available in the event the Secretary  
33 certifies that a serious public health hazard related to the inadequacy of an  
34 existing wastewater collection system or wastewater treatment works is  
35 present or imminent in a community."

36 **SECTION 14.13.(f)** G.S. 159G-34(a)(4) is recodified as G.S. 159G-34(a)(5).

37 **SECTION 14.13.(g)** G.S. 159G-34(a), as amended by subsection (f) of this section,  
38 reads as rewritten:

39 "(a) Types. – The Department is authorized to make the types of loans and grants listed  
40 in this section from the Drinking Water Reserve. Each type of loan or grant must be  
41 administered through a separate account within the Drinking Water Reserve.

42 (1) ~~General.—Loan.~~ Loan. – A loan ~~or grant~~ is available for a project for a public  
43 water system.

44 (2) ~~High unit cost~~Project grant. – A project grant is available for ~~the a~~ portion of  
45 the construction costs of a public water system project ~~that results in an~~  
46 ~~estimated average household user fee for water and sewer service in the area~~  
47 ~~served by the project that exceeds the high unit cost threshold.~~as defined in  
48 G.S. 159G-32(c).

49 (3) ~~Technical assistance~~Merger/regionalization feasibility grant. – A ~~technical~~  
50 ~~assistance~~merger/regionalization grant is available to determine the best way  
51 ~~to correct the deficiencies in a public water system that does not comply~~

1 with ~~State law or the rules adopted to implement that law.~~feasibility of  
 2 consolidating the management of multiple utilities into a single utility  
 3 operation or to provide regional water supply and the best way of carrying  
 4 out the consolidation or regionalization. The Department shall not make a  
 5 loan or grant under this subdivision for a merger or regionalization proposal  
 6 that would result in a new surface water transfer regulated under  
 7 G.S. 143-215.22L.

8 (4) Asset inventory and assessment grant. – An asset inventory and assessment  
 9 grant is available to inventory the existing water and/or sewer system and  
 10 document the condition of the inventoried infrastructure.

11 (5) Emergency loan. – An emergency loan is available to an applicant in the  
 12 event the Secretary certifies that either a serious public health hazard or a  
 13 drought emergency related to the water supply system is present or imminent  
 14 in a community."

15 **SECTION 14.13.(h)** G.S. 159G-35 reads as rewritten:

16 "**§ 159G-35. Criteria for loans and grants.**

17 (a) CWSRF and DWSRF. – Federal law determines the criteria for awarding a loan or  
 18 grant from the CWSRF or the DWSRF. An award of a loan or grant from one of these accounts  
 19 must meet the criteria set under federal law. The Department is directed to establish through  
 20 negotiation with the United States Environmental Protection Agency the criteria for evaluating  
 21 applications for loans and grants from the CWSRF and the DWSRF and the priority assigned to  
 22 the criteria. The Department must incorporate the negotiated criteria and priorities in the  
 23 Capitalization Grant Operating Agreement between the Department and the United States  
 24 Environmental Protection Agency. The criteria and priorities incorporated in the Agreement  
 25 apply to a loan or grant from the CWSRF or the DWSRF. The ~~common criteria~~priority  
 26 considerations in G.S. 159G-23 do not apply to a loan or grant from the CWSRF or the  
 27 DWSRF.

28 (b) Reserves. – The ~~common criteria~~priority considerations in G.S. 159G-23 apply to a  
 29 loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Department  
 30 may establish by rule other criteria that apply to a loan or grant from the Wastewater Reserve  
 31 or the Drinking Water Reserve."

32 **SECTION 14.13.(i)** G.S. 159G-36(c) reads as rewritten:

33 "(c) Reserve Recipient Limit. – The following limits apply to ~~a~~the loan or grant types  
 34 made from the Wastewater Reserve or the Drinking Water Reserve to the same local  
 35 government unit or nonprofit water corporation:

36 (1) The amount of loans awarded for a fiscal year may not exceed three million  
 37 dollars (\$3,000,000).

38 (2) The amount of loans awarded for three consecutive fiscal years for targeted  
 39 interest rate projects may not exceed three million dollars (\$3,000,000).

40 (3) The amount of ~~high unit cost~~project grants awarded for three consecutive  
 41 fiscal years may not exceed three million dollars (\$3,000,000).

42 (4) The amount of ~~technical assistance~~merger/regionalization feasibility grants  
 43 awarded for three consecutive fiscal years may not exceed fifty thousand  
 44 dollars (\$50,000).

45 (5) The amount of asset inventory and assessment grants awarded for three  
 46 consecutive fiscal years may not exceed one hundred fifty thousand dollars  
 47 (\$150,000)."

48 **SECTION 14.13.(j)** The Division of Water Infrastructure of the Department of  
 49 Environment and Natural Resources shall report to the Environmental Review Commission and  
 50 the Fiscal Research Division regarding its implementation of the relative affordability of  
 51 projects criteria for grants from the Wastewater Reserve or Drinking Water Reserve set forth in

1 G.S. 159G-23(9), as amended by subsection (c) of this section, within 30 days of the adoption  
2 of the affordability criteria.

#### 3 4 **WATER INFRASTRUCTURE STATE MATCH SURPLUS FUNDS**

5 **SECTION 14.14.** Notwithstanding G.S. 159G-22, funds appropriated in this act to  
6 the Division of Water Infrastructure for the Clean Water State Revolving Fund and the  
7 Drinking Water State Revolving Fund to provide State matching funds that are in excess of the  
8 amount required to draw down the maximum amount of federal capitalization grant funds may  
9 be used for State water and wastewater infrastructure grants awarded from the Wastewater  
10 Reserve and the Drinking Water Reserve that benefit rural and economically distressed areas of  
11 the State.

#### 12 13 **COAL ASH MANAGEMENT FUNDS**

14 **SECTION 14.15.** Notwithstanding G.S. 62-302.1(d), of the funds remaining in the  
15 Coal Combustion Residuals Fund at the end of fiscal year 2014-2015, the sum of three hundred  
16 ninety-seven thousand dollars (\$397,000) of the cash balance remaining on June 30, 2015, shall  
17 be made available to reimburse the Department of Environment and Natural Resources on a  
18 quarterly basis in fiscal year 2015-2016 to carry out the duties in Part 21 of Article 9 of Chapter  
19 130A of the General Statutes. The first quarter distribution shall be made no later than August  
20 1, 2015, and every three months thereafter. These funds are in addition to the one million seven  
21 hundred fifty thousand dollars (\$1,750,000) appropriation to the Department from the Coal  
22 Combustion Residuals Fund.

#### 23 24 **DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES/CLOSE** 25 **CERTAIN SPECIAL FUNDS**

26 **SECTION 14.16.(a)** The Office of State Budget and Management, in conjunction  
27 with the Office of the State Controller and the Department of Environment and Natural  
28 Resources, shall transfer the unencumbered cash balances in the following funds as of June 30,  
29 2015, to the General Fund and then close each of these special funds:

- 30 (1) Mining Fees (Special Fund Code 24300-2745).
- 31 (2) Mining Interest (Special Fund Code 24300-2610).
- 32 (3) Storm Water Permits (Special Fund Code 24300-2750).
- 33 (4) UST Soil Permitting (Special Fund Code 24300-2391).

34 **SECTION 14.16.(b)** G.S. 74-54.1(b) reads as rewritten:

35 "~~(b) The Mining Account is established as a nonreverting account within the~~  
36 ~~Department.~~ Fees collected under this section shall be credited to the Mining Account-General  
37 Fund and shall be applied to the costs of administering this Article."

38 **SECTION 14.16.(c)** G.S. 130A-309.17(i) is repealed.

39 **SECTION 14.16.(d)** G.S. 143-215.3A(a) reads as rewritten:

40 "(a) The Water and Air Quality Account is established as an account within the  
41 Department. Revenue in the Account shall be applied to the costs of administering the  
42 programs for which the fees were collected. Revenue credited to the Account pursuant to  
43 G.S. 105-449.43, G.S. 105-449.125, and G.S. 105-449.136 shall be used to administer the air  
44 quality program. Any funds credited to the Account from fees collected for laboratory facility  
45 certifications under G.S. 143-215.3(a)(10) that are not expended at the end of each fiscal year  
46 for the purposes for which these fees may be used under G.S. 143-215.3(a)(10) shall revert.  
47 Any other funds credited to the Account that are not expended at the end of each fiscal year  
48 shall not revert. Except for the following fees, all application fees and permit administration  
49 fees collected by the State for permits issued under Articles 21, 21A, 21B, and 38 of this  
50 Chapter shall be credited to the Account:

- 1 (1) Fees collected under Part 2 of Article 21A and credited to the Oil or Other  
2 Hazardous Substances Pollution Protection Fund.
- 3 (2) Fees credited to the Title V Account.
- 4 (3) Repealed by Session Laws 2005-454, s. 7, effective January 1, 2006.
- 5 (4) Fees collected under G.S. 143-215.28A.
- 6 (5) Fees collected under G.S. 143-215.94C shall be credited to the Commercial  
7 Leaking Petroleum Underground Storage Tank Cleanup Fund.
- 8 (6) Fees collected under G.S. 143-215.3D for the following permits and  
9 certificates shall be credited to the General Fund for use by the Department  
10 to administer the program for which the fees were collected:
- 11 a. Stormwater permits and certificates of general permit coverage  
12 authorized under G.S. 143-214.7.
- 13 b. Permits to apply petroleum contaminated soil to land authorized  
14 under G.S. 143-215.1."

15 **SECTION 14.16.(e)** The transfers in subsection (a) of this section are to offset  
16 reductions in General Fund appropriations to the Department of Environment and Natural  
17 Resources for the 2015-2016 fiscal year. Fee receipts previously deposited to the funds listed in  
18 subsection (a) shall be budgeted to support the programs and functions previously supported by  
19 those funds.

## 20

### 21 WATER AND WASTEWATER INFRASTRUCTURE GRANTS

22 **SECTION 14.17.** Of the nonrecurring funds appropriated by this act for State  
23 water and wastewater grants, the sum of five million dollars (\$5,000,000) for the 2015-2016  
24 fiscal year shall be used for projects in development tier one counties under the prioritization  
25 criteria set forth in applicable law, and the remaining five million dollars (\$5,000,000) shall be  
26 used to provide a grant to a municipality located in a development tier two county where the  
27 municipality (i) has a population less than 12,000 and (ii) has previously received a loan during  
28 the 2013 calendar year under the Drinking Water State Revolving Fund to replace water  
29 distribution lines serving 5,000 or fewer customers that have exceeded their useful life as  
30 evidenced by tuberculation, breaks, and leaks.

### 31

### 32 MILITARY BUFFERS

33 **SECTION 14.18.(a)** The funds appropriated in this act to the Clean Water  
34 Management Trust Fund for the purpose of military buffers shall only be expended on the  
35 acquisition of buffers adjacent to the property boundary of a military installation or directly  
36 adjacent to a public road, railroad, creek, or river that forms the property boundary of a military  
37 installation.

38 **SECTION 14.18.(b)** For purposes of this section, "military installation" means  
39 Fort Bragg, Pope Army Airfield, Marine Corps Base Camp Lejeune, Marine Corps Air Station  
40 New River, Marine Corps Air Station Cherry Point, Military Ocean Terminal at Sunny Point,  
41 the United States Coast Guard Air Station at Elizabeth City, Naval Support Activity Northwest  
42 Annex, Air Route Surveillance Radar (ARSR-4) at Fort Fisher, and Seymour Johnson Air  
43 Force Base, in its own right and as the responsible entity for the Dare County Bombing Range.

## 44

## 45 PART XV. DEPARTMENT OF COMMERCE

### 46

### 47 EDPNC STATE BUDGET ACT EXEMPTION

48 **SECTION 15.1.** G.S. 143B-431.01(b) reads as rewritten:

49 "(b) Contract. – The Department of Commerce is authorized to contract with a North  
50 Carolina nonprofit corporation to perform one or more of the Department's functions, powers,  
51 duties, and obligations set forth in G.S. 143B-431, except as provided in this subsection. The

1 contract entered into pursuant to this section between the Department and the Economic  
2 Development Partnership of North Carolina is exempt from Articles 3 and 3C of Chapter 143  
3 of the General Statutes. ~~Statutes and G.S. 143C-6-23.~~ If the Department contracts with a North  
4 Carolina nonprofit corporation to promote and grow the travel and tourism industries, then all  
5 funds appropriated to the Department for tourism marketing purposes shall be used for a  
6 research-based, comprehensive marketing program directed toward consumers in key markets  
7 most likely to travel to North Carolina and not for ancillary activities, such as statewide  
8 branding and business development marketing. The Department may not contract with a North  
9 Carolina nonprofit corporation regarding any of the following:

- 10 (1) The obligation or commitment of funds under this Article, such as the One  
11 North Carolina Fund, the Job Development Investment Grant Program, the  
12 Industrial Development Fund, or the Job Maintenance and Capital  
13 Development Fund.
- 14 (2) The Division of Employment Security, including the administration of  
15 unemployment insurance.
- 16 (3) The functions set forth in G.S. 143B-431(a)(2).
- 17 (4) The administration of funds or grants received from the federal government  
18 or its agencies."
- 19

## 20 **COMMERCE & DENR STUDY COASTAL RESTORATION AS AN ECONOMIC** 21 **DEVELOPMENT STRATEGY**

22 **SECTION 15.2.(a)** The Department of Commerce shall study how coastal  
23 restoration, including wetland restoration, oyster bed restoration, living shorelines, and  
24 stormwater retrofit efforts, contribute to the coastal economy and, if and how, coastal  
25 restoration is consistent with State, regional, and rural economic development policies. The  
26 Department shall consult with other State agencies and private organizations in conducting this  
27 study. The Department shall report its findings, including any proposed revisions and  
28 implementations of these policies, to the Environmental Review Commission by March 1,  
29 2016.

30 **SECTION 15.2.(b)** The Departments of Commerce and Environment and Natural  
31 Resources shall work with the United States Department of Agriculture, Natural Resources  
32 Conservation Service, as well as for-profit and nonprofit organizations, to develop  
33 recommendations to identify and fully capitalize on the conservation programs funded through  
34 the federal Farm Bill, including the potential to help pay for oyster restoration, wildlife  
35 enhancement, and wetland restoration with federal dollars. The Departments shall also  
36 determine how the State of North Carolina compares to other states in accessing federal  
37 restoration funding. The Departments shall report their findings and recommendations to the  
38 Environmental Review Commission by March 1, 2016.

39 **SECTION 15.2.(c)** The Department of Environment and Natural Resources shall  
40 identify regulatory reform opportunities for the construction of voluntary natural resource  
41 restoration and enhancement projects and shall develop proposals that reduce the cost of and  
42 approval time for projects that restore oysters, wetlands, coastal shorelines, and other natural  
43 resources. The Department shall consider all of the following: (i) opportunities to streamline  
44 the permitting of voluntary natural resource restoration and enhancement projects; (ii)  
45 opportunities to reduce permitting fees for voluntary natural resource restoration and  
46 enhancement projects; (iii) providing for flexibility in applying environmental standards to  
47 restoration and enhancement projects with long-term environmental and natural resource  
48 benefits; (iv) allowing de minimis environmental impacts during construction of restoration or  
49 enhancement projects in the interest of long-term environmental and natural resource benefits,  
50 consistent with State and federal law; and (v) opportunities to focus existing Department

1 resources on restoration and enhancement of natural resources. The Department shall submit its  
2 findings and recommendations to the Environmental Review Commission by March 1, 2016.

3  
4 **COMMERCE STUDY TIME SPENT ADMINISTERING PROGRAMS SUPPORTED**  
5 **BY FEDERAL FUNDS**

6 **SECTION 15.3.(a)** The Department of Commerce shall study the amount of time  
7 all persons in General Fund-supported positions spend performing duties related to the  
8 operation and administration of programs that receive federal funds, including the Division of  
9 Employment Security and the Division of Workforce Solutions, to determine whether some or  
10 all of the costs related to the performance of these duties should be supported by federal  
11 indirect cost receipts and, therefore, should be paid for with federal funds instead of General  
12 Fund appropriations.

13 **SECTION 15.3.(b)** No later than March 1, 2016, the Department of Commerce  
14 shall report the findings of the study required under subsection (a) of this section to the chairs  
15 of the House of Representatives Appropriations Committee on Agriculture and Natural and  
16 Economic Resources, the Senate Appropriations Committee on Natural and Economic  
17 Resources, and the Fiscal Research Division.

18  
19 **DEPARTMENT OF COMMERCE/CONFORMING STATUTORY CHANGES**

20 **SECTION 15.4.(a)** G.S. 20-81.12 reads as rewritten:

21 "**§ 20-81.12. Collegiate insignia plates and certain other special plates.**

22 ...

23 (b124) Travel and Tourism. – The Division must receive 300 or more applications for the  
24 "Travel and Tourism" plate before the plate may be developed. The Division shall transfer  
25 quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the  
26 sale of "Travel and Tourism" plates to the ~~Division of Tourism, Film, and Sports~~  
27 ~~Development~~Department of Commerce to be used for programs in support of travel and  
28 tourism in North Carolina.

29 ...."

30 **SECTION 15.4.(b)** G.S. 143B-434.2 reads as rewritten:

31 "**§ 143B-434.2. Travel and Tourism Policy Act.**

32 ...

33 (d) The Department of Commerce, and the ~~Division of Tourism, Film, and Sports~~  
34 ~~Development~~ within that Department, nonprofit corporation with whom the Department  
35 contracts pursuant to G.S. 143B-431.01(b) to promote and market tourism, shall implement the  
36 policies set forth in this section. The ~~Division of Tourism, Film, and Sports~~  
37 ~~Development~~nonprofit corporation shall make an annual report to the General Assembly  
38 regarding the status of the travel and tourism industry in North Carolina; the report shall be  
39 submitted to the General Assembly by October 15 of each year beginning ~~October 15,~~  
40 ~~2011~~October 15, 2015. The duties and responsibilities of the ~~Department of Commerce~~  
41 ~~through the Division of Tourism, Film, and Sports Development~~ nonprofit corporation shall be  
42 to:

- 43 (1) Organize and coordinate programs designed to promote tourism within the  
44 State and to the State from other states and foreign countries.  
45 (2) Measure and forecast tourist volume, receipts, and impact, both social and  
46 economic.  
47 (3) Develop a comprehensive plan to promote tourism to the State.  
48 (4) Encourage the development of the State's tourism infrastructure, facilities,  
49 services, and attractions.  
50 (5) Cooperate with neighboring states and the federal government to promote  
51 tourism to the State from other countries.

- 1 (6) Develop opportunities for professional education and training in the tourism
- 2 industry.
- 3 (7) Provide advice and technical assistance to local public and private tourism
- 4 organizations in promoting tourism to the State.
- 5 (8) Encourage cooperation between State agencies and private individuals and
- 6 organizations to advance the State's tourist interests and seek the views of
- 7 these agencies and the private sector in the development of State tourism
- 8 programs and policies.
- 9 (9) Give leadership to all concerned with tourism in the State.
- 10 (10) Perform other functions necessary to the orderly growth and development of
- 11 tourism.
- 12 (11) Develop informational materials for visitors which, among other things,
- 13 shall:
- 14 a. Describe the State's travel and tourism resources and the State's
- 15 history, economy, political institutions, cultural resources, outdoor
- 16 recreational facilities, and principal festivals.
- 17 b. Urge visitors to protect endangered species, natural resources,
- 18 archaeological artifacts, and cultural treasures.
- 19 c. Instill the ethic of stewardship of the State's natural resources.
- 20 (12) Foster an understanding among State residents and civil servants of the
- 21 economic importance of hospitality and tourism to the State.
- 22 (13) Work with local businesses, including banks and hotels, with educational
- 23 institutions, and with the United States Travel and Tourism Administration,
- 24 to provide special services for international visitors, such as currency
- 25 exchange facilities.
- 26 (14) Encourage the reduction of architectural and other barriers which impede
- 27 travel by physically handicapped persons."

28 **SECTION 15.4.(c)** G.S. 143B-472.35 reads as rewritten:

29 **"§ 143B-472.35. Establishment of fund; use of funds; application for grants; disbursal;**  
 30 **repayment; inspections; rules; reports.**

31 ...  
 32 (a2) Definitions. – For purposes of this section, the following definitions shall apply:

33 ...  
 34 (9) Main Street Center. – The agency within the North Carolina Department of  
 35 ~~Commerce, Office of Urban Development, Commerce~~ which receives  
 36 applications and makes decisions with respect to Main Street Solutions Fund  
 37 grant applications from eligible local governments.

38 ...."

39 **SECTION 15.4.(d)** The Department of Commerce shall, in accordance with  
 40 Article 2A of Chapter 150B of the General Statutes, amend its rules to reflect the division name  
 41 changes provided for in this act.

42 **SECTION 15.4.(e)** The Revisor of Statutes may conform names and titles changed  
 43 by this section, and may correct statutory references as required by this section, throughout the  
 44 General Statutes. In making the changes authorized by this section, the Revisor may also adjust  
 45 subject and verb agreement and the placement of conjunctions.

46  
 47 **NER BLOCK GRANTS/2016 AND 2017 PROGRAM YEARS**

48 **SECTION 15.5.(a)** Appropriations from federal block grant funds are made for the  
 49 fiscal years ending June 30, 2016, and June 30, 2017, according to the following schedule:

50 **COMMUNITY DEVELOPMENT BLOCK GRANT**

1	01. State Administration	\$ 1,037,500
2		
3	02. Economic Development	15,737,500
4		
5	03. Infrastructure	26,725,000
6		

**TOTAL COMMUNITY DEVELOPMENT****BLOCK GRANT – 2016 Program Year****\$ 43,500,000****2017 Program Year****\$ 43,500,000**

**SECTION 15.5.(b)** Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified in this section 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 15.5.(c)** Increases in Federal Fund Availability. – 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 15.5.(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 thirty-seven thousand five hundred dollars (\$1,037,500) may be used for State Administration; up to fifteen million seven hundred thirty-seven thousand five hundred dollars (\$15,737,500) may be used for Economic Development; and up to twenty-six million seven hundred twenty-five thousand dollars (\$26,725,000) 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 15.5.(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 15.5.(f)** By September 1, 2015, and September 1, 2016, the 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 (1) A discussion of each of the categories of funding and how the categories  
2 were selected, including information on how a determination was made that  
3 there was a statewide need in each of the categories.
- 4 (2) Information on the number of applications that were received in each  
5 category and the total dollar amount requested in each category.
- 6 (3) A list of grantees, including the grantee's name, county, category under  
7 which the grant was funded, the amount awarded, and a narrative description  
8 of the project.

9 **SECTION 15.5.(g)** For purposes of this section, eligible activities under the  
10 category of Infrastructure in subsection (a) of this section shall be defined as provided in the  
11 HUD State Administered Community Development Block Grant definition of the term  
12 "infrastructure". Notwithstanding the provisions of subsection (e) of this section, funds  
13 allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated  
14 to any other category.

#### 15 16 **USE OF DEOBLIGATED COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS** 17 **AND SURPLUS FEDERAL ADMINISTRATIVE FUNDS**

18 **SECTION 15.6.(a)** Throughout each year, deobligated funds arise in the various  
19 funding categories and program years of the Community Development Block Grant (CDBG)  
20 program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii)  
21 projects being required to repay funds. Surplus federal administrative funds in the CDBG  
22 program may vary from year-to-year based upon the amount of State-appropriated funds  
23 allocated and the amount of eligible in-kind funds identified.

24 **SECTION 15.6.(b)** To allow the Department of Commerce and the Department of  
25 Environment and Natural Resources to quickly deploy deobligated and surplus federal  
26 administrative funds as they are identified throughout the program year, the following shall  
27 apply to the use of deobligated CDBG funds and surplus federal administrative funds:

- 28 (1) All surplus federal administrative funds shall be divided equally between the  
29 Departments of Commerce and Environment and Natural Resources and  
30 shall be used as provided in subdivisions (2) and (3) of this subsection.
- 31 (2) All deobligated funds allocated to the Department of Commerce and any  
32 surplus federal administrative funds, as provided for in subdivision (1) of  
33 this subsection, may be used by the Department for all of the following:
  - 34 a. To issue grants in the CDBG economic development program  
35 category.
  - 36 b. For providing training and guidance to local governments relative to  
37 the CDBG program, its management, and administrative  
38 requirements.
  - 39 c. For any other purpose consistent with the Department's  
40 administration of the CDBG program if an equal amount of State  
41 matching funds is available.
- 42 (3) All deobligated funds allocated to the Department of Environment and  
43 Natural Resources and any surplus federal administrative funds, as provided  
44 for in subdivision (1) of this subsection, may be used by the Department for  
45 all of the following:
  - 46 a. To issue grants in the CDBG infrastructure program category.
  - 47 b. For any other purpose consistent with the Department's  
48 administration of the CDBG program if an equal amount of State  
49 matching funds is available.

1 **UNDERSERVED AND LIMITED RESOURCE COMMUNITIES/ECONOMIC**  
2 **DEVELOPMENT GRANTS**

3 **SECTION 15.7.** Article 10 of Chapter 143B of the General Statutes is amended by  
4 adding a new Part to read as follows:

5 **"PART 23.**

6 **"Underserved and Limited Resource Communities.**

7 **"§ 143B-472.135. Competitive Grant Program.**

8 (a) The Department of Commerce shall establish an Economic Development  
9 Competitive Grant Program for Underserved and Limited Resource Communities. The purpose  
10 of the Program is to provide grants to local governments and nonprofit organizations to  
11 encourage the development of economic development activities, services, and projects that  
12 benefit underserved populations and limited resource communities across the State.

13 (b) The Department shall develop guidelines and procedures for the administration and  
14 distribution of funds allocated to the Economic Development Competitive Grant Program for  
15 Underserved and Limited Resource Communities that include, at a minimum, the following:

- 16 (1) Eligible organizations shall be nonprofit organizations and local  
17 governments that target underserved populations or limited resource  
18 communities.  
19 (2) Eligible organizations shall make their application in accordance with  
20 procedures established by the Department.  
21 (3) Eligible organizations shall not use funds allocated in this section for renting  
22 or purchasing land or buildings or for financing debt.  
23 (4) Priority shall be given to eligible organizations that demonstrate established  
24 community partnerships and business involvement.  
25 (5) Priority shall be given to eligible organizations that match funds or have at  
26 least one other significant source of funding.  
27 (6) Priority shall be given to eligible organizations that prioritize independent  
28 fund-raising to achieve financial sustainability apart from State-funded  
29 appropriations.

30 (c) By September 1 of each year, the Department shall submit a report on the following  
31 prior fiscal year activities to the Chairs of the House of Representatives Appropriations  
32 Committee on Agriculture and Natural and Economic Resources and the Senate Appropriations  
33 Committee on Natural and Economic Resources and the Fiscal Research Division:

- 34 (1) The number of grants awarded.  
35 (2) The name of each grantee, and the city and county in which the grantee is  
36 located.  
37 (3) A description of the economic development activity, service, or project  
38 undertaken by the grantee.  
39 (4) The names of the community partners or businesses involved in the  
40 economic development activity, service, or project, and a description of the  
41 ways in which the partners or businesses contributed to the activity, service,  
42 or project.  
43 (5) The amount of matching funds or other significant source of funding  
44 provided by the grantee."

45  
46 **FUNDS TO CERTAIN COUNTIES FOR APPALACHIAN REGIONAL COMMISSION**  
47 **MATCH**

48 **SECTION 15.8.(a)** Of the funds appropriated in this act to the Department of  
49 Commerce for the Rural Grant Program Expansion for the 2015-2016 fiscal year, the sum of  
50 two hundred fifty-three thousand nine hundred fifty-six dollars (\$253,956) in nonrecurring

1 funds shall be allocated to the following counties to be used for the Appalachian Regional  
2 Commission match requirement:

3	(1)	Cherokee	\$63,606
4	(2)	Graham	103,450
5	(3)	Rutherford	43,450
6	(4)	Swain	43,450.

7 **SECTION 15.8.(b)** The match funds provided for in subsection (a) of this section  
8 shall be used for infrastructure projects only.

9  
10 **MODIFY ECONOMIC DEVELOPMENT GRANT REPORT**

11 **SECTION 15.10.(a)** G.S. 143B-437.07 reads as rewritten:

12 **"§ 143B-437.07. Economic development grant reporting.**

13 (a) Report. – The Department of Commerce must publish on or before October 1 of  
14 each year the information required by this subsection, itemized by business entity, for each  
15 business or joint private venture to which the State has, in whole or in part, granted one or more  
16 economic development incentives during the ~~previous fiscal year~~ relevant time period. The  
17 relevant time period ends June 30 preceding the publication date of this subsection and begins  
18 (i) for incentives not awarded under Part 2G of this Article with the 2007 calendar year and (ii)  
19 for incentives awarded under Part 2G of this Article with the 2002 calendar year. The  
20 information in the report must include all of the following:

21 ...

22 (3) The name, mailing address, telephone number, and Web site of the business  
23 recipient, or recipients if a joint venture, and the physical location of the site  
24 receiving the incentive. If the physical location of the site is undecided, then  
25 the name of the county in which the site will be located. The information  
26 regarding the physical location must indicate whether the physical location is  
27 a new or expanded facility.

28 (3a) A determination of whether the award is to a business that is new to the State  
29 or an expansion of an existing business within the State.

30 ...."

31 **SECTION 15.10.(b)** This section is effective for reports published for fiscal years  
32 beginning on or after July 1, 2015.

33  
34 **WORKFORCE DEVELOPMENT BOARDS/CHANGES TO CONFORM WITH**  
35 **FEDERAL LAW**

36 **SECTION 15.11.(a)** G.S. 143B-438.10 reads as rewritten:

37 **"§ 143B-438.10. ~~Commission on Workforce Development~~. NCWorks Commission.**

38 (a) Creation and Duties. – There is created within the Department of Commerce the  
39 ~~North Carolina Commission on Workforce Development~~. NCWorks Commission (hereinafter  
40 "Commission"). The Commission shall have the following powers and duties:

41 ...

42 (9) To serve as the State's Workforce Investment Board for purposes of the  
43 federal ~~Workforce Investment Act of 1998~~. Workforce Innovation and  
44 Opportunity Act.

45 ...

46 (13) To develop performance accountability measures for local workforce  
47 development boards consistent with the requirements of Section 116 of the  
48 Workforce Innovation and Opportunity Act and to recommend to the  
49 Governor sanctions against local workforce development boards that fail to  
50 meet the performance accountability measures.

1           (14) To develop fiscal control and fund accounting procedures for local  
2 workforce development boards consistent with the requirements of Section  
3 184 of the Workforce Innovation and Opportunity Act and to recommend to  
4 the Governor sanctions against local workforce development boards that fail  
5 to meet the fiscal control and fund accounting procedures.

6           (b) ~~Membership; Terms.~~ Effective January 1, 2013, the Membership. – The  
7 Commission on Workforce Development shall consist of 25-33 members appointed as follows:

8           (1) By virtue of their offices, the following department and agency heads or  
9 their respective designees persons, or their designees, shall serve on the  
10 Commission: ~~the~~

11           a. The Governor.

12           b. The Secretary of the Department of Administration, ~~the~~  
13 Administration.

14           c. The Secretary of the Department of Commerce.

15           d. The Secretary of the Department of Health and Human Services, ~~the~~  
16 Services.

17           e. The Superintendent of Public Instruction, ~~the~~ Instruction.

18           f. The President of the Community Colleges System Office, ~~the~~  
19 Commissioner of the Department of Labor, and the Secretary of the  
20 Department of Commerce Office.

21           g. The President of The University of North Carolina System.

22           (2) ~~The Pursuant to the provisions of Section 101 of the Workforce Innovation~~  
23 and Opportunity Act, the Governor shall appoint 49-26 members as follows:

24           a. ~~Two-Seventeen~~ members representing public, postsecondary, and  
25 vocational education, business and industry in the State.

26           b. ~~One member~~ Seven members ~~representing community based~~  
27 organizations, the workforce in the State.

28           c. ~~Three members representing labor.~~ One member representing local  
29 elected city officials in the State.

30           d. ~~Thirteen members representing business and industry.~~ One member  
31 representing local elected county officials in the State.

32           (3) ~~The terms of the members appointed by the Governor shall be for four years.~~

33           (b1) Terms. – The persons listed in subdivision (1) of subsection (b) of this section shall  
34 serve on the Commission while they hold their respective offices. The terms of the members  
35 appointed by the Governor pursuant to subdivision (2) of subsection (b) of this section shall be  
36 for four years, except as provided in this subsection. The terms shall be staggered and shall  
37 begin on August 1 and expire on July 31. Upon the expiration of the term of each member in  
38 subdivision (2) of subsection (b) of this section, the Governor shall fill the vacancy by  
39 reappointing the member or appointing another person of like qualification to serve a four-year  
40 term. If a vacancy occurs for any reason other than the expiration of the member's term, the  
41 Governor shall appoint a person of like qualification to serve for the remainder of the unexpired  
42 term.

43           In order to provide for staggered terms, six persons appointed to the positions designated in  
44 sub-subdivision a. of subdivision (2) of subsection (b) of this section and three persons  
45 appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b)  
46 of this section shall be appointed for initial terms ending on July 31, 2019. Five persons  
47 appointed to the positions designated in sub-subdivision a. of subdivision (2) of subsection (b)  
48 of this section, two persons appointed to the positions designated in sub-subdivision b. of  
49 subdivision (2) of subsection (b) of this section, and one person appointed to the position  
50 designated in sub-subdivision c. of subsection (2) of subsection (b) of this section shall be  
51 appointed for initial terms ending on July 31, 2017. Six persons appointed to the positions

1 designated in sub-subdivision a. of subdivision (2) of subsection (b) of this section, two persons  
2 appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b)  
3 of this section, and one person appointed to the position designated in sub-subdivision d. of  
4 subdivision (2) of subsection (b) of this section shall be appointed for initial terms ending on  
5 July 31, 2016.

6 ...."

7 **SECTION 15.11.(b)** The terms of office of the Commissioner of the Department  
8 of Labor and the 19 public members appointed by the Governor and currently serving on the  
9 North Carolina Commission on Workforce Development shall expire on July 31, 2015.

10 **SECTION 15.11.(c)** G.S. 143B-438.11 reads as rewritten:

11 "**§ 143B-438.11. Local Workforce Development Boards.**

12 (a) Duties. – Local Workforce Development Boards shall have the following powers  
13 and duties:

14 ...

15 (7) To serve as the Workforce Investment Board for the designated substate area  
16 for the purpose of the federal Workforce ~~Investment Act of 1998.~~Innovation  
17 and Opportunity Act.

18 (7a) To designate through a competitive selection process, by no later than July 1,  
19 2014, the providers of adult and dislocated worker services authorized in the  
20 Workforce ~~Investment Act of 1998.~~Innovation and Opportunity Act.

21 (8) To provide the appropriate guidance and information to Workforce  
22 ~~Investment-Innovation and Opportunity Act~~ consumers to ensure that they  
23 are prepared and positioned to make informed choices in selecting a training  
24 provider. Each local Workforce Development Board shall ensure that  
25 consumer choice is properly maintained in the one-stop centers and that  
26 consumers are provided the full array of public and private training provider  
27 information.

28 ...

29 (10) To comply with the performance accountability measures established by the  
30 NCWorks Commission pursuant to Section 116 of the Workforce Innovation  
31 and Opportunity Act.

32 (11) To comply with the fiscal control and fund accounting procedures  
33 established by the NCWorks Commission pursuant to Section 184 of the  
34 Workforce Innovation and Opportunity Act.

35 (b) Members. – Members of local Workforce Development Boards shall be appointed  
36 by local elected officials in accordance with criteria established by the Governor and with  
37 provisions of the federal Workforce ~~Investment-Innovation and Opportunity Act.~~ The local  
38 Workforce Development Boards shall have a majority of business members and shall also  
39 include representation of workforce and education providers, labor organizations,  
40 community-based organizations, and economic development boards as determined by local  
41 elected officials. The Chairs of the local Workforce Development Boards shall be selected from  
42 among the business members.

43 (c) Assistance. – The ~~North Carolina Commission on Workforce Development~~  
44 NCWorks Commission and the Department of Commerce shall provide programmatic,  
45 technical, and other assistance to any local Workforce Development Board that realigns its  
46 service area with the boundaries of a local regional council of governments established  
47 pursuant to G.S. 160A-470."

48 **SECTION 15.11.(d)** G.S. 96-32 reads as rewritten:

49 "**§ 96-32. Common follow-up information management system created.**

50 ...

51 (d) The LEAD shall do the following:

- (1) Collaborate with the ~~Commission on Workforce Development~~ NCWorks Commission to develop common performance measures across workforce programs in the Department of Commerce, the Department of Health and Human Services, the Community Colleges System Office, the Department of Administration, and the Department of Public Instruction that can be tracked through the CFS in order to assess and report on workforce development program performance.

...."

**SECTION 15.11.(e)** G.S. 143B-157 reads as rewritten:

**"§ 143B-157. Commission for the Blind – creation, powers and duties.**

There is recreated the Commission for the Blind of the Department of Health and Human Services with the power and duty to adopt rules governing the conduct of the State's rehabilitative programs for the blind that are necessary to carry out the provisions and purposes of this Article.

...

- (3e) The Commission shall coordinate with other councils within the State, including the statewide Independent Living Council established under section 705 of the federal Rehabilitation Act, 29 U.S.C. § 720, et seq., the advisory panel established under section 612(a)(21) of the Individuals with Disabilities Education Act, 20 U.S.C. § 1413(A)(12), the Council on Developmental Disabilities described in section 124 of the Developmental Disabilities Assistance and Bill of Rights Act, 42 U.S.C. § 6024, the State Mental Health Planning Council established pursuant to section 1916(e) of the Public Health Service Act, 42 U.S.C. § 300x-4(e), and the ~~Commission on Workforce Development~~; NCWorks Commission;

...."

**SECTION 15.11.(f)** G.S. 143B-158 reads as rewritten:

**"§ 143B-158. Commission for the Blind.**

(a) The Commission for the Blind of the Department of Health and Human Services shall consist of 19 members as follows:

...

- (12) One representative of the ~~Commission on Workforce Development~~; NCWorks Commission.

...."

**SECTION 15.11.(g)** G.S. 143B-438.12 reads as rewritten:

**"§ 143B-438.12. Federal Program Administration.**

(a) Federal Workforce ~~Investment~~ Innovation and Opportunity Act. – In accordance with the federal Workforce ~~Investment~~ Innovation and Opportunity Act, the ~~Commission on Workforce Development~~ NCWorks Commission shall develop a ~~Five-Year Strategic Plan~~ Four-Year Unified State Plan to be submitted to the U.S. Secretary of Labor. The ~~Strategic Plan~~ Unified State Plan shall describe the ~~workforce development activities to be undertaken in the State to implement the federal Workforce Investment Act and how special populations shall be served~~; State's strategic vision and goals for preparing an educated and skilled workforce as required in Section 102 of the federal Workforce Innovation and Opportunity Act.

(b) Other Workforce Grant Applications. – The ~~Commission on Workforce Development~~ NCWorks Commission may submit grant applications for workforce development initiatives and may manage the initiatives and demonstration projects."

**SECTION 15.11.(h)** G.S. 143B-438.13 reads as rewritten:

**"§ 143B-438.13. Employment and Training Grant Program.**

(a) Employment and Training Grant Program. – There is established in the Department of Commerce, Division of ~~Employment and Training~~; Workforce Solutions, an Employment

1 and Training Grant Program. Grant funds shall be allocated to local Workforce Development  
2 Boards for the purposes of enabling recipient agencies to implement local employment and  
3 training programs in accordance with existing resources, local needs, local goals, and selected  
4 training occupations. The State program of workforce performance standards shall be used to  
5 measure grant program outcomes.

6 (b) Use of Grant Funds. – Local agencies may use funds received under this section for  
7 the purpose of providing services, such as training, education, placement, and supportive  
8 services. Local agencies may use grant funds to provide services only to individuals who are (i)  
9 18 years of age or older and meet the federal Workforce ~~Investment Act, Innovation and~~  
10 Opportunity Act, title I adult eligibility definitions, or meet the federal Workforce ~~Investment~~  
11 Innovation and Opportunity Act, title I dislocated worker eligibility definitions, or (ii)  
12 incumbent workers with annual family incomes at or below two hundred percent (200%) of  
13 poverty guidelines established by the federal Department of Health and Human Services.

14 (c) Allocation of Grants. – The Department of Commerce may reserve and allocate up  
15 to ten percent (10%) of the funds available to the Employment and Training Grant Program for  
16 State and local administrative costs to implement the Program. The Division of ~~Employment~~  
17 ~~and Training Workforce Solutions~~ shall allocate employment and training grant funds to local  
18 Workforce Development Boards serving federal Workforce ~~Investment–Innovation and~~  
19 Opportunity Act local workforce ~~investment–development~~ areas based on the following  
20 formula:

- 21 (1) One-half of the funds shall be allocated on the basis of the relative share of  
22 the local workforce ~~investment–development~~ area's share of federal  
23 Workforce ~~Investment–Innovation and Opportunity Act~~, title I adult funds as  
24 compared to the total of all local areas adult shares under the federal  
25 Workforce ~~Investment–Innovation and Opportunity Act~~, title I.
- 26 (2) One-half of the funds shall be allocated on the basis of the relative share of  
27 the local workforce ~~investment–development~~ area's share of federal  
28 Workforce ~~Investment–Innovation and Opportunity Act~~, title I dislocated  
29 worker funds as compared to the total of all local areas dislocated worker  
30 shares under the federal Workforce ~~Investment–Innovation and Opportunity~~  
31 Act, title I.
- 32 (3) Local workforce ~~investment–development~~ area adult and dislocated shares  
33 shall be calculated using the current year's allocations to local areas under  
34 the federal Workforce ~~Investment–Innovation and Opportunity Act~~, title I.

35 (d) Repealed by Session Laws 2009-451, s. 14.5(d), effective July 1, 2009.

36 (e) Nonreverting Funds. – Funds appropriated to the Department of Commerce for the  
37 Employment and Training Grant Program that are not expended at the end of the fiscal year  
38 shall not revert to the General Fund, but shall remain available to the Department for the  
39 purposes established in this section."

40 **SECTION 15.11.(i)** G.S. 143B-438.14 reads as rewritten:

41 "**§ 143B-438.14. "No Adult Left Behind" Initiative.**

42 (a) The ~~Commission on Workforce Development, NCWorks Commission~~, acting as the  
43 lead agency, with the cooperation of other participating agencies, including the Department of  
44 Labor, the Department of Commerce, the Employment Security Commission, the North  
45 Carolina Community College System, The University of North Carolina, and the North  
46 Carolina Independent Colleges and Universities shall initiate the "No Adult Left Behind"  
47 Initiative (Initiative) geared toward achievement of major statewide workforce development  
48 goals. The Initiative may also include community-based nonprofit organizations that provide  
49 services or assistance in the areas of worker training, workforce development, and transitioning  
50 North Carolinians between industries in the current global labor market.

(b) The first goal of the Initiative is to increase dramatically to forty percent (40%) the percentage of North Carolinians who earn associate degrees, other two-year educational credentials, and baccalaureate degrees. Specific fields of study may be selected for the most intense efforts. The ~~Commission on Workforce Development~~ NCWorks Commission shall, as the lead agency along with the North Carolina Community College System and The University of North Carolina as key cooperating institutions, do all of the following:

...

(c) The ~~Commission on Workforce Development~~ NCWorks Commission and the other lead participating institutions may enter into contracts with other qualified organizations, especially community-based nonprofits, to carry out components of the Initiative set forth in subsection (b) of this section.

(d) The ~~Commission on Workforce Development~~ NCWorks Commission shall submit to the Governor and to the General Assembly by May 1, 2012, and annually thereafter, details of its implementation of this section that shall include at least the following:

...."

**SECTION 15.11.(j)** The Revisor of Statutes may conform names and titles changed by this section, and may correct statutory references as required by this section, throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

**REPEAL STATUTES AUTHORIZING TRADE JOBS FOR SUCCESS/INITIATIVE ENDED JUNE 30, 2013**

**SECTION 15.12.** Part 3C of Article 10 of Chapter 143B of the General Statutes is repealed.

**REPEAL APPRENTICESHIP FEE**

**SECTION 15.13.** G.S. 94-12 is repealed.

**INDUSTRIAL COMMISSION/USE OF IT FUNDS**

**SECTION 15.14.** In each year of the 2015-2017 fiscal biennium, the Industrial Commission, in consultation with the State Chief Information Officer, may use available funds in Budget Code 24611 (Fund 2200) to maintain its Consolidated Case Management System, including, but not limited to, covering the costs of related service contracts and information technology personnel.

**UTILITIES COMMISSION/PUBLIC STAFF REALIGN CERTIFIED BUDGET WITH ANTICIPATED AGENCY REQUIREMENTS**

**SECTION 15.15.(a)** No later than November 1, 2015, the Utilities Commission and Public Staff, in conjunction with the Department of Commerce and the Office of State Budget and Management, shall realign the certified budget for the following funds for each year of the 2015-2017 fiscal biennium to reflect the anticipated spending requirements for the Utilities Commission and Public Staff for each year of the 2015-2017 biennium:

Budget Code	Fund	Description
54600	5211	Utilities – Commission Staff
54600	5217	Utilities – Gas Pipelines
54600	5218	PUC Capacity Grant – ARRA
54600	5221	Utilities – Public Staff
64605	6431	Utility and Public Staff.

**SECTION 15.15.(b)** In realigning the certified budget for the funds described in subsection (a) of this section, the Utilities Commission and Public Staff shall prioritize eliminating unnecessary vacant positions and making line-item modifications that reflect

1 anticipated agency requirements. The Utilities Commission and Public Staff shall not expend  
2 any funds unless they are appropriated in this act for fiscal year 2015-2016 and fiscal year  
3 2016-2017.

#### 5 SET REGULATORY FEE FOR UTILITIES COMMISSION

6 **SECTION 15.16.(a)** G.S. 62-302(a) reads as rewritten:

7 "(a) Fee Imposed. – It is the policy of the State of North Carolina to provide fair  
8 regulation of public utilities in the interest of the public, as provided in G.S. 62-2. The cost of  
9 regulating public utilities is a burden incident to the privilege of operating as a public utility.  
10 Therefore, for the purpose of defraying the cost of regulating public utilities, every public  
11 utility subject to the jurisdiction of the Commission shall pay a quarterly regulatory fee, in  
12 addition to all other fees and taxes, as provided in this section. The fees collected shall be used  
13 only to pay the expenses of the Commission and the Public Staff in regulating public utilities in  
14 the interest of the ~~public~~-public and to maintain a reasonable margin for a reserve fund. The  
15 amount of the reserve may not exceed one-half of the cost of operating the Commission and the  
16 Public Staff as reflected in the certified budget for the previous fiscal year.

17 It is also the policy of the State to provide limited oversight of certain electric membership  
18 corporations as provided in G.S. 62-53. Therefore, for the purpose of defraying the cost of  
19 providing the oversight authorized by G.S. 62-53 and G.S. 117-18.1, each fiscal year each  
20 electric membership corporation whose principal purpose is to furnish or cause to be furnished  
21 bulk electric supplies at wholesale as provided in G.S. 117-16 shall pay an annual fee as  
22 provided in this section."

23 **SECTION 15.16.(b)** Subdivisions 14.19(e1)(4), (5), (6), and (10) of S.L. 2009-451  
24 are repealed.

25 **SECTION 15.16.(c)** G.S. 62-302, as amended by subsection (a) of this section,  
26 reads as rewritten:

27 "(a) Fee Imposed. – It is the policy of the State of North Carolina to provide fair  
28 regulation of public utilities in the interest of the public, as provided in G.S. 62-2. The cost of  
29 regulating public utilities is a burden incident to the privilege of operating as a public utility.  
30 Therefore, for the purpose of defraying the cost of regulating public utilities, every public  
31 utility subject to the jurisdiction of the Commission shall pay a quarterly regulatory fee, in  
32 addition to all other fees and taxes, as provided in this section. The fees collected shall be used  
33 only to pay the expenses of the Commission and the Public Staff in regulating public utilities in  
34 the interest of the public and to maintain a reasonable margin for a reserve fund. The amount of  
35 the reserve may not exceed one-half of the cost of operating the Commission and the Public  
36 Staff as reflected in the certified budget for the previous fiscal year.

37 It is also the policy of the State to provide limited oversight of certain electric membership  
38 corporations as provided in G.S. 62-53. Therefore, for the purpose of defraying the cost of  
39 providing the oversight authorized by G.S. 62-53 and G.S. 117-18.1, each fiscal year each  
40 electric membership corporation whose principal purpose is to furnish or cause to be furnished  
41 bulk electric supplies at wholesale as provided in G.S. 117-16 shall pay an annual fee as  
42 provided in this section.

43 (b) Public Utility Rate. –

44 (1) Repealed by Session Laws 2000-140, s. 56, effective July 21, 2000.

45 (2) Unless adjusted under subdivision (3) of this subsection, the public utility  
46 fee is a percentage of a utility's jurisdictional revenues as follows:

47 Noncompetitive jurisdiction revenues 0.148%

48 Subsection (h) competitive jurisdictional revenues 0.06%

49 Subsection (m) competitive jurisdictional revenues 0.05%

50 ~~For noncompetitive jurisdictional revenues as defined in sub-subdivision~~  
51 ~~(4)a. of this subsection, the public utility regulatory fee for each~~

1 fiscal year is the greater of (i) a percentage rate, established by the  
2 General Assembly, of each public utility's noncompetitive  
3 jurisdictional revenues for each quarter or (ii) six dollars and  
4 twenty five cents (\$6.25) each quarter. For subsection (h)  
5 competitive jurisdictional revenues as defined in sub subdivision  
6 (4)b. of this subsection, and subsection (m) competitive jurisdictional  
7 revenues as defined in sub subdivision (4)c. of this subsection, the  
8 public utility regulatory fee for each fiscal year is a percentage rate  
9 established by the General Assembly of each public utility's  
10 competitive jurisdictional revenues for each quarter.

11 When the Commission prepares its budget request for the upcoming  
12 fiscal year, the Commission shall propose a percentage rate of the public  
13 utility regulatory fee. For fiscal years beginning in an odd numbered year,  
14 that proposed rate shall be included in the budget message the Governor  
15 submits to the General Assembly pursuant to G.S. 143C-3-5. For fiscal years  
16 beginning in an even numbered year, that proposed rate shall be included in  
17 a special budget message the Governor shall submit to the General  
18 Assembly. The General Assembly shall set the percentage rate of the public  
19 utility regulatory fee by law.

20 The percentage rate may not exceed the amount necessary to generate  
21 funds sufficient to defray the estimated cost of the operations of the  
22 Commission and the Public Staff for the upcoming fiscal year, including a  
23 reasonable margin for a reserve fund. The amount of the reserve may not  
24 exceed the estimated cost of operating the Commission and the Public Staff  
25 for the upcoming fiscal year. In calculating the amount of the reserve, the  
26 General Assembly shall consider all relevant factors that may affect the cost  
27 of operating the Commission or the Public Staff or a possible unanticipated  
28 increase or decrease in North Carolina jurisdictional revenues.

- 29 (3) In the first half of each calendar year, the Commission shall review the  
30 estimated cost of operating the Commission and the Public Staff for the next  
31 fiscal year, including a reasonable margin for the reserve fund allowed under  
32 this section. In making this determination, the Commission shall consider all  
33 relevant factors that may affect the cost of operating the Commission or the  
34 Public Staff or a possible unanticipated change in competitive and  
35 noncompetitive jurisdictional revenues. If the estimated receipts provided for  
36 under this section are less than the estimated cost of operating the  
37 Commission and the Public Staff for the next fiscal year, including the  
38 reasonable margin for the reserve fund, then If the Commission, the Public  
39 Staff, or both experience a revenue shortfall, the Commission shall may  
40 implement a temporary increase the public utility regulatory fee surcharge on  
41 noncompetitive jurisdictional revenues effective for the next fiscal year to  
42 avert the deficiency that would otherwise occur. In no event may the total  
43 percentage rate of the public utility regulatory fee on noncompetitive  
44 jurisdiction revenues plus any surcharge established by the Commission  
45 exceed twenty five hundredths percent (0.25%), seventeen and one-half  
46 hundredths of one percent (0.175%). If the estimated receipts provided for  
47 under this section are more than the estimated cost of operating the  
48 Commission and the Public Staff for the next fiscal year, including the  
49 reasonable margin for the reserve fund, then the Commission shall decrease  
50 the public utility regulatory fee on noncompetitive jurisdictional revenues  
51 effective for the next fiscal year.

(4) As used in this section:

- a. "Noncompetitive jurisdictional revenues" means all revenues derived or realized from intrastate tariffs, rates, and charges approved or allowed by the Commission or collected pursuant to Commission order or rule, but not including tap-on fees or any other form of contributions in aid of construction.
- b. "Subsection (h) competitive jurisdictional revenues" means all revenues derived from retail services provided by local exchange companies and competing local providers that have elected to operate under G.S. 62-133.5(h).
- c. "Subsection (m) competitive jurisdictional revenues" means all revenues derived from retail services provided by local exchange companies and competing local providers that have elected to operate under G.S. 62-133.5(m).

(b1) Electric Membership Corporation Rate. – The electric membership corporation regulatory fee for each fiscal year ~~shall be a dollar amount as established by the General Assembly by law~~ is two hundred thousand dollars (\$200,000).

~~When the Commission prepares its budget request for the upcoming fiscal year, the Commission shall propose the amount of the electric membership corporation regulatory fee. For fiscal years beginning in an odd numbered year, the proposed amount shall be included in the budget message the Governor submits to the General Assembly pursuant to G.S. 143C-3-5. For fiscal years beginning in an even numbered year, the proposed amount shall be included in a special budget message the Governor shall submit to the General Assembly.~~

~~The amount of the electric membership corporation regulatory fee proposed by the Commission may not exceed the amount necessary to defray the estimated cost of the operations of the Commission and the Public Staff for the regulation of the electric membership corporations in the upcoming fiscal year, including a reasonable margin for a reserve fund. The amount of the reserve may not exceed the estimated cost of the Commission and the Public Staff for the regulation of the electric membership corporations for the upcoming fiscal year.~~

...

(e) ~~Recovery of fee increase.~~ Fee Changes. – If a utility's regulatory fee obligation is ~~increased, changed,~~ the Commission shall either adjust the utility's rates to reflect the change ~~allow for the recovery of the increased fee obligation,~~ or approve the utility's request for an accounting order allowing deferral of the increase change in the fee obligation."

**SECTION 15.16.(d)** G.S. 62-302(b)(2), as amended by subsection (c) of this section, reads as rewritten:

- "(2) Unless adjusted under subdivision (3) of this subsection, the public utility fee is a percentage of a utility's jurisdictional revenues as follows:
 

Noncompetitive jurisdiction revenues	0.148%
Subsection (h) competitive jurisdictional revenues	<del>0.06%</del> <u>0.04%</u>
Subsection (m) competitive jurisdictional revenues	<del>0.05%</del> <u>0.02%</u> "

**SECTION 15.16.(e)** Subsection (c) of this section is effective July 1, 2015, and applies to jurisdictional revenues earned in each quarter that begins on or after July 1, 2015. Subsection (d) of this section is effective July 1, 2016, and applies to jurisdictional revenues earned in each quarter that begins on or after July 1, 2016. The remainder of this section is effective on the date this act becomes law.

**NC BIOTECHNOLOGY CENTER**

**SECTION 15.17.(a)** Of the funds appropriated in this act to the North Carolina Biotechnology Center (hereinafter "Center"), the sum of thirteen million six hundred thousand

1 three hundred thirty-eight dollars (\$13,600,338) for each fiscal year in the 2015-2017 biennium  
2 shall be allocated as follows:

- 3 (1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development,  
4 and related activities – \$2,924,073;
- 5 (2) Science and Commercialization: Science and Technology Development,  
6 Centers of Innovation, Business and Technology Development, Education  
7 and Training, and related activities – \$8,813,019; and
- 8 (3) Center Operations: Administration, Professional and Technical Assistance  
9 and Oversight, Corporate Communications, Human Resource Management,  
10 Financial and Grant Administration, Legal, and Accounting – \$1,863,246.

11 **SECTION 15.17.(b)** The Center shall prioritize funding and distribution of loans  
12 over existing funding and distribution of grants.

13 **SECTION 15.17.(c)** Except to provide administrative flexibility, up to ten percent  
14 (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or  
15 more of the other allocations in subsection (a) of this section if, in the judgment of Center  
16 management, the reallocation will advance the mission of the Center.

17 **SECTION 15.17.(d)** The Center shall comply with the following reporting  
18 requirements:

- 19 (1) By September 1 of each year, and more frequently as requested, report to the  
20 Joint Legislative Commission on Governmental Operations and the Fiscal  
21 Research Division on prior State fiscal year program activities, objectives,  
22 and accomplishments and prior State fiscal year itemized expenditures and  
23 fund sources.
- 24 (2) Provide to the Fiscal Research Division a copy of the Center's annual audited  
25 financial statement within 30 days of issuance of the statement.

## 26 **GRASSROOTS SCIENCE PROGRAM**

27 **SECTION 15.18.(a)** Of the funds appropriated in this act to the Department of  
28 Commerce for State-Aid, the sum of two million seven hundred forty-eight thousand four  
29 hundred twenty-nine dollars (\$2,748,429) is allocated as grants-in-aid for each fiscal year of the  
30 2015-2017 biennium as follows:

	<b>2015-2016</b>	<b>2016-2017</b>
33 Aurora Fossil Museum	\$61,404	\$61,404
34 Cape Fear Museum	\$77,682	\$77,682
35 Carolina Raptor Center	\$77,642	\$77,642
36 Catawba Science Center	\$94,681	\$94,681
37 Colburn Earth Science Museum, Inc.	\$63,060	\$63,060
38 Core Sound Waterfowl Museum	\$69,313	\$69,313
39 Cowan Museum of History and Science	\$58,959	\$58,959
40 Discovery Place	\$350,247	\$350,247
41 Discovery Place KIDS (Rockingham)	\$58,000	\$58,000
42 Eastern NC Regional Science Center	\$59,720	\$59,720
43 Fascinate-U	\$66,591	\$66,591
44 Granville County Museum Commission, 45 Inc. – Harris Gallery	\$61,003	\$61,003
46 Greensboro Children's Museum	\$83,384	\$83,384
47 Greensboro Science Center	\$138,404	\$138,404
48 Hands On! – A Child's Gallery	\$62,225	\$62,225
49 Highlands Nature Center	\$63,038	\$63,038
50 Imagination Station	\$65,853	\$65,853
51 The Iredell Museums, Inc.	\$60,850	\$60,850

1	Kidsenses	\$63,781	\$63,781
2	Marbles Kids Museum	\$157,546	\$157,546
3	Museum of Coastal Carolina	\$66,839	\$66,839
4	North Carolina Estuarium	\$62,551	\$62,551
5	North Carolina Museum of Life		
6	and Science	\$208,639	\$208,639
7	Pisgah Astronomical Research Institute	\$84,619	\$84,619
8	Port Discover: Northeastern		
9	North Carolina's Center for		
10	Hands-On Science, Inc.	\$60,959	\$60,959
11	Rocky Mount Children's Museum	\$65,438	\$65,438
12	Schiele Museum of Natural History		
13	and Planetarium, Inc.	\$102,352	\$102,352
14	Sci Works Science Center and		
15	Environmental Park of Forsyth County	\$89,194	\$89,194
16	Sylvan Heights Waterfowl Park		
17	and Eco-Center	\$71,215	\$71,215
18	Western North Carolina Nature Center	\$72,978	\$72,978
19	Wilmington Children's Museum	\$70,262	\$70,262
20	<b>Total</b>	<b>\$2,748,429</b>	<b>\$2,748,429</b>

21 **SECTION 15.18.(b)** No later than March 1, 2016, the Department of Commerce  
 22 shall report to the Fiscal Research Division all of the following information for each museum  
 23 that receives funds under this section:

- 24 (1) For museums that operate on a fiscal year, the actual operating budget for  
 25 the 2014-2015 fiscal year. For museums that operate on a calendar year, the  
 26 actual operating budget for the 2014 calendar year.
- 27 (2) The proposed operating budget for the 2015-2016 fiscal year.
- 28 (3) The total attendance at the museum during the 2015 calendar year.

29 **SECTION 15.18.(c)** No later than March 1, 2017, the Department of Commerce  
 30 shall report to the Fiscal Research Division all of the following information for each museum  
 31 that receives funds under this section:

- 32 (1) For museums that operate on a fiscal year, the actual operating budget for  
 33 the 2015-2016 fiscal year. For museums that operate on a calendar year, the  
 34 actual operating budget for the 2015 calendar year.
- 35 (2) The proposed operating budget for the 2016-2017 fiscal year.
- 36 (3) The total attendance at the museum during the 2016 calendar year.

37 **SECTION 15.18.(d)** As a condition for qualifying to receive funding under this  
 38 section, all of the following documentation shall, no later than November 1 of each year of the  
 39 2015-2017 fiscal biennium, be submitted for each museum under this section to the Department  
 40 of Commerce for the fiscal year that most recently ended and only those costs that are properly  
 41 documented under this subsection are allowed by the Department in calculating the distribution  
 42 of funds under this section:

- 43 (1) Each museum under this section shall submit its IRS (Internal Revenue  
 44 Service) Form 990 to show its annual operating expenses, its annual report,  
 45 and a reconciliation that explains any differences between expenses as  
 46 shown on the IRS Form 990 and the annual report.
- 47 (2) Each friends association of a museum under this section shall submit its IRS  
 48 Form 990 to show its reported expenses for the museum, its annual report,  
 49 and a reconciliation that explains any differences between expenses as  
 50 shown on the IRS Form 990 and the annual report, unless the association

1 does not have both an IRS Form 990 and an annual report available; in  
2 which case, it shall submit either an IRS Form 990 or an annual report.

3 (3) The chief financial officer of each county or municipal government that  
4 provides funds for the benefit of the museum shall submit a detailed signed  
5 statement of documented costs spent for the benefit of the museum that  
6 includes documentation of the name, address, title, and telephone number of  
7 the person making the assertion that the museum receives funds from the  
8 county or municipality for the benefit of the museum.

9 (4) The chief financial officer of each county or municipal government or each  
10 friends association that provides indirect or allocable costs that are not  
11 directly charged to a museum under this section but that benefit the museum  
12 shall submit in the form of a detailed statement enumerating each cost by  
13 type and amount that is verified by the financial officer responsible for the  
14 completion of the documentation and that includes the name, address, title,  
15 and telephone number of the person making the assertion that the county,  
16 municipality, or association provides indirect or allocable costs to the  
17 museum.

18 **SECTION 15.18.(e)** As used in subsection (d) of this section, "friends association"  
19 means a nonprofit corporation established for the purpose of supporting and assisting a  
20 museum that receives funding under this section.

21 **SECTION 15.18.(f)** Each museum listed in subsection (a) of this section shall do  
22 the following:

23 (1) By September 1 of each year, and more frequently as requested, report to the  
24 Joint Legislative Commission on Governmental Operations and the Fiscal  
25 Research Division on prior State fiscal year program activities, objectives,  
26 and accomplishments and prior State fiscal year itemized expenditures and  
27 fund sources.

28 (2) Provide to the Fiscal Research Division a copy of the organization's annual  
29 audited financial statement within 30 days of issuance of the statement.  
30

### 31 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

32 **SECTION 15.19.** Cleveland County ALWS Baseball, Inc., High Point Furniture  
33 Market Authority, North Carolina Arboretum, RTI International, and The Support Center shall  
34 do the following:

35 (1) By September 1 of each year, and more frequently as requested, report to the  
36 Joint Legislative Commission on Governmental Operations and the Fiscal  
37 Research Division on prior State fiscal year program activities, objectives,  
38 and accomplishments and prior State fiscal year itemized expenditures and  
39 fund sources.

40 (2) Provide to the Fiscal Research Division a copy of the entity's annual audited  
41 financial statement within 30 days of issuance of the statement.  
42

### 43 **NC ARBORETUM/FUNDS**

44 **SECTION 15.20.(a)** Of the funds appropriated in this act to the Department of  
45 Commerce for State-Aid, the sum of eight hundred fifty-eight thousand three hundred eighty  
46 dollars (\$858,380) in nonrecurring funds for each year of the 2015-2017 biennium shall be  
47 allocated to the North Carolina Arboretum (Arboretum) as follows:

48 (1) Bent Creek Institute \$500,000

49 (2) Germplasm Repository 358,380.

50 **SECTION 15.20.(b)** The Arboretum shall, by March 1, 2016, and March 1, 2017,  
51 report to the chairs of the House of Representatives Appropriations Committee on Agriculture

1 and Natural and Economic Resources and the Senate Appropriations Committee on Natural and  
2 Economic Resources and the Fiscal Research Division on the Arboretum's efforts to attract,  
3 grow, and support the natural and nutraceutical product industry.  
4

#### 5 **FUNDS FOR THE BREVARD STATION MUSEUM**

6 **SECTION 15.21.(a)** Of the funds appropriated in this act to the Department of  
7 Commerce for State Aid, the sum of fifty thousand dollars (\$50,000) in nonrecurring funds for  
8 the 2015-2016 fiscal year shall be allocated to the Town of Stanley to distribute to the Brevard  
9 Station Museum. These funds shall be used by the Museum to support its efforts to preserve the  
10 history of Stanley, North Carolina.

11 **SECTION 15.21.(b)** The Town of Stanley shall do the following:

- 12 (1) By September 1 of each year, and more frequently as requested, report to the  
13 Joint Legislative Commission on Governmental Operations and the Fiscal  
14 Research Division on the Museum's prior State fiscal year activities,  
15 objectives, and accomplishments and prior State fiscal year itemized  
16 expenditures and fund sources.
- 17 (2) Provide to the Fiscal Research Division a copy of the Museum's annual  
18 audited financial statement within 30 days of issuance of the statement.  
19

### 20 **PART XVI. DEPARTMENT OF PUBLIC SAFETY**

#### 21 **SUBPART XVI-A. GENERAL PROVISIONS**

##### 22 **GRANT REPORTING AND MATCHING FUNDS**

23  
24 **SECTION 16A.1.(a)** The Department of Public Safety, the Department of Justice,  
25 and the Judicial Department shall report by May 1 of each year to the chairs of the House of  
26 Representatives and Senate Appropriations Committees on Justice and Public Safety on grant  
27 funds received or preapproved for receipt by those departments. The report shall include  
28 information on the amount of grant funds received or preapproved for receipt by each  
29 department, the use of the funds, the State match expended to receive the funds, and the period  
30 to be covered by each grant. If the department intends to continue the program beyond the end  
31 of the grant period, the department shall report on the proposed method for continuing the  
32 funding of the program at the end of the grant period. Each department shall also report on any  
33 information it may have indicating that the State will be requested to provide future funding for  
34 a program presently supported by a local grant.  
35

36 **SECTION 16A.1.(b)** Notwithstanding the provisions of G.S. 143C-6-9, the  
37 Department of Public Safety may use up to the sum of one million two hundred thousand  
38 dollars (\$1,200,000) during the 2015-2016 fiscal year and up to the sum of one million two  
39 hundred thousand dollars (\$1,200,000) during the 2016-2017 fiscal year from funds available to  
40 the Department to provide the State match needed in order to receive grant funds. Prior to using  
41 funds for this purpose, the Department shall report to the chairs of the House of Representatives  
42 and Senate Appropriations Committees on Justice and Public Safety on the grants to be  
43 matched using these funds.  
44

##### 45 **CHANGE RECIPIENTS OF VICTIMS' COMPENSATION REPORT**

46 **SECTION 16A.2.** G.S. 15B-21 reads as rewritten:

47 "**§ 15B-21. Annual report.**

48 The Commission shall, by March 15 each year, prepare and transmit to the ~~Governor and~~  
49 ~~the General Assembly~~ chairs of the Joint Legislative Oversight Committee on Justice and Public  
50 Safety and to the chairs of the House and Senate Appropriations Committees on Justice and

1 Public Safety a report of its activities in the prior fiscal year and the current fiscal year to date.

2 The report shall include:

- 3 (1) The number of claims filed;
- 4 (2) The number of awards made;
- 5 (2a) The number of pending cases by year received;
- 6 (3) The amount of each award;
- 7 (4) A statistical summary of claims denied and awards made;
- 8 (5) The administrative costs of the Commission, including the compensation of  
9 commissioners;
- 10 (6) The current unencumbered balance of the North Carolina Crime Victims  
11 Compensation Fund;
- 12 (7) The amount of funds carried over from the prior fiscal year;
- 13 (8) The amount of funds received in the prior fiscal year from the Division of  
14 Adult Correction of the Department of Public Safety and from the  
15 compensation fund established pursuant to the Victims Crime Act of 1984,  
16 42 U.S.C. § 10601, et seq.; and
- 17 (9) The amount of funds expected to be received in the current fiscal year, as  
18 well as the amount actually received in the current fiscal year on the date of  
19 the report, from the Division of Adult Correction of the Department of  
20 Public Safety and from the compensation fund established pursuant to the  
21 Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.

22 The Attorney General and State Auditor shall assist the Commission in the preparation of  
23 the report required by this section."  
24

## 25 **LIMITED AUTHORITY TO ELIMINATE AND RECLASSIFY CERTAIN POSITIONS**

26 **SECTION 16A.3.** Notwithstanding any other provision of law, subject to the  
27 approval of the Director of the Budget, the Secretary of the Department of Public Safety may  
28 reclassify or eliminate existing positions in the Division of Administration that are not  
29 specifically addressed in this act as needed for the efficient operation of the Department. No  
30 position shall be reclassified pursuant to this section solely for the purpose of providing a  
31 person in that position with a salary increase. The Secretary of the Department of Public Safety  
32 shall report any position reclassification undertaken pursuant to this section to the chairs of the  
33 House and Senate Appropriations Committees on Justice and Public Safety and the Fiscal  
34 Research Division within 30 days of the reclassification. The report shall include the position  
35 number, original title, original fund code, original budgeted salary, new title, new fund code,  
36 and new budgeted salary for each reclassified position.  
37

## 38 **VACANT POSITION ELIMINATION REPORT**

39 **SECTION 16A.3A.** The Department of Public Safety shall report to the Office of  
40 State Budget and Management and to the Fiscal Research Division no later than October 1,  
41 2015, a list of vacant positions eliminated pursuant to this act. The report shall include the  
42 position title, fund code, position number, and budgeted salary of each position eliminated.  
43

## 44 **SAMARCAND TRAINING ACADEMY**

45 **SECTION 16A.4.** The former juvenile detention facility known as Samarkand  
46 Manor, located in Moore County, is redesignated a law enforcement and corrections training  
47 facility and assigned to the Office of the Secretary of the Department of Public Safety. The  
48 facility shall be renamed Samarcand Training Academy and shall be administered by a  
49 Director. The operating budget for Samarcand Training Academy shall be funded by the  
50 Department of Public Safety but shall be independent of the operating budget of any Division

1 within the Department and shall be managed and administered by the Director of the Academy  
2 with oversight by the Office of the Secretary of the Department of Public Safety.

#### 3 4 **TRANSFER FROM STATEWIDE MISDEMEANANT CONFINEMENT FUND**

5 **SECTION 16A.5.** There is transferred from the Statewide Misdemeanant  
6 Confinement Fund (Budget Code 24550-2325) to the General Fund the sum of two million  
7 eight hundred ninety-eight thousand seven hundred seventy-nine dollars (\$2,898,779) for the  
8 2015-2016 fiscal year.

#### 9 10 **SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT**

#### 11 12 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW** 13 **ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

14 **SECTION 16B.1.(a)** Assets transferred to the Department of Justice or to the  
15 Department of Public Safety during the 2015-2017 fiscal biennium pursuant to applicable  
16 federal law shall be credited to the budgets of the respective departments and shall result in an  
17 increase of law enforcement resources for those departments. The Departments of Justice and  
18 Public Safety shall make the following reports to the chairs of the House of Representatives  
19 and Senate Appropriations Committees on Justice and Public Safety:

- 20 (1) A report upon receipt of any assets.
- 21 (2) A report that shall be made prior to use of the assets on their intended use  
22 and the departmental priorities on which the assets may be expended.
- 23 (3) A report on receipts, expenditures, encumbrances, and availability of these  
24 assets for the previous fiscal year, which shall be made no later than  
25 September 1 of each year.

26 **SECTION 16B.1.(b)** The General Assembly finds that the use of assets transferred  
27 pursuant to federal law for new personnel positions, new projects, acquisition of real property,  
28 repair of buildings where the repair includes structural change, and construction of or additions  
29 to buildings may result in additional expenses for the State in future fiscal periods. Therefore,  
30 the Department of Justice and the Department of Public Safety are prohibited from using these  
31 assets for such purposes without the prior approval of the General Assembly.

32 **SECTION 16B.1.(c)** Nothing in this section prohibits North Carolina law  
33 enforcement agencies from receiving funds from the United States Department of Justice, the  
34 United States Department of the Treasury, and the United States Department of Health and  
35 Human Services.

#### 36 37 **VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER)** 38 **SYSTEM**

39 **SECTION 16B.2.** The Department of Public Safety shall report annually no later  
40 than March 1 to the chairs of the Joint Legislative Oversight Committee on Justice and Public  
41 Safety on the progress of the State's VIPER system.

#### 42 43 **GANGNET REPORT AND RECOMMENDATIONS**

44 **SECTION 16B.3.(a)** Article 4 of Chapter 20 of the General Statutes is amended by  
45 adding a new section to read:

#### 46 **"§ 20-196.5. Report on gang prevention recommendations.**

47 The State Highway Patrol, in conjunction with the State Bureau of Investigation and the  
48 Governor's Crime Commission, shall develop recommendations concerning the establishment  
49 of priorities and needed improvements with respect to gang prevention and shall report those  
50 recommendations to the chairs of the House of Representatives and Senate Appropriations

1 Committees on Justice and Public Safety and to the chairs of the Joint Legislative Oversight  
2 Committee on Justice and Public Safety on or before March 1 of each year."

3 **SECTION 16B.3.(b)** G.S. 143B-1101(b) reads as rewritten:

4 "(b) The Governor's Crime Commission shall review the level of gang activity  
5 throughout the State and assess the progress and accomplishments of the State, and of local  
6 governments, in preventing the proliferation of gangs and addressing the needs of juveniles  
7 who have been identified as being associated with gang activity.

8 ~~The Governor's Crime Commission shall develop recommendations concerning the~~  
9 ~~establishment of priorities and needed improvements with respect to gang prevention and shall~~  
10 ~~report those recommendations to the Chairs of the Senate Appropriations Committee on Justice~~  
11 ~~and Public Safety, the Chairs of the House of Representatives Appropriations Subcommittee on~~  
12 ~~Justice and Public Safety, and to the Chairs of the Joint Legislative Oversight Committee on~~  
13 ~~Justice and Public Safety on or before March 1 of each year."~~

#### 14 15 **STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS**

16 **SECTION 16B.4.(a)** The State Capitol Police may contract with State agencies for  
17 the creation of receipt-supported positions to provide security services to the buildings  
18 occupied by those agencies.

19 **SECTION 16B.4.(b)** The State Capitol Police shall report the creation of any  
20 position pursuant to this section to the chairs of the House of Representatives and Senate  
21 Appropriations Committees on Justice and Public Safety and to the Fiscal Research Division  
22 within 30 days of the position's creation.

#### 23 24 **CHANGES TO EXPUNCTION AND METHAMPHETAMINE REPORTING** 25 **REQUIREMENTS**

26 **SECTION 16B.5.(a)** G.S. 15A-160 reads as rewritten:

27 "**§ 15A-160. Reporting requirement.**

28 The Department of Public Safety, in conjunction with the Department of Justice and the  
29 Administrative Office of the ~~Courts~~Courts, shall report jointly to the Chairs of the Joint  
30 Legislative Oversight Committee on Justice and Public Safety Oversight by September 1 of  
31 each year regarding expunctions. The report shall include all of the following information:

- 32 (1) The number and types of expunctions granted during the fiscal year in which  
33 the report is made.
- 34 (2) The number and type of expunctions granted each fiscal year for the five  
35 fiscal years preceding the date of the report.
- 36 (3) A full accounting of how the agencies have spent the receipts generated by  
37 the expunction fees received during the fiscal year in which the report is  
38 made and for the five preceding fiscal years."

39 **SECTION 16B.5.(b)** G.S. 90-113.64 reads as rewritten:

40 "**§ 90-113.64. SBI annual report.**

41 Beginning with the 2011 calendar year, the State Bureau of Investigation shall determine  
42 the number of methamphetamine laboratories discovered in the State each calendar year and  
43 report its findings to the Joint Legislative Oversight Committee on Justice and Public Safety  
44 and to the Legislative Commission on Methamphetamine Abuse by March 1, 2012, for the  
45 2011 calendar year and each March 1 thereafter for the preceding calendar year. The State  
46 Bureau of Investigation shall participate in the High Intensity Drug Trafficking Areas (HIDTA)  
47 program, assist in coordinating the drug control efforts between local and State law  
48 enforcement agencies, and monitor the implementation and effectiveness of the electronic  
49 record-keeping requirements included in G.S. 90-113.52A and G.S. 90-113.56. The SBI shall  
50 include its findings in the report to the Commission required by this section."

**CLARIFY BOXING COMMISSION FEE**

**SECTION 16B.6.(a)** G.S. 143-655(b1) reads as rewritten:

"(b1) Admission Fees. – The Branch shall collect a fee in the amount of two dollars (\$2.00) per ~~each ticket sold~~ spectator to attend events regulated in this Article."

**SECTION 16B.6.(b)** This section is effective on July 1, 2015, and applies to fees collected or assessed on or after that date.

**SBI/ALE ASHEVILLE REGIONAL OFFICE**

**SECTION 16B.7.** Section 17.1(aaaa) of S.L. 2014-100 reads as rewritten:

"**SECTION 17.1.(aaaa)** The Department of Public Safety shall consolidate ALE and SBI Regions and Regional Offices. The Asheville Regional Office shall be operational ~~by July 1, 2015~~ upon completion of a new facility. All other Regional Offices shall be operational by October 1, 2014."

**CLARIFY HAZARDOUS MATERIALS FEE**

**SECTION 16B.8.(a)** G.S. 166A-29.1 reads as rewritten:

**"§ 166A-29.1. Hazardous materials facility fee.**

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

- (1) EPCRA. – The federal Emergency Planning and Community Right-to-Know Act, P.L. No. 99-499 et. seq.
- (2) Extremely hazardous substance. – Any substance, regardless of its state, set forth in 40 C.F.R. Part 355, Appendix A or B.
- (3) Hazardous chemical. – As defined in 29 C.F.R. 1910.1200(c), except that the term does not include any of the following:
  - a. Any food, food additive, color additive, drug, or cosmetic regulated by the Food and Drug Administration.
  - b. Any substance present as a solid in any manufactured item to the extent exposure to the substance does not occur under normal conditions of use.
  - c. Any substance to the extent that it is used for personal, family, or household purposes or is present in the same form and concentration as a product packaged for distribution and use by the public.
  - d. Any substance to the extent that it is used in a research laboratory or a hospital or other medical facility under the direct supervision of a technically qualified individual.
  - e. Any substance to the extent that it is used in routine agricultural operations or is a fertilizer held for sale by a retailer to the ultimate consumer.

(b) Annual Fee Shall Be Charged. – A person or business required under Section 302 or 312 of EPCRA to submit a notification or an annual inventory form to the Division shall be required to pay to the Department an annual fee in the amount set forth in subsection (c) of this section.

(c) Amount of Fee. – The amount of the annual fee charged pursuant to subsection (b) of this section shall be calculated in accordance with the following, up to a maximum annual amount of ~~five thousand dollars (\$5,000)~~ five thousand dollars (\$5,000) per reporting site:

- (1) A fee of fifty dollars (\$50.00) shall be assessed for each substance at each site reported by a facility-person or business that is classified as a hazardous chemical.
- (2) A fee of ninety dollars (\$90.00) shall be assessed for each substance at each site reported by a facility-person or business that is classified as an extremely hazardous substance.

1 (d) Late Fees. – The Division may impose a late fee against a person or business for  
2 failure to submit a report or filing that substantially complies with the requirements of EPCRA  
3 by the federal filing deadline or for failure to pay any fee, including a late fee. This fee shall be  
4 in addition to the fee imposed pursuant to subsection (c) of this section. Prior to imposing a late  
5 fee, the Division shall provide the person or business who will be assessed the late fee with  
6 written notice that identifies the specific requirements that have not been met and informs the  
7 person or business of its intent to assess a late fee. The assessment of a late fee shall be subject  
8 to the following limitations:

9 (1) If the report filing or fee is submitted within 30 days after receipt of the  
10 Division's notice that it intends to assess a late fee, no late fee shall be  
11 assessed.

12 (2) If the report filing or fee has not been submitted by the end of the period set  
13 forth in subdivision (1) of this subsection, the Division may impose a late fee  
14 in an amount equal to the amount of the fee charged pursuant to subsection  
15 (c) of this section.

16 (e) Exemptions. – No fee shall be charged under this section to any of the following:

17 (1) An owner or operator of a family farm enterprise, a facility owned by a State  
18 or local government, or a nonprofit corporation.

19 (2) An owner or operator of a facility where motor vehicle fuels are stored and  
20 from which such fuels are offered for retail sale. However, hazardous  
21 chemicals or extremely hazardous substances at such a facility, other than  
22 motor vehicle fuels for retail sale, shall not be subject to this exemption.

23 (3) A motor vehicle dealer, as that term is defined in G.S. 20-286(11).

24 (f) Use of Fee Proceeds. – The proceeds of fees assessed pursuant to this section shall  
25 be used for the following:

26 (1) To ~~pay offset~~ costs associated with the establishment and maintenance of a  
27 hazardous materials ~~database~~-database and a hazardous materials response  
28 application.

29 (2) To ~~support the offset~~ costs associated with the operations of the regional  
30 response program for hazardous materials emergencies and terrorist  
31 incidents.

32 (3) To provide grants to counties for hazardous materials emergency response  
33 planning, training, and related exercises.

34 (4) To offset Division costs that directly support hazardous materials emergency  
35 preparedness and response."

36 **SECTION 16B.8.(b)** This section becomes effective on July 1, 2015, and applies  
37 to fees assessed or collected on or after that date.

## 38 39 **AMEND NATIONAL GUARD FAMILY ASSISTANCE CENTERS ANNUAL REPORT** 40 **REQUIREMENTS**

41 **SECTION 16B.9.** Section 1(b) of S.L. 2011-185 reads as rewritten:

42 "**SECTION 1.(b)** The Department of ~~Crime Control and~~ Public Safety shall report  
43 annually no later than September 1 to the Chairs of the House of Representatives and Senate  
44 Appropriations ~~Subcommittees~~-Committees on Justice and Public Safety and to the House of  
45 Representatives Committee on Homeland Security, Military, and Veterans Affairs on the  
46 activities of the National Guard Family Assistance ~~Centers~~-Centers during the previous fiscal  
47 year. This report shall include information on services provided as well as on the number and  
48 type of members of the active or reserve components of the Armed Forces of the United States,  
49 veterans, and family members served."

## 50 51 **SUBPART XVI-C. DIVISION OF ADULT CORRECTION**

1  
2 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL**  
3 **COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES**  
4 **AWAITING TRANSFER TO STATE PRISON SYSTEM**

5 **SECTION 16C.1.** Notwithstanding G.S. 143C-6-9, the Department of Public  
6 Safety may use funds available to the Department for the 2015-2017 fiscal biennium to pay the  
7 sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost of housing  
8 convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison  
9 system, as provided in G.S. 148-29. The Department shall report annually by February 1 of  
10 each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public  
11 Safety and the chairs of the House of Representatives and Senate Appropriations Committees  
12 on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners  
13 awaiting transfer.  
14

15 **CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

16 **SECTION 16C.2.** The Department of Public Safety may continue to contract with  
17 The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison  
18 beds for minimum security female inmates during the 2015-2017 fiscal biennium. The Center  
19 for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the  
20 House of Representatives and Senate Appropriations Committees on Justice and Public Safety  
21 on the annual cost per inmate and the average daily inmate population compared to bed  
22 capacity using the same methodology as that used by the Department of Public Safety.  
23

24 **USE OF CLOSED FACILITIES**

25 **SECTION 16C.3.** In conjunction with the closing of prison facilities, youth  
26 detention centers, and youth development centers, the Department of Public Safety shall  
27 consult with the county or municipality in which the facility is located, with the elected State  
28 and local officials, and with State and federal agencies about the possibility of converting that  
29 facility to other use. The Department may also consult with any private for-profit or nonprofit  
30 firm about the possibility of converting the facility to other use. In developing a proposal for  
31 future use of each facility, the Department shall give priority to converting the facility to other  
32 criminal justice use. Consistent with existing law and the future needs of the Department of  
33 Public Safety, the State may provide for the transfer or the lease of any of these facilities to  
34 counties, municipalities, State agencies, federal agencies, or private firms wishing to convert  
35 them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to  
36 this section. The Department of Public Safety may also consider converting some of the  
37 facilities recommended for closing from one security custody level to another, where that  
38 conversion would be cost-effective. A prison unit under lease to a county pursuant to the  
39 provisions of this section for use as a jail is exempt for the period of the lease from any of the  
40 minimum standards adopted by the Secretary of Health and Human Services pursuant to  
41 G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater  
42 standards than those required of a unit of the State prison system.  
43

44 **MEDICAL COSTS FOR INMATES AND JUVENILE OFFENDERS**

45 **SECTION 16C.4.** Article 13 of Chapter 143B of the General Statutes is amended  
46 by adding a new section to read:

47 **"§ 143B-707.3. Medical costs for inmates and juvenile offenders.**

48 (a) The Department of Public Safety shall reimburse those providers and facilities  
49 providing approved medical services to inmates and juvenile offenders outside the correctional  
50 or juvenile facility the lesser amount of either a rate of seventy percent (70%) of the provider's  
51 then-current prevailing charge or two times the then-current Medicaid rate for any given

1 service. The Department shall have the right to audit any given provider to determine the actual  
2 prevailing charge to ensure compliance with this provision.

3 This section does apply to vendors providing services that are not billed on a fee-for-service  
4 basis, such as temporary staffing. Nothing in this section shall preclude the Department from  
5 contracting with a provider for services at rates that provide greater documentable cost  
6 avoidance for the State than do the rates contained in this section or at rates that are less  
7 favorable to the State but that will ensure the continued access to care.

8 (b) The Department of Public Safety shall make every effort to contain medical costs  
9 for inmates and juvenile offenders by making use of its own hospital and health care facilities  
10 to provide health care services to inmates and juvenile offenders. To the extent that the  
11 Department of Public Safety must utilize other facilities and services to provide health care  
12 services to inmates and juvenile offenders, the Department shall make reasonable efforts to  
13 make use of hospitals or other providers with which it has a contract or, if none is reasonably  
14 available, hospitals with available capacity or other health care facilities in a region to  
15 accomplish that goal. The Department shall make reasonable efforts to equitably distribute  
16 inmates and juvenile offenders among all hospitals or other appropriate health care facilities.

17 (c) The Department of Public Safety shall report quarterly to the Joint Legislative  
18 Oversight Committee on Justice and Public Safety and the chairs of the House of  
19 Representative and Senate Appropriations Committees on Justice and Public Safety on:

20 (1) The percentage of the total inmates and juvenile offenders requiring  
21 hospitalization or hospital services who receive that treatment at each  
22 hospital.

23 (2) The volume of services provided by community medical providers that can  
24 be scheduled in advance and, of that volume, the percentage of those  
25 services that are provided by contracted providers.

26 (3) The volume of services provided by community medical providers that  
27 cannot be scheduled in advance and, of that volume, the percentage of those  
28 services that are provided by contracted providers.

29 (4) The volume of services provided by community medical providers that are  
30 emergent cases requiring hospital admissions and emergent cases not  
31 requiring hospital admissions.

32 (5) The volume of inpatient medical services provided to Medicaid-eligible  
33 inmates and juvenile offenders, the cost of treatment, and the estimated  
34 savings of paying the nonfederal portion of Medicaid for the services.

35 (6) The hospital utilization, including the amount paid to individual hospitals,  
36 the number of inmates and juvenile offenders served, and the number of  
37 claims."

## 39 **INMATE MEDICAL SERVICES/REQUEST FOR INFORMATION**

40 **SECTION 16C.5.(a)** Not later than October 1, 2015, the Department of Public  
41 Safety shall issue a Request For Information (RFI) for a contractor to provide comprehensive  
42 medical care on a statewide basis to adult inmates and juvenile offenders in the custody of the  
43 Department. For purposes of this section, the term "comprehensive medical care" includes  
44 physical health services, mental health services, dental services, and pharmacy services, as well  
45 as inpatient hospitalization, outpatient care, specialty care, emergency department, dialysis  
46 services, and standardization of electronic health information records.

47 **SECTION 16C.5.(b)** The RFI shall require responses to be due not later than 90  
48 days after the date it is issued by the Department.

49 **SECTION 16C.5.(c)** The Department shall evaluate the responses to the RFI and  
50 report the results of that evaluation, along with any recommendations related to them, to the

1 Joint Legislative Oversight Committee on Justice and Public Safety not later than 60 days after  
2 the final date for receipt of responses.

3  
4 **STATEWIDE MISDEMEANANT CONFINEMENT FUND/MONTHLY AND ANNUAL**  
5 **REPORTS**

6 **SECTION 16C.6.(a)** The North Carolina Sheriffs' Association shall report monthly  
7 by the 15th day of each month to the Office of State Budget and Management and the Fiscal  
8 Research Division on the Statewide Misdemeanant Confinement Program. Each monthly report  
9 shall include the following:

- 10 (1) The daily population, delineated by misdemeanor or DWI monthly housing.
- 11 (2) The cost of housing prisoners under the Program.
- 12 (3) The cost of transporting prisoners under the Program.
- 13 (4) Personnel costs.
- 14 (5) Inmate medical care costs.
- 15 (6) The number of counties that volunteer to house inmates under the Program.
- 16 (7) The administrative costs paid to the Sheriffs' Association and to the  
17 Department of Public Safety.

18 **SECTION 16C.6.(b)** The North Carolina Sheriffs' Association shall report by  
19 October 1 of each year to the Chairs of the House of Representatives and Senate  
20 Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight  
21 Committee on Justice and Public Safety on the Statewide Misdemeanant Confinement  
22 Program. The annual report shall include the following with respect to the prior fiscal year:

- 23 (1) Revenue collected by the Statewide Misdemeanant Confinement Program.
- 24 (2) The cost of housing prisoners by county under the Program.
- 25 (3) The cost of transporting prisoners by county under the Program.
- 26 (4) Personnel costs by county.
- 27 (5) Inmate medical care costs by county.
- 28 (6) The number of counties that volunteer to house inmates under the Program.
- 29 (7) The administrative costs paid to the Sheriffs' Association and to the  
30 Department of Public Safety.

31  
32 **INMATE CONSTRUCTION PROGRAM**

33 **SECTION 16C.7.** Notwithstanding G.S. 66-58 or any other provision of law,  
34 during the 2015-2017 fiscal biennium, the State Construction Office may, wherever feasible,  
35 utilize inmates in the custody of the Division of Adult Correction of the Department of Public  
36 Safety through the Inmate Construction Program for repair and renovation projects on  
37 State-owned facilities, with priority given to Department of Public Safety construction projects.

38  
39 **MAINTENANCE OF PRISONS**

40 **SECTION 16C.8.** The Department of Public Safety shall not expand private  
41 maintenance contracts to additional prison facilities or continue existing private contracts for  
42 prison maintenance unless authorized by the General Assembly. If the Department determines  
43 that expanding private maintenance contracts to additional prison facilities or continuing  
44 existing contracts is necessary, then it shall submit its request to the General Assembly by May  
45 1, 2016, stating (i) the ways in which the State can realize savings by doing so and (ii) that  
46 safety can be maintained at the facilities where those contracts are expanded or continued.

47  
48 **DETER INMATE ACCESS TO CELL PHONES**

49 **SECTION 16C.9.** The Department of Public Safety, Division of Adult Correction,  
50 may use funds available to fund enhanced prison security technology to deter illegal access of  
51 cell phones by inmates in the State's prison system. The Division of Adult Correction is

1 encouraged to identify non-General Fund sources of funds, including federal and foundation  
2 grants and other receipts, to achieve this purpose.  
3

#### 4 **REPORT ON CONTRACTS FOR HOUSING STATE PRISONERS/REPEAL** 5 **AUTHORIZATION FOR LEASE-PURCHASE OF PRISON FACILITIES FROM** 6 **PRIVATE FIRMS**

7 **SECTION 16C.10.(a)** G.S. 148-37(i) reads as rewritten:

8 "(i) The Division of Adult Correction of the Department of Public Safety shall make a  
9 written report no later than March 1 of every ~~odd-numbered~~-year, beginning in 1997, on the  
10 substance of all outstanding contracts for the housing of State prisoners entered into under the  
11 authority of this section. The report shall be submitted to ~~the Council of State, the Department~~  
12 ~~of Administration, the Joint Legislative Commission on Governmental Operations, and the~~  
13 ~~Joint Legislative Oversight Committee on Justice and Public Safety. In addition to the report,~~  
14 ~~the Division of Adult Correction of the Department of Public Safety shall provide information~~  
15 ~~on contracts for the housing of State prisoners as requested by these groups."~~

16 **SECTION 16C.10.(b)** G.S. 148-37.2 is repealed.  
17

#### 18 **ANNUAL REPORT ON SAFEKEEPERS**

19 **SECTION 16C.11.** Article 13 of Chapter 143B of the General Statutes is amended  
20 by adding a new section to read:

##### 21 **"§ 143B-707.4. Annual report on safekeepers.**

22 The Department of Public Safety shall report by October 1 of each year to the chairs of the  
23 House of Representatives and Senate Appropriations Committees on Justice and Public Safety  
24 and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on  
25 county prisoners housed in the State prison system pursuant to safekeeping orders under  
26 G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or inadequate county  
27 facilities. The report shall include:

- 28 (1) The number of safekeepers currently housed by the Department.
- 29 (2) A list of the facilities where safekeepers are housed and the population of  
30 safekeepers by facility.
- 31 (3) The average length of stay by a safekeeper in one of those facilities.
- 32 (4) The amount paid by counties for housing and extraordinary medical care of  
33 safekeepers.
- 34 (5) A list of the counties in arrears for safekeeper payments owed to the  
35 Department at the end of the fiscal year."  
36

#### 37 **COLLECTION OF DELINQUENT SAFEKEEPER REIMBURSEMENTS**

38 **SECTION 16C.12.** G.S. 148-10.4 is amended by adding a new subsection to read:

39 "(f) Upon notification from the Division of Adult Correction that an amount owed by a  
40 county for safekeeper reimbursements authorized under G.S. 162-39 is more than 120 days  
41 overdue, the Sheriffs' Association shall withhold funds from any reimbursements due to a  
42 county under this section and transmit those funds to the Division until that overdue safekeeper  
43 reimbursement is satisfied."  
44

#### 45 **PRISON BEHAVIORAL HEALTH POSITIONS**

46 **SECTION 16C.13.** Notwithstanding any other provision of law, the Section of  
47 Prisons of the Division of Adult Correction may post, advertise, accept applications for, and  
48 interview for positions established or authorized by this act related to behavioral health  
49 treatment prior to the effective date of the establishment of those positions.  
50

#### 51 **PAROLE ELIGIBILITY REPORT**

1           **SECTION 16C.14.** Article 13 of Chapter 143B of the General Statutes is amended  
2 by adding a new section to read:

3 **"§ 143B-721.1. Parole eligibility reports.**

4       (a) Each fiscal year the Post-Release Supervision and Parole Commission shall, with  
5 the assistance of the North Carolina Sentencing and Policy Advisory Commission and the  
6 Department of Public Safety, analyze the amount of time each inmate who is eligible for parole  
7 on or before July 1 of the previous fiscal year has served compared to the time served by  
8 offenders under Structured Sentencing for comparable crimes. The Commission shall  
9 determine if the person has served more time in custody than the person would have served if  
10 sentenced to the maximum sentence under the provisions of Article 81B of Chapter 15A of the  
11 General Statutes. The "maximum sentence", for the purposes of this section, shall be calculated  
12 as set forth in subsection (b) of this section.

13       (b) For the purposes of this section, the following rules apply for the calculation of the  
14 maximum sentence:

15           (1) The offense upon which the person was convicted shall be classified as the  
16 same felony class as the offense would have been classified if committed  
17 after the effective date of Article 81B of Chapter 15A of the General  
18 Statutes.

19           (2) The minimum sentence shall be the maximum number of months in the  
20 presumptive range of minimum durations in Prior Record Level VI of  
21 G.S. 15A-1340.17(c) for the felony class determined under subdivision (1)  
22 of this subsection. The maximum sentence shall be calculated using  
23 G.S. 15A-1340.17(d), (e), or (e1).

24           (3) If a person is serving sentences for two or more offenses that are concurrent  
25 in any respect, then the offense with the greater classification shall be used  
26 to determine a single maximum sentence for the concurrent offenses. The  
27 fact that the person has been convicted of multiple offenses may be  
28 considered by the Commission in making its determinations under  
29 subsection (a) of this section.

30       (c) The Post-Release Supervision and Parole Commission shall report to the Chairs of  
31 the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the  
32 House of Representatives and Senate Appropriations Committees on Justice and Public Safety  
33 by April 1 of each year. The report shall include the following: the class of the offense for  
34 which each parole-eligible inmate was convicted and whether an inmate had multiple criminal  
35 convictions. The Commission shall reinstate the parole review process for each offender who  
36 has served more time than that person would have under Structured Sentencing as provided by  
37 subsections (a) and (b) of this section.

38       The Commission shall also report on the number of parole-eligible inmates reconsidered in  
39 compliance with this section and the number who were actually paroled."  
40

41 **PROBATION AND PAROLE VEHICLES**

42       **SECTION 16C.15.(a)** G.S. 143-341 reads as rewritten:

43 **"§ 143-341. Powers and duties of Department.**

44       The Department of Administration has the following powers and duties:

45       ...

46       (8)   General Services:

47           ...

48           i.       To establish and operate a central motor pool and such subsidiary  
49               related facilities as the Secretary may deem necessary, and to that  
50               end:

51           ...



**INTERSTATE COMPACT FEES TO SUPPORT OPERATING NEEDS**

**SECTION 16C.16.** G.S. 148-65.7(a) reads as rewritten:

"(a) Persons convicted in this State who make a request for transfer to another state pursuant to the compact shall pay a transfer application of two hundred fifty dollars (\$250.00) for each transfer application submitted. The transfer application fee shall be paid to the Compact Commissioner upon submission of the transfer application. The Commissioner or the Commissioner's designee may waive the application fee if either the Commissioner or the Commissioner's designee finds that payment of the fee will constitute an undue economic burden on the offender.

All fees collected pursuant to this section shall be deposited in the Interstate Compact Fund and shall be used ~~only~~ to support administration of the Interstate ~~Compact~~. Compact and operational costs for the Section of Community Corrections of the Division of Adult Correction.

The Interstate Compact Fund is established within the Division of Adult Correction of the Department of Public Safety as a nonreverting, interest-bearing special revenue account. Accordingly, revenue in the Fund at the end of a fiscal year does not revert, and interest and other investment income earned by the Fund shall be credited to it. All moneys collected by the Division of Adult Correction of the Department of Public Safety pursuant to this subsection shall be remitted to the State Treasurer to be deposited and held in this Fund. Moneys in the Fund shall be used to supplement funds otherwise available to the Division of Adult Correction of the Department of Public Safety for the administration of the Interstate ~~Compact~~. Compact and operational costs for the Section of Community Corrections."

**SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE****LIMIT USE OF COMMUNITY PROGRAM FUNDS**

**SECTION 16D.1.(a)** Funds appropriated in this act to the Department of Public Safety for the 2015-2017 fiscal biennium for community program contracts that are not required for or used for community program contracts shall only be used for the following:

- (1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.
- (2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.
- (3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.
- (4) The Juvenile Crime Prevention Council funds to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

**SECTION 16D.1.(b)** Under no circumstances shall funds appropriated by this act to the Department of Public Safety for the 2015-2017 fiscal biennium for community programs be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

**SECTION 16D.1.(c)** The Department of Public Safety shall submit an electronic report by October 1, 2015, and a second electronic report by October 1, 2016, on all expenditures made from the miscellaneous contract line in Fund Code 1230 to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Fiscal Research Division. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime

1 Prevention Council fund, and an itemized list of grants allocated from the funds transferred to  
2 the Juvenile Crime Prevention Council fund.

#### 3 4 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

5 **SECTION 16D.2.** Funds appropriated in this act to the Department of Public  
6 Safety for each fiscal year of the 2015-2017 fiscal biennium may be used as matching funds for  
7 the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile  
8 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State  
9 Budget and Management and the Governor's Crime Commission shall consult with the  
10 Department of Public Safety regarding the criteria for awarding federal funds. The Office of  
11 State Budget and Management, the Governor's Crime Commission, and the Department of  
12 Public Safety shall report to the chairs of the House of Representatives and Senate  
13 Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight  
14 Committee on Justice and Public Safety prior to allocation of the federal funds. The report shall  
15 identify the amount of funds to be received for the 2015-2016 fiscal year, the amount of funds  
16 anticipated for the 2016-2017 fiscal year, and the allocation of funds by program and purpose.

#### 17 18 **PART XVII. DEPARTMENT OF JUSTICE**

#### 19 20 **NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE** 21 **CRIME LABORATORY**

22 **SECTION 17.1.** The Department of Justice shall not hire sworn personnel to fill  
23 vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be  
24 construed to require the termination of sworn personnel, but as vacant positions in the State  
25 Crime Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this  
26 section shall be construed to affect North Carolina State Crime Laboratory personnel who are  
27 sworn and employed by the Laboratory as of the effective date of this section and who continue  
28 to meet the sworn status retention standards mandated by the North Carolina Criminal Justice  
29 Education and Standards Commission.

#### 30 31 **AMEND DNA DATABASE REPORTING REQUIREMENTS**

32 **SECTION 17.2.** G.S. 15A-266.5(c) reads as rewritten:

33 "(c) The Crime Laboratory shall report annually to ~~the Joint Legislative Commission on~~  
34 ~~Governmental Operations and to the~~ Joint Legislative Oversight Committee on Justice and  
35 Public Safety, on or before ~~February 1,~~ September 1, with information for the previous ~~calendar~~  
36 fiscal year, which shall include: a summary of the operations and expenditures relating to the  
37 DNA Database and DNA Databank; the number of DNA records from arrestees entered; the  
38 number of DNA records from arrestees that have been expunged; and the number of DNA  
39 arrestee matches or hits that occurred with an unknown sample, and how many of those have  
40 led to an arrest and conviction; and how many letters notifying defendants that a record and  
41 sample have been expunged, along with the number of days it took to complete the expunction  
42 and notification process, from the date of the receipt of the verification form from the State."

#### 43 44 **COLLECT DNA/ALL VIOLENT FELONY ARRESTS**

45 **SECTION 17.3.(a)** G.S. 15A-266.3A(f) reads as rewritten:

46 "(f) This section shall apply to a person arrested for violating any one of the following  
47 offenses in Chapter 14 of the General Statutes:

48 (1) G.S. 14-16.6(b), Assault with a deadly weapon on executive, legislative, or  
49 court officer; and G.S. 14-16.6(c), Assault inflicting serious bodily injury on  
50 executive, legislative, or court officer.

51 (1a) G.S. 14-17, First and Second Degree Murder.

- 1 (2) G.S. 14-18, Manslaughter.
- 2 (2a) Any felony offense in Article 6A, Unborn Victims.
- 3 (3) Any offense in Article 7A, Rape and Other Sex Offenses.
- 4 (4) G.S. 14-28, Malicious castration; G.S. 14-29, Castration or other maiming
- 5 without malice aforethought; G.S. 14-30, Malicious maiming; G.S. 14-30.1,
- 6 Malicious throwing of corrosive acid or alkali; G.S. 14-31, Maliciously
- 7 assaulting in a secret manner; G.S. 14-32, Felonious assault with deadly
- 8 weapon with intent to kill or inflicting serious injury;
- 9 G.S. 14-32.4(a), G.S. 14-32.1(e), Aggravated assault or assault and battery on
- 10 handicapped person; G.S. 14-32.2(a) when punishable pursuant to
- 11 G.S. 14-32.2(b)(1), Patient abuse and neglect, intentional conduct
- 12 proximately causes death; G.S. 14-32.3(a), Domestic abuse of disabled or
- 13 elder adults resulting in injury; G.S. 14-32.4, Assault inflicting serious
- 14 bodily ~~injury~~; injury or injury by strangulation; G.S. 14-33.2, Habitual
- 15 misdemeanor assault; G.S. 14-34.1, Discharging certain barreled weapons or
- 16 a firearm into occupied property; G.S. 14-34.2, Assault with a firearm or
- 17 other deadly weapon upon governmental officers or employees, company
- 18 police officers, or campus police officers; G.S. 14-34.4, Adulterated or
- 19 misbranded food, drugs, etc.; intent to cause serious injury or death; intent to
- 20 extort; G.S. 14-34.5, Assault with a firearm on a law enforcement, probation,
- 21 or parole officer or on a person employed at a State or local detention
- 22 facility; G.S. 14-34.6, Assault or affray on a firefighter, an emergency
- 23 medical technician, medical responder, emergency department nurse, or
- 24 emergency department physician; ~~and~~ G.S. 14-34.7, Assault inflicting
- 25 serious injury on a law enforcement, probation, or parole officer or on a
- 26 person employed at a State or local detention ~~facility~~; G.S. 14-34.9,
- 27 Discharging a firearm from within an enclosure; and G.S. 14-34.10,
- 28 Discharge firearm within enclosure to incite fear.
- 29 (5) Any offense in Article 10, Kidnapping and Abduction, or Article 10A,
- 30 Human Trafficking.
- 31 (5a) Any offense in Article 13, Malicious Injury or Damage by Use of Explosive
- 32 or Incendiary Device or Material.
- 33 (6) G.S. 14-51, First and second degree burglary; G.S. 14-53, Breaking out of
- 34 dwelling house burglary; G.S. 14-54(a1), Breaking or entering buildings
- 35 with intent to terrorize or injure; G.S. 14-54.1, Breaking or entering a place
- 36 of religious worship; and G.S. 14-57, Burglary with explosives.
- 37 (7) Any offense in Article 15, Arson.
- 38 (8) G.S. 14-87, Armed ~~robbery~~; robbery; Common law robbery punishable
- 39 pursuant to G.S. 14-87.1; and G.S. 14-88, Train robbery.
- 40 (8a) G.S. 14-163.1(a1), Assaulting a law enforcement agency animal, an
- 41 assistance animal, or a search and rescue animal willfully killing the animal.
- 42 (9) Any offense which would require the person to register under the provisions
- 43 of Article 27A of Chapter 14 of the General Statutes, Sex Offender and
- 44 Public Protection Registration Programs.
- 45 (10) G.S. 14-196.3, Cyberstalking.
- 46 (10a) G.S. 14-202, Secretly peeping into room occupied by another person.
- 47 (10b) G.S. 14-258.2, Possession of dangerous weapon in prison resulting in bodily
- 48 injury or escape; G.S. 14-258.3, Taking of hostage, etc., by prisoner; and
- 49 G.S. 14-258.4, Malicious conduct by prisoner.
- 50 (11) G.S. 14-277.3A, Stalking.

- 1           (12) G.S. 14-288.9, Assault on emergency personnel with a dangerous weapon or  
2           substance.
- 3           (13) G.S. 14-288.21, Unlawful manufacture, assembly, possession, storage,  
4           transportation, sale, purchase, delivery, or acquisition of a nuclear,  
5           biological, or chemical weapon of mass destruction; exceptions; and  
6           G.S. 14-288.22, Unlawful use of a nuclear, biological, or chemical weapon  
7           of mass destruction.
- 8           (14) G.S. 14-318.4(a), Child abuse inflicting serious injury and  
9           G.S. 14-318.4(a3), Child abuse inflicting serious bodily injury.
- 10          (15) G.S. 14-360(a1), Cruelty to animals; maliciously kill by intentional  
11          deprivation of necessary sustenance; and G.S. 14-360(b), Cruelty to animals;  
12          maliciously torture, mutilate, maim, cruelly beat, disfigure, poison, or kill.
- 13          (16) G.S. 14-401.22(e), Attempt to conceal evidence of non-natural death by  
14          dismembering or destroying remains."

15           **SECTION 17.3.(b)** The Joint Legislative Oversight Committee on Justice and  
16 Public Safety shall study extending the collection of DNA samples to persons arrested for any  
17 felony and shall report its findings and recommendations to the 2016 Regular Session of the  
18 2015 General Assembly. The report shall include all of the following:

- 19           (1) A recommended time line for implementing a requirement that DNA  
20           samples be collected for persons arrested for committing any felony.
- 21           (2) An estimate of initial nonrecurring costs and recurring operating costs  
22           required of implementing such a requirement.
- 23           (3) Other costs and benefits of implementing such a requirement.
- 24           (4) An estimate of capital costs to the State of implementing such a requirement.
- 25           (5) Any other information that the Committee deems relevant.

26           **SECTION 17.3.(c)** Subsection (a) of this section becomes effective December 1,  
27 2015, and applies to arrests occurring on or after that date. The remainder of this section is  
28 effective on July 1, 2015.

## 30 DEPARTMENT OF JUSTICE POSITIONS

31           **SECTION 17.4.** Notwithstanding any other provision of law, the Department of  
32 Justice may post, advertise, accept applications for, and interview for positions established or  
33 authorized by this act in the Department of Justice prior to the effective date of the  
34 establishment of those positions.

## 36 STUDY THE IMPLEMENTATION AND USE OF BODY WORN CAMERAS BY 37 LOCAL AND STATE LAW ENFORCEMENT OFFICERS

38           **SECTION 17.5.(a)** Definition. – The term "body-worn camera" means an  
39 operational video camera, including a microphone or other mechanism for allowing audio  
40 capture, affixed to a law enforcement officer's uniform and positioned in a way that allows the  
41 video camera to capture interactions the law enforcement officer has with the public.

42           **SECTION 17.5.(b)** Study. – The Criminal Justice Education and Training  
43 Standards Commission and the Sheriffs' Education and Training Standards Commission, in  
44 consultation with the School of Government at the University of North Carolina at Chapel Hill,  
45 the North Carolina Conference of District Attorneys, and any other organizations the Criminal  
46 Justice Education and Training Standards Commission and the Sheriffs' Education and Training  
47 Standards Commission jointly determine may assist with the completion of the study required  
48 under this section, shall jointly study the implementation and use of body-worn cameras by  
49 local and State law enforcement officers. The study shall consider all of the following:

- 50           (1) The feasibility of equipping all law enforcement officers with a body-worn  
51 camera, including (i) identifying costs that would be incurred by State and

1 local law enforcement agencies, (ii) funding options available to State and  
 2 local law enforcement agencies for the procurement of body-worn cameras,  
 3 and (iii) whether the use of body-worn cameras should be restricted to  
 4 certain types of law enforcement officers.

5 (2) The type and intensity of training a law enforcement officer should receive  
 6 prior to using a body-worn camera.

7 (3) The best practices and procedures for recording, including an identification  
 8 of (i) situations when the law enforcement officer should activate the  
 9 body-worn camera to record and (ii) situations in which the law enforcement  
 10 officer should deactivate the body-worn camera or seek permission prior to  
 11 recording.

12 (4) The best practices and procedures for retaining and storing any recordings  
 13 captured by body-worn cameras, including (i) the costs of retention and  
 14 storage, (ii) the types of recordings that should be retained and stored, and  
 15 (iii) the standard retention and storage schedules for the different types of  
 16 recordings.

17 (5) The level of public access which should be allowed to recordings captured  
 18 by body-worn cameras, including any legislative changes necessary to allow  
 19 public access.

20 (6) Any potential constitutional or other legal issues that may arise from the use  
 21 of body-worn cameras by law enforcement officers.

22 (7) Any other matters or information the Criminal Justice Education and  
 23 Training Standards Commission and the Sheriffs' Education and Training  
 24 Standards Commission jointly deem relevant to the study.

25 **SECTION 17.5.(c)** Report. – The Criminal Justice Education and Training  
 26 Standards Commission and the Sheriffs' Education and Training Standards Commission shall  
 27 jointly report their findings and recommendations, including any legislative proposals, by May  
 28 1, 2016, to the chairs of the House of Representatives and Senate Appropriations Committees  
 29 on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on  
 30 Justice and Public Safety.

## 31 **PART XVIII. JUDICIAL DEPARTMENT**

### 32 **SUBPART XVIII-A. ADMINISTRATIVE OFFICE OF THE COURTS**

#### 33 **AOC ANNUAL REPORT**

34 **SECTION 18A.1.** G.S. 7A-343 reads as rewritten:

#### 35 **"§ 7A-343. Duties of Director.**

36 The Director is the Administrative Officer of the Courts, and the Director's duties include  
 37 all of the following:

38 ...  
 39 (8) Prepare and submit an annual report on the work of the Judicial Department  
 40 to the Chief Justice, and transmit a copy by March 15 of each year to the  
 41 Chairs of the House of Representatives and Senate Appropriations  
 42 ~~Subcommittee~~ Committees on Justice and Public Safety and the Senate  
 43 ~~Appropriations Committee on Justice and Public Safety~~ and to the Chairs of  
 44 the Joint Legislative Oversight Committee on Justice and Public Safety.  
 45  
 46  
 47  
 48 ...."

## 49 **CONSOLIDATE BUSINESS COURT REPORTS**

50 **SECTION 18A.2.** G.S. 7A-343(8a) is repealed.  
 51

**ANNUAL REPORT ON CRIMINAL COURT COST WAIVERS**

**SECTION 18A.3.** Article 29 of Chapter 7A of the General Statutes is amended by adding a new section to read:

**"§ 7A-350. Annual report on criminal court cost waivers.**

The Administrative Office of the Courts shall maintain records of all cases in which a judge makes a finding of just cause to grant a waiver of criminal court costs under G.S. 7A-304(a) and shall report on those waivers to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1 of each year. The report shall aggregate the waivers by the district in which the waiver or waivers were granted and by the name of each judge granting a waiver or waivers."

**GRANT FUNDS**

**SECTION 18A.4.** Notwithstanding G.S. 143C-6-9, the Administrative Office of the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

**COLLECTION OF WORTHLESS CHECK FUNDS**

**SECTION 18A.5.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2015, for the purchase or repair of office or information technology equipment during the 2015-2016 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

**REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

**SECTION 18A.6.** Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2015-2017 fiscal biennium, may elect to establish a per-mile reimbursement rate for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service.

**CONFERENCE OF DISTRICT ATTORNEY GRANT FUNDS**

**SECTION 18A.7.** Section 18B.4 of S.L. 2013-360 reads as rewritten:

**"SECTION 18B.4.** Of the funds appropriated in this act to the Judicial Department, the sum of five hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year shall be allocated to the Conference of District Attorneys and shall be used to establish a grant fund to provide district attorneys across the State with the resources to obtain toxicology analysis from local hospitals on persons charged with driving while impaired whose conduct did not result in serious injury or death to others. The Conference of District Attorneys shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety ~~by October 1, 2014,~~ on the expenditure of these ~~funds.~~ funds by October 1 of each year until all of the grant funds have been expended."

**DISTRICT ATTORNEY LEGAL ASSISTANTS**

**SECTION 18A.8.(a)** G.S. 7A-347 reads as rewritten:

**"§ 7A-347. ~~Assistants for administrative and victim and witness services.~~District attorney legal assistants.**

~~Assistant for administrative and victim and witness services.~~District attorney legal assistant positions are established under the district attorneys' offices. Each prosecutorial district is allocated at least one ~~assistant for administrative and victim and witness services.~~district attorney legal assistant to be employed by the district attorney. The Administrative Office of the Courts shall allocate additional assistants to prosecutorial districts on the basis of need and within available appropriations. Each district attorney may also use any volunteer or other personnel to assist the assistant. The assistant is responsible for coordinating efforts of the law-enforcement and judicial systems to assure that each victim and witness is provided fair treatment under Article 45 of Chapter 15A, Fair Treatment for Victims and Witnesses and shall also provide administrative and legal support to the district attorney's office."

**SECTION 18A.8.(b)** G.S. 7A-348 reads as rewritten:

**"§ 7A-348. Training and supervision of ~~assistants for administrative and victim and witness services.~~district attorney legal assistants.**

Pursuant to the provisions of G.S. 7A-413, the Conference of District Attorneys shall:

- (1) Assist in establishing uniform statewide training for ~~assistants for administrative and victim and witness services;~~district attorney legal assistants; and
- (2) Assist in the implementation and supervision of this program."

**SECTION 18A.8.(c)** G.S. 15A-826 reads as rewritten:

**"§ 15A-826. ~~Assistants for administrative and victim and witness services.~~District attorney legal assistants.**

In addition to providing administrative and legal support to the district attorney's office, ~~assistants for administrative and victim and witness services.~~district attorney legal assistants are responsible for coordinating efforts within the law-enforcement and judicial systems to assure that each victim and witness is treated in accordance with this Article."

**REPORT ON DISMISSALS DUE TO DELAY IN ANALYSIS OF EVIDENCE**

**SECTION 18A.9.** Whenever a criminal case is dismissed as a direct result of a delay in the analysis of evidence by the State Crime Laboratory, the district attorney for the district in which the case was dismissed shall report that dismissal and the facts surrounding it to the Conference of District Attorneys. The Conference of District Attorneys shall compile any such reports of dismissals and shall report them quarterly starting October 30, 2015, to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

**ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS**

**SECTION 18A.10.(a)** G.S. 7A-60 reads as rewritten:

**"§ 7A-60. District attorneys and prosecutorial districts.**

...

(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

1	2	Beaufort, Hyde, Martin,	8
2		Tyrrell, Washington	
3	3A	Pitt	11
4	3B	Carteret, Craven, Pamlico	12
5	4	Duplin, Jones, Onslow,	18
6		Sampson	
7	5	New Hanover, Pender	18
8	6	Bertie, Halifax, Hertford,	10
9		Northampton	
10	7	Edgecombe, Nash, Wilson	18
11	8	Greene, Lenoir, Wayne	14
12	9	Franklin, Granville,	10
13		Vance, Warren	
14	9A	Person, Caswell	6
15	10	Wake	41
16	11A	Harnett, Lee	9
17	11B	Johnston	10
18	12	Cumberland	23
19	13	Bladen, Brunswick, Columbus	13
20	14	Durham	18
21	15A	Alamance	11
22	15B	Orange, Chatham	10
23	16A	Scotland, Hoke	7
24	16B	Robeson	12
25	16C	Anson, Richmond	6
26	17A	Rockingham	7
27	17B	Stokes, Surry	8
28	18	Guilford	32
29	19A	Cabarrus	9
30	19B	Montgomery, Randolph	9
31	19C	Rowan	8
32	19D	Moore	5
33	20A		5
34		Stanly	
35	20B	Union	10
36	21	Forsyth	25
37	22A	Alexander, Iredell	11
38	22B	Davidson, Davie	11
39	23	Alleghany, Ashe, Wilkes,	8
40		Yadkin	
41	24	Avery, Madison, Mitchell,	7
42		Watauga, Yancey	
43	25	Burke, Caldwell, Catawba	18
44	26	Mecklenburg	58
45	27A	Gaston	14
46	27B	Cleveland,	11
47		Lincoln	
48	28	Buncombe	14
49	29A	McDowell, Rutherford	7
50	29B	Henderson, Polk, Transylvania	8
51	30	Cherokee, Clay, Graham,	10

Haywood, Jackson, Macon,  
Swain.

(a2) ~~Upon the convening of each regular session of the General Assembly and its reconvening in the even numbered year, the~~The Administrative Office of the Courts shall report by March 15 of each year on its ~~recommendations regarding the~~ allocation of assistant district attorneys for the upcoming fiscal biennium and fiscal year to the General Assembly, including any request for additional assistant district attorneys. The report shall include the number of assistant district attorneys that the Administrative Office of the Courts ~~recommends to be~~has allocated to each prosecutorial district and the workload formula established through the National Center for State Courts on which each ~~recommended~~ allocation is based. Any reports required under this subsection shall be made to ~~the Joint Legislative Commission of Governmental Operations,~~ the House of Representatives and Senate Appropriations ~~Subcommittees~~Committees on Justice and Public, and the Fiscal Research Division.

...."

**SECTION 18A.10.(b)** The Administrative Office of the Courts, in conjunction with the National Center for State Courts and the Conference of District Attorneys, shall revisit the workload formula used to determine the allocation of assistant district attorneys under G.S. 7A-60 and determine whether any adjustments should be made to the formula. The Administrative Office of the Courts shall report by May 1, 2016, to the chairs of the Joint Legislative Committee on Justice and Public Safety and the chairs of House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the conclusions reached about the workload formula and any recommendations for adjustments.

#### AMEND COURT COSTS

**SECTION 18A.11.** G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

...

(2b) ~~For the maintenance of misdemeanors in county jails, the sum of eighteen dollars (\$18.00) in the district court to be remitted to the Statewide Misdemeanor Confinement Fund in the Division of Adult Correction of the Department of Public Safety.~~

...

(4) For support of the General Court of Justice, the sum of ~~one hundred twenty nine dollars and fifty cents (\$129.50)~~one hundred forty-seven dollars and fifty cents (\$147.50) in the district court, including cases before a magistrate, and the sum of one hundred fifty-four dollars and fifty cents (\$154.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of one dollar and fifty cents (\$1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents (\$.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

1 ...  
2 (4b) ~~To provide for contractual services to reduce county jail populations, For~~  
3 ~~additional support of the General Court of Justice, the sum of fifty dollars~~  
4 ~~(\$50.00) for all offenses arising under Chapter 20 of the General Statutes~~  
5 ~~and resulting in a conviction of an improper equipment offense, to be~~  
6 ~~remitted to the Statewide Misdemeanor Confinement Fund in the Division of~~  
7 ~~Adult Correction of the Department of Public Safety. State Treasurer.~~  
8 ...."  
9

## 10 AMEND CERTIFICATE OF RELIEF/FEE

11 SECTION 18A.12.(a) G.S. 15A-173.2(a) reads as rewritten:

12 "(a) An individual who is convicted of ~~no more than two Class G, H, or I felonies or~~  
13 ~~misdemeanors in one session of court, and who has no other convictions for a felony or~~  
14 ~~misdemeanor other than a traffic violation,~~criminal offenses no higher than a Class G felony  
15 may petition the court where the individual was convicted of his or her most serious offense for  
16 a Certificate of Relief relieving collateral consequences as permitted by this Article. Except as  
17 otherwise provided in this subsection, after payment by the petitioner of the fee required by  
18 G.S. 7A-313.2, the petition shall be heard by the senior resident superior court judge if the  
19 convictions were in superior court, or the chief district court judge if the convictions were in  
20 district court. The senior resident superior court judge and chief district court judge in each  
21 district may delegate their authority to hold hearings and issue, modify, or revoke Certificates  
22 of Relief to judges, clerks, or magistrates in that district."

23 SECTION 18A.12.(b) Article 28 of Chapter 7A of the General Statutes is amended  
24 by adding a new section to read:

### 25 "§ 7A-313.2. Certificate of relief fee.

26 A person who petitions the court for a Certificate of Relief pursuant to Article 6 of this  
27 Chapter shall pay an administrative fee of fifty dollars (\$50.00) at the time of the filing of the  
28 petition. The fee shall be remitted to the State Treasurer for support of the General Court of  
29 Justice. This section does not apply to petitions for a certificate of relief filed by an indigent."

30 SECTION 18A.12.(c) This section becomes effective October 1, 2015, and applies  
31 to certificates issued on or after that date.

## 32 FAMILY COURT PROGRAMS

33 SECTION 18A.13. The Administrative Office of the Courts shall provide direction  
34 and oversight to the existing family court programs in order to ensure that each district with a  
35 family court program is utilizing best practices and is working effectively and efficiently in the  
36 disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report  
37 on its efforts in this regard and the results of those efforts to the chairs of the House of  
38 Representatives and Senate Appropriations Committee on Justice and Public Safety and the  
39 Joint Legislative Oversight Committee on Justice and Public Safety by March 1 of each year.

## 40 SPECIALTY COURTS/USE CLERK OF COURT PERSONNEL AND RESOURCES

41 SECTION 18A.14. Article 14 of Chapter 7A of the General Statutes is amended by  
42 adding a new section to read:

### 43 "§ 7A-146.1. Specialty sessions of court; use of clerk of court personnel and resources.

44 Upon the request of a clerk of court or district attorney, or upon the judge's own initiative, a  
45 chief district court judge may, pursuant to the judge's authority under G.S. 7A-146(7) to  
46 arrange sessions for the trial of specialized cases, authorize the establishment in the district  
47 court district of the holding of sessions of court in which related specialized cases or matters  
48 are adjudicated, including the holding of family court, drug treatment court, veterans' court,  
49 DWI court, mental health court, or any other innovative use of a session of court. With the  
50  
51

1 consent of the clerk of superior court, the court may make use of the personnel and resources of  
2 the clerk's office to administer these specialty sessions. The Administrative Office of the Courts  
3 shall provide direction and oversight to any such specialty session of district court in order to  
4 ensure that each district is utilizing best practices and is working effectively and efficiently in  
5 the disposition of such specialized cases and consistent with the provisions of G.S. 7A-272."  
6

## 7 **COMPENSATION OF COURT REPORTERS**

8 **SECTION 18A.15.** Section 18B.21A of S.L. 2013-360 is repealed.  
9

## 10 **INNOCENCE INQUIRY COMMISSION**

11 **SECTION 18A.16.** G.S. 15A-1462 reads as rewritten:

### 12 **"§ 15A-1462. Commission established.**

13 (a) There is established the North Carolina Innocence Inquiry Commission. The North  
14 Carolina Innocence Inquiry Commission shall be an independent commission under the  
15 ~~Judicial Department~~ Administrative Office of the Courts for administrative purposes.

16 (b) The Administrative Office of the Courts shall provide administrative support to the  
17 Commission as needed. The Director of the Administrative Office of the Courts shall not  
18 reduce or modify the budget of the Commission or use funds appropriated to the Commission  
19 without the approval of the Commission. The Administrative Office of the Courts shall conduct  
20 an annual audit of the Commission."  
21

## 22 **TRANSFER OFFICE OF INDIGENT DEFENSE SERVICES TO THE** 23 **ADMINISTRATIVE OFFICE OF THE COURTS**

24 **SECTION 18A.17.** G.S. 7A-498.2 reads as rewritten:

### 25 **"§ 7A-498.2. Establishment of Office of Indigent Defense Services.**

26 (a) The Office of Indigent Defense Services, which is administered by the Director of  
27 Indigent Defense Services and includes the Commission on Indigent Defense Services and the  
28 Sentencing Services Program established in Article 61 of this Chapter, is created within the  
29 ~~Judicial Department~~ Administrative Office of the Courts. As used in this Article, "Office"  
30 means the Office of Indigent Defense Services, "Director" means the Director of Indigent  
31 Defense Services, and "Commission" means the Commission on Indigent Defense Services.

32 (b) The Office of Indigent Defense Services shall exercise its prescribed powers  
33 independently of the head of the Administrative Office of the Courts. The Office may enter into  
34 contracts, own property, and accept funds, grants, and gifts from any public or private source to  
35 pay expenses incident to implementing its purposes.

36 (c) The Director of the Administrative Office of the Courts shall provide general  
37 administrative support to the Office of Indigent Defense Services. The term "general  
38 administrative support" includes purchasing, payroll, and similar administrative services.

39 (d) The budget of the Office of Indigent Defense Services shall be a part of the ~~Judicial~~  
40 ~~Department's budget~~ budget of the Administrative Office of the Courts. The Commission on  
41 Indigent Defense Services shall consult with the Director of the Administrative Office of the  
42 Courts, who shall assist the Commission in preparing and presenting to the General Assembly  
43 the Office's budget, but the Commission shall have the final authority with respect to  
44 preparation of the Office's budget and with respect to representation of matters pertaining to the  
45 Office before the General Assembly. The Administrative Office of the Courts shall conduct an  
46 annual audit of the budget of the Office of Indigent Defense Services.

47 (e) The Director of the Administrative Office of the Courts shall not reduce or modify  
48 the budget of the Office of Indigent Defense Services or use funds appropriated to the Office  
49 without the approval of the Commission."  
50

1 **STUDY FUTURE OF INDIGENT DEFENSE SERVICES COMMISSION AND**  
2 **INNOCENCE INQUIRY COMMISSION**

3 **SECTION 18A.18.** The Legislative Research Commission shall study:

- 4 (1) The Office of Indigent Defense Services and determine whether changes  
5 should be made to the ways in which appropriated funds are used to provide  
6 legal assistance and representation to indigent persons.  
7 (2) The North Carolina Innocence Inquiry Commission and determine whether  
8 changes should be made to the way in which the Commission investigates  
9 and determines credible claims of factual innocence made by criminal  
10 defendants.

11 The Legislative Research Commission shall report its findings and  
12 recommendations, including any proposed legislation, to the 2015 General Assembly when it  
13 reconvenes in 2016.

14  
15 **SUBPART XVIII-B. OFFICE OF INDIGENT DEFENSE SERVICES**

16  
17 **INDIGENT DEFENSE SERVICES ANNUAL REPORT DATE CHANGE**

18 **SECTION 18B.1.** G.S. 7A-498.9 reads as rewritten:

19 **"§ 7A-498.9. Annual report on Office of Indigent Defense Services.**

20 The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative  
21 Oversight Committee on Justice and Public Safety and to the Chairs of the House of  
22 Representatives ~~Subcommittee and Senate Committees~~ on Justice and Public Safety ~~and the~~  
23 ~~Senate Appropriations Committee on Justice and Public Safety~~ by ~~February 1~~ March 15 of each  
24 year on the following:

- 25 (1) The volume and cost of cases handled in each district by assigned counsel or  
26 public defenders;  
27 (2) Actions taken by the Office to improve the cost-effectiveness and quality of  
28 indigent defense services, including the capital case program;  
29 (3) Plans for changes in rules, standards, or regulations in the upcoming year;  
30 and  
31 (4) Any recommended changes in law or funding procedures that would assist  
32 the Office in improving the management of funds expended for indigent  
33 defense services, including any recommendations concerning the feasibility  
34 and desirability of establishing regional public defender offices."  
35

36 **OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

37 **SECTION 18B.2.** Notwithstanding G.S. 143C-6-9, during the 2015-2017 fiscal  
38 biennium, the Office of Indigent Defense Services may use the sum of up to fifty thousand  
39 dollars (\$50,000) from funds available to provide the State matching funds needed to receive  
40 grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the  
41 House of Representatives and Senate Appropriations Committees on Justice and Public Safety  
42 on the grants to be matched using these funds.  
43

44 **REPORTS ON CRIMINAL CASE INFORMATION SYSTEM**

45 **SECTION 18B.3.** Section 18B.10 of S.L. 2014-100, as amended by Section 18A.2  
46 of S.L. 2013-360, reads as rewritten:

47 **"SECTION 18B.10.** The Administrative Office of the Courts, in consultation with the  
48 Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand dollars  
49 (\$350,000) in funds available to the Administrative Office of the Courts for the 2013-2015  
50 fiscal biennium and the sum of three hundred fifty thousand dollars (\$350,000) in funds  
51 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~~ interim reports on the  
4 development and implementation of this system by February 1, 2014, and July 1, 2015, and a  
5 final report on the completed implementation of the system by July 1, 2015, ~~by February 1 of~~  
6 each year through the completed implementation of the system to the Chairs of the Joint  
7 Legislative Oversight Committee on Justice and Public Safety and to the Chairs of the House of  
8 Representatives and Senate Appropriations Subcommittee ~~Committees~~ on Justice and Public  
9 Safety ~~and the Senate Appropriations Committee on Justice and Public Safety."~~

10  
11 **STUDY EFFICIENCY OF ESTABLISHING A SYSTEM OF AUTOMATED KIOSKS**  
12 **IN LOCAL CONFINEMENT FACILITIES TO ALLOW ATTORNEYS**  
13 **REPRESENTING INDIGENT DEFENDANTS TO CONSULT WITH THEIR**  
14 **CLIENTS REMOTELY**

15 **SECTION 18B.4.(a)** The Office of Indigent Defense Services shall study and  
16 determine whether savings can be realized through the establishment of a system of fully  
17 automated kiosks in local confinement facilities to allow attorneys representing indigent  
18 defendants to consult with their clients remotely. The system would incorporate technology  
19 through which meetings between attorneys and their clients cannot be monitored or recorded.

20 **SECTION 18B.4.(b)** The Office of Indigent Defense Services shall report its  
21 findings and recommendations, including recommendations of at least two potential pilot sites  
22 for the proposed system, to the Chairs of the House of Representatives and Senate  
23 Appropriations Committees on Justice and Public Safety and the Chairs of the Joint Legislative  
24 Oversight Committee on Justice and Public Safety by February 1, 2016.

25  
26 **PART XIX. DEPARTMENT OF CULTURAL RESOURCES**

27  
28 **TECHNICAL CORRECTIONS RELATING TO ROANOKE ISLAND COMMISSION**  
29 **LEGAL COUNSEL AND USS NORTH CAROLINA BATTLESHIP REPAIRS**

30 **SECTION 19.1.(a)** G.S. 143B-131.7 is repealed.

31 **SECTION 19.1.(b)** Section 36.10 of S.L. 2014-100 reads as rewritten:

32 **"SECTION 36.10.** The General Assembly authorizes USS North Carolina Battleship hull  
33 and cofferdam repairs to be funded at a maximum cost of thirteen million dollars (\$13,000,000)  
34 in accordance with this section. The sum of three million dollars (\$3,000,000) of the proceeds  
35 of bonds issued pursuant to Section 36.12(f)(7) of this act shall be used for this project. The  
36 remainder of the project shall be funded with receipts or from other non-General Fund sources  
37 available to the Department of Cultural Resources, and those funds are hereby appropriated for  
38 that purpose."  
39

40 **PART XX. DEPARTMENT OF INSURANCE**

41  
42 **INSURANCE REGULATORY CHARGE**

43 **SECTION 20.1.** The percentage rate to be used in calculating the insurance  
44 regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2016 calendar  
45 year.  
46

47 **PART XXI. DEPARTMENT OF THE STATE TREASURER**

48  
49 **UPDATE ORBIT RETIREMENT SYSTEM**

50 **SECTION 21.1.** The Department of State Treasurer, Retirement Systems Division,  
51 may use funds from receipts up to eight hundred fifty thousand dollars (\$850,000) for the

1 purpose of upgrading the Online Retirement Benefits through Integrated Technology  
2 self-service retirement system.

## 3 4 **PART XXII. OFFICE OF ADMINISTRATIVE HEARINGS**

### 5 6 **WAYNESVILLE ADMINISTRATIVE LAW JUDGE**

7 **SECTION 22.1.** The Office of Administrative Hearings shall identify office space  
8 for the administrative law judge to be located in the Town of Waynesville. In selecting office  
9 space, the Office of Administrative Hearings will only consider locations that do not impose a  
10 financial burden to the State. The Office is authorized to identify other State-owned properties  
11 in the town and work with State officials to locate office space that satisfies the requirements of  
12 this section. The Office of Administrative Hearings may provide support staff for the  
13 administrative law judge to be located in the Town of Waynesville; provided, there is no  
14 financial burden to the State as a result.

## 15 16 **PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT**

### 17 18 **SYMPHONY CHALLENGE GRANT**

19 **SECTION 23.1.(a)** Of the funds appropriated in this act to the Office of State  
20 Budget and Management, Special Appropriations, the sum of two million dollars (\$2,000,000)  
21 in nonrecurring funds for the 2015-2016 fiscal year and the sum of two million dollars  
22 (\$2,000,000) in nonrecurring funds for the 2016-2017 fiscal year shall be allocated to the North  
23 Carolina Symphony in accordance with this section. It is the intent of the General Assembly  
24 that the North Carolina Symphony raise at least nine million dollars (\$9,000,000) in non-State  
25 funds for the 2015-2016 fiscal year and at least nine million dollars (\$9,000,000) in non-State  
26 funds for the 2016-2017 fiscal year. The North Carolina Symphony cannot use funds  
27 transferred from the organization's endowment to its operating budget to achieve the  
28 fund-raising targets set out in subsections (b) and (c) of this section.

29 **SECTION 23.1.(b)** For the 2015-2016 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 North Carolina Symphony shall receive the sum of six hundred  
33 thousand dollars (\$600,000).
- 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 North Carolina Symphony shall receive the sum of  
37 seven hundred thousand dollars (\$700,000).
- 38 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in  
39 non-State funding for a total amount of nine million dollars (\$9,000,000) in  
40 non-State funds, the North Carolina Symphony shall receive the final sum of  
41 seven hundred thousand dollars (\$700,000) in the 2015-2016 fiscal year.

42 **SECTION 23.1.(c)** For the 2016-2017 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 North Carolina Symphony shall receive the sum of six hundred  
46 thousand dollars (\$600,000).
- 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 non-State funds, the North Carolina Symphony shall receive the sum of  
50 seven hundred thousand dollars (\$700,000).

- 1 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in  
2 non-State funding for a total amount of nine million dollars (\$9,000,000) in  
3 non-State funds, the North Carolina Symphony shall receive the final sum of  
4 seven hundred thousand dollars (\$700,000) in the 2016-2017 fiscal year.  
5

## 6 HOSPITAL MEDICAL RESIDENCIES

7 SECTION 23.2. It is the intent of the General Assembly to appropriate funds in the  
8 2016-2017 fiscal year to be allocated if Cape Fear Valley Hospital is granted a rural  
9 reclassification by the federal government, and the Centers for Medicare and Medicaid Services  
10 grants additional residency slots to be reimbursed with Graduate Medical Education residency  
11 payments. The Office of State Budget and Management shall monitor whether the  
12 reclassification and additional residency slots described in this section have been achieved by  
13 June 30, 2016.  
14

## 15 PART XXIV. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

### 16 ESTABLISH DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

#### 17 CREATION OF DEPARTMENT

18 SECTION 24.1.(a) The Department of Military and Veterans Affairs is established  
19 as a new executive department. All functions, powers, duties, and obligations vested in the  
20 following agencies are transferred to, vested in, and consolidated within the Department of  
21 Military and Veterans Affairs by a Type I transfer, as defined in G.S. 143A-6:  
22

- 23 (1) The following components of the Department of Administration:  
24 a. The Veterans' Affairs Commission.  
25 b. The Governor's Jobs for Veterans Committee.  
26 c. The Division of Veterans Affairs.  
27 (2) The North Carolina Military Affairs Commission in the Office of the  
28 Governor.  
29

30 SECTION 24.1.(b) Chapter 143B of the General Statutes is amended by adding a  
31 new Article to read:

32 "Article 14.

33 "Department of Military and Veterans Affairs.

34 "Part 1. General Provisions.

35 **"§ 143B-1210. Organization.**

36 (a) There is established the Department of Military and Veterans Affairs. The head of  
37 the Department of Military and Veterans Affairs is the Secretary of Military and Veterans  
38 Affairs, who shall be known as the Secretary.

39 (b) The powers and duties of the deputy secretaries and the divisions and directors of  
40 the Department shall be subject to the direction and control of the Secretary of Military and  
41 Veterans Affairs.

42 **"§ 143B-1211. Power and duties of the Department of Military and Veterans Affairs.**

43 It shall be the duty of the Department of Military and Veterans Affairs to do all of the  
44 following:

- 45 (1) Provide active outreach to the U.S. Department of Defense and the U.S.  
46 Department of Homeland Security and their associated establishments in  
47 North Carolina in order to support the military installations and activities in  
48 the State, to enhance North Carolina's current military-friendly environment  
49 and foster and promote business, technology, transportation, education,  
50 economic development, and other efforts in support of the mission.

- 1 execution, and transformation of the U.S. government military and national  
2 defense activities located in the State.
- 3 (2) Promote the industrial and economic development of localities included in or  
4 adjacent to U.S. government military and national defense activities and  
5 those of the State.
- 6 (3) Provide technical assistance and coordination between the State, its political  
7 subdivisions, and the U.S. military and national defense activities within the  
8 State of North Carolina.
- 9 (4) Award grants to local governments, State and federal agencies, and private  
10 entities at the direction of the Secretary. The number of grants awarded and  
11 the level of funding of each grant for each fiscal year shall be contingent  
12 upon and determined by funds appropriated for that purpose by the General  
13 Assembly.
- 14 (5) Provide active outreach to the U.S. Department of Veterans Affairs, the  
15 veterans service organizations, and the veterans community in North  
16 Carolina to support and assist North Carolina's veterans in identifying and  
17 obtaining the services, assistance, and support to which they are entitled,  
18 including monitoring efforts to provide services to veterans, newly  
19 separating service members, and their immediate family members and  
20 disseminating relevant materials.
- 21 (6) Monitor and enhance efforts to provide assistance and support for veterans  
22 living in North Carolina and members of the North Carolina National Guard  
23 and North Carolina residents in the Armed Forces Reserves not in active  
24 federal service in the areas of (i) medical care, (ii) mental health and  
25 rehabilitative services, (iii) housing, (iv) homelessness prevention, (v) job  
26 creation, and (vi) education.
- 27 (7) Seek and receive monies from any source, including federal funds, gifts,  
28 grants, and devises, which shall be expended for the purposes designated in  
29 this Article.
- 30 (8) Provide active outreach, coordination, formal training and standards, and  
31 official certification to localities of the State and veterans support  
32 organizations in the development, implementation, and review of local  
33 veterans services programs as part of the State program.
- 34 (9) Work with veterans services organizations and counterparts in other states to  
35 monitor and encourage the timely and accurate processing of veterans'  
36 benefit requests by the U.S. Department of Veterans Affairs, including  
37 requests for service connected to health care, mental health care, and  
38 disability payments.
- 39 (10) Manage and maintain the State's veterans nursing homes and cemeteries and  
40 their associated assets to the standard befitting those who have worn the  
41 uniform of the Armed Forces according to federal guidelines. Plan for  
42 expansion and grow the capacity of these facilities and any new facilities as  
43 required pending the availability of designated funds.
- 44 (11) Manage and maintain the State's Scholarships for Children of Wartime  
45 Veterans in accordance with Part 2 of Article 14 of Chapter 143B of the  
46 General Statutes and in support of the Veterans' Affairs Commission.
- 47 (12) Provide administrative, organizational, and funding support to the NC  
48 Military Affairs Commission and the Governor's Working Group for  
49 Veterans.
- 50 (13) To work with federal officials to obtain additional federal resources and  
51 coordinate veterans policy development and information exchange.

- 1           (14) To work with the appropriate heads of the principal departments to  
2 coordinate working relationships between State agencies and take all actions  
3 necessary to ensure that available federal and State resources are directed  
4 toward assisting veterans and addressing all issues of mutual concern to the  
5 State and the Armed Forces of the United States, including, but not limited  
6 to, quality of life issues unique to North Carolina's military personnel and  
7 their families, the quality of educational opportunities for military children,  
8 the future of federal impact aid, preparedness, public safety and security  
9 concerns, transportation needs, alcoholic beverage law enforcement,  
10 substance abuse, social service needs, possible expansion and growth of  
11 military facilities in the State, and intergovernmental support agreements  
12 with state and local governments.
- 13           (15) To educate the public on veterans and defense issues in coordination with  
14 applicable State agencies.
- 15           (16) To adopt rules and procedures for the implementation of this section.
- 16           (17) To assist veterans, their families, and dependents in the presentation,  
17 processing, proof, and establishment of such claims, privileges, rights, and  
18 benefits as they may be entitled to under federal, State, or local laws, rules,  
19 and regulations.
- 20           (18) To aid persons in active military service and their dependents with problems  
21 arising out of that service that come reasonably within the purview of the  
22 Department's program of assistance.
- 23           (19) To collect data and information as to the facilities and services available to  
24 veterans, their families, and dependents and to cooperate with agencies  
25 furnishing information or services throughout the State in order to inform  
26 such agencies regarding the availability of (i) education, training, and  
27 retraining facilities; (ii) health, medical, rehabilitation, and housing services  
28 and facilities; (iii) employment and reemployment services; (iv) provisions  
29 of federal, State, and local laws, rules, and regulations affording rights,  
30 privileges, and benefits to veterans, their families, and dependents, and in  
31 respect to such other matters of similar, related, or appropriate nature not  
32 herein set out.
- 33           (20) To establish such field offices, facilities, and services throughout the State as  
34 may be necessary to carry out the purposes of this Article.
- 35           (21) To cooperate, as the Department deems appropriate, with governmental,  
36 private, and civic agencies and instrumentalities in securing services or  
37 benefits for veterans, their families, dependents, and beneficiaries.
- 38           (22) To enter into any contract or agreement with any person, business,  
39 governmental agency, or other entity in furtherance of the purposes of this  
40 Article.
- 41           (23) To train, assist, and provide guidance to the employees of any county, city,  
42 town, or Indian tribe who are engaged in veterans service. Authority is  
43 hereby granted to the governing body of any county, city, or town to  
44 appropriate such amounts as it may deem necessary to provide a veterans  
45 service program and the expenditure of such funds is hereby declared to be  
46 for a public purpose; such program shall be operated in affiliation with this  
47 Department as set forth above and in compliance with Department policies  
48 and procedures.

49 **"§ 143B-1212. Personnel of the Department of Military and Veterans Affairs.**

50 Notwithstanding G.S. 114-2.3, the Secretary of Military and Veterans Affairs shall have the  
51 power to appoint all employees, including consultants and legal counsel, necessary to carry out

1 the powers and duties of the office. These employees shall be subject to the North Carolina  
2 Human Resources Act, except that employees in positions designated as exempt under  
3 G.S. 126-5(d)(1) are not subject to the Act, in accordance with the provisions of that section.

4 "**§ 143B-1213. Definitions.**

5 Except where provided otherwise, the following definitions apply in this Chapter:

6 (1) Department. – The Department of Military and Veterans Affairs.

7 (2) Secretary. – The Secretary of Military and Veterans Affairs.

8 (3) Veteran. – One of the following, as applicable:

9 a. For qualifying as a voting member of the State Board of Veterans  
10 Affairs and as the State Director of Veterans Affairs, a person who  
11 served honorably during a period of war as defined in Title 38,  
12 United States Code.

13 b. For entitlement to the services of the Department of Military and  
14 Veterans Affairs, any person who may be entitled to any benefits or  
15 rights under the laws of the United States by reason of service in the  
16 Armed Forces of the United States."

17  
18 **CREATION OF STATUTORY PARTS AND RECODIFICATION AND REPEAL OF**  
19 **AFFECTED STATUTES**

20 **SECTION 24.1.(c)** Veterans' Affairs Commission. – Part 13 of Article 9 of  
21 Chapter 143B of the General Statutes is recodified as Part 2 of Article 14 of Chapter 143B of  
22 the General Statutes and renumbered as G.S. 143B-1220 through G.S. 143B-1222. G.S. 165-19  
23 through G.S. 165-22.1 are recodified under that Part as G.S. 143B-1223 through  
24 G.S. 143B-1227.

25 **SECTION 24.1.(d)** Governor's Jobs for Veterans Committee. – Part 19 of Article 9  
26 of Chapter 143B of the General Statutes is recodified as Part 3 of Article 14 of Chapter 143B of  
27 the General Statutes and renumbered as G.S. 143B-1235 and G.S. 143B-1236.

28 **SECTION 24.1.(e)** Division of Veterans Affairs. – G.S. 165-1 through G.S. 165-4,  
29 G.S. 165-6, 165-8, and 165-10 are repealed. G.S. 165-9, 165-11, and 165-11.1 are recodified  
30 under Part 1 of Article 14 of Chapter 143B of the General Statutes as G.S. 143B-1214 through  
31 G.S. 143B-1216, respectively.

32 **SECTION 24.1.(f)** Minor Veterans and Minor Spouses of Veterans. – Article 2 of  
33 Chapter 165 of the General Statutes is recodified as Part 4 of Article 14 of Chapter 143B of the  
34 General Statutes, G.S. 143B-1240 through G.S. 143B-1244. Article 3 of Chapter 165 of the  
35 General Statutes is recodified as Part 5 of Article 14 of Chapter 143B of the General Statutes,  
36 G.S. 143B-1247 and G.S. 143B-1248.

37 **SECTION 24.1.(g)** Veterans Recreation Authorities Law. – Article 5 of Chapter  
38 165 of the General Statutes is recodified as Part 6 of Article 14 of Chapter 143B of the General  
39 Statutes, G.S. 143B-1250 through G.S. 143B-1265.

40 **SECTION 24.1.(h)** Powers of Attorney. – Article 6 of Chapter 165 of the General  
41 Statutes is recodified as Part 7 of Article 14 of Chapter 143B of the General Statutes,  
42 G.S. 143B-1270 through G.S. 143B-1273.

43 **SECTION 24.1.(i)** Miscellaneous Provisions. – Article 7 of Chapter 165 of the  
44 General Statutes is recodified as Part 8 of Article 14 of Chapter 143B of the General Statutes,  
45 G.S. 143B-1275 through G.S. 143B-1277.

46 **SECTION 24.1.(j)** Employment Assistance. – Article 7A of Chapter 165 of the  
47 General Statutes is recodified as Part 9 of Article 14 of Chapter 143B of the General Statutes,  
48 G.S. 143B-1280 through G.S. 143B-1285.

49 **SECTION 24.1.(k)** State Veterans Home. – Article 8 of Chapter 165 of the  
50 General Statutes is recodified as Part 10 of Article 14 of Chapter 143B of the General Statutes,  
51 G.S. 143B-1290 through G.S. 143B-1300.

1           **SECTION 24.1.(l)** North Carolina Military Affairs Commission. – Chapter 127C  
 2 of the General Statutes is recodified as Part 11 of Article 14 of Chapter 143B of the General  
 3 Statutes, G.S. 143B-1310 through G.S. 143B-1314.

4  
 5 **CONFORMING CHANGES**

6           **SECTION 24.1.(m)** G.S. 20-79.4 reads as rewritten:  
 7 **"§ 20-79.4. Special registration plates.**

8           ...  
 9           (a2) Special Plates Based Upon Military Service. – The ~~Division of Veterans~~  
 10 ~~Affairs~~Department of Military and Veterans Affairs shall be responsible for verifying and  
 11 maintaining all verification documentation for all special plates that are based upon military  
 12 service. The ~~Division~~Department shall not issue a special plate that is based on military service  
 13 unless the application is accompanied by a motor vehicle registration (MVR) verification form  
 14 signed by the ~~Director of the Division of Veterans Affairs,~~Secretary of Military and Veterans  
 15 Affairs, or the ~~Director's~~Secretary's designee, showing that the ~~Division of Veterans Affairs~~  
 16 Department of Military and Veterans Affairs has verified the applicant's credentials and  
 17 qualifications to hold the special plate applied for.

- 18           (1) Unless a qualifying condition exists requiring annual verification, no  
 19 additional verification shall be required to renew a special registration plate  
 20 either in person or through an online service.
- 21           (2) If the ~~Division of Veterans Affairs~~Department of Military and Veterans  
 22 Affairs determines a special registration plate has been issued due to an error  
 23 on the part of the Division of Motor Vehicles, the plate shall be recalled and  
 24 canceled.
- 25           (3) If the ~~Division of Veterans Affairs~~Department of Military and Veterans  
 26 Affairs determines a special registration plate has been issued to an applicant  
 27 who falsified documents or has fraudulently applied for the special  
 28 registration plate, the Division of Motor Vehicles shall revoke the special  
 29 plate and take appropriate enforcement action.

30           ...."  
 31           **SECTION 24.1.(n)** G.S. 20-79.5 reads as rewritten:  
 32 **"§ 20-79.5. Special registration plates for elected and appointed State government**  
 33 **officials.**

34           (a) Plates. – The State government officials listed in this section are eligible for a  
 35 special registration plate under G.S. 20-79.4. The plate shall bear the number designated in the  
 36 following table for the position held by the official.

37           Position	Number on Plate
38           Governor	1
39           Lieutenant Governor	2
40           ...	
41 <u>Secretary of Military and Veterans Affairs</u>	<u>22</u>
42           Governor's Staff	<u>22-23-29</u>

43           ...."  
 44           **SECTION 24.1.(o)** G.S. 47-113.2 reads as rewritten:  
 45 **"§ 47-113.2. Restricting access to military discharge documents.**

- 46           ...  
 47           (b) Definitions:  
 48           (1) Authorized party. – Four categories of authorized parties are recognized with  
 49 respect to access to military discharge documents under subsection (e) of  
 50 this section:

51           ...

- 1 c. Authorized agents of the ~~Division of Veterans Affairs,~~Department of  
2 Military and Veterans Affairs, the United States Department of  
3 Veterans Affairs, the Department of Defense, or a court official with  
4 an interest in assisting the subject or the deceased subject's  
5 beneficiaries to obtain a benefit.

6 ...  
7 (h) The North Carolina Association of Registers of Deeds and the ~~Division of Veterans~~  
8 ~~Affairs~~Department of Military and Veterans Affairs shall adopt ~~before January 1, 2004,~~ such  
9 request forms and associated rules as are required to implement the provisions of this section.  
10 All filing offices shall use the forms and comply with the rules, as adopted.

11 ...."

12 **SECTION 24.1.(p)** G.S. 65-43.4(b) reads as rewritten:

13 "(b) A disinterment may be permitted, at no cost to the State, when the following  
14 conditions are satisfied:

- 15 (1) The disinterment is requested in writing and filed with the Program Director  
16 of the veterans cemeteries, the Assistant Secretary for Veterans Affairs, or  
17 the ~~Division of Veterans Affairs;~~Department of Military and Veterans  
18 Affairs;  
19 (2) The request for disinterment contains the notarized signature of the nearest  
20 of kin, such as surviving spouse. If the spouse is deceased, the signatures of  
21 a majority of the surviving children of legal age will be required;  
22 (3) The funeral director has obtained all necessary permits for disinterment."

23 **SECTION 24.1.(q)** G.S. 65-43.5 reads as rewritten:

24 "**§ 65-43.5. Reinterment.**

25 (a) The remains of a qualified veteran or the remains of an eligible family member may  
26 be moved to a State veterans cemetery for reinterment, at no cost to the State, when the  
27 following conditions are satisfied:

28 ...

- 29 (2) The reinterment is requested in writing and filed with the Program Manager  
30 of veterans cemeteries, the Assistant Secretary for Veterans Affairs, or the  
31 ~~Division of Veterans Affairs;~~ andDepartment of Military and Veterans  
32 Affairs;

33 ...."

34 **SECTION 24.1.(r)** G.S. 93B-15.1(c1) reads as rewritten:

35 "(c1) Each occupational licensing board shall publish a document that lists the specific  
36 criteria or requirements for licensure, registration, or certification by the board, with a  
37 description of the criteria or requirements that are satisfied by military training or experience as  
38 provided in this section, and any necessary documentation needed for obtaining the credit or  
39 satisfying the requirement. The information required by this subsection shall be published on  
40 the occupational licensing board's Web site and the Web site of the ~~North Carolina Division of~~  
41 ~~Veterans Affairs.~~Department of Military and Veterans Affairs."

42 **SECTION 24.1.(s)** G.S. 116-209.23 reads as rewritten:

43 "**§ 116-209.23. Inconsistent laws inapplicable.**

44 Insofar as the provisions of this Article are inconsistent with the provisions of any general  
45 or special laws, or parts thereof, the provisions of this Article shall be controlling, except that  
46 no provision of the 1971 amendments to this Article shall apply to scholarships for children of  
47 war veterans as set forth in ~~Article 4 of Chapter 165,~~Part 2 of Article 14 of Chapter 143B of the  
48 General Statutes, as amended."

49 **SECTION 24.1.(t)** G.S. 116B-7(b) reads as rewritten:

50 "(b) An amount specified in the Current Operations Appropriations Act shall be  
51 transferred annually from the Escheat Fund to the Department of ~~Administration~~Military and

1 Veterans Affairs to partially fund the program of Scholarships for Children of War Veterans  
 2 established by ~~Article 4 of Chapter 165~~ Part 2 of Article 14 of Chapter 143B of the General  
 3 Statutes. Those funds may be used only for residents of this State who (i) are worthy and needy  
 4 as determined by the Department of ~~Administration~~, Military and Veterans Affairs and (ii) are  
 5 enrolled in public institutions of higher education of this State."

6 **SECTION 24.1.(u)** G.S. 126-2(b1)(5) reads as rewritten:

7 "(b1) The Commission shall consist of nine members, appointed as follows:

8 ...

9 (5) One member who is a veteran of the Armed Forces of the United States  
 10 appointed by the Governor upon the nomination of the ~~Veterans~~ Veterans'  
 11 Affairs Commission and who is a State employee subject to this Chapter  
 12 serving in a nonexempt supervisory position. The member may not be a  
 13 human resources professional."

14 **SECTION 24.1.(v)** G.S. 126-5(d)(1) is amended by adding a new sub-subdivision

15 to read:

- 16 "(d) (1) Exempt Positions in Cabinet Department. – Subject to the provisions of this  
 17 Chapter, which is known as the North Carolina Human Resources Act, the  
 18 Governor may designate a total of 1,500 exempt positions throughout the  
 19 following departments and offices:  
 20 a. Department of Administration.  
 21 b. Department of Commerce.  
 22 c. Repealed by Session Laws 2012-83, s. 7, effective June 26, 2012,  
 23 and by Session Laws 2012-142, s. 25.2E(a), effective January 1,  
 24 2013.  
 25 d. Department of Public Safety.  
 26 e. Department of Cultural Resources.  
 27 f. Department of Health and Human Services.  
 28 g. Department of Environment and Natural Resources.  
 29 h. Department of Revenue.  
 30 i. Department of Transportation.  
 31 j. Repealed by Session Laws 2012-83, s. 7, effective June 26, 2012,  
 32 and by Session Laws 2012-142, s. 25.2E(a), effective January 1,  
 33 2013.  
 34 k. Office of Information Technology Services.  
 35 l. Office of State Budget and Management.  
 36 m. Office of State Human Resources.  
 37 n. Department of Military and Veterans Affairs."

38 **SECTION 24.1.(w)** G.S. 127C-1, as recodified by subsection (l) of this section,  
 39 reads as rewritten:

40 "**§ 143B-1310. Commission established; purpose; transaction of business.**

41 (a) Establishment. – There is established the North Carolina Military Affairs  
 42 Commission. The Commission shall be established within the ~~Office of the Governor~~. ~~The~~  
 43 ~~Department of Commerce is responsible for organizational, budgetary, and administrative~~  
 44 ~~purposes.~~ Department of Military and Veterans Affairs.

45 (b) Purpose. – The Commission shall provide advice, counsel, and recommendations to  
 46 ~~the Governor~~, the General Assembly, the Secretary of ~~Commerce~~, Military and Veterans  
 47 Affairs, and other State agencies on initiatives, programs, and legislation that will continue and  
 48 increase the role that North Carolina's military installations, the National Guard, and Reserves  
 49 play in America's defense strategy and the economic health and vitality of the State. The  
 50 Commission is authorized ~~to~~ to do all of the following, as delegated by the Secretary of  
 51 Military and Veterans Affairs:

1 ...  
2 (c) Transaction of Business. – The Commission shall meet, at a minimum, at least once  
3 during each quarter and shall provide a report on military affairs to the ~~Governor~~ Secretary of  
4 Military and Veterans Affairs and to the General Assembly at least every six months. Prior to  
5 the start of a Regular Session of the General Assembly, the Commission shall report to the  
6 General Assembly with recommendations, if any, for legislation. Priority actions or issues may  
7 be submitted at any time.

8 ...."

9 **SECTION 24.1.(x)** G.S. 127C-2(h), as recodified by subsection (l) of this section,  
10 reads as rewritten:

11 "(h) The initial meeting of the Commission shall be within 30 days of the effective date  
12 of this act at a time and place to be determined by the Secretary of Commerce. The first order  
13 of business at the initial meeting of the Commission shall be the adoption of bylaws and  
14 establishment of committees, after which the Commission shall meet upon the call of the  
15 ~~Chairman or the Military Advisor within the Office of the Governor or the Secretary of the~~  
16 Department of Military and Veterans Affairs. The members shall receive no compensation for  
17 attendance at meetings, except a per diem expense reimbursement. Members of the  
18 Commission who are not officers or employees of the State shall receive reimbursement for  
19 subsistence and travel expenses at rates set out in G.S. 138-5 from funds made available to the  
20 Commission. Members of the Commission who are officers or employees of the State shall be  
21 reimbursed for travel and subsistence at the rates set out in G.S. 138-6 from funds made  
22 available to the Commission. The Department of ~~Commerce~~ Military and Veterans Affairs  
23 shall use funds within its budget for the per diem, subsistence, and travel expenses authorized  
24 by this subsection."

25 **SECTION 24.1.(y)** G.S. 127C-3, as recodified by subsection (l) of this section, is  
26 repealed.

27 **SECTION 24.1.(z)** G.S. 127C-5, as recodified by subsection (l) of this section,  
28 reads as rewritten:

29 "**§ 143B-1314. Protection of sensitive documents.**

30 (a) In carrying out any purpose set out in ~~G.S. 127C-1(b)~~, G.S. 143B-1310(b), the  
31 Commission and the Department of ~~Commerce~~ Military and Veterans Affairs may share  
32 documents and discussions protected from disclosure under G.S. 132-1.2 and G.S. 143-318.11  
33 with other public bodies. Any information shared under this subsection shall be confidential  
34 and exempt from Chapter 132 of the General Statutes to the same extent that it is confidential  
35 in the possession of the Commission or the Department.

36 (b) In carrying out any purpose set out in ~~G.S. 127C-1(b)~~, G.S. 143B-1310(b), the  
37 Commission and the Department of ~~Commerce~~ Military and Veterans Affairs may share  
38 documents and discussions protected from disclosure under G.S. 132-1.2 and G.S. 143-318.11  
39 with any third party in its discretion. Any information shared under this subsection shall be  
40 shared under an agreement to keep the information confidential to the same extent that it is  
41 confidential in the possession of the Commission or the Department."

42 **SECTION 24.1.(aa)** G.S. 143B-6 is amended by adding a new subdivision to read:

43 "**§ 143B-6. Principal departments.**

44 In addition to the principal departments enumerated in the Executive Organization Act of  
45 1971, all executive and administrative powers, duties, and functions not including those of the  
46 General Assembly and its agencies, the General Court of Justice and the administrative  
47 agencies created pursuant to Article IV of the Constitution of North Carolina, and higher  
48 education previously vested by law in the several State agencies, are vested in the following  
49 principal departments:

50 ...

51 (12) Department of Military and Veterans Affairs."

1           **SECTION 24.1.(bb)** G.S. 143B-399, as recodified and renumbered by subsection  
2 (c) of this section, reads as rewritten:

3 **"§ 143B-1220. Veterans' Affairs Commission – creation, powers and duties.**

4           There is hereby created the Veterans' Affairs Commission of the Department of ~~o~~  
5 ~~Administration of Military and Veterans Affairs.~~ The Veterans' Affairs Commission shall have  
6 the following functions and ~~duties;~~duties, as delegated by the Secretary of Military and  
7 Veterans Affairs:

- 8           (1) To advise the ~~Governor~~Secretary of Military and Veterans Affairs on  
9 matters relating to the affairs of veterans in North Carolina;
- 10           (2) To maintain a continuing review of the operation and budgeting of existing  
11 programs for veterans and their dependents in the State and to make any  
12 recommendations to the ~~Governor~~Secretary of Military and Veterans  
13 Affairs for improvements and additions to such matters to which the  
14 ~~Governor~~Secretary shall give due consideration;
- 15           ~~(3) To serve collectively as a liaison between the Division of Veterans Affairs~~  
16 ~~and the veterans organizations represented on the Commission;~~
- 17           (4) To promulgate rules and regulations concerning the awarding of  
18 scholarships for children of North Carolina veterans as provided by ~~Article 4~~  
19 ~~of Chapter 165 of the General Statutes of North Carolina;~~this Article. The  
20 Commission shall make rules and regulations consistent with the provisions  
21 of this ~~Chapter.~~Article. All rules and regulations not inconsistent with the  
22 provisions of this Chapter heretofore adopted by the State Board of Veterans'  
23 Affairs shall remain in full force and effect unless and until repealed or  
24 superseded by action of the ~~Veterans~~Veterans' Affairs Commission. All  
25 rules and regulations adopted by the Commission shall be enforced by the  
26 ~~Division of Veterans' Affairs;~~Department of Military and Veterans Affairs;
- 27           (4a) To promulgate rules concerning the awarding of the North Carolina Services  
28 Medal to all veterans who have served in any period of war as defined in 38  
29 U.S.C. § 101. The award shall be self-financing; those who wish to be  
30 awarded the medal shall pay a fee to cover the expenses of producing the  
31 medal and awarding the medal. All rules adopted by the Commission with  
32 respect to the North Carolina Services Medal shall be implemented and  
33 enforced by the ~~Division of Veterans' Affairs;~~Department of Military and  
34 Veterans Affairs; and
- 35           (5) To advise the ~~Governor~~Secretary on any matter the ~~Governor~~Secretary may  
36 refer to it."

37           **SECTION 24.1.(cc)** G.S. 143B-400, as recodified and renumbered by subsection  
38 (c) of this section, reads as rewritten:

39 **"§ 143B-1221. Veterans' Affairs Commission – members; selection; quorum;**  
40 **compensation.**

41           The Veterans' Affairs Commission of the Department of ~~Administration~~Military and  
42 Veterans Affairs shall consist of one voting member from each congressional district, all of  
43 whom shall be veterans, appointed by the Governor for four-year terms. In making these  
44 appointments, the Governor shall insure that both major political parties will be continuously  
45 represented on the Veterans' Affairs Commission.

46           The initial members of the Commission shall be the appointed members of the current  
47 Veterans' Affairs Commission who shall serve for the remainder of their current terms and six  
48 additional members appointed by the Governor for terms expiring June 30, 1981. Thereafter, all  
49 members shall be appointed for terms of four years. Any appointment to fill a vacancy on the  
50 Commission created by the resignation, dismissal, death or disability of a member shall be for

1 the balance of the unexpired term. The Governor shall have the power to remove any member  
2 of the Commission in accordance with provisions of G.S. 143B-13.

3 In the event that more than 11 congressional districts are established in the State, the  
4 Governor shall on July 1 following the establishment of such additional congressional districts  
5 appoint a member of the Commission from that congressional district. If on July 1, 1977, or at  
6 any time thereafter due to congressional redistricting, two or more members of the Veterans'  
7 Affairs Commission shall reside in the same congressional district then such members shall  
8 continue to serve as members of the Commission for a period equal to the remainder of their  
9 current terms on the Commission provided that upon the expiration of said term or terms the  
10 Governor shall fill such vacancy or vacancies in such a manner as to insure that as  
11 expeditiously as possible there is one member of the Veterans' Affairs Commission who is a  
12 resident of each congressional district in the State.

13 The Governor shall designate from the membership of the Commission a chairman and  
14 vice-chairman of the Commission who shall serve at the pleasure of the Governor. The  
15 Secretary of the Department of ~~Administration~~ Military and Veterans Affairs or his designee  
16 shall serve as secretary of the Commission.

17 Members of the Commission shall receive per diem and necessary travel and subsistence  
18 expenses in accordance with provisions of G.S. 138-5.

19 A majority of the Commission shall constitute a quorum for the transaction of business.

20 The Veterans' Affairs Commission shall meet at least twice a year and may hold special  
21 meetings at any time or place within the State at the call of the chairman, at the call of the  
22 Secretary of the Department of ~~Administration~~ Military and Veterans Affairs or upon the  
23 written request of at least six members.

24 All clerical and other services required by the Commission shall be provided by the  
25 Secretary of the Department of ~~Administration~~ Military and Veterans Affairs."

26 **SECTION 24.1.(dd)** G.S. 143B-420, as recodified by subsection (d) of this  
27 section, reads as rewritten:

28 "**§ 143B-1235. Governor's Jobs for Veterans Committee – creation; appointment,**  
29 **organization, etc.; duties.**

30 (a) There is hereby created and established in the North Carolina Department of  
31 ~~Administration, Division of Veterans Affairs,~~ Military and Veterans Affairs, a committee to be  
32 known as the Governor's Jobs for Veterans Committee, with one member from each  
33 Congressional district, appointed by the Governor. Members of the Committee shall serve at  
34 the pleasure of the Governor. The Secretary of ~~Administration,~~ Military and Veterans Affairs  
35 with the concurrence of the Governor, shall appoint a chairman to administer this Committee  
36 who shall be subject to the direction and supervision of the Secretary. The chairman shall serve  
37 at the pleasure of the Secretary. The chairman shall devote full time to his duties of office.

38 (b) ~~Subject to the general supervision of the Secretary, the~~ The duties of the chairman  
39 shall include but not be limited to the ~~following:~~ following, as delegated by the Secretary of  
40 Military and Veterans Affairs:

- 41 (1) Serving as a liaison between the Office of the Governor and all State  
42 agencies to insure that veterans receive the employment preference to which  
43 they are legally entitled and that such State agencies list available jobs with  
44 appropriate public employment services;
- 45 (2) Evaluating existing programs designed to benefit veterans and submitting  
46 reports and recommendations to the Governor and Secretary;
- 47 (3) Developing and furthering favorable employer attitudes toward the  
48 employment of veterans by appropriate promulgation of information  
49 concerning veterans and the functions of the Committee;

- 1 (4) Serving as a liaison between the Committee and communities throughout the  
2 State to the end that civic committees and volunteer groups are formed and  
3 utilized to promote the objectives of the Committee;
- 4 (5) Assisting employers in properly designing affirmative action plans as they  
5 relate to handicapped and Vietnam-era veterans;
- 6 (6) Serving as a liaison between veterans and State agencies on questions  
7 regarding the employment practices of such State agencies."

8 **SECTION 24.1.(ee)** G.S. 161-10.1 reads as rewritten:

9 **"§ 161-10.1. Exemption of Armed Forces discharge documents and certain other records  
10 needed in support of claims for veterans' benefits.**

11 Any schedule of fees which is now or may be prescribed in Chapter 161 of the General  
12 Statutes or in G.S. 161-10 shall not apply to nor shall the same repeal any of the provisions of  
13 Article 5 of Chapter 47 of the General Statutes. Any schedule of fees which is now or may be  
14 hereafter prescribed in Chapter 161 of the General Statutes or as may appear in G.S. 161-10  
15 shall not apply to nor shall the same repeal any of the provisions of  
16 ~~G.S. 165-11~~ G.S. 143B-1215."

17 **SECTION 24.1.(ff)** G.S. 165-11, as recodified by subsection (e) of this section,  
18 reads as rewritten:

19 **"§ 143B-1215. Copies of records to be furnished to the Department of  
20 Administration-Military and Veterans Affairs.**

21 (a) Whenever copies of any State and local public records are requested by a  
22 representative of the Department of ~~Administration-Military and Veterans Affairs~~ in assisting  
23 persons in obtaining any federal, State, local or privately provided benefits relating to veterans  
24 and their beneficiaries, the official charged with the custody of any such records shall without  
25 charge furnish said representative with the requested number of certified copies of such  
26 records; provided, that this section shall not apply to the disclosure of information in certain  
27 privileged and confidential records referred to elsewhere in the General Statutes of North  
28 Carolina, which information shall continue to be disclosed in the manner prescribed by the  
29 statute relating thereto.

30 (b) No official chargeable with the collection of any fee or charge under the laws of the  
31 State of North Carolina in connection with his official duties shall be held accountable on his  
32 official bond or otherwise for any fee or charge remitted pursuant to the provisions of this  
33 section."

34 **SECTION 24.1.(gg)** G.S. 165-11.1, as recodified by subsection (e) of this section,  
35 reads as rewritten:

36 **"§ 143B-1216. Confidentiality of ~~Veterans Affairs~~Department of Military and Veterans  
37 Affairs records.**

38 Notwithstanding any other provisions of Chapter 143B, no records of the ~~Division of~~  
39 ~~Veterans Affairs in the Department of Administration~~Department of Military and Veterans  
40 Affairs shall be disclosed or used for any purpose except for official purposes, and no records  
41 shall be disclosed, destroyed or used in any manner which is in violation of any existing federal  
42 law or regulation. Nothing in this Chapter shall convert records which are the property of the  
43 federal government into State property."

44 **SECTION 24.1.(hh)** G.S. 165-20, as recodified by subsection (c) of this section,  
45 reads as rewritten:

46 **"§ 143B-1224. Definitions.**

47 As used in this Article the terms defined in this section shall have the following meaning:

48 ...

- 49 (3) "Child" means a person: (i) under 25 years of age at the time of application  
50 for a scholarship, (ii) who is a domiciliary of North Carolina and is a  
51 resident of North Carolina when applying for a scholarship, (iii) who has

completed high school or its equivalent prior to receipt of a scholarship awarded under this Article, (iv) who has complied with the requirements of the Selective Service System, if applicable, and (v) who further meets one of the following requirements:

- a. A person whose veteran parent was a legal resident of North Carolina at the time of said veteran's entrance into that period of service in the Armed Forces during which eligibility is established under ~~G.S. 165-22.1~~G.S. 143B-1226.
- b. A veteran's child who was born in North Carolina and has been a resident of North Carolina continuously since birth. Provided, that the requirement in the preceding sentence as to birth in North Carolina may be waived by the Department of ~~Administration~~ Military and Veterans Affairs if it is shown to the satisfaction of the Department that the child's mother was a native-born resident of North Carolina and was such resident at the time of her marriage to the veteran and was outside the State temporarily at the time of the child's birth, following which the child was returned to North Carolina within a reasonable period of time where said child has since lived continuously.
- c. A person meeting either of the requirements set forth in subdivision (3) a or b above, and who was legally adopted by the veteran prior to said person's reaching the age of 15 years.

...

(5) "Private educational institution" means any junior college, senior college or university which is operated and governed by private interests not under the control of the federal, State or any local government, which is located within the State of North Carolina, which does not operate for profit, whose curriculum is primarily directed toward the awarding of associate, baccalaureate or graduate degrees, which agrees to the applicable administration and funding provisions of ~~G.S. 165-22.1~~G.S. 143B-1227, of this Article, and which is otherwise approved by the State Board of Veterans Affairs.

...."

**SECTION 24.1.(ii)** G.S. 165-21, as recodified by subsection (c) of this section, reads as rewritten:

**"§ 143B-1225. Scholarship.**

(a) A scholarship granted pursuant to this Article shall consist of the following benefits in either a State or private educational institution:

...

(2) With respect to private educational institutions, a scholarship shall consist of a monetary allowance as prescribed in ~~G.S. 165-22.1(d)~~G.S. 143B-1227(d).

...."

**SECTION 24.1.(jj)** G.S. 165-22, as recodified by subsection (c) of this section, reads as rewritten:

**"§ 143B-1226. Classes or categories of eligibility under which scholarships may be awarded.**

A child, as defined in this Article, who falls within the provisions of any eligibility class described below shall, upon proper application be considered for a scholarship, subject to the provisions and limitations set forth for the class under which the child is considered:

...

1 (2) Class I-B: Under this class a limited scholarship providing only those  
 2 benefits set forth in ~~G.S. 165-21(1)a and d and 165-21(2) of this~~  
 3 ~~Article, G.S. 143B-1225(a)(1)a. and d. and G.S. 143B-1225(a)(2)~~ shall be  
 4 awarded to any child whose veteran parent, at the time the benefits pursuant  
 5 to this Article are sought to be availed of, is or was at the time of his death  
 6 receiving compensation for a wartime service-connected disability of one  
 7 hundred percent (100%) as rated by the United States Department of  
 8 Veterans Affairs. Provided, that if the veteran parent of a recipient under this  
 9 class should die of his wartime service-connected condition before the  
 10 recipient shall have utilized all of his scholarship eligibility time, then the  
 11 North Carolina Department of ~~Administration~~ Military and Veterans Affairs  
 12 shall amend the recipient's award from Class I-B to Class I-A for the  
 13 remainder of the recipient's eligibility time. The effective date of such an  
 14 amended award shall be determined by the Department of  
 15 ~~Administration, Military and Veterans Affairs~~ but, in no event shall it predate  
 16 the date of the veteran parent's death.

17 ...  
 18 (4) Class III: Under this class a scholarship may be awarded to not more than  
 19 100 children yearly, each of whose veteran parent, at the time the benefits  
 20 pursuant to this Article are sought to be availed of:  
 21 a. Is or was at the time of his death drawing pension for permanent and  
 22 total disability, nonservice-connected, as rated by the United States  
 23 Department of Veterans Affairs.  
 24 b. Is deceased and who does not fall within the provisions of any other  
 25 eligibility class described in ~~G.S. 165-22(1), G.S. 143B-1226(1), (2),~~  
 26 ~~(3), (4)a., nor (5).~~  
 27 c. Served in a combat zone, or waters adjacent to a combat zone, or any  
 28 other campaign, expedition, or engagement for which the United  
 29 States Department of Defense authorizes a campaign badge or medal,  
 30 who does not fall within the provisions of any other class described  
 31 in ~~G.S. 165-22(1), G.S. 143B-1226(1), (2), (3), (4)a., or (5).~~  
 32 (5) Class IV: Under this class a scholarship as defined in  
 33 ~~G.S. 165-21~~ G.S. 143B-1225 shall be awarded to any child whose parent,  
 34 while serving honorably as a member of the Armed Forces in active federal  
 35 service during a period of war, as defined in  
 36 ~~G.S. 165-20(4), G.S. 143B-1224(4),~~ was listed by the United States  
 37 government as (i) missing in action, (ii) captured in line of duty by a hostile  
 38 force, or (iii) forcibly detained or interned in line of duty by a foreign  
 39 government or power."

40 **SECTION 24.1.(kk)** G.S. 165-22.1, as recodified by subsection (c) of this section,  
 41 reads as rewritten:

42 "**§ 143B-1227. Administration and funding.**

43 (a) The administration of the scholarship program shall be vested in the Department of  
 44 ~~Administration, Military and Veterans Affairs,~~ and the disbursing and accounting activities  
 45 required shall be a responsibility of the Department of ~~Administration, Military and Veterans~~  
 46 ~~Affairs.~~ The ~~Veterans—Veterans'~~ Veterans' Affairs Commission shall determine the eligibility of  
 47 applicants, select the scholarship recipients, establish the effective date of scholarships, and  
 48 may suspend or revoke scholarships if the ~~said Veterans—Veterans'~~ Veterans' Affairs Commission finds  
 49 that the recipient does not comply with the registration requirements of the Selective Service  
 50 System or does not maintain an adequate academic status, or if the recipient engages in riots,  
 51 unlawful demonstrations, the seizure of educational buildings, or otherwise engages in

1 disorderly conduct, breaches of the peace or unlawful assemblies. The Department of  
2 ~~Administration-Military and Veterans Affairs~~ shall maintain the primary and necessary records,  
3 and the ~~Veterans-Veterans'~~ Veterans' Affairs Commission shall promulgate such rules and regulations not  
4 inconsistent with the other provisions of this Article as it deems necessary for the orderly  
5 administration of the program. It may require of State or private educational institutions, as  
6 defined in this Article, such reports and other information as it may need to carry out the  
7 provisions of this Article. The Department of ~~Administration-Military and Veterans Affairs~~  
8 shall disburse scholarship payments for recipients certified eligible by the Department of  
9 ~~Administration-Military and Veterans Affairs~~ upon certification of enrollment by the enrolling  
10 institution.

11 (b) Funds for the support of this program shall be appropriated to the Department of  
12 ~~Administration-Military and Veterans Affairs~~ as a reserve for payment of the allocable costs for  
13 room, board, tuition, and other charges, and shall be placed in a separate budget code from  
14 which disbursements shall be made. Funds to support the program shall be supported by  
15 receipts from the Escheat Fund, as provided by G.S. 116B-7, but those funds may be used only  
16 for worthy and needy residents of this State who are enrolled in public institutions of higher  
17 education of this State. In the event the said appropriation for any year is insufficient to pay the  
18 full amounts allocable under the provisions of this Article, such supplemental sums as may be  
19 necessary shall be allocated from the Contingency and Emergency Fund. The method of  
20 disbursing and accounting for funds allocated for payments under the provisions of this section  
21 shall be in accordance with those standards and procedures prescribed by the Director of the  
22 Budget, pursuant to the ~~Executive Budget Act~~.State Budget Act.

23 (c) Allowances for room and board in State educational institutions shall be at such rate  
24 as established by the Secretary of the Department of ~~Administration-Military and Veterans~~  
25 Affairs.

26 (d) Scholarship recipients electing to attend a private educational institution shall be  
27 granted a monetary allowance for each term or other academic period attended under their  
28 respective scholarship awards. All recipients under Class I-B scholarship shall receive an  
29 allowance at one rate, irrespective of course or institution; all recipients under Classes I-A, II,  
30 III and IV shall receive a uniform allowance at a rate higher than for Class I-B, irrespective of  
31 course or institution. The amount of said allowances shall be determined by the Director of the  
32 Budget and made known prior to the beginning of each fall quarter or semester; provided that  
33 the Director of the Budget may change the allowances at intermediate periods when in his  
34 judgment such changes are necessary. Disbursements by the State shall be to the private  
35 institution concerned, for credit to the account of each recipient attending said institution. The  
36 manner of payment to any private institution shall be as prescribed by the Department of  
37 ~~Administration-Military and Veterans Affairs~~. The participation by any private institution in the  
38 program shall be subject to the applicable provisions of this Article and to examination by State  
39 auditors of the accounts of scholarship recipients attending or having attended private  
40 institutions. The ~~Veterans-Veterans'~~ Veterans' Affairs Commission may defer making an award or may  
41 suspend an award in any private institution which does not comply with the provisions of this  
42 Article relating to said institutions.

43 (e) Irrespective of other provisions of this Article, the ~~Veterans-Veterans'~~ Veterans' Affairs  
44 Commission may prescribe special procedures for adjusting the accounts of scholarship  
45 recipients who for reasons of illness, physical inability to attend class or for other valid reason  
46 satisfactory to the ~~Veterans-Veterans'~~ Veterans' Affairs Commission may withdraw from State or private  
47 educational institutions prior to the completion of the term, semester, quarter or other academic  
48 period being attended at the time of withdrawal. Such procedures may include, but shall not be  
49 limited to, paying the recipient the dollar value of his unused entitlements for the academic  
50 period being attended, with a corresponding deduction of this period from his remaining  
51 scholarship eligibility time."

1           **SECTION 24.1.(ll)** G.S. 165-44.5, as recodified by subsection (j) of this section,  
2 reads as rewritten:

3 **"§ 143B-1284. Priority employment assistance directed.**

4       All covered service providers, as specified in ~~G.S. 165-44.4~~, G.S. 143B-1283, shall establish  
5 procedures to provide veterans with priority, not inconsistent with existing federal or State law,  
6 to participate in employment and job training assistance programs."

7           **SECTION 24.1.(mm)** G.S. 165-44.6, as recodified by subsection (j) of this section,  
8 reads as rewritten:

9 **"§ 143B-1285. Implementation and performance measures.**

10       The North Carolina Commission on Workforce Preparedness shall:

- 11           (1) Issue implementing directives that shall apply to all covered service  
12 providers as specified in ~~G.S. 165-44.4~~, G.S. 143B-1283, and revise those  
13 directives as necessary to accomplish the purpose of this Article.
- 14           (2) Develop measures of service for veterans that will serve as indicators of  
15 compliance with the provisions of this Article by all covered service  
16 providers.
- 17           (3) Annually publish and submit to the Joint Legislative Commission on  
18 Governmental Operations, beginning not later than October 1, 1998, a report  
19 detailing covered providers' compliance with the provisions of this Article."

20           **SECTION 24.1.(nn)** G.S. 165-46, as recodified by subsection (k) of this section,  
21 reads as rewritten:

22 **"§ 143B-1291. Establishment.**

23       The State of North Carolina shall construct, maintain, and operate veterans homes for the  
24 aged and infirm veterans resident in this State under the administrative authority and control of  
25 the ~~Division of Veterans Affairs of the Department of Administration~~ Department of Military  
26 and Veterans Affairs. There is vested in such ~~Division~~ Department any and all powers and  
27 authority that may be necessary to enable it to establish and operate the homes and to issue  
28 rules necessary to operate the homes in compliance with applicable State and federal statutes  
29 and regulations."

30           **SECTION 24.1.(oo)** G.S. 165-47, as recodified by subsection (k) of this section,  
31 reads as rewritten:

32 **"§ 143B-1292. Exemption from certificate of need.**

33       Any state veterans home established by the ~~Division of Veterans Affairs~~ Department of  
34 Military and Veterans Affairs shall be exempt from the certificate of need requirements as set  
35 out in Article 9 of Chapter 131E, or as may be hereinafter enacted."

36           **SECTION 24.1.(pp)** G.S. 165-48, as recodified by subsection (k) of this section,  
37 reads as rewritten:

38 **"§ 143B-1293. North Carolina Veterans Home Trust Fund.**

39       (a) Establishment. – A trust fund shall be established in the State treasury, for the  
40 ~~Division of Veterans Affairs~~, Department of Military and Veterans Affairs, to be known as the  
41 North Carolina Veterans Home Trust Fund.

42       (b) Composition. – The trust fund shall consist of all funds and monies received by the  
43 ~~Veterans' Affairs Commission or the Division of Veterans Affairs~~ from the United  
44 States, any federal agency or institution, and any other source, whether as a grant,  
45 appropriation, gift, contribution, devise, or individual reimbursement, for the care and support  
46 of veterans who have been admitted to a State veterans home.

47       (c) Use of Fund. – The trust fund created in subsection (a) of this section shall be used  
48 by the ~~Division of Veterans Affairs~~ Department of Military and Veterans Affairs to do the  
49 following:

- 50           (1) To pay for the care of veterans in said State veterans homes;

- 1 (2) To pay the general operating expenses of the State veterans homes, including  
2 the payment of salaries and wages of officials and employees of said homes;  
3 and  
4 (3) To remodel, repair, construct, modernize, or add improvements to buildings  
5 and facilities at the homes.
- 6 (d) Miscellaneous. – The following provisions apply to the trust fund created in  
7 subsection (a) of this section:
- 8 (1) All funds deposited and all income earned on the investment or reinvestment  
9 of such funds shall be credited to the trust fund.
- 10 (2) Any monies remaining in the trust fund at the end of each fiscal year shall  
11 remain on deposit in the State treasury to the credit of the North Carolina  
12 Veterans Home Trust Fund.
- 13 (3) Nothing contained herein shall prohibit the establishment and utilization of  
14 special agency accounts by the ~~Division of Veterans Affairs, as may be~~  
15 ~~approved by the Veterans' Affairs Commission,~~ for the receipt and  
16 disbursement of personal funds of the State veterans homes' residents or for  
17 receipt and disbursement of charitable contributions for use by and for  
18 residents."

19 **SECTION 24.1.(qq)** G.S. 165-49, as recodified by subsection (k) of this section,  
20 reads as rewritten:

21 "**§ 143B-1294. Funding.**

22 (a) The ~~Division of Veterans Affairs of the Department of Administration~~Department  
23 of Military and Veterans Affairs may apply for and receive federal aid and assistance from the  
24 United States Department of Veterans Affairs or any other agency of the United States  
25 Government authorized to pay federal aid to states for the construction and acquisition of  
26 veterans homes under Title 38, United States Code, section 8131 et seq., or for the care or  
27 support of disabled veterans in State veterans homes under Title 38, United States Code,  
28 section 1741 et seq., or from any other federal law for said purposes.

29 (b) The ~~Division of Veterans Affairs~~Department may receive from any source any gift,  
30 contribution, devise, or individual reimbursement, the receipt of which does not exclude any  
31 other source of revenue.

32 (c) All funds received by the ~~Division~~Department shall be deposited in the North  
33 Carolina Veterans Home Trust Fund, except for any funds deposited into special agency  
34 accounts established pursuant to ~~G.S. 165-48(d)(3).~~G.S. 143B-1293(d)(3). The ~~Veterans~~  
35 Veterans' Affairs Commission shall authorize the expenditure of all funds from the North  
36 Carolina Veterans Home Trust Fund. The ~~Veterans~~Veterans' Affairs Commission may delegate  
37 authority to the Assistant Secretary of Veterans Affairs for the expenditure of funds from the  
38 North Carolina Veterans Home Trust Fund for operations of the State Veterans Nursing  
39 Homes."

40 **SECTION 24.1.(rr)** G.S. 165-50, as recodified by subsection (k) of this section,  
41 reads as rewritten:

42 "**§ 143B-1295. Contracted operation of homes.**

43 The ~~Veterans~~Veterans' Affairs Commission may contract with persons or other  
44 nongovernmental entities to operate each State veterans home. Contracts for the procurement of  
45 services to manage, administer, and operate any State veterans home shall be awarded on a  
46 competitive basis through the solicitation of proposals and through the procedures established  
47 by statute and the Division of Purchase and Contract. A contract may be awarded to the vendor  
48 whose proposal is most advantageous to the State, taking into consideration cost, program  
49 suitability, management plan, excellence of program design, key personnel, corporate or  
50 company resources, financial condition of the vendor, experience and past performance, and  
51 any other qualities deemed necessary by the ~~Veterans~~Veterans' Affairs Commission and set out

1 in the solicitation for proposals. Any contract awarded under this section shall not exceed five  
2 years in length. The ~~Veterans~~Veterans' Affairs Commission is not required to select or  
3 recommend the vendor offering the lowest cost proposal but shall select or recommend the  
4 vendor who, in the opinion of the Commission, offers the proposal most advantageous to the  
5 veterans and the State of North Carolina."

6 **SECTION 24.1.(ss)** G.S. 165-51, as recodified by subsection (k) of this section,  
7 reads as rewritten:

8 **"§ 143B-1296. Program staff.**

9 The ~~Division~~Department shall appoint and fix the salary of an Administrative Officer for  
10 the State veterans home program. The Administrative Officer shall be an honorably discharged  
11 veteran who has served in active military service in the Armed Forces of the United States for  
12 other than training purposes. The Administrative Officer shall direct the establishment of the  
13 State veterans home program, coordinate the master planning, land acquisition, and  
14 construction of all State veterans homes under the procedures of the Office of State  
15 Construction, and oversee the ongoing operation of said veterans homes. The Division may hire  
16 any required additional administrative staff to help with administrative and operational  
17 responsibilities at each established State veterans home."

18 **SECTION 24.1.(tt)** G.S. 165-52, as recodified by subsection (k) of this section,  
19 reads as rewritten:

20 **"§ 143B-1297. Admission and dismissal authority.**

21 The ~~Veterans~~Veterans' Affairs Commission shall have authority to determine  
22 administrative standards for admission and dismissal, as well as the medical conditions, of all  
23 persons admitted to and dismissed from any State veterans home, and to issue any necessary  
24 rules, subject to the requirements set out in ~~G.S. 165-53~~G.S. 143B-1298."

25 **SECTION 24.1.(uu)** G.S. 165-54, as recodified by subsection (k) of this section,  
26 reads as rewritten:

27 **"§ 143B-1299. Deposit required.**

28 Each resident of any State veterans home shall pay to the ~~Division of Veterans~~  
29 Department of Military and Veterans Affairs the cost of maintaining his or her residence  
30 at the home. This deposit shall be placed in the North Carolina Veterans Home Trust Fund and  
31 shall be in an amount and in the form prescribed by the ~~Veterans~~Veterans' Affairs Commission  
32 in consultation with the Assistant Secretary for Veterans Affairs."

33 **SECTION 24.1.(vv)** G.S. 165-55, as recodified by subsection (k) of this section,  
34 reads as rewritten:

35 **"§ 143B-100. Report and budget.**

36 (a) The Assistant Secretary for Veterans Affairs shall report annually to the Secretary of  
37 the Department of ~~Administration~~Military and Veterans Affairs on the activities of the State  
38 Veterans Homes Program. This report shall contain an accounting of all monies received and  
39 expended, statistics on residents in the homes during the year, recommendations to the  
40 Secretary, the Governor, and the General Assembly as to the program, and such other matters  
41 as may be deemed pertinent.

42 (b) The Assistant Secretary for Veterans Affairs, with the approval of the ~~Veterans~~  
43 Veterans' Affairs Commission, shall compile an annual budget request for any State funding  
44 needed for the anticipated costs of the homes, which shall be submitted to the Secretary of the  
45 Department of ~~Administration~~Military and Veterans Affairs. State appropriated funds for  
46 operational needs shall be made available only in the event that other sources are insufficient to  
47 cover essential operating costs."

48 **SECTION 24.1.(ww)** This section becomes effective on January 1, 2016.

49  
50 **PART XXV. OFFICE OF THE STATE AUDITOR**  
51

**STOP FRAUD AND ABUSE OF TAXPAYER DOLLARS**

**SECTION 25.1.(a)** G.S. 143-746 reads as rewritten:

**"§ 143-746. Internal auditing required.**

...

(e) Insufficient Personnel. – If a State agency has insufficient personnel to comply with this section, the Office of State Budget and Management shall provide technical assistance.

(f) Reporting Fraudulent Activity. – If an internal audit conducted pursuant to this section results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State agency, the internal auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof."

**SECTION 25.1.(b)** G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(c) The Auditor shall be responsible for the following acts and activities:

...

(21) If an audit undertaken by the Auditor results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State or a political subdivision thereof, the Auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer or the appropriate political subdivision official, as applicable. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof."

**SECTION 25.1.(c)** This section becomes effective October 1, 2015, and applies to audits conducted or undertaken on or after that date.

**PART XXVI. OFFICE OF STATE HUMAN RESOURCES****DISCONTINUE USE OF AUTOMATIC SCORING AND SCREENING OF APPLICATIONS FOR STATE GOVERNMENT EMPLOYMENT**

**SECTION 26.1.** By October 1, 2015, the Office of State Human Resources (OSHR) shall report to the Joint Legislative Oversight Committee on General Government on the status of discontinuing the utilization of its current online job application and career portal that provides automatic scoring and screening of applications for State government employment as was required by S.L. 2014-100, s. 22A.1.

**PART XXVII. DEPARTMENT OF ADMINISTRATION****DOA PROVIDE ADMINISTRATIVE SUPPORT TO SEC FREE OF CHARGE**

**SECTION 27.1.** G.S. 138A-9 reads as rewritten:

**"§ 138A-9. Staff and offices.**

(a) The Commission may employ professional and clerical staff, including an executive director.

(b) The Commission shall be located within the Department of Administration for administrative purposes only, but shall exercise all of its powers, including the power to employ, direct, and supervise all personnel, independently of the Secretary of Administration, and is subject to the direction and supervision of the Secretary of Administration only with

1 respect to the management functions of coordinating and reporting. The Department shall  
2 provide administrative support to the Commission free of charge."

#### 4 **STREAMLINE SEIZED VEHICLE DISPOSAL**

5 **SECTION 27.3.(a)** G.S. 20-28.2(a1) is amended by adding a new subdivision to  
6 read:

7 "(a1) Definitions. – As used in this section and in G.S. 20-28.3, 20-28.4, 20-28.5, 20-28.7,  
8 20-28.8, 20-28.9, 20-54.1, and 20-141.5, the following terms mean:

9 ...

10 (9) State Surplus Property Agency. – The Department of Administration."

11 **SECTION 27.3.(b)** G.S. 20-28.3 reads as rewritten:

12 "**§ 20-28.3. Seizure, impoundment, forfeiture of motor vehicles for offenses involving**  
13 **impaired driving while license revoked or without license and insurance, and**  
14 **for felony speeding to elude arrest.**

15 ...

16 (d) Custody of Motor Vehicle. – Unless the motor vehicle is towed pursuant to a  
17 statewide or regional contract, or a contract with the county board of education, the seized  
18 motor vehicle shall be towed by a commercial towing company designated by the law  
19 enforcement agency that seized the motor vehicle. Seized motor vehicles not towed pursuant to  
20 a statewide or regional contract or a contract with a county board of education shall be retrieved  
21 from the commercial towing company within a reasonable time, not to exceed 10 business  
22 days, by the county board of education or their agent who must pay towing and storage fees to  
23 the commercial towing company when the motor vehicle is retrieved. If either a statewide or  
24 regional contractor, or the county board of education, chooses to contract for local towing  
25 services, all towing companies on the towing list for each law enforcement agency with  
26 jurisdiction within the county shall be given written notice and an opportunity to submit  
27 proposals prior to a contract for local towing services being awarded. The seized motor vehicle  
28 is under the constructive possession of the county board of education for the county in which  
29 the operator of the vehicle is charged at the time the vehicle is delivered to a location  
30 designated by the county board of education or delivered to its agent pending release or sale, or  
31 in the event a statewide or regional contract is in place, under the constructive possession of the  
32 ~~Department of Public Instruction, State Surplus Property Agency~~ on behalf of the State at the  
33 time the vehicle is delivered to a location designated by the ~~Department of Public Instruction~~  
34 State Surplus Property Agency or delivered to its agent pending release or sale. Absent a  
35 statewide or regional contract that provides otherwise, each county board of education may  
36 elect to have seized motor vehicles stored on property owned or leased by the county board of  
37 education and charge a reasonable fee for storage, not to exceed ten dollars (\$10.00) per  
38 calendar day. In the alternative, the county board of education may contract with a commercial  
39 towing and storage facility or other private entity for the towing, storage, and disposal of seized  
40 motor vehicles, and a storage fee of not more than ten dollars (\$10.00) per calendar day may be  
41 charged. Except for gross negligence or intentional misconduct, neither the State Surplus  
42 Property Agency, the county board of education, ~~or nor~~ any of ~~its~~ their employees, shall ~~not~~ be  
43 liable to the owner or lienholder for damage to or loss of the motor vehicle or its contents, or to  
44 the owner of personal property in a seized vehicle, during the time the motor vehicle is being  
45 towed or stored pursuant to this subsection.

46 ...

47 (i) Expedited Sale of Seized Motor Vehicles in Certain Cases. – In order to avoid  
48 additional liability for towing and storage costs pending resolution of the criminal proceedings  
49 of the defendant, the State Surplus Property Agency or county board of education may, after  
50 expiration of 90 days from the date of seizure, sell any motor vehicle having a fair market value  
51 of one thousand five hundred dollars (\$1,500) or less. The county board of education may also

1 sell a motor vehicle, regardless of the fair market value, any time the outstanding towing and  
2 storage costs exceed eighty-five percent (85%) of the fair market value of the vehicle, or with  
3 the consent of all the motor vehicle owners. Any sale conducted pursuant to this subsection  
4 shall be conducted in accordance with the provisions of ~~G.S. 20-28.5(a)~~, G.S. 20-28.5(a) or G.S.  
5 20-28.5(a1), as applicable, and the proceeds of the sale, after the payment of outstanding  
6 ~~towing and storage towing, storage, and other~~ costs or reimbursement of towing and storage  
7 costs paid by a person other than the defendant, shall be deposited with the clerk of superior  
8 court. If an order of forfeiture is entered by the court, the court shall order the proceeds held by  
9 the clerk to be disbursed as provided in G.S. 20-28.5(b). If the court determines that the motor  
10 vehicle is not subject to forfeiture, the court shall order the proceeds held by the clerk to be  
11 disbursed first to pay the sale, towing, and storage costs, second to pay outstanding liens on the  
12 motor vehicle, and the balance to be paid to the motor vehicle owners.

13 ...."

14 **SECTION 27.3.(c)** G.S. 20-28.5 reads as rewritten:

15 "**§ 20-28.5. Forfeiture of impounded motor vehicle or funds.**

16 (a) ~~Sale.~~ Sale of Vehicle in Possession of County Board of Education. – A motor vehicle  
17 in the possession or constructive possession of a county board of education ordered forfeited  
18 and sold or a seized motor vehicle authorized to be sold pursuant to G.S. 20-28.3(i), shall be  
19 sold at a public sale conducted in accordance with the provisions of Article 12 of Chapter 160A  
20 of the General Statutes, applicable to sales authorized pursuant to G.S. 160A-266(a)(2), (3), or  
21 (4), subject to the notice requirements of this subsection, and shall be conducted by the county  
22 board of education or a person acting on its behalf. Notice of sale, including the date, time,  
23 location, and manner of sale, shall be given by first-class mail to all motor vehicle owners of  
24 the vehicle to be sold at the address shown by the records of the Division. Written notice of sale  
25 shall also be given to all lienholders on file with the Division. Notice of sale shall be given to  
26 the Division in accordance with the procedures established by the Division. Notices required to  
27 be given under this subsection shall be mailed at least 10 days prior to the date of sale. A  
28 lienholder shall be permitted to purchase the motor vehicle at any such sale by bidding in the  
29 amount of its lien, if that should be the highest bid, without being required to tender any  
30 additional funds, other than the towing and storage fees. The county board of education, or its  
31 agent, shall not sell, give, or otherwise transfer possession of the forfeited motor vehicle to the  
32 defendant, the motor vehicle owner who owned the motor vehicle immediately prior to  
33 forfeiture, or any person acting on the defendant's or motor vehicle owner's behalf.

34 (a1) Sale of Vehicle in Possession of the State Surplus Property Agency. – A motor  
35 vehicle in the possession or constructive possession of the State Surplus Property Agency  
36 ordered forfeited and sold or a seized motor vehicle authorized to be sold pursuant to  
37 G.S. 20-28.3(i) shall be sold at a public sale conducted in accordance with the provisions of  
38 Article 3A of Chapter 143 of the General Statutes, subject to the notice requirements of this  
39 subsection, and shall be conducted by the State Surplus Property Agency or a person acting on  
40 its behalf. Notice of sale, including the date, time, location, and manner of sale, shall be given  
41 by first-class mail to all motor vehicle owners of the vehicle to be sold at the address shown by  
42 the records of the Division. Written notice of sale shall also be given to all lienholders on file  
43 with the Division. Notice of sale shall be given to the Division in accordance with the  
44 procedures established by the State Surplus Property Agency. Notices required to be given  
45 under this subsection shall be mailed at least 10 days prior to the date of sale. A lienholder shall  
46 be permitted to purchase the motor vehicle at any such sale by bidding in the amount of its lien,  
47 if that should be the highest bid, without being required to tender any additional funds, other  
48 than the towing and storage fees. The State Surplus Property Agency, or its agent, shall not sell,  
49 give, or otherwise transfer possession of the forfeited motor vehicle to the defendant, the motor  
50 vehicle owner who owned the motor vehicle immediately prior to forfeiture, or any person  
51 acting on the defendant's or motor vehicle owner's behalf.

1 (b) Proceeds of Sale. – Proceeds of any sale conducted under this section,  
2 G.S. 20-28.2(f)(5), or G.S. 20-28.3(e3)(3), shall first be applied to ~~the cost of sale~~ all costs  
3 incurred by the State Surplus Property Agency or county board of education and then to satisfy  
4 towing and storage costs. The balance of the proceeds of sale, if any, shall be used to satisfy  
5 any other existing liens of record that were properly recorded prior to the date of initial seizure  
6 of the vehicle. Any remaining balance shall be paid to the county school fund in the county in  
7 which the motor vehicle was ordered forfeited. If there is more than one school board in the  
8 county, then the net proceeds of sale, after reimbursement to the county board of education of  
9 reasonable administrative costs incurred in connection with the forfeiture and sale of the motor  
10 vehicle, shall be distributed in the same manner as fines and other forfeitures. The sale of a  
11 motor vehicle pursuant to this section shall be deemed to extinguish all existing liens on the  
12 motor vehicle and the motor vehicle shall be transferred free and clear of any liens.

13 ...."

14 **SECTION 27.3.(d)** G.S. 20-28.9 reads as rewritten:

15 "**§ 20-28.9. Authority for the ~~Department of Public Instruction~~ State Surplus Property**  
16 **Agency to administer a statewide or regional towing, storage, and sales**  
17 **program for vehicles forfeited.**

18 (a) ~~The Department of Public Instruction~~ State Surplus Property Agency is authorized  
19 to enter into a contract for a statewide service or contracts for regional services to tow, store,  
20 process, maintain, and sell motor vehicles seized pursuant to G.S. 20-28.3. All motor vehicles  
21 seized under G.S. 20-28.3 shall be subject to contracts entered into pursuant to this section.  
22 Contracts shall be let by the ~~Department of Public Instruction~~ State Surplus Property Agency in  
23 accordance with the provisions of Article 3 of Chapter 143 of the General Statutes. Nothing in  
24 this section shall be construed to prohibit the State Surplus Property Agency from entering into  
25 contracts pursuant to this section for some regions of the State while performing the work of  
26 towing, storing, processing, maintaining, and selling motor vehicles seized pursuant to  
27 G.S. 20-28.3 itself in other regions of the State. All contracts shall ensure the safety of the  
28 motor vehicles while held and any funds arising from the sale of any seized motor vehicle. The  
29 contract shall require the contractor to maintain and make available to the agency a  
30 computerized up-to-date inventory of all motor vehicles held under the contract, together with  
31 an accounting of all accrued charges, the status of the vehicle, and the county school fund to  
32 which the proceeds of sale are to be paid. The contract shall provide that the contractor shall  
33 pay the towing and storage charges owed on a seized vehicle to a commercial towing company  
34 at the time the seized vehicle is obtained from the commercial towing company, with the  
35 contractor being reimbursed this expense when the vehicle is released or sold. ~~The Department~~  
36 State Surplus Property Agency shall not enter into any contract under this section under which  
37 the State will be obligated to pay a deficiency arising from the sale of any forfeited motor  
38 vehicle.

39 (b) ~~The Department,~~ State Surplus Property Agency, through its contractor or  
40 contractors designated in accordance with subsection (a) of this section, may charge a  
41 reasonable fee for storage not to exceed ten dollars (\$10.00) per calendar day for the storage of  
42 seized vehicles pursuant to G.S. 20-28.3.

43 (c) ~~In order to help defray the administrative costs associated with the administration of~~  
44 ~~this section, the Department shall collect a ten dollar (\$10.00) administrative fee from a person~~  
45 ~~to whom a seized vehicle is released at the time the motor vehicle is released and shall collect a~~  
46 ~~ten dollar (\$10.00) administrative fee out of the proceeds of the sale of any forfeited motor~~  
47 ~~vehicle. The funds collected under this subsection shall be paid to the General Fund."~~

48 **SECTION 27.3.(e)** G.S. 143-64.02 is amended by adding two new subdivisions to  
49 read:

50 "**§ 143-64.02. Definitions.**

51 As used in Part 1 of this Article, except where the context clearly requires otherwise:

- 1 (1) "Agency" means an existing department, institution, commission,  
2 committee, board, division, or bureau of the State.
- 3 (2) "Nonprofit tax exempt organizations" means those nonprofit tax exempt  
4 medical institutions, hospitals, clinics, health centers, school systems,  
5 schools, colleges, universities, schools for the mentally retarded, schools for  
6 the physically handicapped, radio and television stations licensed by the  
7 Federal Communications Commission as educational radio or educational  
8 television stations, public libraries, and civil defense organizations, that have  
9 been certified by the Internal Revenue Service as tax-exempt nonprofit  
10 organizations under section 501(c)(3) of the United States Internal Revenue  
11 Code of 1954.
- 12 (3) "Recyclable material" means a recyclable material, as defined in  
13 G.S. 130A-290, that the Secretary of Administration determines, consistent  
14 with G.S. 130A-309.14, to be a recyclable material.
- 15 (4) "State owned" means supplies, materials, and equipment in the possession of  
16 the State of North Carolina and purchased with State funds, personal  
17 property donated to the State, or personal property purchased with other  
18 funds that give ownership to the State.
- 19 (5) "Surplus property" means personal property that is no longer needed by a  
20 State agency."

21 **SECTION 27.3.(f)** G.S. 143-64.03 reads as rewritten:

22 **"§ 143-64.03. Powers and duties of the State agency for surplus property.**

23 (a) The State Surplus Property Agency is authorized and directed to:

- 24 (1) Sell all State owned supplies, materials, and equipment that are surplus,  
25 obsolete, or ~~unused~~ unused and sell all seized vehicles and other  
26 conveyances that the State Surplus Property Agency is authorized to sell;  
27 (2) Warehouse such property; and  
28 (3) Distribute such property to tax-supported or nonprofit tax-exempt  
29 organizations.

30 (b) The State Surplus Property Agency is authorized and empowered to act as a  
31 clearinghouse of information for agencies and private nonprofit tax-exempt organizations, to  
32 locate property available for acquisition from State agencies, to ascertain the terms and  
33 conditions under which the property may be obtained, to receive requests from agencies and  
34 private nonprofit tax-exempt organizations, and transmit all available information about the  
35 property, and to aid and assist the agencies and private nonprofit tax-exempt organizations in  
36 transactions for the acquisition of State surplus property.

37 (c) The State agency for surplus property, in the administration of Part 1 of this Article,  
38 shall cooperate to the fullest extent consistent with the provisions of Part 1 of this Article, with  
39 the departments or agencies of the State.

40 (d) The State agency for surplus property may sell or otherwise dispose of surplus  
41 property, including motor vehicles, through an electronic auction service."

42 **SECTION 27.3.(g)** G.S. 143-64.05(a) reads as rewritten:

43 **"§ 143-64.05. Service charge; receipts.**

44 (a) The State agency for surplus property may assess and collect a service charge (i) for  
45 the acquisition, receipt, warehousing, distribution, or transfer of any State surplus property and  
46 property; (ii) for the transfer or sale of recyclable ~~material~~ material; and (iii) for the towing,  
47 storing, processing, maintaining, and selling of motor vehicles seized pursuant to G.S. 20-28.3.  
48 The service charge authorized by this subsection does not apply to the transfer or sale of timber  
49 on land owned by the Wildlife Resources Commission or the Department of Agriculture and  
50 Consumer Services."  
51

**DOROTHEA DIX MEMORIAL**

**SECTION 27.4.** The Department of Administration shall appoint a task force to acquire historical documents, photographs, and memorabilia relating to Dorothea Lynde Dix, mental health efforts in the State, and the Dorothea Dix Hospital. The Department shall propose options to preserve a building or provide a space on the Dorothea Dix campus for the purpose of permanently exhibiting the acquired historical materials for the purposes of (i) memorializing and honoring the unique history of Dorothea Dix Hospital and the story of Dorothea Dix and (ii) educating the public about her advocacy for and innovations in the proper treatment of the mentally ill. The Department shall submit a report of its proposed options to the Joint Legislative Oversight Committee on Health and Human Services by April 1, 2016.

**PART XXVIII. DEPARTMENT OF REVENUE****ELIMINATE POSITIONS AT ROCKY MOUNT CALL CENTER**

**SECTION 28.1.(a)** The Department of Revenue shall close the call center in the City of Rocky Mount no later than July 1, 2017. The Department shall not fill vacant positions located at the call center in the City of Rocky Mount. The Department may transfer vacant or filled positions from the call center in the City of Rocky Mount to the call center in the City of Greensboro, provided that no more than 100 positions are established in the call center in the City of Greensboro.

**SECTION 28.1.(b)** This section is effective when this act becomes law.

**MODIFY COLLECTION ASSISTANCE FEE RULES**

**SECTION 28.2.** G.S. 105-243.1(e) reads as rewritten:

"(e) Use. – The fee is a receipt of the Department and must be applied to the costs of collecting overdue tax debts. The proceeds of the fee must be credited to a special account within the Department and may be expended only as provided in this subsection. The proceeds of the fee may not be used for any purpose that is not directly and primarily related to collecting overdue tax debts. The Department may apply the proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of the fee may be spent only pursuant to appropriation by the General Assembly. The fee proceeds do not revert but remain in the special account until spent for the costs of collecting overdue tax debts. The Department and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

The Department may apply the fee proceeds for the following purposes:

- (1) To pay (i) contractors for collecting overdue tax debts under subsection (b) of this section, section and (ii) auditors responsible for identifying overdue tax debts.
- ...
- (4) To pay for postage or other delivery charges for correspondence directly and primarily relating to collecting overdue tax debts, not to exceed ~~five hundred thousand dollars (\$500,000)~~ seven hundred fifty thousand dollars (\$750,000) a year.
- ...
- (7) To pay the direct and indirect expenses of information technology upgrades to the Department of Revenue computer systems that are intended to do all of the following:

- 1           a.     Improve system-wide security to protect the interests of all taxpayers
- 2                     and the information technology infrastructure of the Department.
- 3           b.     Allow the Department to achieve ongoing compliance with IRS
- 4                     requirements for the safeguarding of Federal Tax Information
- 5                     entrusted to the Department.
- 6           c.     Upgrade Department of Revenue capabilities to allow for electronic
- 7                     filing of returns by taxpayers and the electronic issuance of refunds
- 8                     by the Department for all remaining tax schedules.
- 9           d.     Accomplish other mission-critical IT tasks of the Department as
- 10                    approved by the Office of State Budget and Management in
- 11                    consultation with the State CIO."

**STATE AGENCY/ENHANCED DEBT COLLECTION**

**SECTION 28.3.** Article 1 of Chapter 105A of the General Statutes reads as rewritten:

**"Chapter 105A.**  
**"Setoff Debt Collection Act.**  
 "Article 1.  
 "In General.

**"§ 105A-1. Purposes.**

The purpose of this Chapter is to establish as policy that all claimant agencies and the Department of Revenue shall cooperate in identifying debtors who owe money to the State or to a local government through their various agencies and who qualify for refunds from the Department of Revenue. It is also the intent of this Chapter that procedures be established for setting off against any refund the sum of any debt owed to the State or to a local government. Furthermore, it is the legislative intent that this Chapter be liberally construed so as to effectuate these purposes as far as legally and practically possible.

**"§ 105A-2. Definitions.**

The following definitions apply in this Chapter:

- (1) Claimant agency. – Either of the following:
  - a. A State agency.
  - b. A local agency acting through a clearinghouse or an organization pursuant to G.S. 105A-3(b1).
  - c. A federal agency.
- (2) Debt. – Any of the following, ~~except as limited in sub-subdivision (f.) of this subdivision:~~ following:
  - a. A sum owed to a claimant agency that has accrued through contract, subrogation, tort, operation of law, or any other legal theory regardless of whether there is an outstanding judgment for the sum.
  - b. A sum a claimant agency is authorized or required by law to collect, such as child support payments collectible under Title IV, Part D of the Social Security Act.
  - c. A sum owed as a result of an intentional program violation or a violation due to inadvertent household error under the Food and Nutrition Services Program enabled by Part 5 of Article 2 of Chapter 108A of the General Statutes.
  - d. Reserved for future codification purposes.
  - e. A sum owed as a result of having obtained public assistance payments under any of the following programs through an intentional false statement, intentional misrepresentation, intentional failure to disclose a material fact, or inadvertent household error:

- 1 1. The Work First Program provided in Article 2 of Chapter
- 2 108A of the General Statutes.
- 3 2. The State-County Special Assistance Program enabled by
- 4 Part 3 of Article 2 of Chapter 108A of the General Statutes.
- 5 3. A successor program of one of these programs.
- 6 f. ~~For any school of medicine, clinical program, facility, or practice~~
- 7 ~~affiliated with one of the constituent institutions of The University of~~
- 8 ~~North Carolina that provides medical care to the general public and~~
- 9 ~~for The University of North Carolina Health Care System and other~~
- 10 ~~persons or entities affiliated with or under the control of The~~
- 11 ~~University of North Carolina Health Care System, the term "debt" is~~
- 12 ~~limited to the sum owed to one of these entities by law or by contract~~
- 13 ~~following adjudication of a claim resulting from an individual's~~
- 14 ~~receipt of hospital or medical services at a time when the individual~~
- 15 ~~was covered by commercial insurance, Medicaid, Health Choice,~~
- 16 ~~Medicare, Medicare Advantage, a Medicare supplement plan, or any~~
- 17 ~~other government insurance.~~
- 18 g. A sum owed to the United States government or its federal agencies.
- 19 (3) Debtor. – A person who owes a debt.
- 20 (4) Department. – The Department of Revenue.
- 21 (5) Federal official. – A unit or official of the federal government charged with
- 22 the collection of nontax debts payable to the federal government pursuant to
- 23 31 U.S.C. § 3716.
- 24 (6) Local agency. – Any of the following:
- 25 a. A county, to the extent it is not considered a State agency.
- 26 b. A municipality.
- 27 c. A water and sewer authority created under Article 1 of Chapter 162A
- 28 of the General Statutes.
- 29 d. A regional joint agency created by interlocal agreement under Article
- 30 20 of Chapter 160A of the General Statutes between two or more
- 31 counties, cities, or both.
- 32 e. A public health authority created under Part 1B of Article 2 of
- 33 Chapter 130A of the General Statutes or other authorizing legislation.
- 34 f. A metropolitan sewerage district created under Article 5 of Chapter
- 35 162A of the General Statutes.
- 36 g. A sanitary district created under Part 2 of Article 2 of Chapter 130A
- 37 of the General Statutes.
- 38 h. A housing authority created under Chapter 157 of the General
- 39 Statutes, provided that the debt owed to a housing authority has been
- 40 reduced to a final judgment in favor of the housing authority.
- 41 i. A regional solid waste management authority created under Article
- 42 22 of Chapter 153A of the General Statutes.
- 43 (7) Net proceeds collected. – Gross proceeds collected through setoff against a
- 44 debtor's refund or nontax payment minus the collection assistance fees
- 45 provided in G.S. 105A-13.
- 46 (7a) Nontax payment. – A payment, including an expense reimbursement, made
- 47 by the State to a person. The term does not include a person's salary, wages,
- 48 or pension or a refund.
- 49 (7b) Person. – Defined in G.S. 105-228.90.
- 50 (8) Refund. – A debtor's North Carolina tax refund.
- 51 (9) State agency. – Any of the following:

- 1 a. A unit of the executive, legislative, or judicial branch of State
- 2 government.
- 3 b. A local agency, to the extent it administers a program supervised by
- 4 the Department of Health and Human Services or it operates a Child
- 5 Support Enforcement Program, enabled by Chapter 110, Article 9,
- 6 and Title IV, Part D of the Social Security Act.
- 7 c. A community college.

8 **"§ 105A-3. Remedy additional; mandatory State usage; optional local usage; obtaining**  
9 **identifying information; registration.**

10 (a) Remedy Additional. – The collection remedy under this Chapter is in addition to  
11 and not in substitution for any other remedy available by law.

12 (b) Mandatory State Usage. – A State agency must submit a debt owed to it for  
13 collection under this Chapter unless the State Controller has waived this requirement or the  
14 State agency has determined that the validity of the debt is legitimately in dispute, an  
15 alternative means of collection is pending and believed to be adequate, or such a collection  
16 attempt would result in a loss of federal funds. The State Controller may waive the requirement  
17 for a State agency, other than the Department of Health and Human Services or a county acting  
18 on behalf of that Department, to submit a debt owed to it for collection under this Chapter if the  
19 State Controller finds that collection by this means would not be practical or cost effective. A  
20 waiver may apply to all debts owed a State agency or a type of debt owed a State agency.

21 (b1) Optional Local Usage. – A local agency may submit a debt owed to it for collection  
22 under this Chapter. A local agency that decides to submit a debt owed to it for collection under  
23 this Chapter must establish the debt by following the procedure set in G.S. 105A-5 and must  
24 submit the debt through one of the following:

- 25 (1) A clearinghouse that is established pursuant to an interlocal agreement
- 26 adopted under Article 20 of Chapter 160A of the General Statutes and has
- 27 agreed to submit debts on behalf of any requesting local agency.
- 28 (2) The North Carolina League of Municipalities.
- 29 (3) The North Carolina Association of County Commissioners.

30 (c) Identifying Information. – All claimant agencies shall whenever possible obtain the  
31 full name, social security number or federal identification number, address, and any other  
32 identifying information required by the Department from any person for whom the agencies  
33 provide any service or transact any business and who the claimant agencies can foresee may  
34 become a debtor under this Chapter.

35 (d) Registration and Reports. – A State agency must register with the Department and  
36 with the State Controller. Every State agency must report annually to the State Controller the  
37 amount of debts owed to the agency for which the agency did not submit a claim for setoff and  
38 the reason for not submitting the claim.

39 A clearinghouse or an organization that submits debts on behalf of a local agency must  
40 register with the Department. Once a clearinghouse registers with the Department under this  
41 subsection, no other clearinghouse may register to submit debts for collection under this  
42 Chapter.

43 **"§ 105A-4. Minimum debt and ~~refund~~ refund or nontax payment.**

44 This Chapter applies only to a debt that is at least fifty dollars (\$50.00) and to a refund or  
45 nontax payment that is at least this same amount.

46 **"§ 105A-5. Local agency notice, hearing, and decision.**

47 (a) Prerequisite. – A local agency may not submit a debt for collection under this  
48 Chapter until it has given the notice required by this section and the claim has been finally  
49 determined as provided in this section.

50 (b) Notice. – A local agency must send written notice to a debtor that the agency  
51 intends to submit the debt owed by the debtor for collection by setoff. The notice must explain

1 the basis for the agency's claim to the debt, that the agency intends to apply the debtor's refund  
2 or nontax payment against the debt, and that a collection assistance fee ~~of fifteen dollars~~  
3 ~~(\$15.00)~~ provided in G.S. 105A-13 will be added to the debt if it is submitted for setoff. The  
4 notice must also inform the debtor that the debtor has the right to contest the matter by filing a  
5 request for a hearing with the local agency, must state the time limits and procedure for  
6 requesting the hearing, and must state that failure to request a hearing within the required time  
7 will result in setoff of the debt.

8 (c) Administrative Review. – A debtor who decides to contest a proposed setoff must  
9 file a written request for a hearing with the local agency within 30 days after the date the local  
10 agency mails a notice of the proposed action to the debtor. A request for a hearing is considered  
11 to be filed when it is delivered for mailing with postage prepaid and properly addressed. The  
12 governing body of the local agency or a person designated by the governing body must hold the  
13 hearing.

14 If the debtor disagrees with the decision of the governing body or the person designated by  
15 the governing body, the debtor may file a petition for a contested case under Article 3 of  
16 Chapter 150B of the General Statutes. The petition must be filed within 30 days after the debtor  
17 receives a copy of the local decision. Notwithstanding the provisions of G.S. 105-241.21, a  
18 local agency is considered an agency for purposes of contested cases and appeals under this  
19 Chapter.

20 In a hearing under this section, an issue that has previously been litigated in a court  
21 proceeding cannot be considered.

22 (d) Decision. – A decision made after a hearing under this section must determine  
23 whether a debt is owed to the local agency and the amount of the debt.

24 (e) Return of Amount Set Off. – If a local agency submits a debt for collection under  
25 this Chapter without sending the notice required by subsection (b) of this section, the agency  
26 must send the taxpayer the entire amount set off plus the collection assistance fees provided in  
27 G.S. 105A-13. Similarly, if a local agency submits a debt for collection under this Chapter after  
28 sending the required notice but before final determination of the debt and a decision finds that  
29 the local agency is not entitled to any part of the amount set off, the agency must send the  
30 taxpayer the entire amount set off plus the collection assistance fees provided in G.S. 105A-13.  
31 That portion of the amount returned that reflects the collection assistance fees must be paid  
32 from the local agency's funds.

33 If a local agency submits a debt for collection under this Chapter after sending the required  
34 notice and the net proceeds collected that are credited to the local agency for the debt exceed  
35 the amount of the debt, the local agency must send the balance to the debtor. No part of the  
36 collection assistance fees provided in G.S. 105A-13 may be returned when a notice was sent  
37 and a debt is owed but the debt is less than the amount set off.

38 Interest accrues on the amount of a refund returned to a taxpayer under this subsection in  
39 accordance with G.S. 105-241.21. A local agency that returns a refund to a taxpayer under this  
40 subsection must pay from the local agency's funds any interest that has accrued since the fifth  
41 day after the Department mailed the notice of setoff to the taxpayer.

42 **"§ 105A-6. Procedure Department to follow in making setoff.**

43 (a) Notice to Department. – A claimant agency seeking to attempt collection of a debt  
44 through setoff must notify the Department in writing and supply information necessary to  
45 identify the debtor whose refund or nontax payment is sought to be set off. The claimant  
46 agency may include with the notification the date, if any, that the debt is expected to expire.  
47 The agency must notify the Department in writing when a debt has been paid or is no longer  
48 owed the agency.

49 (b) Setoff by Department. – The Department, upon receipt of notification, must  
50 determine each year whether the debtor to the claimant agency is entitled to a refund ~~of or~~  
51 nontax payment and whether the amount is at least fifty dollars ~~(\$50.00) from the Department.~~

1 (\$50.00). Upon determination by the Department that a debtor specified by a claimant agency  
2 qualifies for such a ~~refund~~, refund or nontax payment, the Department must set off the debt  
3 against the refund or nontax payment to which the debtor would otherwise be entitled and must  
4 refund any remaining balance to the debtor. The Department must mail the debtor written  
5 notice that the setoff has occurred and must credit the net proceeds collected to the claimant  
6 agency. If the claimant agency is a State agency, that agency must credit the amount received to  
7 a nonreverting trust account and must follow the procedure set in G.S. 105A-8.

8 **"§ 105A-6.1. State Reciprocal Offset Program.**

9 (a) Agreement. – The Department is authorized to enter into an agreement with the  
10 Secretary of the Treasury to participate in the State Reciprocal Offset Program pursuant to 31  
11 U.S.C. § 3716 for the collection of any debts owed to the State or to State agencies from federal  
12 payments to vendors, contractors, and taxpayers. The agreement may provide for the United  
13 States to submit nontax debts owed to federal agencies for offset against State payments  
14 otherwise due and owing to taxpayers, vendors, and contractors providing goods or services to  
15 the State, its departments, agencies, or institutions.

16 (b) Federal Certification. – Pursuant to the agreement authorized in subsection (a) of  
17 this section, a federal official may certify to the Department the existence of a person's  
18 delinquent, nontax debt owed by the person to the federal government. To accept the  
19 certification provided by the federal official, the certification must include the name of the  
20 person, the person's Social Security number or federal tax identification number, and the  
21 amount of the person's nontax debt and may include any other information pursuant to the  
22 agreement authorized herein.

23 (c) Offset. – Upon receiving a federal certification complying with subsection (b) of  
24 this section and a request by the federal official that the Department withhold a refund or  
25 nontax payment, the following provisions, as required or permitted by State law, federal law, or  
26 the offset agreement, apply:

27 (1) The Department may determine if a person for whom the federal  
28 certification is received is due a refund or nontax payment.

29 (2) If the person for whom the federal certification is received is due a refund or  
30 nontax payment, the Department shall (i) withhold the refund or nontax  
31 payment due, (ii) notify the person of the amount withheld in the manner  
32 required by the offset agreement, and (iii) remit to the federal official the  
33 lesser of the entire amount of the refund or nontax payment or the amount  
34 certified.

35 (3) If the amount certified is less than the refund or nontax payment, the  
36 Department shall pay the excess to the person less the collection assistance  
37 fee provided in G.S. 105A-13.

38 (d) State Certification. – As permitted by State law, federal law, and the offset  
39 agreement, the Department may certify to a federal official a person's delinquent debt owed to  
40 the State by providing the federal official the name of the person, the person's Social Security  
41 number or tax identification number, the amount of the debt due the State, and any other  
42 information required by the offset agreement. The Department may request that the federal  
43 official withhold any federal vendor or other federal payment pursuant to the offset agreement  
44 to which the person is entitled.

45 (e) Proceeds Retention. – The retention of a portion of the proceeds of any federal  
46 administrative setoff pursuant to 31 C.F.R. § 285.6 does not affect the provisions of this  
47 section.

48 ...

49 **"§ 105A-8. State agency notice, hearing, decision, and refund of setoff.**

50 (a) Notice. – Within 10 days after a State agency receives a refund or nontax payment  
51 of a debtor, the agency must send the debtor written notice that the agency has received the

1 debtor's ~~refund~~, refund or nontax payment. The notice must explain the debt that is the basis for  
2 the agency's claim to the debtor's refund or nontax payment and that the agency intends to  
3 apply the refund or nontax payment against the debt. The notice must also inform the debtor  
4 that the debtor has the right to contest the matter by filing a request for a hearing, must state the  
5 time limits and procedure for requesting the hearing, and must state that failure to request a  
6 hearing within the required time will result in setoff of the debt. A State agency that does not  
7 send a debtor a notice within the time required by this subsection must refund the amount set  
8 off plus the collection assistance fee, in accordance with subsection (d) of this section.

9 (b) Hearing. – A hearing on a contested claim of a State agency, except a constituent  
10 institution of The University of North Carolina or the Division of Employment Security, must  
11 be conducted in accordance with Article 3 of Chapter 150B of the General Statutes. A hearing  
12 on a contested claim of a constituent institution of The University of North Carolina must be  
13 conducted in accordance with administrative procedures approved by the Attorney General. A  
14 hearing on a contested claim of the Division of Employment Security must be conducted in  
15 accordance with rules adopted by that Division. A request for a hearing on a contested claim of  
16 any State agency must be filed within 30 days after the State agency mails the debtor notice of  
17 the proposed setoff. A request for a hearing is considered to be filed when it is delivered for  
18 mailing with postage prepaid and properly addressed. In a hearing under this section, an issue  
19 that has previously been litigated in a court proceeding cannot be considered.

20 (c) Decision. – A decision made after a hearing under this section must determine  
21 whether a debt is owed to the State agency and the amount of the debt.

22 (d) Return of Amount Set Off. – If a State agency fails to send the notice required by  
23 subsection (a) of this section within the required time or a decision finds that a State agency is  
24 not entitled to any part of an amount set off, the agency must send the taxpayer the entire  
25 amount set off plus the collection assistance fee retained by the Department. That portion of the  
26 amount returned that reflects the collection assistance fee must be paid from the State agency's  
27 funds.

28 If a debtor owes a debt to a State agency and the net proceeds credited to the State agency  
29 for the debt exceed the amount of the debt, the State agency must send the balance to the  
30 debtor. No part of the collection assistance fee retained by the Department may be returned  
31 when a debt is owed but it is less than the amount set off.

32 Interest accrues on the amount of a refund returned to a taxpayer under this subsection in  
33 accordance with G.S. 105-241.21. A State agency that returns a refund to a taxpayer under this  
34 subsection must pay from the State agency's funds any interest that has accrued since the fifth  
35 day after the Department mailed the notice of setoff to the taxpayer.

#### 36 "§ 105A-9. Appeals from hearings.

37 Appeals from hearings allowed under this Chapter, other than those conducted by the  
38 Division of Employment Security, shall be in accordance with the provisions of Chapter 150B  
39 of the General Statutes, the Administrative Procedure Act, except that the place of initial  
40 judicial review shall be the superior court for the county in which the debtor resides. Appeals  
41 from hearings allowed under this Chapter that are conducted by the Division of Employment  
42 Security shall be in accordance with the provisions of Chapter 96 of the General Statutes.

43 ...

#### 44 "§ 105A-12. Priorities in claims to setoff.

45 The Department has priority over all other claimant agencies for collection by setoff  
46 whenever it is a competing agency for a ~~refund~~, refund or nontax payment. State agencies have  
47 priority over federal or local agencies for collection by setoff. When there are multiple claims  
48 by State agencies other than the Department, the claims have priority based on the date each  
49 agency registered with the Department under G.S. 105A-3. When there are multiple claims by  
50 two or more organizations submitting debts on behalf of federal or local agencies, the claims  
51 have priority based on the date each organization registered with the Department under

1 G.S. 105A-3. When there are multiple claims among federal or local agencies whose debts are  
2 submitted by the same organization, the claims have priority based on the date each federal or  
3 local agency requested the organization to submit debts on its behalf.

4 **"§ 105A-13. Collection assistance fees.**

5 (a) State Setoff. – ~~To~~ Except as provided in subsection (b1) of this section, to recover  
6 the costs incurred by the Department in collecting debts under this Chapter, a collection  
7 assistance fee of five dollars (\$5.00) is imposed on each debt collected through setoff. The  
8 Department must collect this fee as part of the debt and retain it. The collection assistance fee  
9 shall not be added to child support debts or collected as part of child support debts. Instead, the  
10 Department shall retain from collections under Division II of Article 4 of Chapter 105 of the  
11 General Statutes the cost of collecting child support debts under this Chapter.

12 (b) Repealed by Session Laws 2001-380, s. 3, effective November 1, 2001.

13 (b1) Federal Debts. – To recover the costs incurred by the Department in collecting debts  
14 on behalf of a federal agency under this Chapter, a collection assistance fee equal to the fee  
15 charged by the federal government is imposed on each debt collected through setoff. The  
16 Department must collect this fee as part of the debt and retain it.

17 (c) Local Debts. – To recover the costs incurred by local agencies in submitting debts  
18 for collection under this Chapter, a local collection assistance fee of fifteen dollars (\$15.00) is  
19 imposed on each local agency debt submitted under G.S. 105A-3(b1) and collected through  
20 setoff. The Department must collect this fee as part of the debt and remit it to the clearinghouse  
21 that submitted the debt. The local collection assistance fee does not apply to child support  
22 debts.

23 (d) Priority. – If the Department is able to collect only part of a debt through setoff, the  
24 collection assistance fee provided in subsection (a) of this section has priority over the local  
25 collection assistance fee and over the remainder of the debt. The local collection assistance fee  
26 has priority over the remainder of the debt.

27 **"§ 105A-14. Accounting to the claimant agency; credit to debtor's obligation.**

28 (a) Simultaneously with the transmittal of the net proceeds collected to a claimant  
29 agency, the Department must provide the agency with an accounting of the setoffs for which  
30 payment is being made. The accounting must whenever possible include the full names of the  
31 debtors, the debtors' social security numbers or federal identification numbers, the gross  
32 proceeds collected per setoff, the net proceeds collected per setoff, and the collection assistance  
33 fee added to the debt and collected per setoff.

34 (b) Upon receipt by a claimant agency of net proceeds collected on the claimant  
35 agency's behalf by the Department, a final determination of the claim if it is a State agency  
36 claim, and an accounting of the proceeds as specified under this section, the claimant agency  
37 must credit the debtor's obligation with the net proceeds collected.

38 **"§ 105A-15. Confidentiality exemption; nondisclosure.**

39 (a) Notwithstanding G.S. 105-259 or any other provision of law prohibiting disclosure  
40 by the Department of the contents of taxpayer records or information and notwithstanding any  
41 confidentiality statute of any claimant agency, the exchange of any information among the  
42 Department, the claimant agency, the organization submitting debts on behalf of a local agency,  
43 and the debtor necessary to implement this Chapter is lawful.

44 (b) The information a claimant agency or an organization submitting debts on behalf of  
45 a local agency obtains from the Department in accordance with the exemption allowed by  
46 subsection (a) may be used by the agency or organization only in the pursuit of its debt  
47 collection duties and practices and may not be disclosed except as provided in G.S. 105-259,  
48 153A-148.1, or 160A-208.1.

49 **"§ 105A-16. Rules.**

50 The Secretary of Revenue may adopt rules to implement this Chapter. The State Controller  
51 may adopt rules to implement this Chapter."

**PART XXIX. DEPARTMENT OF TRANSPORTATION****CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION**

**SECTION 29.1.(a)** The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2017-2018	\$2,097.6 million
For Fiscal Year 2018-2019	\$2,136.8 million
For Fiscal Year 2019-2020	\$2,177.3 million
For Fiscal Year 2020-2021	\$2,209.8 million

**SECTION 29.1.(b)** The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2017-2018	\$1,274.8 million
For Fiscal Year 2018-2019	\$1,295.6 million
For Fiscal Year 2019-2020	\$1,322.0 million
For Fiscal Year 2020-2021	\$1,349.3 million

**SECTION 29.1.(c)** The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop an eight-year revenue forecast. The first fiscal year in the eight-year forecast shall be the 2017-2018 fiscal year. The eight-year revenue forecast developed under this subsection shall be used (i) to develop the four-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

**SMALL CONSTRUCTION AND CONTINGENCY FUNDS**

**SECTION 29.2.(a)** Of the funds appropriated in this act to the Department of Transportation:

- (1) Two million five hundred thousand dollars (\$2,500,000) in nonrecurring funds shall be allocated in each fiscal year for small construction projects recommended by the Chief Engineer in consultation with the Chief Operating Officer and approved by the Secretary of the Department of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.
- (2) Twelve million dollars (\$12,000,000) shall be allocated statewide in each fiscal year for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be approved by the Secretary of Transportation.

**SECTION 29.2.(b)** The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

**PRIORITIZATION 4.0 WORKGROUP CRITERIA/STI REVISIONS**

**SECTION 29.3.(a)** The Prioritization 4.0 Workgroup, established in accordance with G.S. 136-189.11(h), shall (i) include peak average daily traffic data in the Congestion formula, (ii) expand consideration in Multimodal formula given to projects abutting a multimodal terminal to include projects within a certain proximity of a multimodal terminal,

1 and (iii) include the improvement of hurricane evacuation routes and procedures in the Safety  
2 formula.

3 **SECTION 29.3.(b)** G.S. 136-189.11(g)(1) reads as rewritten:

4 "(1) The quantitative criteria used in each highway and nonhighway project  
5 scoring, including the methodology used to define each ~~criteria, the criteria~~  
6 ~~presented to the Board of Transportation for approval, criteria~~ and any  
7 adjustments made to finalize the criteria."

8 **SECTION 29.3.(c)** G.S. 136-189.11(h) reads as rewritten:

9 "(h) Improvement of Prioritization Process. – The Department shall endeavor to  
10 continually improve the methodology and criteria used to score highway and non-highway  
11 projects pursuant to this Article, including the use of normalization techniques, and methods to  
12 strengthen the data collection process. The Department is directed to continue the use of a  
13 workgroup process to develop improvements to the prioritization process. Workgroup  
14 participants shall include, but not be limited to, the North Carolina League of Municipalities,  
15 the North Carolina Association of County Commissioners, the North Carolina Metropolitan  
16 Mayors Coalition, and the North Carolina Council of Regional Governments. The workgroup,  
17 led by the Prioritization Office, shall contain a minimum of four representatives each from the  
18 North Carolina Association of Municipal Planning Organizations and the North Carolina  
19 Association of Rural Planning Organizations, and these members will be selected by a vote of  
20 each organization. Department participants in the workgroup shall not exceed half of the total  
21 group. Beginning December 1, 2016, the Department shall report annually to the Joint  
22 Legislative Transportation Oversight Committee on any changes made to the highway or  
23 non-highway prioritization process and the resulting impact to the State Transportation  
24 Improvement Program. The General Assembly members and staff may attend all workgroup  
25 meetings related to the prioritization process, all subgroup meetings of the workgroup, and  
26 have access to all related workgroup or subgroup documents. Notwithstanding any provision of  
27 law to the contrary, activities and decisions of the workgroup established under this subsection  
28 shall not be subject to review or approval by the Board of Transportation."

29 **SECTION 29.3.(d)** G.S. 136-189.11(d) reads as rewritten:

30 "(d) Transportation Investment Strategy Formula. – Funds subject to the Formula shall  
31 be distributed as follows:

32 ...  
33 (2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this  
34 section shall be used for Regional Impact Projects and allocated by  
35 population of Distribution Regions based on the most recent estimates  
36 certified by the Office of State Budget and Management:

37 a. Criteria. – A combination of transportation-related quantitative  
38 criteria, qualitative criteria, and local input shall be used to rank  
39 Regional Impact Projects involving highways that address  
40 cost-effective needs from a region-wide perspective and promote  
41 economic growth. Local input is defined as the rankings identified by  
42 the Department's Transportation Division Engineers, Metropolitan  
43 Planning Organizations, and Rural Transportation Planning  
44 Organizations. In determining local input, greater weight shall be  
45 given to the rankings identified by Metropolitan Planning  
46 Organizations and Rural Transportation Planning Organizations.  
47 Transportation Division Engineer local input scoring shall take into  
48 account public comments. The Department shall ensure that the  
49 public has a full opportunity to submit public comments, by widely  
50 available notice to the public, an adequate time period for input, and  
51 public hearings. Board of Transportation input shall be in accordance

1 with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria  
2 utilized for selection of Regional Impact Projects shall be based  
3 thirty percent (30%) on local input and seventy percent (70%) on  
4 consideration of a numeric scale of 100 points based on the following  
5 quantitative criteria:

- 6 1. Benefit cost.
- 7 2. Congestion.
- 8 3. Safety.
- 9 4. Freight.
- 10 5. Multimodal.
- 11 6. Pavement condition.
- 12 7. Lane width.
- 13 8. Shoulder width.
- 14 9. Accessibility and connectivity to employment centers, tourist  
15 destinations, or military installations.

16 (3) Division Need Projects. – Thirty percent (30%) of the funds subject to this  
17 section shall be allocated in equal share to each of the Department divisions,  
18 as defined in G.S. 136-14.1, and used for Division Need Projects.

19 a. Criteria. – A combination of transportation-related quantitative  
20 criteria, qualitative criteria, and local input shall be used to rank  
21 Division Need Projects involving highways that address  
22 cost-effective needs from a Division-wide perspective, provide  
23 access, and address safety-related needs of local communities. Local  
24 input is defined as the rankings identified by the Department's  
25 Transportation Division Engineers, Metropolitan Planning  
26 Organizations, and Rural Transportation Planning Organizations. In  
27 determining local input, greater weight shall be given to the rankings  
28 identified by Metropolitan Planning Organizations and Rural  
29 Transportation Planning Organizations. Transportation Division  
30 Engineer local input scoring shall take into account public comments.  
31 The Department shall ensure that the public has a full opportunity to  
32 submit public comments, by widely available notice to the public, an  
33 adequate time period for input, and public hearings. Board of  
34 Transportation input shall be in accordance with  
35 G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria utilized for  
36 selection of Division Need Projects shall be based fifty percent  
37 (50%) on local input and fifty percent (50%) on consideration of a  
38 numeric scale of 100 points based on the following quantitative  
39 criteria, except as provided in sub-subdivision b. of this subdivision:

- 40 1. Benefit cost.
- 41 2. Congestion.
- 42 3. Safety.
- 43 4. Freight.
- 44 5. Multimodal.
- 45 6. Pavement condition.
- 46 7. Lane width.
- 47 8. Shoulder width.
- 48 9. Accessibility and connectivity to employment centers, tourist  
49 destinations, or military installations.

- 1                   b.     Alternate criteria. – Funding from the following programs shall be  
2                   included in the computation of each of the Department division equal  
3                   shares but shall be subject to alternate quantitative criteria:  
4                   1.     Federal Surface Transportation Program-Direct Attributable  
5                   funds expended on eligible projects in the Division Need  
6                   Projects category.  
7                   2.     Federal Transportation Alternatives funds appropriated to the  
8                   State.  
9                   3.     Federal Railway-Highway Crossings Program funds  
10                  appropriated to the State.  
11                  4.     Projects requested from the Department in support of a  
12                  time-critical job creation opportunity, when the opportunity  
13                  would be classified as transformational under the Job  
14                  Development Investment Grant program established pursuant  
15                  to G.S. 143B-437.52, provided that the total State investment  
16                  in each fiscal year for all projects funded under this  
17                  sub-subdivision shall not exceed ten million dollars  
18                  (\$10,000,000) in the aggregate and five million dollars  
19                  (\$5,000,000) per project.  
20                  5.     Federal funds for municipal road projects.
- 21                  c.     Bicycle and pedestrian limitation. – The Department shall not  
22                  provide financial support for independent bicycle and pedestrian  
23                  improvement projects, except for federal funds administered by the  
24                  Department for that purpose. This sub-subdivision shall not apply to  
25                  funds allocated to a municipality pursuant to G.S. 136-41.1 that are  
26                  committed by the municipality as matching funds for federal funds  
27                  administered by the Department and used for bicycle and pedestrian  
28                  improvement projects. This limitation shall not apply to funds  
29                  authorized for projects in the State Transportation Improvement  
30                  Program that are scheduled for construction as of October 1, 2013, in  
31                  State fiscal year 2012-2013, 2013-2014, or 2014-2015.
- 32                  (4)     Criteria for nonhighway projects. – Nonhighway projects subject to this  
33                  subsection shall be evaluated through a separate prioritization process  
34                  established by the Department that complies with all of the following:  
35                  a.     The criteria used for selection of projects for a particular  
36                  transportation mode shall be based on a minimum of four  
37                  quantitative criteria.  
38                  b.     Local input shall include rankings of projects identified by the  
39                  Department's Transportation Division Engineers, Metropolitan  
40                  Planning Organizations, and Rural Transportation Planning  
41                  Organizations. In determining local input, greater weight shall be  
42                  given to the rankings identified by Metropolitan Planning  
43                  Organizations and Rural Transportation Planning Organizations.  
44                  Transportation Division Engineer local input scoring shall take into  
45                  account public comments. The Department shall ensure that the  
46                  public has a full opportunity to submit public comments, by widely  
47                  available notice to the public, an adequate time period for input, and  
48                  public hearings. Board of Transportation input shall be in accordance  
49                  with G.S. 136-189.11(g)(1) and G.S. 143B-350(g).

- 1 c. The criteria shall be based on a scale not to exceed 100 points that  
2 includes no bonus points or other alterations favoring any particular  
3 mode of transportation."

4 **SECTION 29.3.(e)** This section is effective when this act becomes law.  
5

6 **INCREASE AMOUNT OF MOTOR FUEL TAX RATE DIVERSION TO SHALLOW**  
7 **DRAFT FUND**

8 **SECTION 29.4.** G.S. 105-449.126(b) reads as rewritten:

9 "(b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging and  
10 Lake Maintenance Fund ~~one sixth of one percent (1/6 of 1%)~~ one-half percent (1/2%) of the  
11 amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise  
12 tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging and  
13 Lake Maintenance Fund under this section may be used only for the dredging activities  
14 described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft  
15 Navigation Channel Dredging and Lake Maintenance Fund on a quarterly basis. The Secretary  
16 must make the distribution within 45 days of the end of each quarter."  
17

18 **REQUIRE COUNTY OR MUNICIPALITY TO PAY COSTS ASSOCIATED WITH**  
19 **REQUESTED PROJECT IMPROVEMENTS**

20 **SECTION 29.5.(a)** G.S. 136-66.3(e) reads as rewritten:

21 "(e) Authorization to Participate in Project Additions. – Pursuant to an agreement with  
22 the Department of Transportation, a county or municipality ~~may~~ shall reimburse the Department  
23 of Transportation for the cost of all ~~improvements~~ improvements requested by the county or  
24 municipality, including additional right-of-way, for a street, highway improvement projects, or  
25 other transportation system improvements approved by the Board of Transportation under  
26 G.S. 143B-350(f)(4), that are in addition to those improvements that the Department of  
27 Transportation would normally include in the project."  
28

29 **SECTION 29.5.(b)** This section is effective when it becomes law and applies to  
30 agreements entered into on or after that date.

31 **EXPAND USES OF BRIDGE PROGRAM FUNDS**

32 **SECTION 29.6.** Section 34.18(a) of S.L. 2014-100 reads as rewritten:

33 "**SECTION 34.18.(a)** The Department of Transportation shall rename the "system  
34 preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this  
35 program shall be used for improvements to culverts associated with a component of the State  
36 highway system and improvements to structurally deficient and functionally obsolete bridges.  
37 All projects funded under this program, with the exception of inspection, pre-engineering,  
38 contract preparation, contract administration and oversight, and planning activities, shall be  
39 outsourced to private contractors."  
40

41 **DEPARTMENT OF TRANSPORTATION OUT-OF-STATE TRAVEL**

42 **SECTION 29.7.** Section 34.5 of S.L. 2014-100 reads as rewritten:

43 "**SECTION 34.5.** Expenditures for out-of-state travel by the Department of Transportation  
44 for the 2014-2015 fiscal year and all subsequent fiscal years shall not exceed the amount  
45 expended during the 2009-2010 fiscal year. For purposes of this section, "expenditures for  
46 out-of-state travel" includes transportation, conference, registration, and education expenses,  
47 lodging, and meals for Department of Transportation employees traveling outside of the  
48 ~~State.~~ State, but does not include expenditures charged to federal projects and expenditures  
49 reimbursed by non-State entities."  
50

51 **DOT/OUTSIDE COUNSEL**

1           **SECTION 29.8.(a)** Section 34.27 of S.L. 2013-360, as amended by Section  
2 34.24(a) of S.L. 2014-100, is repealed.

3           **SECTION 29.8.(b)** Subsections (b), (c), and (e) of Section 34.24 of S.L. 2014-100  
4 are repealed.

5           **SECTION 29.8.(c)** G.S. 136-103.1 is repealed.

6           **SECTION 29.8.(d)** Article 2 of Chapter 136 of the General Statutes is amended by  
7 adding a new section to read:

8 **"§ 136-18.03. Outside counsel.**

9           (a) Intent. – It is the intent of the General Assembly that the Department of  
10 Transportation exercise the authority granted by this section to maximize operational and  
11 project delivery benefits attributed to the avoidance or successful defense of litigation.

12           (b) Authorization. – The Department of Transportation may engage the services of  
13 private counsel with the pertinent expertise to provide legal services related to (i) any project  
14 undertaken by the Department and (ii) workers' compensation claims brought by Department  
15 employees. The Department shall supervise and manage the private counsel engaged under this  
16 section and shall not be required to obtain written permission or approval from the Attorney  
17 General under G.S. 114-2.3.

18           (c) Performance Metrics. – The Department shall develop performance metrics to  
19 evaluate its utilization of in-house counsel and private counsel, to include the following:

20                   (1) A summary of new matters opened by legal area.

21                   (2) Case cycle times.

22                   (3) Resolution of cases.

23                   (4) A comparison of in-house costs to billable rates for private counsel.

24                   (5) The process for procurement for legal services.

25           (d) Report. – The Department shall provide a semiannual report to the Joint Legislative  
26 Transportation Oversight Committee and the Joint Legislative Justice and Public Safety  
27 Oversight Committee on the performance metrics set forth in subsection (c) of this section."

28  
29 **RIGHT-OF-WAY      ACQUISITIONS/REDUCE      UNECONOMIC      REMNANT**  
30 **PROPERTY**

31           **SECTION 29.9.(a)** G.S. 136-44.11 is amended by adding a new subsection to read:

32           "(c) Notwithstanding any other provision of law, the Department shall reduce the  
33 amount of funds expended per project for the acquisition of rights-of-way by three percent  
34 (3%)."

35           **SECTION 29.9.(b)** This section becomes effective July 1, 2015, and applies to  
36 rights-of-way acquired on or after that date.

37  
38 **DOT/REPORT ON CAPITAL IMPROVEMENT NEEDS ESTIMATE**

39           **SECTION 29.10.** Report. – By October 1, 2015, the Department of Transportation  
40 shall provide a detailed report to the Joint Legislative Transportation Oversight Committee on  
41 how the Department forms the six-year capital improvement needs estimate required under  
42 G.S. 143C-8-4, including how the Department decides (i) how much funding will be required  
43 for each fiscal year of the estimate and (ii) what types of projects will be excluded from the  
44 estimate.

45  
46 **PRODUCT EVALUATION PROGRAM/INCREASE INNOVATION**

47           **SECTION 29.11.(a)** Plan. – The Board of Transportation shall develop a plan to  
48 bring greater visibility and public awareness to the Product Evaluation Program, a unit of the  
49 Department of Transportation that reviews new and innovative technologies and products. As  
50 part of its plan, the Board shall add to its monthly public meeting an agenda item that highlights

1 two new technologies, one technology that is under review by the Product Evaluation Program  
2 and one technology that was recently approved by the Product Evaluation Program.

3 **SECTION 29.11.(b)** Report. – The plan required under subsection (a) of this  
4 section shall be submitted to the chairs of the Joint Legislative Transportation Oversight  
5 Committee no later than October 1, 2015.

6 **SECTION 29.11.(c)** Chapter 136 of the General Statutes is amended by adding a  
7 new section to read:

8 **"§ 136-18.03. Product Evaluation Program.**

9 The Product Evaluation Program, or any successor program operated by the Department of  
10 Transportation to review and approve or disapprove new and innovative technologies and  
11 products for use by the Department, shall complete its evaluation of a technology or product  
12 within one year from the date that the technology or product was submitted for evaluation.  
13 Nothing in this section shall be construed as requiring the Product Evaluation Program or any  
14 successor program to review all technologies and products submitted to the Product Evaluation  
15 Program or any successor program."

16 **SECTION 29.11.(d)** Subsection (c) of this section becomes effective July 1, 2015,  
17 and applies to technologies and products submitted for review on or after that date. The  
18 remainder of this section is effective when this act becomes law.

19  
20 **VARIOUS REPORTING CHANGES**

21 **SECTION 29.12.(a)** G.S. 136-89.183(a)(5) reads as rewritten:

22 "(5) To fix, revise, charge, retain, enforce, and collect tolls and fees for the use of  
23 the Turnpike Projects. ~~Prior to the effective date of any toll or fee for use of~~  
24 ~~a Turnpike Facility, the~~ The Authority shall submit a description of the an  
25 annual report describing any proposed toll or fee rates for the following  
26 calendar year to use a Turnpike Facility to the Board of Transportation, the  
27 Joint Legislative Transportation Oversight Committee and the Joint  
28 Legislative Commission on Governmental Operations for review.  
29 review  
30 prior to the effective date of the toll or fee rate."

31 **SECTION 29.12.(b)** G.S. 143B-350(f)(4) reads as rewritten:

32 "(4) To approve a schedule of all major transportation improvement projects and  
33 their anticipated cost. This schedule is designated the Transportation  
34 Improvement Program. The Board shall publish the schedule in a format that  
35 is easily reproducible for distribution and make copies available for  
36 distribution. ~~distribution in accordance with the process established for~~  
37 public records in Chapter 132 of the General Statutes. The document that  
38 contains the Transportation Improvement Program, or a separate document  
39 that is published at the same time as the Transportation Improvement  
40 Program, shall include the anticipated funding sources for the improvement  
41 projects included in the ~~Program,~~ Program and a list of any changes made  
42 from the previous year's Program, and the reasons for the changes."

43 **SECTION 29.12.(c)** G.S. 136-44.8(a1) reads as rewritten:

44 "(a1) In each county having unpaved roads programmed for paving, representatives of the  
45 Department of Transportation shall annually provide to the board of county commissioners in  
46 those counties a list of roads proposed for the annual paving program approved by the Board of  
47 Transportation. The paving priority list shall include the priority rating of each secondary road  
48 paving project included in the proposed paving program according to the criteria and standards  
49 adopted by the Board of Transportation. In addition to the list required under this subsection,  
50 the Department of Transportation shall annually provide to the board of county commissioners  
a summary of unpaved secondary road projects completed in the particular county for the prior

1 calendar year, including an indication as to which projects were not completed on schedule and  
2 a detailed explanation as to why the projects were not completed on schedule."

3 **SECTION 29.12.(d)** G.S. 136-44.9 is repealed.

4 **SECTION 29.12.(e)** G.S. 136-28.6(h) reads as rewritten:

5 "(h) The Secretary shall report in writing, on a ~~quarterly~~ annual basis, to the Joint  
6 ~~Legislative Commission on Governmental Operations~~ Transportation Oversight Committee on  
7 all agreements entered into between a private developer and the Department of Transportation  
8 for participation in private engineering and construction contracts under this section, as well as  
9 (i) agreements by counties and municipalities to participate in private engineering and  
10 construction contracts under subsection (i) of this section and (ii) pass-through funding from  
11 private developers to counties or municipalities for State transportation projects. The  
12 information in the report required by this subsection shall be set forth separately for each  
13 division of the Department of Transportation."

14 **SECTION 29.12.(f)** G.S. 136-66.3(f) reads as rewritten:

15 "(f) Report to General Assembly. – The Department shall report in writing, on a  
16 ~~monthly~~ annual basis, to the Joint ~~Legislative Commission on Governmental Operations~~  
17 Transportation Oversight Committee on all agreements entered into between counties,  
18 municipalities and the Department of Transportation. The report shall state in summary form  
19 the contents of ~~such~~ the agreements. The information in the report required by this subsection  
20 shall be set forth separately for each division of the Department of Transportation."

21 **SECTION 29.12.(g)** G.S. 136-28.10(c) reads as rewritten:

22 "(c) The Secretary of Transportation shall report ~~quarterly~~ annually to the Joint  
23 Legislative Transportation Oversight Committee on the implementation of this section. The  
24 information in the report required by this subsection shall be set forth separately for each  
25 division of the Department of Transportation."

26 **SECTION 29.12.(h)** G.S. 143B-350 is amended by adding a new subsection to  
27 read:

28 "(p) Reports. – Notwithstanding any other provision of law, any report required to be  
29 submitted by the Board to the General Assembly or a committee thereof is due by the 15th day  
30 of the month that the report is due."

## 32 **OUTSOURCING OF PRECONSTRUCTION ACTIVITY**

33 **SECTION 29.13.(a)** Section 34.13(a) of S.L. 2014-100 reads as rewritten:

34 "**SECTION 34.13.(a)** The Department of Transportation shall seek to increase the use of  
35 contracts to further privatize preconstruction work where practical, economical, and likely to  
36 lead to increased efficiency. In doing so, the Department of Transportation shall meet each of  
37 the following privatization requirements:

- 38 (1) Increase the outsourcing of all activities performed by the Department's  
39 Preconstruction and Technical Services units to seventy percent (70%) of the  
40 total cost of activities performed by those units in fiscal year  
41 ~~2014-2015, 2015-2016~~, excluding the cost of activities performed by the  
42 Turnpike Authority, the Structures Design and Management unit, and the  
43 Bridge Program.
- 44 (2) Increase the outsourcing of all activities performed by the Department's  
45 Roadway Design unit to fifty percent (50%) of the total cost of activities  
46 performed by that unit in fiscal year ~~2014-2015, 2015-2016~~.
- 47 (3) Increase the outsourcing of all activities performed by the Department's  
48 Project Development and Environmental Analysis unit to sixty-five percent  
49 (65%) of the total cost of activities performed by that unit in fiscal year  
50 ~~2014-2015, 2015-2016~~.

- 1           (4) ~~The~~Based on the total expenditures for outsourced activity in fiscal year  
2           2013-2014, the Department's Right-of-Way unit shall increase the total  
3           expenditures for outsourced activity by five percent (5%) in fiscal year  
4           2014-2015,2015-2016."

5           **SECTION 29.13.(b)** Section 34.13(d) of S.L. 2014-100 reads as rewritten:

6           **"SECTION 34.13.(d)** The Department shall report no later than October 1, ~~2014,~~2015, and  
7           quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal  
8           Research Division regarding its implementation of this section, including any reductions in  
9           force used to meet privatization requirements."

## 10 11 **ESTABLISHMENT OF "DOT REPORT" PROGRAM**

12           **SECTION 29.14.(a)** It is the intent of the General Assembly that North Carolina's  
13           reputation as the "Good Roads State" is restored, which requires a partnership between the  
14           Governor, the Department of Transportation, the General Assembly, and all North Carolina  
15           citizens. Further, the General Assembly finds that improving the condition of North Carolina's  
16           roads requires increased oversight, accountability, innovation, and efficiency. It is the belief of  
17           the General Assembly that, through increased transparency and responsiveness to the public,  
18           the condition of the roads in this State will be the best in the nation within 10 years.

19           **SECTION 29.14.(b)** To achieve the intent set forth in subsection (a) of this  
20           section, the Department of Transportation shall establish and implement the "DOT REPORT"  
21           Program (Program). The Program shall include the following components:

- 22           (1) Responsiveness. – The Department of Transportation shall expand the  
23           Program to gather citizen input and shall commit to quickly addressing  
24           structural problems and other road hazards on State-maintained roads.  
25           Citizens may report potholes, drainage issues, culvert blockages, guardrail  
26           repairs, damaged or missing signs, malfunctioning traffic lights, highway  
27           debris, or shoulder damage to the Department of Transportation by calling  
28           1-877-DOT-4YOU or submitting an online work request through the Web  
29           site link <http://www.ncdot.gov/reportDOT/fixmyroad>. Beginning January 1,  
30           2016, upon receiving a citizen report in accordance with this subdivision, the  
31           Department of Transportation shall either address the reported problem or  
32           identify a solution to the reported problem. Excluding potholes, which shall  
33           be repaired within two business days of the date the report is received, the  
34           Department of Transportation shall properly address citizen reports no later  
35           than 10 business days after the date the citizen report is received. The  
36           Department of Transportation shall transmit information received about  
37           potholes or other problems on roads not maintained by the State to the  
38           appropriate locality within two business days of receiving the citizen report.
- 39           (2) Efficiency. – The Department of Transportation shall adopt procedures in all  
40           stages of the construction process to streamline project delivery, including  
41           consolidating environmental review processes, expediting multiagency  
42           reviews, accelerating right-of-way acquisitions, and pursuing design-build  
43           and other processes to collapse project stages.

44           By October 1, 2015, the Department of Transportation shall establish a  
45           baseline unit pricing structure for transportation goods used in highway  
46           maintenance and construction projects and set annual targets for three years  
47           based on its unit pricing. In forming the baseline unit prices and future  
48           targets, the Department of Transportation shall collect data from each  
49           Highway Division on its expenditures on transportation goods during the  
50           2015-2016 fiscal year. Beginning January 1, 2016, no Highway Division  
51           shall exceed a ten-percent (10%) variance over a baseline unit price set for

1 that year in accordance with this subdivision. The Department of  
2 Transportation shall institute quarterly tracking to monitor pricing variances.  
3 The ten-percent (10%) maximum variance set under this subdivision is  
4 intended to account for regional differences requiring varying product mixes.  
5 The Department of Transportation shall report to the Joint Legislative  
6 Transportation Oversight Committee and the Fiscal Research Division on  
7 October 1, 2015, on information required by this subdivision. If a Highway  
8 Division exceeds the unit pricing threshold, the Department of  
9 Transportation shall report to the Joint Legislative Transportation Oversight  
10 Committee and the Fiscal Research Division no later than the fifteenth day  
11 following the end of the quarter on why the variance occurred and what  
12 steps are being taken to bring the Highway Division back into compliance.  
13 In order to drive savings, unit pricing may be reduced annually as  
14 efficiencies are achieved.

15 (3) Performance. – Beginning October 1, 2015, the Secretary of the Department  
16 of Transportation shall conduct an annual job satisfaction survey of all  
17 Department of Transportation personnel that shall address relationships  
18 among all levels of leadership, work environment, issues impacting job  
19 performance, and leadership performance in creating the dynamic work  
20 environment necessary to meet new performance outcomes. In addition, the  
21 Department of Transportation shall conduct an annual survey of North  
22 Carolina citizens to measure the level of citizen satisfaction with the  
23 condition of the roads and highways of this State. Within 30 days of  
24 compiling the information received from surveys conducted in accordance  
25 with this subdivision, the results of these surveys shall be reported to the  
26 Joint Legislative Transportation Oversight Committee and the Fiscal  
27 Research Division.

28 (4) Oversight. – No later than May 1, 2016, and to increase budget transparency  
29 and allow for greater legislative and citizen oversight, the Department of  
30 Transportation, in consultation with the Fiscal Research Division and the  
31 Office of State Budget and Management, shall reclassify the funding source  
32 for all full-time positions that are budgeted as receipt-supported on the basis  
33 of charging to projects to appropriation and shall adjust budgeted funds  
34 accordingly. Employees in the Division of Highways shall be attributed to  
35 the respective Highway Division fund codes within the Highway Fund.  
36 Notwithstanding any other provision of law, the Department of  
37 Transportation is authorized to reallocate sufficient funds from the Primary  
38 Maintenance, Secondary Maintenance, and General Maintenance Reserve  
39 fund codes to each Highway Division to pay for salary and related costs  
40 associated with the reclassified positions. Receipt-supported positions in  
41 other organizational units within the Department of Transportation shall be  
42 funded through existing fund codes and funding sources for their assigned  
43 organizational units.

44 (5) Restructure. – An unbiased review of the organization, staffing, and  
45 operations of the Division of Highways within the Department of  
46 Transportation is needed to improve the efficiency and effectiveness of the  
47 Division of Highways' operations and to align operations and staffing with  
48 the strategic goals set for the Division of Highways. To that end, the Joint  
49 Legislative Transportation Oversight Committee, through the Fiscal  
50 Research Division and in consultation with the Department of  
51 Transportation, shall study and review the Division of Highways. The Joint

1 Legislative Transportation Oversight Committee may use a Request for  
2 Information process or a Request for Proposals process to contract with a  
3 qualified consulting firm to perform this review and study. The Department  
4 of Transportation is prohibited from entering into a contract for any services  
5 for a period of one year after the study and review completed pursuant to this  
6 subdivision with any consulting firm that performs a study and review  
7 pursuant to this subdivision. The study and review, at a minimum, shall  
8 include all of the following:

- 9 a. A review of current Division of Highways' operations, staffing  
10 levels, and employee performance management efforts.
- 11 b. An evaluation of current laws and policies related to Division of  
12 Highways' operations and staffing.
- 13 c. Recommendations on how best to align staffing with strategic goals  
14 and workload.
- 15 d. Recommendations on performance- or incentive-based systems to  
16 improve the effectiveness of the Division of Highways.
- 17 e. Recommendations on whether current laws and policies should be  
18 continued or modified based upon study results and human resource  
19 best practices.

20 Upon request, the Division of Highways shall provide any information, data,  
21 or documents within their possession, available from the Department of  
22 Transportation or other State agency records, as well as any other relevant  
23 information, data, or documents to complete this study and review.  
24 Information, data, and documents shall be provided in a timely manner to  
25 both the Fiscal Research Division and the consultant, if any. Upon request of  
26 the Fiscal Research Division or the consultant, if any, the Division of  
27 Highways shall dedicate and identify staff to aid in the reviews required in  
28 completing this report. The study and review shall be completed by March  
29 31, 2016. The Joint Legislative Transportation Oversight Committee shall  
30 report its findings to the 2015 Regular Session of the General Assembly  
31 upon its convening in 2016.

- 32 (6) Transparency. – In order for the public to access up-to-date information on  
33 highway and bridge projects and hold the Department of Transportation  
34 accountable for completing projects on time, the Department of  
35 Transportation shall adjust its performance dashboard available on the  
36 Department of Transportation's home page to track the weekly progress of  
37 all of the following:

- 38 a. Maintenance projects costing over one million dollars (\$1,000,000).
- 39 b. Bridge replacement projects.
- 40 c. Bridge repair and bridge renovation projects requiring road closures  
41 in excess of 24 hours.
- 42 d. All construction projects included in the five-year State  
43 Transportation Improvement Program.

44 The Department of Transportation's performance dashboard shall also be  
45 expanded to include Highway Division- and county-specific data with more  
46 detailed financial reporting and project delivery tracking. Dashboard  
47 enhancements required under this subdivision shall be completed by March  
48 1, 2016.

49 **SECTION 29.14.(c)** This section is effective when this act becomes law.

50  
51 **STUDY/TURNPIKE AUTHORITY PROCESSING FEE**

1           **SECTION 29.15.(a)** Study. – The Department of Transportation shall study  
2 whether the amount of the processing fee set forth in G.S. 136-89.215 is in excess of the actual  
3 cost to collect and process unpaid open road tolls. The following information, set forth  
4 separately for each fiscal year since the fee's enactment, shall be included within the study:

- 5           (1) The amount of the processing fee.
- 6           (2) The total amount of proceeds generated by the imposition of the processing  
7 fee.
- 8           (3) The total amount of costs incurred by the Turnpike Authority to collect and  
9 process unpaid open road tolls and a description of how the Department  
10 determined the total amount of costs incurred.
- 11           (4) An identification of whether the processing fees collected exceeded,  
12 equaled, or fell short of the costs incurred by the Turnpike Authority for  
13 collecting and processing unpaid open road tolls.

14           **SECTION 29.15.(b)** Report. – The Department shall report its findings to the Joint  
15 Legislative Transportation Oversight Committee by October 1, 2015.

### 16 17 **ALLOCATION OF CONTRACT RESURFACING FUNDS**

18           **SECTION 29.16.** Allocation. – Of the eighty-seven million four hundred seventeen  
19 thousand four hundred forty-two dollars (\$87,417,442) appropriated in this act for fiscal year  
20 2015-2016 and the two hundred fourteen million six hundred sixty-nine thousand five hundred  
21 ninety-four dollars (\$214,669,594) appropriated in this act for fiscal year 2016-2017 to the  
22 Department of Transportation for contract resurfacing, and notwithstanding any provision of  
23 law to the contrary, the Department shall, to the extent practicable, allocate these funds equally  
24 to each county in this State.

### 25 26 **USE OF FUNDS FOR PAVEMENT PRESERVATION PROGRAM**

27           **SECTION 29.17.(a)** G.S. 136-44.17 reads as rewritten:

28 **"§ 136-44.17. Pavement preservation program.**

29 ...

30           (b) Eligible Activities or Treatments. – Applications eligible for funding under the  
31 pavement preservation program include the following preservation activities or treatments for  
32 asphalt pavement structures:

- 33           (1) Chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals.
- 34           (2) Microsurfacing.
- 35           (3) Profile milling not covered by resurfacing.
- 36           (4) Asphalt rejuvenators.
- 37           (5) Open graded asphalt friction course.
- 38           (6) Overlays less than 1,000 feet in length.
- 39           (7) Diamond grinding.
- 40           (8) Joint sealing.
- 41           (9) Dowel bar retrofit.
- 42           (10) Partial-depth or full-depth repairs and reclamations.
- 43           (11) Ultra-thin whitetopping.
- 44           (12) Thin lift and sand asphalt overlays.
- 45           (13) Asphalt crack sealing.

46           (c) Ineligible Activities or Treatments. – The pavement preservation program shall not  
47 include the following preservation activities or treatments:

- 48           (1) Contract resurfacing activities or major pavement rehabilitation treatments  
49 and pretreatments that are used in combination with a resurfacing treatment,  
50 such as profile milling or chip seals.

- 1 (2) Routine maintenance activities used to maintain and preserve the condition  
2 of roads. Treatments include, but are not limited to, ~~asphalt crack sealing,~~  
3 pothole patching, rut filling, cleaning of roadside ditches and structures,  
4 shoulder maintenance, and retracing of pavement markings.
- 5 (3) Maintenance and preservation activities performed on bridges or culverts.
- 6 (4) Activities related to positive guidance or signal maintenance program  
7 functions.

8 (d) Encumbrance Schedule. – The Department of Transportation shall spend or  
9 encumber all funds appropriated by the General Assembly to the Department for the pavement  
10 preservation program by June 30 of the fiscal year in which the funds were appropriated."

11 **SECTION 29.17.(b)** Subsection (k) of Section 34.11 of S.L. 2014-100 is repealed.

12 **SECTION 29.17.(c)** This section becomes effective July 1, 2015, and applies to  
13 funds appropriated on or after that date.

#### 14

#### 15 **CONTRACT RESURFACING**

16 **SECTION 29.17A.** The total amount of funds appropriated in this act from the  
17 Highway Fund to the Contract Resurfacing Program is as follows:

- 18 (1) For the 2015-2016 fiscal year, four hundred fifty-one million three hundred  
19 forty-five thousand nine hundred forty-six dollars (\$451,345,946).
- 20 (2) For the 2016-2017 fiscal year, five hundred twenty-nine million three  
21 hundred fifty-four thousand four hundred ninety-eight dollars  
22 (\$529,354,498).

#### 23

#### 24 **NORTH CAROLINA STATE PORTS AUTHORITY**

25 **SECTION 29.17B.** The total amount of funds appropriated in this act from the  
26 Highway Fund to the North Carolina State Ports Authority is as follows:

- 27 (1) For the 2015-2016 fiscal year, ten million six hundred thirty-eight thousand  
28 three dollars (\$10,638,003).
- 29 (2) For the 2016-2017 fiscal year, thirty million one hundred forty thousand one  
30 hundred forty-two dollars (\$30,140,142).

#### 31

#### 32 **REPORT/USE OF COAL COMBUSTION RESIDUALS**

33 **SECTION 29.18.** Report. – By January 15, 2016, the Utilities Commission shall  
34 submit a report to the Joint Legislative Commission on Governmental Operations, the Joint  
35 Legislative Transportation Oversight Committee, and the Environmental Review Commission  
36 on the incremental cost incentives related to coal combustion residuals surface impoundments  
37 for investor-owned public utilities. The report shall include all of the following:

- 38 (1) The Utilities Commission policy on allowed incremental cost recoupment.
- 39 (2) The impact on utility customers' rates under the current policy on allowed  
40 incremental cost recoupment.
- 41 (3) Possible revisions to the current policy on allowed incremental cost  
42 recoupment that would promote reprocessing and other technologies that  
43 allow the reuse of coal combustion residuals stored in surface impoundments  
44 for concrete and other beneficial end uses.

#### 45

#### 46 **BONUS ALLOCATION FOR MID-CURRITUCK BRIDGE PROJECT**

47 **SECTION 29.19.** G.S. 136-189.11(f) reads as rewritten:

48 "(f) Incentives for Local Funding and Highway Tolling. – The Department may revise  
49 highway project selection ratings based on local government funding initiatives and capital  
50 construction funding directly attributable to highway toll revenue. Projects Subject to the  
51 following requirements and limitations, projects authorized for construction after November 1,

2013, and contained in the 10-year Department of Transportation work program are eligible for a bonus allocation under this subsection:

...

(3) Funds obtained through highway tolling. – Upon authorization to construct a project with funding from toll revenue, the Department shall make available for allocation an amount equal to one-half of the project construction cost derived from toll revenue bonds. The amount made available for allocation to other eligible highway projects shall not exceed two hundred million dollars (\$200,000,000) of the capital construction funding directly attributable to the highway toll revenues committed in the Investment Grade Traffic and Revenue Study, for a project for which funds have been committed on or before July 1, 2015. The amount made available for allocation to other eligible highway projects shall not exceed one hundred million dollars (\$100,000,000) of the capital construction funding directly attributable to the highway toll revenues committed in the Investment Grade Traffic and Revenue Study, for a project for which funds are committed after July 1, 2015. If the toll project is located in one or more Metropolitan Planning Organization or Rural Transportation Planning Organization boundaries, based on the boundaries in existence at the time of letting of the project construction contract, the bonus allocation shall be distributed proportionately to lane miles of new capacity within the Organization's boundaries. The Organization shall apply the bonus allocation only within those counties in which the toll project is located. Notwithstanding the requirement in this subsection directing the distribution of a bonus allocation to a Metropolitan Planning Organization, Rural Planning Organization, or local government, a bonus allocation made available under this subdivision for the Mid-Currituck Bridge project shall be distributed to the highway division having jurisdiction over the county where the Mid-Currituck Bridge project is located for use in accordance with subdivision (4) of this subsection. Nothing in this subdivision shall be construed as requiring the construction of the Mid-Currituck Bridge project.

...."

## UTILITY RELOCATION

**SECTION 29.20.(a)** G.S. 136-27.1 reads as rewritten:

### "§ 136-27.1. Relocation of water and sewer lines of municipalities and nonprofit water or sewer corporations or associations.

The Department of Transportation shall pay the nonbetterment cost for the relocation of water and sewer lines, located within the existing State transportation project right-of-way, that are necessary to be relocated for a State transportation improvement project and that are owned by: (i) a municipality with a population of 5,500~~10,000~~ or less according to the latest decennial census; (ii) a nonprofit water or sewer association or corporation; (iii) any water or sewer system organized pursuant to Chapter 162A of the General Statutes; (iv) a rural water system operated by a County as an enterprise system; (v) any sanitary district organized pursuant to Part 2 of Article 2 of Chapter 130A of the General Statutes; or (vi) constructed by a water or sewer system organized pursuant to Chapter 162A of the General Statutes and then sold or transferred to a municipality with a population of greater than 5,500~~10,000~~ according to the latest decennial census. A municipality with a population greater than 10,000 shall pay a percentage of the nonbetterment cost for relocation of water and sewer lines, owned by the municipality and located within the existing State transportation project right-of-way, that are necessary to be relocated for a State transportation improvement project. The percentage shall

1 be based on the municipality's population, with the Department paying the remaining costs, as  
2 follows:

- 3 (1) A municipality with a population greater than 10,000, but less than 25,000,  
4 shall pay twenty-five percent (25%) of the cost.
- 5 (2) A municipality with a population of 25,000 or greater, but less than 50,000,  
6 shall pay fifty percent (50%) of the cost.
- 7 (3) A municipality with a population of 50,000 or greater shall pay one hundred  
8 percent (100%) of the cost."

9 **SECTION 29.20.(b)** This section is effective when it becomes law.

## 10 11 **RAIL DIVISION/STUDY ESTABLISHING COMMERCIAL FREIGHT RAIL** 12 **SERVICE IN JACKSONVILLE**

13 **SECTION 29.21.(a)** Study. – The Rail Division of the Department of  
14 Transportation, in collaboration with the Camp Lejeune Marine Corps Air Base, the  
15 Jacksonville Urban Area Metropolitan Planning Organization, the City of Jacksonville, Onslow  
16 County, and the Norfolk Southern Railway Company, shall study the feasibility and  
17 advisability of establishing a commercial freight rail service along the Camp Lejeune rail line  
18 located in Onslow County, North Carolina. The study shall include all of the following:

- 19 (1) An evaluation of the maintenance needs of the existing rail line and any  
20 enhancements needed to support commercial freight access.
- 21 (2) An evaluation of the use of partnership opportunities to complete long-term  
22 maintenance and enhancements in order to minimize the cost burden for all  
23 parties involved.
- 24 (3) Any other matters that the Rail Division deems relevant to the study.

25 **SECTION 29.21.(b)** Report. – The Rail Division shall report its findings to the  
26 Chairs of the Senate Appropriations Committee on the Department of Transportation and the  
27 House of Representatives Committee on Transportation Appropriations by July 1, 2016.

## 28 29 **PASSENGER RAIL RECEIPT-GENERATING ACTIVITIES**

30 **SECTION 29.22.(a)** G.S. 136-18 is amended by adding a new subdivision to read:

31 "(44a) Where the Department owns or leases the passenger rail facility, owns the  
32 rail equipment, or holds leasehold or license rights for the purpose of  
33 operating passenger stations, the Department may operate or contract for the  
34 following receipt-generating activities and use the proceeds to fund  
35 passenger rail operations:

- 36 a. Where the Department owns the passenger rail facility or owns or  
37 leases the rail equipment, operation of concessions on State-funded  
38 passenger trains and at passenger rail facilities to provide to  
39 passengers food, drink, and other refreshments, personal comfort  
40 items, Internet access, and souvenirs publicizing the passenger rail  
41 system.
- 42 b. Where the Department holds leasehold or license rights for the  
43 purpose of operating passenger stations, operation of concessions at  
44 rail passenger facilities to provide food, drink, and other  
45 refreshments, personal comfort items, Internet access, and souvenirs  
46 publicizing the passenger rail system, in accordance with the terms of  
47 the leasehold or license.
- 48 c. Advertising on or within the Department's passenger rail equipment  
49 or facility, including display advertising and advertising delivered to  
50 passengers through the use of video monitors, public address systems  
51 installed in passenger areas, and other electronic media.

1                   d.     The sale of naming rights to Department-owned passenger rail  
2                   equipment or facilities."

3                   **SECTION 29.22.(b)** G.S. 66-58(c)(21) reads as rewritten:

4                   "(21) Any activity conducted or contracted for by the Department of  
5                   Transportation that is authorized by G.S. 136-18(44a) or G.S. 136-82(f)."  
6

#### 7 **FREIGHT RAIL & RAIL CROSSING SAFETY IMPROVEMENT FUND USES**

8                   **SECTION 29.23.** G.S. 124-5.1 reads as rewritten:

9                   "**§ 124-5.1. North Carolina Railroad Company dividends deposited to Highway Fund.**

10                  Any dividends of the North Carolina Railroad Company received by the State shall be  
11                  deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway  
12                  Fund and administered by the Rail Division of the Department of Transportation. The Fund  
13                  shall be used for the enhancement of freight rail service and railroad-roadway crossing safety,  
14                  which may include the following project types:

- 15                  (1)     Track and associated infrastructure improvements for freight service.
- 16                  (2)     Grade crossing protection, elimination, and hazard removal.
- 17                  (3)     Signalization improvements.
- 18                  (4)     Assistance for projects to improve rail access to industrial, port, and military  
19                  facilities and for freight intermodal facility improvements, provided that  
20                  funding assistance under this subdivision shall be subject to the same limits  
21                  as that for short-line railroads under G.S. 136-44.39.

22                  (5)     Corridor protection and reactivation.

23                  The Fund may also be used to supplement funds allocated for freight rail or  
24                  railroad-roadway crossing safety projects approved as part of the Transportation Improvement  
25                  Program."  
26

#### 27 **FERRY TOLLS/REMOVE EXEMPTION FROM CHAPTER 150B**

28                  **SECTION 29.24.(a)** G.S. 136-82(b) reads as rewritten:

29                  "(b)     Establishment of Tolling. – The Board of Transportation may establish tolls on any  
30                  untolled ferry route as set forth in this subsection. Prior to establishing tolls on an untolled ferry  
31                  route, the Board of Transportation must receive a resolution approved by the Transportation  
32                  Advisory Committee of each affected local transportation planning organization requesting  
33                  tolls on that route. No later than March 1, 2014, the Department shall hold a separate public  
34                  hearing in the geographic area of each untolled ferry route and invite each affected local  
35                  transportation planning organization. At the public hearing, the Department shall present an  
36                  explanation of the toll setting methodology, the impact of tolling on the availability of funding  
37                  for other local transportation priorities, and the minimum and maximum toll rates. After the  
38                  public hearing, an affected local transportation planning organization may consider and adopt a  
39                  ferry tolling resolution. The Board of Transportation shall adopt the toll at its next regularly  
40                  scheduled meeting after receipt of the ferry tolling resolutions required by this subsection. The  
41                  Department shall collect the toll as soon as is feasible following its adoption, but in no case  
42                  more than 180 days after adoption of the toll. ~~The establishment of tolls by the Board of~~  
43                  ~~Transportation pursuant to the authority granted in this section shall be exempt from the~~  
44                  ~~provisions of Chapter 150B of the General Statutes.~~ For purposes of this section, "affected local  
45                  transportation planning organization" means any Metropolitan Planning Organization or Rural  
46                  Transportation Planning Organization with geographic jurisdiction over any part of an untolled  
47                  ferry route, and "untolled ferry route" means any ferry route for which no tolls were in effect as  
48                  of June 30, 2013."

49                  **SECTION 29.24.(b)** This section becomes effective July 1, 2015, and applies to  
50                  tolls established or revised on or after that date.  
51

1 **REMOVE FERRY VESSEL REPLACEMENT FROM STI/BRIDGE PROGRAM**  
 2 **REVISIONS**

3 **SECTION 29.25.(a)** G.S. 136-189.10 reads as rewritten:

4 **"§ 136-189.10. Definitions.**

5 The following definitions apply in this Article:

- 6 ...
- 7 (2) Division needs projects. – Includes only the following:
- 8 a. Projects listed in subdivision (3) or (4) of this section, subject to the  
 9 limitations noted in those subsections.
- 10 b. State highway routes not included in subdivision (3) or (4) of this  
 11 section.
- 12 c. Airports included in the NPIAS that are not included in subdivision  
 13 (3) or (4) of this section, provided that the State's total annual  
 14 financial participation under this sub-subdivision shall not exceed  
 15 eighteen million five hundred thousand dollars (\$18,500,000).
- 16 d. Rail lines not included in subdivision (3) or (4) of this section. This  
 17 sub-subdivision does not include short-line railroads.
- 18 e. Public transportation service not included in subdivision (3) or (4) of  
 19 this section. This sub-subdivision includes commuter rail, intercity  
 20 rail, and light rail.
- 21 f. Multimodal terminals and stations serving passenger transit systems.
- 22 g. Federally funded independent bicycle and pedestrian improvements.
- 23 ~~h. Replacement of State-maintained ferry vessels.~~
- 24 i. Federally funded municipal road projects.
- 25 (3) Regional impact projects. – Includes only the following:
- 26 a. Projects listed in subdivision (4) of this section, subject to the  
 27 limitations noted in that subdivision.
- 28 b. U.S. highway routes not included in subdivision (4) of this section.
- 29 c. N.C. highway routes not included in subdivision (4) of this section.
- 30 d. Commercial service airports included in the NPIAS that are not  
 31 included in subdivision (4) of this section, provided that the State's  
 32 annual financial participation in any single airport project included in  
 33 this subdivision may not exceed three hundred thousand dollars  
 34 (\$300,000).
- 35 e. The State-maintained ferry system, excluding ~~passenger~~-vessel  
 36 rehabilitation and replacement.
- 37 f. Rail lines that span two or more counties not included in subdivision  
 38 (4) of this section. This sub-subdivision does not include short-line  
 39 railroads.
- 40 g. Public transportation service that spans two or more counties and that  
 41 serves more than one municipality. Programmed funds pursuant to  
 42 this sub-subdivision shall not exceed ten percent (10%) of any  
 43 distribution region allocation. This sub-subdivision includes  
 44 commuter rail, intercity rail, and light rail.

45 ...."

46 **SECTION 29.25.(b)** Section 34.18(a) of S.L. 2014-100, as amended by Section  
 47 29.6 of this act, reads as rewritten:

48 **"SECTION 34.18.(a)** The Department of Transportation shall rename the "system  
 49 preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this  
 50 program shall be used for (i) improvements to culverts associated with a component of the  
 51 State highway ~~system and~~ system, (ii) improvements to structurally deficient and functionally

1 ~~obsolete bridges.~~ bridges, (iii) ferry vessel replacement projects, and (iv) ferry vessel  
2 rehabilitation projects. All projects funded under this program, with the exception of  
3 inspection, pre-engineering, contract preparation, contract administration and oversight, ~~and~~  
4 ~~planning activities,~~ activities, ferry vessel replacement, and ferry vessel rehabilitation, shall be  
5 outsourced to private contractors."

6 **SECTION 29.25.(c)** G.S. 136-82(d) reads as rewritten:

7 "(d) Use of Toll Proceeds. – ~~The~~ Except for the net proceeds from tolls collected and  
8 other receipts generated from the operation of walk-on only ferry vessels on the  
9 Ocracoke/Hatteras ferry route, the Department of Transportation shall credit the proceeds from  
10 tolls collected on North Carolina Ferry System routes and receipts generated under subsection  
11 (f) of this section to reserve accounts within the Highway Fund for each of the Highway  
12 Divisions in which system terminals are located and fares are earned. For the purposes of this  
13 subsection, fares are earned based on the terminals from which a passenger trip originates and  
14 terminates. Commuter pass receipts shall be credited proportionately to each reserve account  
15 based on the distribution of trips originating and terminating in each Highway Division. The  
16 proceeds credited to each reserve account the bridge program under the Department of  
17 Transportation in the highway maintenance program, and the proceeds shall be used  
18 exclusively for prioritized North Carolina Ferry System ferry passenger-vessel rehabilitation or  
19 replacement projects in the Division in which the proceeds are earned. projects. The  
20 Department of Transportation shall credit the net proceeds from tolls collected and other  
21 receipts generated from the operation of walk-on only ferry vessels on the Ocracoke/Hatteras  
22 ferry route to a reserve account within the Highway Fund for the Highway Division in which  
23 the system terminal is located and the fares are earned and the proceeds shall be used for  
24 operations and system improvements. Proceeds may be used to fund ferry passenger-vessel  
25 rehabilitation or replacement projects or supplement funds allocated for ferry passenger-vessel  
26 rehabilitation or replacement projects approved in the Transportation Improvement Program."

27 **SECTION 29.25.(d)** Except for the reserve account within the Highway Fund in  
28 which the net proceeds from tolls collected and other receipts generated from the operation of  
29 walk-on only ferry vessels on the Ocracoke/Hatteras ferry route are credited, the reserve  
30 accounts within the Highway Fund in which the proceeds from tolls collected on North  
31 Carolina Ferry System routes are credited under G.S. 136-82 shall be closed and the remaining  
32 unencumbered fund balance shall be transferred to the bridge program (Fund Code  
33 84210-7839).

#### 34 35 **CLARIFY APPLICABILITY OF STI TO ACQUISITION OF WALK-ON ONLY** 36 **FERRY VESSELS FOR OCRACOKE/HATTERAS FERRY ROUTE**

37 **SECTION 29.26.** The acquisition of walk-on only ferry vessels for the  
38 Ocracoke/Hatteras ferry route shall not be subject to Article 14B of Chapter 136 of the General  
39 Statutes.

#### 40 41 **USE OF FUNDS APPROPRIATED TO DIVISION OF AVIATION**

42 **SECTION 29.27.** The Division of Aviation of the Department of Transportation  
43 may use funds appropriated in this act to the Division for time-sensitive, aviation-related  
44 economic development projects.

#### 45 46 **UNMANNED AIRCRAFT SYSTEM LAW CLARIFICATION**

47 **SECTION 29.28.(a)** Section 7.16(e) of S.L. 2013-360, as amended by Section  
48 7.11(a) of S.L. 2014-100, reads as rewritten:

49 **"SECTION 7.16.(e)** Until December 31, 2015, ~~no State or local governmental entity or~~  
50 ~~officer may procure or operate an unmanned aircraft system or disclose personal information~~  
51 ~~about any person acquired through the operation of an unmanned aircraft system unless the~~

1 ~~State CIO approves an exception specifically granting disclosure, use, or purchase. Any~~  
2 ~~exceptions to the prohibition in this subsection shall be reported immediately the State CIO~~  
3 ~~shall have the authority to approve or disapprove (i) the procurement or operation of an~~  
4 ~~unmanned aircraft system by agents or agencies of the State or a political subdivision of the~~  
5 ~~State and (ii) the disclosure of personal information about any person acquired through the~~  
6 ~~operation of an unmanned aircraft system by agents or agencies of the State or a political~~  
7 ~~subdivision of the State. When making a decision under this subsection, the State CIO may~~  
8 ~~consult with the Division of Aviation of the Department of Transportation. The State CIO shall~~  
9 ~~immediately report to the Joint Legislative Oversight Committee on Information Technology~~  
10 ~~and the Fiscal Research Division. Division on all decisions made under this subsection.~~  
11 ~~Notwithstanding G.S. 63-95(c), agents or agencies of the State or a political subdivision of the~~  
12 ~~State that receive State CIO approval under this subsection may procure or operate an~~  
13 ~~unmanned aircraft system prior to the implementation of the knowledge test required by~~  
14 ~~G.S. 63-95. In addition to receiving approval from the State CIO under this subsection, agents~~  
15 ~~or agencies of the State or a political subdivision of the State who submit a request on or after~~  
16 ~~the date of implementation of the knowledge test required by G.S. 63-95 shall also be subject to~~  
17 ~~the provisions of that section. The following definitions apply in this section:~~

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

24 **SECTION 29.28.(b)** Section 34.30(j) of S.L. 2014-100 reads as rewritten:

25 **"SECTION 34.30.(j)** ~~No~~ Except as authorized under Section 7.16(e) of S.L. 2013-360, as  
26 amended by Section 7.11(a) of S.L. 2014-100, no operation of unmanned aircraft systems by  
27 agents or agencies of the State, or agents or agencies of State or a political subdivision of the  
28 State, State shall be authorized in this State until the knowledge and skills test required by  
29 G.S. 63-95, as enacted in subsection (g) of this section, has been implemented.

30 No operation of unmanned aircraft systems for commercial purposes shall be authorized in  
31 this State until the FAA has authorized commercial operations and the licensing system  
32 required by G.S. 63-96, as enacted in subsection (g) of this section, has been implemented."

33 **SECTION 29.28.(c)** G.S. 63-95(b) reads as rewritten:

34 "(b) The Division shall develop a knowledge and skills test for operating an unmanned  
35 aircraft system that complies with all applicable State and federal regulations and shall provide  
36 for administration of the test. The test shall ensure that the operator of an unmanned aircraft  
37 system is knowledgeable of the State statutes and regulations regarding the operation of  
38 unmanned aircraft systems. The Division may permit a person, including an agency of this  
39 State, an agency of a political subdivision of this State, an employer, or a private training  
40 facility, to administer the test developed pursuant to this subsection, provided the test is the  
41 same as that administered by the Division and complies with all applicable State and federal  
42 regulations."

43 **SECTION 29.28.(d)** G.S. 63-96 reads as rewritten:

44 "**§ 63-96. License-Permit required for commercial operation of unmanned aircraft**  
45 **systems.**

46 (a) No person shall operate an unmanned aircraft system, as defined in G.S. 15A-300.1,  
47 in this State for commercial purposes unless the person is in possession of a ~~license-permit~~  
48 issued by the Division valid for the unmanned aircraft system being operated. Application for  
49 such ~~license-permit~~ shall be made in the manner provided by the Division. Unless suspended or  
50 revoked, the ~~license-permit~~ shall be effective for a period to be established by the Division not  
51 exceeding eight years.

- 1 (b) No person shall be issued a ~~license~~ permit under this section unless all of the  
2 following apply:
- 3 (1) The person is at least ~~18-17~~ years of age.
  - 4 (2) The person possesses a valid drivers license issued by any state or territory  
5 of the United States or the District of Columbia.
  - 6 (3) The person has passed the knowledge ~~and skills~~ test for operating an  
7 unmanned aircraft system as prescribed in G.S. 63-95(b).
  - 8 (4) The person has satisfied all other applicable requirements of this Article or  
9 federal regulation.
- 10 (c) A ~~license~~ permit to operate an unmanned aircraft system for commercial purposes  
11 shall not be issued to a person while the person's license or permit to operate an unmanned  
12 aircraft system is suspended, revoked, or cancelled in any state.
- 13 (d) The Division shall develop and administer a program that complies with all  
14 applicable federal regulations to license-issue permits to operators of unmanned aircraft  
15 systems for commercial purposes. The program must include the following components:
- 16 (1) A system for classifying unmanned aircraft systems based on characteristics  
17 determined to be appropriate by the Division.
  - 18 (2) A fee structure for ~~licenses~~ permits.
  - 19 (3) A ~~license~~ permit application ~~process~~ process, which shall include a  
20 requirement that the Division provide notice to an applicant of the Division's  
21 decision on issuance of a permit no later than 10 days from the date the  
22 Division receives the applicant's application.
  - 23 (4) Technical guidance for complying with program requirements.
  - 24 (5) Criteria under which the Division may suspend or revoke a ~~license~~ permit.
  - 25 (6) Criteria under which the Division may waive ~~license~~ permitting  
26 requirements for applicants currently holding a valid license or permit  
27 to operate unmanned aircraft systems issued by another state or territory of the  
28 United States, the District of Columbia, or the United States.
  - 29 (7) A designation of the geographic area within which a ~~licensee~~ permittee shall  
30 be authorized to operate an unmanned aircraft system. The rules adopted by  
31 the Division for designating a geographic area pursuant to this subdivision  
32 shall be no more restrictive than the rules or regulations adopted by the  
33 Federal Aviation Administration for designating a geographic area for the  
34 commercial operation of unmanned aircraft systems.
  - 35 (8) Requirements pertaining to the collection, use, and retention of data by  
36 ~~licensees~~ permittees obtained through the operation of unmanned aircraft  
37 systems, to be established in consultation with the State Chief Information  
38 Officer.
  - 39 (9) Requirements for the marking of each unmanned aircraft system operated  
40 pursuant to a ~~license~~ permit issued under this section sufficient to ~~permit~~  
41 allow identification of the owner of the system and the person ~~licensed~~  
42 issued a permit to operate it.
  - 43 (10) A system for providing agencies that conduct other operations within  
44 regulated airspace with the identity and contact information of ~~licensees~~  
45 permittees and the geographic areas within which the ~~licensee~~ permittee is  
46 ~~permitted~~ authorized to operate an unmanned aircraft system.
- 47 (e) A person who operates an unmanned aircraft system for commercial purposes other  
48 than as ~~permitted~~ authorized under this section shall be guilty of a Class 1 misdemeanor.
- 49 (f) The Division may issue rules and regulations to implement the provisions of this  
50 section."

1           **SECTION 29.28.(e)** Prior to the implementation of the knowledge test and  
 2 permitting process required by G.S. 63-96, any person authorized by the FAA for commercial  
 3 operation of an unmanned aircraft system in this State shall not be in violation of that statute,  
 4 provided that they make application for a State permit for commercial operation within 60 days  
 5 of the full implementation of the permitting process and are issued a State commercial  
 6 operation permit in due course.

7           **SECTION 29.28.(f)** This section is effective when this act becomes law.

8  
 9 **MOTOR FUEL TAX RATE CHANGE**

10           **SECTION 29.29.(a)** G.S. 105-449.80(a), as amended by Section 2.2(a) of S.L.  
 11 2015-2, reads as rewritten:

12           "(a) Rate. – ~~For the period that begins Beginning on January 1, 2016, and ends on June~~  
 13 ~~30, 2016,~~ the motor fuel excise tax rate is a flat rate of ~~thirty five cents (35¢) thirty-six cents~~  
 14 ~~(36¢) per gallon. For the period that begins on July 1, 2016, and ends on December 31, 2016,~~  
 15 ~~the motor fuel excise tax rate is a flat rate of thirty four cents (34¢) per gallon. For the calendar~~  
 16 ~~years beginning on January 1, 2017, the motor fuel excise tax rate is a flat rate of thirty four~~  
 17 ~~cents (34¢) per gallon, multiplied by a percentage. gallon for diesel fuel and thirty-three cents~~  
 18 ~~(33¢) per gallon for all other motor fuels. For calendar years beginning on or after January 1,~~  
 19 ~~2018, 2017,~~ the motor fuel excise tax rate is the amount for the preceding calendar year,  
 20 multiplied by a percentage. The percentage is one hundred percent (100%) plus or minus the  
 21 sum of the following:

- 22           (1) The percentage change in population for the applicable calendar year, as
- 23           estimated under G.S. 143C-2-2, multiplied by seventy-five percent (75%).
- 24           (2) The annual percentage change in the Consumer Price Index for All Urban
- 25           Consumers, multiplied by twenty-five percent (25%). For purposes of this
- 26           subdivision, "Consumer Price Index for All Urban Consumers" means the
- 27           United States city average for energy index contained in the detailed report
- 28           released in the October prior to the applicable calendar year by the Bureau of
- 29           Labor Statistics of the United States Department of Labor."

30           **SECTION 29.29.(b)** This section becomes effective January 1, 2016.

31  
 32 **INCREASE DMV FEES**

33           **SECTION 29.30.(a)** G.S. 20-7 reads as rewritten:

34           "**§ 20-7. Issuance and renewal of drivers licenses.**

35           ...

36           (i) Fees. – The fee for a regular drivers license is the amount set in the following table  
 37 multiplied by the number of years in the period for which the license is issued:

38 Class of Regular License	Fee for Each Year
39           Class A	\$4.00\$5.20
40           Class B	\$4.00\$5.20
41           Class C	\$4.00\$5.20

42           The fee for a motorcycle endorsement is ~~one dollar and seventy five cents (\$1.75)two dollars~~  
 43 ~~and twenty-eight cents (\$2.28)~~ for each year of the period for which the endorsement is issued.  
 44           The appropriate fee shall be paid before a person receives a regular drivers license or an  
 45 endorsement.

46           (i1) Restoration Fee. – Any person whose drivers license has been revoked pursuant to  
 47 the provisions of this Chapter, other than G.S. 20-17(a)(2) shall pay a restoration fee of ~~fifty~~  
 48 ~~dollars (\$50.00).sixty-five dollars (\$65.00).~~ A person whose drivers license has been revoked  
 49 under G.S. 20-17(a)(2) shall pay a restoration fee of ~~one hundred dollars (\$100.00).one hundred~~  
 50 ~~thirty dollars (\$130.00).~~ The fee shall be paid to the Division prior to the issuance to such  
 51 person of a new drivers license or the restoration of the drivers license. The restoration fee shall

1 be paid to the Division in addition to any and all fees which may be provided by law. This  
2 restoration fee shall not be required from any licensee whose license was revoked or voluntarily  
3 surrendered for medical or health reasons whether or not a medical evaluation was conducted  
4 pursuant to this Chapter. The ~~fifty-dollar (\$50.00) fee, sixty-five-dollar (\$65.00) fee,~~ and the  
5 ~~first fifty dollars (\$50.00)~~ eighty dollars (\$80.00) of the ~~one hundred dollar~~  
6 ~~(\$100.00)~~ one-hundred-thirty-dollar (\$130.00) fee, shall be deposited in the Highway Fund.  
7 Twenty-five dollars (\$25.00) of the ~~one hundred dollar (\$100.00)~~ one-hundred-thirty-dollar  
8 (\$130.00) fee shall be used to fund a statewide chemical alcohol testing program administered  
9 by the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the  
10 Department of Health and Human Services. The remainder of the ~~one hundred dollar~~  
11 ~~(\$100.00)~~ one-hundred-thirty-dollar (\$130.00) fee shall be deposited in the General Fund. The  
12 Office of State Budget and Management shall annually report to the General Assembly the  
13 amount of fees deposited in the General Fund and transferred to the Forensic Tests for Alcohol  
14 Branch of the Chronic Disease and Injury Section of the Department of Health and Human  
15 Services under this subsection.

16 Effective with the 2011-2012 fiscal year, from the funds deposited in the General Fund  
17 under this subsection the sum of five hundred thirty-seven thousand four hundred fifty-five  
18 dollars (\$537,455) shall be transferred annually to the Board of Governors of The University of  
19 North Carolina to be used for the operating expenses of the Bowles Center for Alcohol Studies  
20 at The University of North Carolina at Chapel Hill.

21 ...

22 (l) Learner's Permit. – A person who is at least 18 years old may obtain a learner's  
23 permit. A learner's permit authorizes the permit holder to drive a specified type or class of  
24 motor vehicle while in possession of the permit. A learner's permit is valid for a period of 18  
25 months after it is issued. The fee for a learner's permit is ~~fifteen dollars (\$15.00),~~ nineteen  
26 dollars and fifty cents (\$19.50). A learner's permit may be renewed, or a second learner's permit  
27 may be issued, for an additional period of 18 months. The permit holder must, while operating  
28 a motor vehicle over the highways, be accompanied by a person who is licensed to operate the  
29 motor vehicle being driven and is seated beside the permit holder.

30 ...."

31 **SECTION 29.30.(b)** G.S. 20-11(j) reads as rewritten:

32 "(j) Duration and Fee. — A limited learner's permit expires on the eighteenth birthday of  
33 the permit holder. A limited provisional license expires on the eighteenth birthday of the  
34 license holder. A limited learner's permit or limited provisional license issued under this section  
35 that expires on a weekend or State holiday shall remain valid through the fifth regular State  
36 business day following the date of expiration. A full provisional license expires on the date set  
37 under G.S. 20-7(f). The fee for a limited learner's permit or a limited provisional license is  
38 ~~fifteen dollars (\$15.00),~~ nineteen dollars and fifty cents (\$19.50). The fee for a full provisional  
39 license is the amount set under G.S. 20-7(i)."

40 **SECTION 29.30.(c)** G.S. 20-14 reads as rewritten:

41 "**§ 20-14. Duplicate licenses.**

42 A person may obtain a duplicate of a license issued by the Division by paying a fee of ~~ten~~  
43 ~~dollars (\$10.00)~~ thirteen dollars (\$13.00) and giving the Division satisfactory proof that any of  
44 the following has occurred:

- 45 (1) The person's license has been lost or destroyed.
- 46 (2) It is necessary to change the name or address on the license.
- 47 (3) Because of age, the person is entitled to a license with a different color  
48 photographic background or a different color border.
- 49 (4) The Division revoked the person's license, the revocation period has expired,  
50 and the period for which the license was issued has not expired."

51 **SECTION 29.30.(d)** G.S. 20-16(e) reads as rewritten:

"(e) The Division may conduct driver improvement clinics for the benefit of those who have been convicted of one or more violations of this Chapter. Each driver attending a driver improvement clinic shall pay a fee of ~~fifty dollars (\$50.00)~~sixty-five dollars (\$65.00)."

**SECTION 29.30.(e)** G.S. 20-26(c) reads as rewritten:

"(c) The Division shall furnish copies of license records required to be kept by subsection (a) of this section in accordance with G.S. 20-43.1 to other persons for uses other than official upon prepayment of the following fees:

- (1) Limited extract copy of license record, for period up to three years .....~~\$8.00~~\$10.40
- (2) Complete extract copy of license record.....~~8.00~~10.40
- (3) Certified true copy of complete license record .....~~11.00~~14.30

All fees received by the Division under this subsection shall be credited to the Highway Fund."

**SECTION 29.30.(f)** G.S. 20-37.15(a1) reads as rewritten:

"(a1) The application must be accompanied by a nonrefundable application fee of ~~thirty dollars (\$30.00)~~thirty-nine dollars (\$39.00). This fee does not apply in any of the following circumstances:

- (1) When an individual surrenders a commercial driver learner's permit issued by the Division when submitting the application.
- (2) When the application is to renew a commercial drivers license issued by the Division.

This fee shall entitle the applicant to three attempts to pass the written knowledge test without payment of a new fee. No application fee shall be charged to an applicant eligible for a waiver under G.S. 20-37.13(c)."

**SECTION 29.30.(g)** G.S. 20-37.16(d) reads as rewritten:

"(d) The fee for a Class A, B, or C commercial drivers license is ~~fifteen dollars (\$15.00)~~nineteen dollars and fifty cents (\$19.50) for each year of the period for which the license is issued. The fee for each endorsement is ~~three dollars (\$3.00)~~three dollars and ninety cents (\$3.90) for each year of the period for which the endorsement is issued. The fees required under this section do not apply to employees of the Driver License Section of the Division who are designated by the Commissioner."

**SECTION 29.30.(h)** G.S. 20-42(b) reads as rewritten:

"(b) The Commissioner and officers of the Division designated by the Commissioner may prepare under the seal of the Division and deliver upon request a certified copy of any document of the Division for a fee. The fee for a document, other than an accident report under G.S. 20-166.1, is ~~ten dollars (\$10.00)~~thirteen dollars (\$13.00). The fee for an accident report is five dollars (\$5.00). A certified copy shall be admissible in any proceeding in any court in like manner as the original thereof, without further certification. The certification fee does not apply to a document furnished for official use to a judicial official or to an official of the federal government, a state government, or a local government."

**SECTION 29.30.(j)** G.S. 20-73(c) reads as rewritten:

"(c) Penalties. – A person to whom a vehicle is transferred who fails to apply for a certificate of title within the required time is subject to a civil penalty of ~~fifteen dollars (\$15.00)~~nineteen dollars and fifty cents (\$19.50) and is guilty of a Class 2 misdemeanor. A person who undertakes to apply for a certificate of title on behalf of another person and who fails to apply for a title within the required time is subject to a civil penalty of ~~fifteen dollars (\$15.00)~~nineteen dollars and fifty cents (\$19.50). When a person to whom a vehicle is transferred fails to obtain a title within the required time because a person who undertook to apply for the certificate of title did not do so within the required time, the Division may impose a civil penalty only on the person who undertook to apply for the title. Civil penalties collected under this subsection shall be credited to the Highway Fund."

**SECTION 29.30.(k)** G.S. 20-85(a) reads as rewritten:

"(a) The following fees are imposed concerning a certificate of title, a registration card, or a registration plate for a motor vehicle. These fees are payable to the Division and are in addition to the tax imposed by Article 5A of Chapter 105 of the General Statutes.

- (1) Each application for certificate of title.....~~\$40.00~~\$52.00
- (2) Each application for duplicate or corrected certificate of title.....~~15.00~~19.50
- (3) Each application of reposessor for certificate of title.....~~15.00~~19.50
- (4) Each transfer of registration.....~~15.00~~19.50
- (5) Each set of replacement registration plates.....~~15.00~~19.50
- (6) Each application for duplicate registration card.....~~15.00~~19.50
- (7) Each application for recording supplementary lien.....~~15.00~~19.50
- (8) Each application for removing a lien from a certificate of title ....~~15.00~~19.50
- (9) Each application for certificate of title for a motor vehicle transferred to a manufacturer, as defined in G.S. 20-286, or a motor vehicle retailer for the purpose of resale .....~~15.00~~19.50
- (10) Each application for a salvage certificate of title made by an insurer or by a used motor vehicle dealer pursuant to subdivision (b)(2) or subsection (e1) of G.S. 20-109.1 .....~~15.00~~19.50
- (11) Each set of replacement Stock Car Racing Theme plates issued under G.S. 20-79.4 .....~~25.00~~25.00."

**SECTION 29.30.(l)** G.S. 20-85.1(b) reads as rewritten:

"(b) The Commissioner and the employees of the Division designated by the Commissioner may prepare and deliver upon request a certificate of title, charging a fee of ~~seventy five dollars (\$75.00)~~ninety-seven dollars and fifty cents (\$97.50) for one-day title service, in lieu of the title fee required by G.S. 20-85(a). The fee for one-day title service must be paid by cash or by certified check. This fee shall be credited to the Highway Trust Fund."

**SECTION 29.30.(m)** G.S. 20-87 reads as rewritten:

**"§ 20-87. Passenger vehicle registration fees.**

These fees shall be paid to the Division annually for the registration and licensing of passenger vehicles, according to the following classifications and schedules:

- (1) For-Hire Passenger Vehicles. – The fee for a passenger vehicle that is operated for compensation and has a capacity of 15 passengers or less is ~~seventy eight dollars (\$78.00)~~one hundred one dollars and forty cents (\$101.40). The fee for a passenger vehicle that is operated for compensation and has a capacity of more than 15 passengers is ~~one dollar and forty cents (\$1.40)~~one dollar and eighty-two cents (\$1.82) per hundred pounds of empty weight of the vehicle.

- (2) U-Drive-It Vehicles. – U-drive-it vehicles shall pay the following tax:

Motorcycles:	1-passenger capacity.....	<del>\$18.00</del> <u>\$23.40</u>
	2-passenger capacity.....	<del>22.00</del> <u>28.60</u>
	3-passenger capacity.....	<del>26.00</del> <u>33.80</u>
Automobiles:	15 or fewer passengers .....	<del>\$51.00</del> <u>\$66.30</u>
Buses:	16 or more passengers .....	<del>\$2.00</del> <u>\$2.60</u> per
		hundred
		pounds of
		empty weight
Trucks under		
7,000 pounds		
that do not		
haul products		
for hire:	4,000 pounds.....	<del>\$41.50</del> <u>\$53.95</u>

1		5,000 pounds.....	<del>\$51.00</del> <u>\$66.30</u>
2		6,000 pounds.....	<del>\$61.00</del> <u>\$79.30</u>

3 ...  
4 (5) Private Passenger Vehicles. – There shall be paid to the Division annually,  
5 as of the first day of January, for the registration and licensing of private  
6 passenger vehicles, fees according to the following classifications and  
7 schedules:

8		Private passenger vehicles of not more than fifteen passengers	<del>\$28.00</del> <u>\$36.40</u>
9		Private passenger vehicles over fifteen passengers.....	<del>31.00</del> <u>40.30</u>

10 Provided, that a fee of only ~~one dollar (\$1.00)~~one dollar and thirty cents  
11 (\$1.30) shall be charged for any vehicle given by the federal government to  
12 any veteran on account of any disability suffered during war so long as such  
13 vehicle is owned by the original donee or other veteran entitled to receive  
14 such gift under Title 38, section 252, United States Code Annotated.

15 (6) Private Motorcycles. – The base fee on private passenger motorcycles shall  
16 be ~~fifteen dollars (\$15.00);~~nineteen dollars and fifty cents (\$19.50); except  
17 that when a motorcycle is equipped with an additional form of device  
18 designed to transport persons or property, the base fee shall be ~~twenty-two~~  
19 ~~dollars (\$22.00);~~twenty-eight dollars and sixty cents (\$28.60). An additional  
20 fee of ~~three dollars (\$3.00)~~three dollars and ninety cents (\$3.90) is imposed  
21 on each private motorcycle registered under this subdivision in addition to  
22 the base fee. The revenue from the additional fee, in addition to any other  
23 funds appropriated for this purpose, shall be used to fund the Motorcycle  
24 Safety Instruction Program created in G.S. 115D-72.

25 ...  
26 (9) House Trailers. – In lieu of other registration and license fees levied on  
27 house trailers under this section or G.S. 20-88, the registration and license  
28 fee on house trailers shall be ~~eleven dollars (\$11.00)~~fourteen dollars and  
29 thirty cents (\$14.30) for the license year or any portion thereof.

30 ...  
31 (11) Any vehicle fee determined under this section according to the weight of the  
32 vehicle shall be increased by the sum of ~~three dollars (\$3.00)~~three dollars  
33 and ninety cents (\$3.90) to arrive at the total fee.

34 ...  
35 (13) Additional fee for certain electric vehicles. – At the time of an initial  
36 registration or registration renewal, the owner of a plug-in electric vehicle  
37 that is not a low-speed vehicle and that does not rely on a nonelectric source  
38 of power shall pay a fee in the amount of ~~one hundred dollars (\$100.00)~~one  
39 hundred thirty dollars (\$130.00) in addition to any other required registration  
40 fees."

41 **SECTION 29.30.(n)** Article 3 of Chapter 20 of the General Statutes is amended by  
42 adding a new section to read:

43 **"§ 20-88.03. Late fee; motor vehicle registration.**

44 (a) Late Fee. – In addition to the applicable fees required under this Article for the  
45 registration of a motor vehicle and any interest assessed under G.S. 105-330.4, the Division  
46 shall charge a late fee according to the following schedule to a person who pays the applicable  
47 registration fee required under this Article after the registration expires:

- 48 (1) If the registration has been expired for less than one month, a late fee of  
49 fifteen dollars (\$15.00).
- 50 (2) If the registration has been expired for one month or greater, but less than  
51 two months, a late fee of twenty dollars (\$20.00).

(3) If the registration has been expired for two months or greater, a late fee of twenty-five dollars (\$25.00).

(b) Proceeds. – The clear proceeds of any late fee charged under this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(c) Construction. – For purposes of this section, payment by mail of a registration fee required under this Article is considered to be made on the date shown on the postmark stamped by the United States Postal Service. If payment by mail is not postmarked or does not show the date of mailing, the payment is considered to be made on the date the Division receives the payment."

**SECTION 29.30.(o)** G.S. 105-330.10 reads as rewritten:

**"§ 105-330.10. Disposition of interest.**

The interest collected on unpaid registration fees pursuant to G.S. 105-330.4 shall be transferred on a monthly basis to the North Carolina Highway ~~Fund for technology improvements within the Division of Motor Vehicles.Fund.~~

**SECTION 29.30.(p)** G.S. 20-88 reads as rewritten:

**"§ 20-88. Property-hauling vehicles.**

...

(b) The following fees are imposed on the annual registration of self-propelled property-hauling vehicles; the fees are based on the type of vehicle and its weight:

SCHEDULE OF WEIGHTS AND RATES

Rates Per Hundred Pound Gross Weight

	Farmer Rate
Not over 4,000 pounds	<del>\$0.29</del> <u>\$0.38</u>
4,001 to 9,000 pounds inclusive	<del>.400</del> <u>.52</u>
9,001 to 13,000 pounds inclusive	<del>.500</del> <u>.65</u>
13,001 to 17,000 pounds inclusive	<del>.680</del> <u>.88</u>
Over 17,000 pounds	<del>.771</del> <u>1.00</u>

Rates Per Hundred Pound Gross Weight

	General Rate
Not over 4,000 pounds	<del>\$0.59</del> <u>\$0.77</u>
4,001 to 9,000 pounds inclusive	<del>.811</del> <u>1.05</u>
9,001 to 13,000 pounds inclusive	<del>1.001</del> <u>1.30</u>
13,001 to 17,000 pounds inclusive	<del>1.361</del> <u>1.77</u>
Over 17,000 pounds	<del>1.542</del> <u>2.00</u>

(1) The minimum fee for a vehicle licensed under this subsection is ~~twenty-four dollars (\$24.00)~~thirty-one dollars and twenty cents (\$31.20) at the farmer rate and ~~twenty-eight dollars (\$28.00)~~thirty-six dollars and forty cents (\$36.40) at the general rate.

...

(6) There shall be paid to the Division annually the following fees for "wreckers" as defined under G.S. 20-4.01(50): a wrecker fully equipped weighing 7,000 pounds or less, ~~seventy five dollars (\$75.00);~~ninety-seven dollars and fifty cents (\$97.50); wreckers weighing in excess of 7,000 pounds shall pay ~~one hundred forty eight dollars (\$148.00);~~one hundred ninety-two dollars and forty cents (\$192.40). Fees to be prorated monthly. Provided, further, that nothing herein shall prohibit a licensed dealer from using a dealer's license plate to tow a vehicle for a customer.

(c) The fee for a semitrailer or trailer is ~~nineteen dollars (\$19.00)~~twenty-four dollars and seventy cents (\$24.70) for each year or part of a year. The fee is payable each year. Upon the application of the owner of a semitrailer or trailer, the Division may issue a multiyear plate and registration card for the semitrailer or trailer for a fee of ~~seventy five dollars~~

1 ~~(\$75.00)~~ninety-seven dollars and fifty cents (\$97.50). A multiyear plate and registration card  
 2 for a semitrailer or trailer are valid until the owner transfers the semitrailer or trailer to another  
 3 person or surrenders the plate and registration card to the Division. A multiyear plate may not  
 4 be transferred to another vehicle.

5 The Division shall issue a multiyear semitrailer or trailer plate in a different color than an  
 6 annual semitrailer or trailer plate and shall include the word "multiyear" on the plate. The  
 7 Division may not issue a multiyear plate for a house trailer.

8 ...  
 9 (i) Any vehicle fee determined under this section according to the weight of the vehicle  
 10 shall be increased by the sum of ~~three dollars (\$3.00)~~three dollars and ninety cents (\$3.90) to  
 11 arrive at the total fee.

12 ...."

13 **SECTION 29.30.(q)** G.S. 20-289(a) reads as rewritten:

14 "(a) The license fee for each fiscal year, or part thereof, shall be as follows:

- 15 (1) For motor vehicle dealers, distributors, distributor branches, and  
 16 wholesalers, ~~seventy dollars (\$70.00)~~ninety-one dollars (\$91.00) for each  
 17 place of business.
- 18 (2) For manufacturers, ~~one hundred fifty dollars (\$150.00)~~one hundred  
 19 ninety-five dollars (\$195.00) and for each factory branch in this State, ~~one~~  
 20 ~~hundred dollars (\$100.00)~~one hundred thirty dollars (\$130.00).
- 21 (3) For motor vehicle sales representatives, ~~fifteen dollars (\$15.00)~~nineteen  
 22 dollars and fifty cents (\$19.50).
- 23 (4) For factory representatives, or distributor representatives, ~~fifteen dollars~~  
 24 ~~(\$15.00)~~nineteen dollars and fifty cents (\$19.50).
- 25 (5) Repealed by Session Laws 1991, c. 662, s. 4."

26 **SECTION 29.30.(r)** G.S. 20-385(a) reads as rewritten:

27 "(a) The fees listed in this section apply to a motor carrier. These fees are in addition to  
 28 any fees required under the Unified Carrier Registration Agreement.

- 29 (1) Repealed by Session Laws 2007-492, s. 5, effective August 30, 2007.
- 30 (2) Application by an intrastate motor carrier for a  
 31 certificate of exemption 45.0058.50
- 32 (3) Certification by an interstate motor carrier that it is  
 33 not regulated by the United States Department  
 34 of Transportation 45.0058.50
- 35 (4) Application by an interstate motor carrier for an  
 36 emergency trip permit 18.00;23.40."

37 **SECTION 29.30.(s)** G.S. 44A-4(b)(1) reads as rewritten:

38 "(b) Notice and Hearings. –

- 39 (1) If the property upon which the lien is claimed is a motor vehicle that is  
 40 required to be registered, the lienor following the expiration of the relevant  
 41 time period provided by subsection (a) shall give notice to the Division of  
 42 Motor Vehicles that a lien is asserted and sale is proposed and shall remit to  
 43 the Division a fee of ~~ten dollars (\$10.00)~~thirteen dollars (\$13.00). The  
 44 Division of Motor Vehicles shall issue notice by certified mail, return receipt  
 45 requested, to the person having legal title to the property, if reasonably  
 46 ascertainable, to the person with whom the lienor dealt if different, and to  
 47 each secured party and other person claiming an interest in the property who  
 48 is actually known to the Division or who can be reasonably ascertained. The  
 49 notice shall state that a lien has been asserted against specific property and  
 50 shall identify the lienor, the date that the lien arose, the general nature of the  
 51 services performed and materials used or sold for which the lien is asserted,

1 the amount of the lien, and that the lienor intends to sell the property in  
2 satisfaction of the lien. The notice shall inform the recipient that the  
3 recipient has the right to a judicial hearing at which time a determination  
4 will be made as to the validity of the lien prior to a sale taking place. The  
5 notice shall further state that the recipient has a period of 10 days from the  
6 date of receipt in which to notify the Division by certified mail, return  
7 receipt requested, that a hearing is desired and that if the recipient wishes to  
8 contest the sale of his property pursuant to such lien, the recipient should  
9 notify the Division that a hearing is desired. The notice shall state the  
10 required information in simplified terms and shall contain a form whereby  
11 the recipient may notify the Division that a hearing is desired by the return  
12 of such form to the Division. The Division shall notify the lienor whether  
13 such notice is timely received by the Division. In lieu of the notice by the  
14 lienor to the Division and the notices issued by the Division described  
15 above, the lienor may issue notice on a form approved by the Division  
16 pursuant to the notice requirements above. If notice is issued by the lienor,  
17 the recipient shall return the form requesting a hearing to the lienor, and not  
18 the Division, within 10 days from the date the recipient receives the notice if  
19 a judicial hearing is requested. If the certified mail notice has been returned  
20 as undeliverable and the notice of a right to a judicial hearing has been given  
21 to the owner of the motor vehicle in accordance with G.S. 20-28.4, no  
22 further notice is required. Failure of the recipient to notify the Division or  
23 lienor, as specified in the notice, within 10 days of the receipt of such notice  
24 that a hearing is desired shall be deemed a waiver of the right to a hearing  
25 prior to the sale of the property against which the lien is asserted, and the  
26 lienor may proceed to enforce the lien by public or private sale as provided  
27 in this section and the Division shall transfer title to the property pursuant to  
28 such sale. If the Division or lienor, as specified in the notice, is notified  
29 within the 10-day period provided above that a hearing is desired prior to  
30 sale, the lien may be enforced by sale as provided in this section and the  
31 Division will transfer title only pursuant to the order of a court of competent  
32 jurisdiction.

33 If the certified mail notice has been returned as undeliverable, or if the  
34 name of the person having legal title to the vehicle cannot reasonably be  
35 ascertained and the fair market value of the vehicle is less than eight hundred  
36 dollars (\$800.00), the lienor may institute a special proceeding in the county  
37 where the vehicle is being held, for authorization to sell that vehicle. Market  
38 value shall be determined by the schedule of values adopted by the  
39 Commissioner under G.S. 105-187.3.

40 In such a proceeding a lienor may include more than one vehicle, but the  
41 proceeds of the sale of each shall be subject only to valid claims against that  
42 vehicle, and any excess proceeds of the sale shall be paid immediately to the  
43 Treasurer for disposition pursuant to Chapter 116B of the General Statutes.

44 The application to the clerk in such a special proceeding shall contain the  
45 notice of sale information set out in subsection (f) hereof. If the application  
46 is in proper form the clerk shall enter an order authorizing the sale on a date  
47 not less than 14 days therefrom, and the lienor shall cause the application  
48 and order to be sent immediately by first-class mail pursuant to G.S. 1A-1,  
49 Rule 5, to each person to whom notice was mailed pursuant to this  
50 subsection. Following the authorized sale the lienor shall file with the clerk a  
51 report in the form of an affidavit, stating that the lienor has complied with

1 the public or private sale provisions of G.S. 44A-4, the name, address, and  
2 bid of the high bidder or person buying at a private sale, and a statement of  
3 the disposition of the sale proceeds. The clerk then shall enter an order  
4 directing the Division to transfer title accordingly.

5 If prior to the sale the owner or legal possessor contests the sale or lien in  
6 a writing filed with the clerk, the proceeding shall be handled in accordance  
7 with G.S. 1-301.2."

8 **SECTION 29.30.(t)** For the 2015-2016 fiscal year, twenty percent (20%) of the  
9 revenues generated from the fees set forth in subdivisions (1) through (9) of subsection (a) of  
10 G.S. 20-85, after the adjustments enacted in this section, shall be transferred from the Highway  
11 Trust Fund to the Highway Fund.

12 **SECTION 29.30.(u)** For the 2016-2017 fiscal year, thirty-five percent (35%) of the  
13 revenues generated from the fees set forth in subdivisions (1) through (9) of subsection (a) of  
14 G.S. 20-85, after the adjustments enacted in this section, shall be transferred from the Highway  
15 Trust Fund to the Highway Fund.

16 **SECTION 29.30.(v)** Subsections (t), (u), and (v) of this section are effective when  
17 this act becomes law. Subsection (n) of this section becomes effective July 1, 2016, and applies  
18 to renewal motor vehicle registrations on or after that date. The remainder of this section  
19 becomes effective January 1, 2016, and applies to issuances, renewals, restorations, and  
20 requests on or after that date.

## 21 **ENFORCING PENALTIES FOR LAPSE IN FINANCIAL RESPONSIBILITY**

22 **SECTION 29.31.(a)** G.S. 20-311 reads as rewritten:

23 **"§ 20-311. Action by the Division when notified of a lapse in financial responsibility.**

24 (a) Action. – When the Division receives evidence, by a notice of termination of a  
25 motor vehicle liability policy or otherwise, that the owner of a motor vehicle registered or  
26 required to be registered in this State does not have financial responsibility for the operation of  
27 the vehicle, the Division shall send the owner a letter. The letter shall notify the owner of the  
28 evidence and inform the owner that the owner shall respond to the letter within 10 days of the  
29 date on the letter and explain how the owner has met the duty to have continuous financial  
30 responsibility for the vehicle. Based on the owner's response, the Division shall take the  
31 appropriate action listed:

32 (1) Division correction. – If the owner responds within the required time and the  
33 response establishes that the owner has not had a lapse in financial  
34 responsibility, the Division shall correct its records.

35 (2) Penalty only. – If the owner responds within the required time and the  
36 response establishes all of the following, the Division shall assess the owner  
37 a penalty in the amount set in subsection (b) of this section:

38 a. The owner had a lapse in financial responsibility, but the owner now  
39 has financial responsibility.

40 b. The vehicle was not involved in an accident during the lapse in  
41 financial responsibility.

42 c. The owner did not operate the vehicle or allow the vehicle to be  
43 operated during the lapse with knowledge that the owner had no  
44 financial responsibility for the vehicle.

45 (3) Penalty and revocation. – If the owner responds within the required time and  
46 the response establishes ~~any~~either of the following, the Division shall assess  
47 the owner a penalty in the amount set in subsection (b) of this section and  
48 revoke the registration of the owner's vehicle for the period set in subsection  
49 (c) of this section:  
50

- 1 a. The owner had a lapse in financial responsibility and still does not
- 2 have financial responsibility.
- 3 b. The owner now has financial responsibility even though the owner
- 4 had a lapse, but the response also establishes any of the following:
- 5 1. The vehicle was involved in an accident during the lapse,
- 6 the lapse.
- 7 2. The owner operated the vehicle during the lapse with
- 8 knowledge that the owner had no financial responsibility for
- 9 the vehicle, or both vehicle.
- 10 3. The owner allowed the vehicle to be operated during the lapse
- 11 with knowledge that the owner had no financial responsibility
- 12 for the vehicle.

13 (4) ~~Revocation pending response.~~ Penalty and revocation for failure to respond.  
 14 ~~– If~~ Except as otherwise provided in this subdivision, if the owner does not  
 15 respond within the required time, the Division shall assess a penalty in the  
 16 applicable amount set forth in subsection (b) of this section and shall revoke  
 17 the registration of the owner's vehicle for the period set in subsection (c) of  
 18 this section. When the owner responds, the Division shall take the  
 19 appropriate action listed in subdivisions (1) through (3) of this subsection as  
 20 if the response had been timely. ~~If the owner does not respond within the~~  
 21 ~~required time, but later responds and establishes that the owner has not had a~~  
 22 ~~lapse in financial responsibility, the Division shall correct its records, rescind~~  
 23 ~~any revocation under this subdivision of the registration of the owner's~~  
 24 ~~vehicle, and the owner shall not be responsible for any fee or penalty arising~~  
 25 ~~under this section from the owner's failure to timely respond.~~

26 (b) Penalty Amount. – The following table determines the amount of a penalty payable  
 27 under this section by an owner who has had a lapse in financial responsibility; the amount is  
 28 based on the number of times the owner has been assessed a penalty under this section during  
 29 the three-year period before the date the owner's current lapse began:

30 Number of Lapses in Previous Three Years	Penalty Amount
31 None	\$50.00
32 One	\$100.00
33 Two or More	\$150.00

34 (c) Revocation Period. – The revocation period for a revocation based on a response  
 35 that establishes that a vehicle owner does not have financial responsibility is indefinite and ends  
 36 when the owner obtains financial responsibility or transfers the vehicle to an owner who has  
 37 financial responsibility. The revocation period for a revocation based on a response that  
 38 establishes the occurrence of an accident during a lapse in financial responsibility or the  
 39 knowing operation of a vehicle without financial responsibility is 30 days. The revocation  
 40 period for a revocation based on failure of a vehicle owner to respond is indefinite and ends  
 41 ~~when the owner responds.~~ the later of 30 days or when the owner obtains financial  
 42 responsibility or transfers the vehicle to an owner who has financial responsibility.

43 (d) Revocation Notice. – When the Division revokes the registration of an owner's  
 44 vehicle, it shall notify the owner of the revocation. The notice shall inform the owner of the  
 45 following:

- 46 (1) That the owner shall return the vehicle's registration plate and registration
- 47 card to the Division, if the owner has not done so already, and that failure to
- 48 do so is a Class 2 misdemeanor under G.S. 20-45.
- 49 (2) That the vehicle's registration plate and registration card are subject to
- 50 seizure by a law enforcement officer.

- 1 (3) That the registration of the vehicle cannot be renewed while the registration  
2 is revoked.
- 3 (4) That the owner shall pay any penalties ~~assessed~~, assessed within 30 days of  
4 the date of the notice, a restoration fee, and the fee for a registration plate  
5 when the owner applies to the Division to register a vehicle whose  
6 registration was revoked.
- 7 (5) That failure of an owner to pay any penalty or fee assessed pursuant to this  
8 section shall result in the Division withholding the registration renewal of  
9 any motor vehicle registered in that owner's name.

10 (e) Registration After Revocation. – A vehicle whose registration has been revoked  
11 may not be registered during the revocation period in the name of the owner, a child of the  
12 owner, the owner's spouse, or a child of the owner's spouse. This restriction does not apply to a  
13 spouse who is living separate and apart from the owner. At the end of a revocation period, a  
14 vehicle owner who has financial responsibility may apply to register a vehicle whose  
15 registration was revoked. The owner shall provide proof of current financial responsibility and  
16 pay any penalty assessed, a restoration fee of fifty dollars (\$50.00), and the fee for a  
17 registration plate. Pursuant to G.S. 20-54, failure of an owner to pay any penalty or fee assessed  
18 pursuant to this section shall result in the Division withholding the registration renewal of any  
19 motor vehicle registered in that owner's name.

20 ...."

21 **SECTION 29.31.(b)** G.S. 20-54 is amended by adding a new subdivision to read:

22 "(12) The owner of the vehicle has failed to pay any penalty or fee imposed  
23 pursuant to G.S. 20-311."

24 **SECTION 29.31.(c)** This section becomes effective December 1, 2015, and applies  
25 to lapses in financial responsibility occurring on or after that date.

## 26 LPA CONTRACT STANDARDS

27 **SECTION 29.32.(a)** G.S. 20-63(h) reads as rewritten:

28 "(h) Commission Contracts for Issuance of Plates and Certificates. – All registration  
29 plates, registration certificates, and certificates of title issued by the Division, outside of those  
30 issued from the office of the Division located in Wake, Cumberland, or Mecklenburg Counties  
31 and those issued and handled through the United States mail, shall be issued insofar as  
32 practicable and possible through commission contracts entered into by the Division for the  
33 issuance of the plates and certificates in localities throughout North Carolina, including military  
34 installations within this State, with persons, firms, corporations or governmental subdivisions  
35 of the State of North Carolina. The Division shall make a reasonable effort in every locality,  
36 except as noted above, to enter into a commission contract for the issuance of the plates and  
37 certificates and a record of these efforts shall be maintained in the Division. In the event the  
38 Division is unsuccessful in making commission contracts, it shall issue the plates and  
39 certificates through the regular employees of the Division. Whenever registration plates,  
40 registration certificates, and certificates of title are issued by the Division through commission  
41 contract arrangements, the Division shall provide proper supervision of the distribution.  
42 Nothing contained in this subsection allows or permits the operation of fewer outlets in any  
43 county in this State than are now being operated.

44 Commission contracts entered into by the Division under this subsection shall provide for  
45 the payment of compensation on a per transaction basis. The collection of the highway use tax  
46 is considered a separate transaction for which ~~one dollar and twenty seven cents (\$1.27)~~ one  
47 dollar and thirty cents (\$1.30) compensation shall be paid. The issuance of a limited registration  
48 "T" sticker and the collection of property tax are each considered a separate transaction for  
49 which compensation at the rate of one dollar and twenty-seven cents (\$1.27) and ~~one dollar and~~  
50 ~~six cents (\$1.06)~~ one dollar and eight cents (\$1.08) respectively, shall be paid by counties and  
51

1 municipalities as a cost of the combined motor vehicle registration renewal and property tax  
2 collection system. The performance at the same time of one or more of the transactions below  
3 is considered a single transaction for which ~~one dollar and forty-three cents (\$1.43)~~ one dollar  
4 and forty-six cents (\$1.46) compensation shall be paid:

- 5 (1) Issuance of a registration plate, a registration card, a registration sticker, or a  
6 certificate of title.
- 7 (2) Issuance of a handicapped placard or handicapped identification card.
- 8 (3) Acceptance of an application for a personalized registration plate.
- 9 (4) Acceptance of a surrendered registration plate, registration card, or  
10 registration renewal sticker, or acceptance of an affidavit stating why a  
11 person cannot surrender a registration plate, registration card, or registration  
12 renewal sticker.
- 13 (5) Cancellation of a title because the vehicle has been junked.
- 14 (6) Acceptance of an application for, or issuance of, a refund for a fee or a tax,  
15 other than the highway use tax.
- 16 (7) Receipt of the civil penalty imposed by G.S. 20-311 for a lapse in financial  
17 responsibility or receipt of the restoration fee imposed by that statute.
- 18 (8) Acceptance of a notice of failure to maintain financial responsibility for a  
19 motor vehicle.
- 20 (8a) Collection of civil penalties imposed for violations of G.S. 20-183.8A.
- 21 (8b), (9) Repealed by Session Laws 2013-372, s. 2(a), effective July 1, 2013.
- 22 (10) Acceptance of a temporary lien filing.
- 23 (11) Conversion of an existing paper title to an electronic lien upon request of a  
24 primary lienholder."

25 **SECTION 29.32.(b)** G.S. 20-63 is amended by adding a new subsection to read:

26 "(h3) Contract license plate agencies are subject to the Standard Operating Procedures  
27 established by the Division. In addition, the Division shall, by rule, establish standards for  
28 commission contracts entered into by the Division under subsection (h) of this section. The  
29 standards shall include all of the following:

- 30 (1) Performance standards for commission contract agents, including a schedule  
31 of monetary performance bonuses that may be paid annually by the Division  
32 to commission contract agents that meet or exceed the performance  
33 standards established pursuant to this subdivision. The total aggregate  
34 amount of monetary performance bonuses paid to all commission contract  
35 agents by the Division pursuant to this subdivision may not exceed ninety  
36 thousand dollars (\$90,000) per year.
- 37 (2) A term of duration. For initial commission contracts, the durational term  
38 may not exceed eight years. For renewal commission contracts, the  
39 durational term may not exceed two years."

40 **SECTION 29.32.(c)** No later than October 1, 2015, the Division of Motor Vehicles  
41 shall establish and adopt temporary rules to implement the provisions of subsection (b) of this  
42 section. No later than 30 days after adopting temporary rules under this subsection, the Division  
43 shall report to the Joint Legislative Transportation Oversight Committee on the establishment  
44 of the standards required by subsection (b) of this section.

45 **SECTION 29.32.(d)** All commission contracts entered into by the Division of  
46 Motor Vehicles under G.S. 20-63(h) after the effective date of this subsection shall be subject  
47 to the standards established under subsection (b) of this section. No later than July 1, 2018, all  
48 other commission contracts entered into by the Division of Motor Vehicles shall be subject to  
49 the standards established under subsection (b) of this section.

50 **SECTION 29.32.(e)** Subsections (c) and (e) of this section are effective when they  
51 become law. Subsection (a) of this section becomes effective July 1, 2015, and applies to

1 transactions on or after that date. The remainder of this section is effective upon adoption of  
2 rules pursuant to subsection (c) of this section.

#### 3 4 **DMV/UMSTEAD ACT CLARIFICATION**

5 **SECTION 29.33.** G.S. 66-58(c) is amended by adding a new subdivision to read:

6 "(c) The provisions of subsection (a) shall not prohibit:

7 ...

8 (22) The operation by the Division of Motor Vehicles of digital advertising and  
9 automated teller machines in offices of the Division or contract license plate  
10 agencies."

#### 11 12 **HIGHWAY USE TAX CLARIFICATION**

13 **SECTION 29.34.(a)** G.S. 105-187.6(c) reads as rewritten:

14 "(c) Out-of-state Vehicles. – A maximum tax of one hundred fifty dollars (\$150.00)  
15 applies when a certificate of title is issued for a motor vehicle that, at the time of applying for a  
16 certificate of title, is and has been titled in the name of the owner of the motor vehicle in  
17 another state for at least 90 days:days prior to the date of application for a certificate of title in  
18 this State."

19 **SECTION 29.34.(b)** This section is effective when this act becomes law.

#### 20 21 **ELIMINATE 10-DAY TRIP PERMIT AND INCREASE TEMPORARY TAG FEE**

22 **SECTION 29.35.(a)** G.S. 20-183.4C reads as rewritten:

23 **"§ 20-183.4C. When a vehicle must be inspected; 10-day ~~trip permit~~temporary license**  
24 **plate.**

25 ...

26 (b) ~~Permit~~Temporary License Plate. – The Division may issue a ~~10-day trip permit~~  
27 temporary license plate under and in accordance with G.S. 20-50(b) that is valid for 10 days  
28 to a person that authorizes the person to drive a vehicle whose inspection authorization or  
29 registration has expired. ~~The permit may only be issued when the person has furnished proof of~~  
30 financial responsibility. ~~The permit must describe the vehicle whose inspection authorization or~~  
31 registration has expired. The permit authorizes the person to drive the described vehicle for a  
32 period not to exceed 10 days from the date of issuance.

33 ...."

34 **SECTION 29.35.(b)** G.S. 20-50(b) reads as rewritten:

35 "(b) The Division may issue a temporary license plate for a vehicle. A temporary license  
36 plate is valid for the period set by the Division. The period may not be less than 10 days nor  
37 more than 60 days.

38 A person may obtain a temporary license plate for a vehicle by filing an application with  
39 the Division and paying the required fee. An application must be filed on a form provided by  
40 the Division.

41 The fee for a temporary license plate that is valid for 10 days is ~~five~~ten dollars  
42 ~~(\$5.00).~~(\$10.00). The fee for a temporary license plate that is valid for more than 10 days is the  
43 amount that would be required with an application for a license plate for the vehicle. If a person  
44 obtains for a vehicle a temporary license plate that is valid for more than 10 days and files an  
45 application for a license plate for that vehicle before the temporary license plate expires, the  
46 person is not required to pay the fee that would otherwise be required for the license plate.

47 A temporary license plate is subject to the following limitations and conditions:

- 48 (1) It may be issued only upon proper proof that the applicant has met the  
49 applicable financial responsibility requirements.  
50 (2) It expires on midnight of the day set for expiration.

- 1 (3) It may be used only on the vehicle for which issued and may not be  
2 transferred, loaned, or assigned to another.  
3 (4) If it is lost or stolen, the person who applied for it must notify the Division.  
4 (5) It may not be issued by a dealer.  
5 (6) The provisions of G.S. 20-63, 20-71, 20-110 and 20-111 that apply to license  
6 plates apply to temporary license plates insofar as possible."

7 **SECTION 29.35.(c)** Ten-day trip permits issued under G.S. 20-183.4C(b) prior to  
8 the effective date of this section shall remain valid for the duration of the issuance.

9 **SECTION 29.35.(d)** This section becomes effective July 1, 2015, and applies to  
10 temporary license plates issued on or after that date.

## 11 12 **TECHNICAL CORRECTION/REMOTE RENEWAL OF DRIVERS LICENSE**

13 **SECTION 29.36.** G.S. 20-7(f)(6) reads as rewritten:

14 "(6) Remote renewal. – ~~The~~Subject to the following requirements and  
15 limitations, the Division may offer remote renewal of a drivers license issued  
16 by the Division. ~~For purposes of this subdivision, "remote renewal" means~~  
17 ~~renewal of a drivers license by mail, telephone, electronic device, or other~~  
18 ~~secure means approved by the Commissioner.~~Division:

- 19 a. Requirements. – To be eligible for remote renewal under this  
20 subdivision, a person must meet all of the following requirements:  
21 1. The license holder possesses a valid, unexpired Class C  
22 drivers license that was issued when the person was at least  
23 18 years old.  
24 2. The license holder's current license includes no restrictions  
25 other than a restriction for corrective lenses.  
26 3. The license holder attests, in a manner designated by the  
27 Division, that (i) the license holder is a resident of the State  
28 and currently resides at the address on the license to be  
29 renewed, (ii) the license holder's name as it appears on the  
30 license to be renewed has not changed, and (iii) all other  
31 information required by the Division for an in-person renewal  
32 under this Article has been provided completely and  
33 truthfully.  
34 4. The most recent renewal was an in-person renewal and not a  
35 remote renewal under this subdivision.  
36 5. The license holder is otherwise eligible for renewal under this  
37 subsection.  
38 b. Waiver of requirements. – When renewing a drivers license pursuant  
39 to this subdivision, the Division may waive the examination and  
40 photograph that would otherwise be required for the renewal.  
41 c. Duration of remote renewal. – A renewed drivers license issued to a  
42 person by remote renewal under this subdivision expires according to  
43 the following schedule:  
44 1. For a person at least 18 years old but less than 66 years old,  
45 on the birthday of the licensee in the eighth year after  
46 issuance.  
47 2. For a person at least 66 years old, on the birthday of the  
48 licensee in the fifth year after issuance.  
49 d. Rules. – The Division shall adopt rules to implement this  
50 subdivision.

- 1 e. Federal law. – Nothing in this subdivision shall be construed to  
2 supersede any more restrictive provisions for renewal of drivers  
3 licenses prescribed by federal law or regulation.  
4 f. Definition. – For purposes of this subdivision, "remote renewal"  
5 means renewal of a drivers license by mail, telephone, electronic  
6 device, or other secure means approved by the Commissioner."  
7

## 8 POSITIONS IN SUPPORT OF THE COMBINED MOTOR VEHICLE 9 REGISTRATION AND PROPERTY TAX COLLECTION SYSTEM

10 SECTION 29.37. Section 24.10(a) of S.L. 2012-142 reads as rewritten:

11 "SECTION 24.10.(a) Upon request from the Department of Transportation and  
12 notwithstanding any other provision of law to the contrary, the Office of State Budget and  
13 Management may authorize the creation of time-limited, full-time equivalent positions within  
14 the Department of Transportation and its Division of Motor Vehicles in excess of the positions  
15 authorized by this act for the sole purposes of implementing and administering the combined  
16 motor vehicle registration and property tax collection system, in accordance with the funding  
17 authorizations in G.S. 105-330.5 and G.S. 105-330.10. Positions created under this  
18 authorization shall terminate no later than ~~June 30, 2014~~ April 1, 2016. Following the approval  
19 of a request, the Office of State Budget and Management shall direct the transfer of funds from  
20 the Combined Motor Vehicle and Registration Account, also known as the Division of Motor  
21 Vehicles Taxation Interest Fund for Integrated Computer System, to support personnel and  
22 related operating costs for the positions approved under this section."  
23

## 24 DMV AND LPAS/TITLE AND LICENSE PERSONAL WATERCRAFT

25 SECTION 29.38.(a) G.S. 75A-5.2(a) reads as rewritten:

26 "(a) In order to facilitate the convenience of the public, the efficiency of administration,  
27 the need to keep statistics and records affecting the conservation of wildlife resources, boating,  
28 water safety, and other matters within the jurisdiction of the Commission, and to facilitate  
29 vessel transactions, the Commission may conduct vessel transactions through any of the  
30 following:

- 31 (1) Vessel agents. For transactions involving a personal watercraft, as that term  
32 is defined in G.S. 75A-13.3, the term "vessel agents" includes (i) any office  
33 of the Division of Motor Vehicles and (ii) any commission contract agent  
34 utilized by the Division of Motor Vehicles pursuant to G.S. 20-63.  
35 (2) The Commission's headquarters.  
36 (3) Employees of the Commission.  
37 (4) Two or more of those sources simultaneously."  
38

39 SECTION 29.38.(b) Article 3 of Chapter 20 of the General Statutes is amended by  
40 adding a new section to read:

### 41 "§ 20-63.03. Certificate of number and titling of personal watercrafts.

42 In accordance with G.S. 75A-5.2(a), any office of the Division of Motor Vehicles and any  
43 commission contract agent utilized by the Division pursuant to G.S. 20-63 may conduct any  
44 vessel transaction listed in G.S. 75A-5.2(c) for a personal watercraft, as that term is defined in  
45 G.S. 75A-13.3, and may receive the surcharge set forth in G.S. 75A-5.2(c) for the applicable  
46 transaction the office of the Division or the commission contract agent conducts."

## 47 PART XXX. SALARIES AND BENEFITS

### 48 GOVERNOR AND COUNCIL OF STATE

49 SECTION 30.1.(a) Effective July 1, 2015, G.S. 147-11(a) reads as rewritten:  
50

1 "(a) The salary of the Governor shall be ~~one hundred forty two thousand two hundred~~  
 2 ~~sixty five dollars (\$142,265)~~ one hundred forty-five thousand one hundred ten dollars  
 3 (\$145,110) annually, payable monthly."

4 **SECTION 30.1.(b)** Effective July 1, 2015, the annual salaries for members of the  
 5 Council of State, payable monthly, shall be increased by two percent (2%), as follows:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$128,190
Attorney General	128,190
Secretary of State	128,190
State Treasurer	128,190
State Auditor	128,190
Superintendent of Public Instruction	128,190
Agriculture Commissioner	128,190
Insurance Commissioner	128,190
Labor Commissioner	128,190

### 17 CERTAIN EXECUTIVE BRANCH OFFICIALS

18 **SECTION 30.2.** The annual salaries, payable monthly, for the following executive  
 19 branch officials for the 2015-2017 fiscal biennium are set as follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$114,105
State Controller	159,282
Commissioner of Banks	128,190
Chair, Board of Review, Division of Employment Security	125,720
Members, Board of Review, Division of Employment Security	124,172
Chairman, Parole Commission	125,720
Members of the Parole Commission	116,165
Chairman, Utilities Commission	142,646
Members of the Utilities Commission	128,190
Executive Director, North Carolina Agricultural Finance Authority	111,093

### 33 JUDICIAL BRANCH SALARIES

34 **SECTION 30.3.(a)** The annual salaries, payable monthly, for specified judicial  
 35 branch officials for the 2015-2017 fiscal biennium are set as follows:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$146,495
Associate Justice, Supreme Court	142,694
Chief Judge, Court of Appeals	140,436
Judge, Court of Appeals	136,791
Judge, Senior Regular Resident Superior Court	133,102
Judge, Superior Court	129,413
Chief Judge, District Court	117,607
Judge, District Court	113,918
District Attorney	124,172
Public Defender	124,172
Director of Indigent Defense Services	128,008

48 **SECTION 30.3.(b)** The annual salaries of permanent full-time employees of the  
 49 Judicial Department whose salaries are not itemized in this act shall be increased by two  
 50 percent (2%), effective July 1, 2015.

1           **SECTION 30.3.(c)** The district attorney or public defender of a judicial district,  
 2 with the approval of the Administrative Officer of the Courts or the Commission on Indigent  
 3 Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant  
 4 public defenders, respectively, in that district such that the average salaries of assistant district  
 5 attorneys or assistant public defenders in that district do not exceed seventy-four thousand two  
 6 hundred fifty-three dollars (\$74,253), and the minimum salary of any assistant district attorney  
 7 or assistant public defender is at least thirty-nine thousand four hundred one dollars (\$39,401),  
 8 effective July 1, 2015.

9           **SECTION 30.3.(d)** G.S. 7A-101(a) reads as rewritten:

10        "(a) The clerk of superior court is a full-time employee of the State and shall receive an  
 11 annual salary, payable in equal monthly installments, based on the population of the county as  
 12 determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	<del>\$84,390</del> <u>\$86,078</u>
100,000 to 149,999	<del>94,578</del> <u>96,470</u>
150,000 to 249,999	<del>104,766</del> <u>106,861</u>
250,000 and above	<del>114,958</del> <u>117,257</u>

18        When a county changes from one population group to another, the salary of the clerk shall  
 19 be changed, on July 1 of the fiscal year for which the change is reported, to the salary  
 20 appropriate for the new population group, except that the salary of an incumbent clerk shall not  
 21 be decreased by any change in population group during his continuance in office."

22        **SECTION 30.3.(e)** G.S. 7A-102(c1) reads as rewritten:

23        "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy  
 24 clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the  
 25 following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	<del>\$32,609</del> <u>\$33,261</u>
Maximum	<del>56,424</del> <u>57,552</u>
Deputy Clerks	Annual Salary
Minimum	<del>\$28,223</del> <u>\$28,787</u>
Maximum	<del>44,107</del> <u>44,989</u> ."

32        **SECTION 30.3.(f)** G.S. 7A-171.1(a)(1) reads as rewritten:

33        "(a) The Administrative Officer of the Courts, after consultation with the chief district  
 34 judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

35        (1) A full-time magistrate shall be paid the annual salary indicated in the table  
 36 set out in this subdivision. A full-time magistrate is a magistrate who is  
 37 assigned to work an average of not less than 40 hours a week during the term  
 38 of office. The Administrative Officer of the Courts shall designate whether a  
 39 magistrate is full-time. Initial appointment shall be at the entry rate. A  
 40 magistrate's salary shall increase to the next step every two years on the  
 41 anniversary of the date the magistrate was originally appointed for increases  
 42 to Steps 1 through 3, and every four years on the anniversary of the date the  
 43 magistrate was originally appointed for increases to Steps 4 through 6.

44           Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	<del>\$35,275</del> <u>\$35,981</u>
Step 1	<del>37,950</del> <u>38,709</u>
Step 2	<del>40,835</del> <u>41,652</u>
Step 3	<del>43,890</del> <u>44,768</u>
Step 4	<del>47,550</del> <u>48,501</u>
Step 5	<del>51,960</del> <u>52,999</u>

1 Step 6 56,900-58,038."  
 2 **SECTION 30.3.(g)** G.S. 7A-171.1(a1)(1) reads as rewritten:  
 3 "(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply  
 4 to individuals who were serving as magistrates on June 30, 1994:

5 (1) The minimum and maximum salaries of magistrates who on June 30, 1994,  
 6 were paid at a salary level of less than five years of service under the table in  
 7 effect that date shall be as follows:

	Minimum		Maximum
8 Less than 1 year of service			\$27,846
9 <del>1 or more but less than 3 years of service</del>	<del>28,027</del>	-	<del>29,027</del>
10 <del>3 or more but less than 5 years of service</del>	<del>30,405</del>	-	<del>31,405</del>
11 <u>Less than 1 year of service</u>	<u>=</u>		<u>\$28,403</u>
12 <u>1 or more but less than 3 years of service</u>	<u>28,588</u>		<u>29,608</u>
13 <u>3 or more but less than 5 years of service</u>	<u>31,013</u>		<u>32,033</u>

14 Upon completion of five years of service, those magistrates shall receive  
 15 the salary set as the Entry Rate in the table in subsection (a)."

16 **SECTION 30.3.(h)** G.S. 7A-341 reads as rewritten:

17 **"§ 7A-341. Appointment and compensation of Director.**

18 The Director shall be appointed by the Chief Justice of the Supreme Court, to serve at his or  
 19 her pleasure. ~~He shall receive the annual salary provided in the Current Operations~~  
 20 ~~Appropriations Act, payable monthly, and reimbursement for travel and subsistence expenses~~  
 21 ~~at the same rate as State employees generally and The Director's compensation shall be set by~~  
 22 ~~the Chief Justice. The Director shall receive longevity pay at the rates and for the service~~  
 23 ~~designated in G.S. 7A-44(b) for a judge of the superior court. Service as Director shall be~~  
 24 ~~equivalent to service as a superior court judge for the purposes of entitlement to retirement pay~~  
 25 ~~or to retirement for disability."~~

26 **SECTION 30.3.(i)** G.S. 7A-342 reads as rewritten:

27 **"§ 7A-342. Appointment and compensation of assistant director and other employees.**

28 The assistant director shall also be appointed by the Chief Justice, to serve at his or her  
 29 pleasure. ~~The assistant director shall receive the annual salary provided in the Current~~  
 30 ~~Operations Appropriations Act, payable monthly, and reimbursement for travel and subsistence~~  
 31 ~~expenses at the same rate as State employees generally and director's compensation shall be set~~  
 32 ~~by the Chief Justice. The assistant director shall receive longevity pay at the rates and for the~~  
 33 ~~service designated in G.S. 7A-144(b) for a judge of the district court.~~

34 The Director may appoint such other assistant and employees as are necessary to enable  
 35 ~~him the Director~~ to perform the duties of ~~his the~~ office."

36 **SECTION 30.3.(j)** Salary reserves generated by the clerk of superior court offices  
 37 during the 2015-2016 fiscal year shall be used exclusively by the clerks of superior court. The  
 38 clerks of superior court may use these funds to award salary increases in addition to those  
 39 specifically provided for deputy and assistant clerks under the respective salary plans. Any  
 40 additional increases may be awarded at the discretion of each elected clerk of superior court.  
 41 The Administrative Office of the Courts shall (i) allocate funds for additional discretionary  
 42 salary adjustments on a per capita basis and (ii) adopt a plan for distribution of the funds in  
 43 consultation with the Conference of Clerks of Superior Court.

44 **LEGISLATIVE BRANCH SALARIES**

45 **SECTION 30.4.(a)** For the 2015-2017 fiscal biennium, the salaries of members  
 46 and officers of the General Assembly shall remain unchanged at the amounts set under  
 47 G.S. 120-3, as provided in 1994 by the 1993 General Assembly.

48 **SECTION 30.4.(b)** G.S. 120-37(b) reads as rewritten:  
 49  
 50

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four hundred four dollars (\$404.00)~~ four hundred twelve dollars (\$412.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

**SECTION 30.4.(c)** G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred six thousand three hundred thirty three dollars (\$106,333)~~, one hundred eight thousand four hundred sixty dollars (\$108,460), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

**SECTION 30.4.(d)** The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2015, shall be increased by two percent (2%).

## COMMUNITY COLLEGES PERSONNEL

**SECTION 30.5.(a)** Effective July 1, 2015, the minimum salaries for nine-month, full-time curriculum community college faculty shall be increased as follows:

<u>Education Level</u>	<u>Minimum Salary</u>
Vocational Diploma/Certificate or Less	\$36,020
Associate Degree or Equivalent	36,535
Bachelor's Degree	38,769
Master's Degree or Education Specialist	40,751
Doctoral Degree	43,608

No full-time faculty member shall earn less than the minimum salary for the faculty member's education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

**SECTION 30.5.(b)** For the 2015-2017 fiscal biennium, the community college boards of trustees may provide employees a salary increase pursuant to the policies adopted by the State Board of Community Colleges. Funds for compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies adopted by the State Board of Community Colleges. The State Board of Community Colleges shall make a report on the use of these funds to the 2016 Regular Session of the 2015 General Assembly no later than March 1, 2016.

## UNIVERSITY OF NORTH CAROLINA SYSTEM

**SECTION 30.6.(a)** Effective for the 2015-2017 fiscal biennium:

- (1) The annual compensation of all full-time University of North Carolina SHRA employees shall be increased by two percent (2%).
- (2) The Board of Governors of The University of North Carolina shall have flexibility in allocating funds appropriated in this act for EHRA faculty and

1 EHRA nonfaculty compensation increases (except for teachers at the North  
2 Carolina School of Science and Mathematics) pursuant to policies adopted  
3 by the Board.

4 **SECTION 30.6.(b)** For the 2015-2017 fiscal biennium, the Board of Governors of  
5 The University of North Carolina may provide UNC EHRA employees with salary increases  
6 pursuant to policies adopted by the Board of Governors, including, but not limited to, increases  
7 for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases,  
8 (iii) recruitment bonuses, and (iv) retention increases. The Board of Governors shall make a  
9 report on the use of compensation funds under this subsection to the 2016 Regular Session of  
10 the 2015 General Assembly no later than March 1, 2016.

11 **SECTION 30.6.(c)** For the 2015-2016 fiscal year, the Board of Trustees of the  
12 North Carolina School of Science and Mathematics shall award the step increases authorized  
13 by the Teacher Salary Schedule under Section 9.1 of this act.  
14

#### 15 STATE AGENCY TEACHERS

16 **SECTION 30.7.** Employees of schools operated by the Department of Health and  
17 Human Services, the Department of Public Safety, and the State Board of Education who are  
18 paid on the Teacher Salary Schedule shall receive the experience step increases authorized in  
19 Section 9.1 of this act.  
20

#### 21 ALL STATE-SUPPORTED PERSONNEL

22 **SECTION 30.8.(a)** Effective July 1, 2015, except as otherwise specifically  
23 provided by this act, the annual compensation of all employees subject to or exempt from the  
24 North Carolina Human Resources Act for the 2015-2017 fiscal biennium shall be increased by  
25 two percent (2%) from that authorized on June 30, 2015, or the last date in pay status during the  
26 2014-2015 fiscal year, if earlier.

27 **SECTION 30.8.(b)** Salaries and Related Benefits for Positions That are Funded. -

- 28 (1) Partially from the General Fund or Highway Fund and partially from sources  
29 other than the General Fund or Highway Fund shall be increased from the  
30 General Fund or Highway Fund appropriation only to the extent of the  
31 proportionate part of the salaries paid from the General Fund or Highway  
32 Fund.  
33 (2) Fully from sources other than the General Fund or Highway Fund shall be  
34 increased as provided by this act. The Director of the Budget may increase  
35 expenditures of receipts from these sources by the amount necessary to  
36 provide the legislative increase to receipt-supported personnel in the  
37 certified budget.

38 **SECTION 30.8.(c)** The salary increases provided in this act become effective July  
39 1, 2015, and do not apply to persons separated from State service due to resignation, dismissal,  
40 reduction in force, death, or retirement, or whose last workday is prior to July 1, 2015.

41 **SECTION 30.8.(d)** Payroll checks issued to employees after July 1, 2015, that  
42 represent payment of services provided prior to July 1, 2015, shall not be eligible for salary  
43 increases provided for in this act. This subsection applies to all employees paid from State  
44 funds, whether or not subject to or exempt from the North Carolina Human Resources Act,  
45 including employees of public schools, community colleges, and The University of North  
46 Carolina.

47 **SECTION 30.8.(e)** Nothing in this act authorizes the transfer of funds between the  
48 General Fund and the Highway Fund for salary increases.

49 **SECTION 30.8.(f)** Unless otherwise provided by this act, for the 2015-2016 fiscal  
50 year, permanent full-time State agency employees and State-funded public school employees

1 who work a nine-, 10-, or 11-month work year schedule shall receive the two percent (2%)  
2 annual increase provided by this act.

#### 3 4 **MOST STATE EMPLOYEES**

5 **SECTION 30.9.** Except as otherwise specifically set forth in this act, the salaries in  
6 effect for the following employees on June 30, 2015, shall be increased by two percent (2%):

- 7 (1) Permanent full-time State officials and persons whose salaries are set in  
8 accordance with the North Carolina Human Resources Act.
- 9 (2) Permanent full-time State officials and persons in positions exempt from the  
10 North Carolina Human Resources Act.
- 11 (3) Permanent part-time State employees and temporary and permanent hourly  
12 State employees on a prorated and equitable basis subject to the availability  
13 of funds in the employing State agency, department, or institution and within  
14 regular State Budget Act procedures.

#### 15 16 **SPECIAL ANNUAL LEAVE BONUS**

17 **SECTION 30.9A.(a)** Any person who is (i) a full-time permanent employee of the  
18 State or a community college institution on July 1, 2015, and (ii) eligible to earn annual leave  
19 shall have a one-time additional five days of annual leave credited on July 1, 2015.

20 **SECTION 30.9A.(b)** The additional leave shall be accounted for separately with  
21 the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284,  
22 by Section 29.14A of S.L. 2005-276, and by Section 35.10A of S.L. 2014-100 and shall remain  
23 available until used, notwithstanding any other limitation on the total number of days of annual  
24 leave that may be carried forward. Part-time permanent employees shall receive a pro rata  
25 amount of the five days.

#### 26 27 **USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY 28 INCREASES**

29 **SECTION 30.10.(a)** The appropriations set forth in Section 2.1 of this act include  
30 appropriations for legislatively mandated salary increases in amounts set forth in the committee  
31 report described in Section 33.2 of this act. The Office of State Budget and Management shall  
32 ensure that those funds are used only for legislatively mandated salary increases.

33 **SECTION 30.10.(b)** If the Director of the Budget determines that funds  
34 appropriated to a State agency for legislatively mandated salary increases exceed the amount  
35 required by that agency for that purpose, the Director may reallocate those funds to other State  
36 agencies that received insufficient funds for legislatively mandated salary increases.

37 **SECTION 30.10.(c)** No later than January 1, 2016, the Office of State Budget and  
38 Management shall report to the Joint Legislative Commission on Governmental Operations on  
39 the expenditure of funds for legislatively mandated salary increases. This report shall include at  
40 least the following information for each State agency for the 2015-2016 fiscal year:

- 41 (1) The total amount of funds that the agency received for legislatively  
42 mandated salary increases.
- 43 (2) The total amount of funds transferred from the agency to other State  
44 agencies pursuant to subsection (b) of this section. This section of the report  
45 shall identify the amounts transferred to each recipient State agency.
- 46 (3) The total amount of funds used by the agency for legislatively mandated  
47 salary increases.
- 48 (4) The total amount of funds received by the agency for legislatively mandated  
49 salary increases that are anticipated to revert at the end of the fiscal year.

#### 50 51 **MONITOR SALARY INCREASES**

1           **SECTION 30.11.(a)** The Office of State Budget and Management and the Office  
2 of State Human Resources shall submit a semiannual report to the Joint Legislative  
3 Commission on Governmental Operations on nonlegislative salary increases in (i) State  
4 agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the  
5 judicial branch; and (iii) The University of North Carolina and its constituent institutions. The  
6 reports required by this section shall include the following information:

- 7           (1) For agencies reporting through the BEACON HR/Payroll system, (i) a  
8 breakdown by action type (including, but not limited to, promotion,  
9 reallocation, career progression, salary adjustment, and any similar actions  
10 increasing employee pay) of the number and annual amount of those  
11 increases and (ii) a breakdown by action reason (including in-range higher  
12 level, acting pay, trainee adjustment, and other similar action reasons) of the  
13 number and annual amount of those action types coded as salary adjustment.  
14           (2) For The University of North Carolina and its constituent institutions, a  
15 breakdown of the number and annual amount of those increases categorized  
16 by the University as promotions, changes in job duties or responsibilities,  
17 Distinguished Professorships, retention pay, career progression, and any  
18 other similar actions increasing employee pay.  
19           (3) A summary of actions taken by the Office of State Budget and Management  
20 and the Office of State Personnel with respect to unauthorized salary  
21 increases.

22           **SECTION 30.11.(b)** The Legislative Services Officer shall report semiannually to  
23 the Joint Legislative Commission on Governmental Operation on nonlegislative salary  
24 increases.  
25

## 26 **COMPENSATION LIMITATIONS/LOTTERY COMMISSION**

27           **SECTION 30.12.** For the 2015-2017 fiscal biennium, notwithstanding the  
28 provisions of G.S. 18C-114(a)(11) and G.S. 18C-120(b)(3), the Lottery Commission shall not  
29 expend funds for compensation bonuses or for merit-based or performance-based increases.  
30

## 31 **EXTEND REORGANIZATION THROUGH REDUCTION AUTHORIZATION**

32           **SECTION 30.13.(a)** Section 8.3 of S.L. 2013-382, as amended by Section 55.3(g)  
33 of S.L. 2014-115, reads as rewritten:

34           "**SECTION 8.3.** This Part is effective when it becomes law and expires ~~June 30, 2015.~~ June  
35 30, 2017. The Office of State ~~Personnel~~ Human Resources and the Office of State Budget and  
36 Management shall report to the Joint Legislative Commission on Governmental Operations ~~on~~  
37 ~~January 31, 2014, April 30, 2014, September 1, 2014, January 31, 2015, April 30, 2015, and~~  
38 ~~September 1, 2015.~~ annually on the RTR program."

39           **SECTION 30.13.(b)** Payments under the Reorganization Through Reduction  
40 program shall be made from funds available within the reorganizing State agency.  
41

## 42 **SALARY DETERMINATIONS FOR CERTAIN LICENSED HEALTH** 43 **PROFESSIONALS**

44           **SECTION 30.14.** State agencies, departments, and institutions shall have salary  
45 administration flexibility for licensed physicians, dentists, nurses, physicians assistants,  
46 pharmacists, and other allied health professionals and may exercise the flexibility within  
47 existing resources. No salary determination made under this section may exceed the maximum  
48 of the applicable salary range established by the Office of State Human Resources under  
49 Chapter 126 of the General Statutes. Beginning September 1, 2015, and then annually  
50 thereafter, the Office of State Human Resources shall report to the Joint Legislative

1 Commission on Governmental Operations and to the Fiscal Research Division on the salary  
2 actions taken under this section.

#### 3 4 **STATE HIGHWAY PATROL SALARIES**

5 **SECTION 30.15.(a)** Effective July 1, 2015, the salaries of all sworn members of  
6 the State Highway Patrol are increased by three percent (3%).

7 **SECTION 30.15.(b)** Effective July 1, 2015, the starting pay for an entry-level  
8 position in the State Highway Patrol is increased by three percent (3%).

9 **SECTION 30.15.(c)** The increases granted by subsection (a) of this section are in  
10 addition to any other salary increase that a member of the State Highway Patrol is eligible to  
11 receive under this act or G.S. 20-187.3.

#### 12 13 **ESTABLISH CODIFIER OF RULES POSITION**

14 **SECTION 30.16.(a)** G.S. 150B-2(1c) reads as rewritten:

15 "(1c) "Codifier of Rules" means the person appointed by the Chief Administrative  
16 Law Judge of the Office of Administrative Hearings or a designated  
17 representative of the Chief Administrative Law Judge pursuant to  
18 G.S. 7A-760(b)."

19 **SECTION 30.16.(b)** G.S. 7A-760 reads as rewritten:

20 "**§ 7A-760. Number and status of employees; staff assignments; role of State Personnel**  
21 **Commission, State Human Resources Commission.**

22 (a) The number of administrative law judges and employees of the Office of  
23 Administrative Hearings shall be established by the General Assembly. The Chief  
24 Administrative Law Judge is exempt from provisions of the North Carolina Human Resources  
25 Act as provided by ~~G.S. 126-5(e1)(26)~~. G.S. 126-5(c1)(27). All other employees of the Office  
26 of Administrative Hearings are subject to the North Carolina Human Resources Act.

27 (b) ~~The Chief Administrative Law Judge shall designate, from among the employees of~~  
28 ~~the Office of Administrative Hearings, the Director and staff of the Rules Review~~  
29 ~~Commission appoint a Codifier of Rules to serve in the Office of Administrative Hearings. No~~  
30 ~~person shall be appointed or designated the Codifier of Rules except as provided in this section.~~  
31 The salary of the Codifier of Rules shall be ninety percent (90%) of the salary of the Chief  
32 Administrative Law Judge. In lieu of merit and other increment raises, the Codifier of Rules  
33 shall receive longevity pay on the same basis as is provided to employees who are subject to  
34 the North Carolina Human Resources Act."

#### 35 36 **STUDY COMPENSATION OF EMERGENCY MANAGEMENT PERSONNEL**

37 **SECTION 30.17.(a)** The Office of State Human Resources shall study the salary  
38 classifications of State emergency management personnel within the Department of Public  
39 Safety and make recommendations for market-based salary adjustments based on market-rate  
40 compensation and turnover, recruitment, and retention issues experienced by the Department  
41 for these personnel. By October 1, 2015, the Office of State Human Resources shall report its  
42 findings to the Joint Legislative Commission on Governmental Operations and the Fiscal  
43 Research Division.

44 **SECTION 30.17.(b)** If the Office of State Human Resources finds pursuant to  
45 subsection (a) of this section that market-based salary increases are warranted, notwithstanding  
46 the provisions of Section 30.10 of this act, the salaries of emergency management personnel  
47 within the Department of Public Safety may be increased to competitive market rates using  
48 funds remaining in the Compensation Increase Reserves appropriated within this act.

#### 49 50 **WORKERS' COMPENSATION STUDY**

1           **SECTION 30.18.(a)** The Joint Legislative Workers' Compensation Study  
2 Committee (Committee) is established. The Committee shall be composed of 15 voting and six  
3 nonvoting ex officio members as follows:

4           (1) Five voting members appointed by the Speaker of the House of  
5 Representatives as follows:

6           a. Four persons who are members of the House of Representatives at  
7 the time of appointment, at least one of whom represents the minority  
8 party. The Speaker shall designate one of these members as cochair.

9           b. One person representing the general public who is a current State  
10 employee.

11           (2) Five voting members appointed by the President Pro Tempore of the Senate  
12 as follows:

13           a. Four persons who are members of the Senate at the time of  
14 appointment, at least one of whom represents the minority party. The  
15 President Pro Tempore shall designate one of these members as  
16 cochair.

17           b. One person representing the general public who is a retired State  
18 employee.

19           (3) Five voting members appointed by the Governor as follows:

20           a. One person with knowledge of workers' compensation claims  
21 administration in the private sector.

22           b. One person with knowledge of workers' compensation claims  
23 administration in the public sector.

24           c. One health care professional with experience in the evaluation of  
25 workers' compensation claims.

26           d. One attorney experienced in the handling of workers' compensation  
27 claims who represents employers.

28           e. One attorney experienced in the handling of workers' compensation  
29 claims who represents employees.

30           (4) Six ex officio nonvoting members, or their respective designees who have  
31 knowledge of workers' compensation claims administration, as follows:

32           a. State Superintendent of Public Instruction.

33           b. Secretary of Transportation.

34           c. Secretary of Health and Human Services.

35           d. Secretary of Public Safety.

36           e. Chair of the Industrial Commission.

37           f. Director of the Office of State Human Resources.

38 All appointments shall be made by September 1, 2015, and the first meeting shall be held by  
39 October 1, 2015. The Committee shall meet upon the call of the cochairs. A quorum of the  
40 Committee shall be a majority of the members. Any vacancies shall be filled by the appointing  
41 authority.

42           **SECTION 30.18.(b)** The Committee shall make recommendations regarding the  
43 following:

44           (1) Best practices and standard operating procedures for handling workers'  
45 compensation claims in the most cost-effective and efficient manner.

46           (2) Measures that the State and local school administrative units can take to  
47 contain workers' compensation costs.

48           (3) Policies the State and local school administrative units can implement to  
49 increase workplace safety and awareness.

50           (4) Changes to "return-to-work" policies that will facilitate the return of injured  
51 employees to the workplace.

1 (5) Any other matter pertaining to improving the handling of employee workers'  
2 compensation claims.

3 **SECTION 30.18.(c)** Members of the Committee shall receive subsistence and  
4 travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The  
5 Legislative Services Officer shall assign professional and clerical staff to assist in the work of  
6 the Committee. The Committee may hold its meetings in the State Legislative Building or the  
7 Legislative Office Building. The Committee, while in the discharge of its official duties, may  
8 exercise all the powers provided under the provisions of G.S. 120-19 and G.S. 120-19.1  
9 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and  
10 departments of the State to provide any information, data, or documents within their  
11 possession, ascertainable from their records or otherwise available to them, and the power to  
12 subpoena witnesses.

13 **SECTION 30.18.(d)** The Committee shall report its findings and recommendations  
14 to the 2016 Regular Session of the 2015 General Assembly. The Committee shall terminate on  
15 May 15, 2016, or upon the filing of its report, whichever occurs first.  
16

### 17 JUDGES' LONGEVITY AMENDMENTS

18 **SECTION 30.19.(a)** G.S. 7A-10(c) reads as rewritten:

19 "(c) In lieu of merit and other increment raises paid to regular State employees, the Chief  
20 Justice and each of the Associate Justices shall receive as longevity pay an annual amount  
21 equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current  
22 Operations Appropriations Act payable monthly after five years of service, nine and six-tenths  
23 percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years  
24 of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four  
25 percent (24%) after 25 years of ~~service.~~ service, and twenty-eight and eight-tenths percent  
26 (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General  
27 Court of ~~Justice or Justice,~~ as a member of the Utilities Commission. ~~Commission, or as an~~  
28 administrative law judge. Service shall also mean service as a district attorney or as a clerk of  
29 superior court."

30 **SECTION 30.19.(b)** G.S. 7A-18(b) reads as rewritten:

31 "(b) In lieu of merit and other increment raises paid to regular State employees, a judge  
32 of the Court of Appeals shall receive as longevity pay an annual amount equal to four and  
33 eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations  
34 Appropriations Act payable monthly after five years of service, nine and six-tenths percent  
35 (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of  
36 service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four  
37 percent (24%) after 25 years of ~~service.~~ service, and twenty-eight and eight-tenths percent  
38 (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General  
39 Court of ~~Justice or Justice,~~ as a member of the Utilities Commission. ~~Commission, or as an~~  
40 administrative law judge. Service shall also mean service as a district attorney or as a clerk of  
41 superior court."

42 **SECTION 30.19.(c)** G.S. 7A-44(b) reads as rewritten:

43 "(b) In lieu of merit and other increment raises paid to regular State employees, a judge  
44 of the superior court, regular or special, shall receive as longevity pay an annual amount equal  
45 to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations  
46 Appropriations Act payable monthly after five years of service, nine and six-tenths percent  
47 (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of  
48 service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four  
49 percent (24%) after 25 years ~~of service.~~ service, and twenty-eight and eight-tenths percent  
50 (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General  
51 Court of ~~Justice or Justice,~~ as a member of the Utilities Commission. ~~or Commission,~~ as director

1 or assistant director of the Administrative Office of the ~~Courts~~. Courts, or as an administrative  
2 law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

3 **SECTION 30.19.(d)** G.S. 7A-144(b) reads as rewritten:

4 "(b) Notwithstanding merit, longevity and other increment raises paid to regular State  
5 employees, a judge of the district court shall receive as longevity pay an annual amount equal  
6 to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations  
7 Appropriations Act payable monthly after five years of service, nine and six-tenths percent  
8 (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of  
9 service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and~~ twenty-four  
10 percent (24%) after 25 years of service, and twenty-eight and eight-tenths percent  
11 (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General  
12 Court of ~~Justice or Justice~~, as a member of the Utilities ~~Commission or Commission~~, as director  
13 or assistant director of the Administrative Office of the ~~Courts~~. Courts, or as an administrative  
14 law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

### 15 16 **SALARY-RELATED CONTRIBUTIONS**

17 **SECTION 30.20.(a)** Effective for the 2015-2017 fiscal biennium, required  
18 employer salary-related contributions for employees whose salaries are paid from department,  
19 office, institution, or agency receipts shall be paid from the same source as the source of the  
20 employee's salary. If an employee's salary is paid in part from the General Fund or Highway  
21 Fund and in part from department, office, institution, or agency receipts, required employer  
22 salary-related contributions may be paid from the General Fund or Highway Fund only to the  
23 extent of the proportionate part paid from the General Fund or Highway Fund in support of the  
24 salary of the employee, and the remainder of the employer's requirements shall be paid from the  
25 source that supplies the remainder of the employee's salary. The requirements of this section as  
26 to source of payment are also applicable to payments on behalf of the employee for hospital  
27 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'  
28 compensation, severance pay, separation allowances, and applicable disability income benefits.

29 **SECTION 30.20.(b)** Effective July 1, 2015, the State's employer contribution rates  
30 budgeted for retirement and related benefits as a percentage of covered salaries for the  
31 2015-2017 fiscal biennium are (i) fifteen and sixty-seven hundredths percent (15.67%) –  
32 Teachers and State Employees; (ii) twenty and sixty-seven hundredths percent (20.67%) – State  
33 Law Enforcement Officers; (iii) twelve and eighty-six hundredths percent (12.86%) –  
34 University Employees' Optional Retirement Program; (iv) twelve and eighty-six hundredths  
35 percent (12.86%) – Community College Optional Retirement Program; (v) thirty-three and  
36 twenty-six hundredths percent (33.26%) – Consolidated Judicial Retirement System; and (vi)  
37 nine and one hundredth percent (9.01%) – Legislative Retirement System. Each of the  
38 foregoing contribution rates includes five and sixty-one hundredths percent (5.61%) for  
39 hospital and medical benefits. The rate for the Teachers and State Employees, State Law  
40 Enforcement Officers, University Employees' Optional Retirement Program, and the  
41 Community College Optional Retirement Program includes forty-one hundredths percent  
42 (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State  
43 Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits  
44 Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental  
45 Retirement Income. The rate for Teachers and State Employees and State Law Enforcement  
46 Officers includes one hundredth percent (0.01%) for the Qualified Excess Benefit  
47 Arrangement.

48 **SECTION 30.20.(c)** Effective July 1, 2015, the maximum annual employer  
49 contributions, payable monthly, by the State for each covered employee or retiree for the  
50 2015-2016 fiscal year to the State Health Plan for Teachers and State Employees are (i)  
51 Medicare-eligible employees and retirees – four thousand two hundred fifty-eight dollars

1 (\$4,258) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred  
2 seventy-nine dollars (\$5,479).

3  
4 **PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE TEACHERS'  
5 AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE  
6 RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT  
7 SYSTEM**

8 **SECTION 30.21.(a)** G.S. 135-5 is amended by adding a new subsection to read:

9 "(uuu) From and after July 1, 2015, the retirement allowance to or on account of  
10 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two  
11 percent (2%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o).  
12 Furthermore, from and after July 1, 2015, the retirement allowance to or on account of  
13 beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall  
14 be increased by a prorated amount of two percent (2%) of the allowance payable as determined  
15 by the Board of Trustees based upon the number of months that a retirement allowance was  
16 paid between July 1, 2014, and June 30, 2015."

17 **SECTION 30.21.(b)** G.S. 120-4.22A is amended by adding a new subsection to  
18 read:

19 "(z) In accordance with subsection (a) of this section, from and after July 1, 2015, the  
20 retirement allowance to or on account of beneficiaries whose retirement commenced on or  
21 before January 1, 2015, shall be increased by two percent (2%) of the allowance payable on  
22 June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on  
23 account of beneficiaries whose retirement commenced after January 1, 2015, but before June  
24 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable  
25 as determined by the Board of Trustees based upon the number of months that a retirement  
26 allowance was paid between January 1, 2014, and June 30, 2015."

27 **SECTION 30.21.(c)** G.S. 135-65 is amended by adding a new subsection to read:

28 "(ff) From and after July 1, 2015, the retirement allowance to or on account of  
29 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two  
30 percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1,  
31 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced  
32 after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two  
33 percent (2%) of the allowance payable as determined by the Board of Trustees based upon the  
34 number of months that a retirement allowance was paid between July 1, 2014, and June 30,  
35 2015."

36  
37 **USE OF FUNDS APPROPRIATED FOR STATE RETIREMENT CONTRIBUTION  
38 AND STATE HEALTH PLAN INCREASES**

39 **SECTION 30.22.(a)** The appropriations set forth in Section 2.1 of this act include  
40 appropriations for State Retirement contribution and State Health Plan increases in amounts set  
41 forth in the committee report described in Section 33.2 of this act. The Office of State Budget  
42 and Management shall ensure that those funds are used only for State Retirement contribution  
43 and State Health Plan increases.

44 **SECTION 30.22.(b)** If the Director of the Budget determines that funds  
45 appropriated to a State agency for increases exceed the amount required by that agency for that  
46 purpose, the Director may reallocate those funds to other State agencies that received  
47 insufficient funds for State Retirement contribution and State Health Plan increases.

48 **SECTION 30.22.(c)** No later than January 1, 2016, the Office of State Budget and  
49 Management shall report to the Joint Legislative Commission on Governmental Operations on  
50 the expenditure of funds for State Retirement contribution and State Health Plan increases. This

1 report shall include at least the following information for each State agency for the 2015-2016  
2 fiscal year:

- 3 (1) The total amount of funds that the agency received for State Retirement  
4 contribution and State Health Plan increases.
- 5 (2) The total amount of funds transferred from the agency to other State  
6 agencies pursuant to subsection (b) of this section. This section of the report  
7 shall identify the amounts transferred to each recipient State agency.
- 8 (3) The total amount of funds used by the agency for State Retirement  
9 contribution and State Health Plan increases.
- 10 (4) The total amount of funds received by the agency for State Retirement  
11 contribution and State Health Plan increases that are anticipated to revert at  
12 the end of the fiscal year.

13  
14 **ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE**  
15 **MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT**  
16 **SYSTEM**

17 **SECTION 30.23.(a)** G.S. 135-1 reads as rewritten:

18 **"§ 135-1. Definitions.**

19 The following words and phrases as used in this Chapter, unless a different meaning is  
20 plainly required by the context, shall have the following meanings:

21 ...

- 22 (11c) "Law-Enforcement Officer" means a full-time paid employee of an employer  
23 who is actively serving in a position with assigned primary duties and  
24 responsibilities for prevention and detection of crime or the general  
25 enforcement of the criminal laws of the State of North Carolina or serving  
26 civil processes, and who possesses the power of arrest by virtue of an oath  
27 administered under the authority of the State. "Law-Enforcement Officer"  
28 also means a probation/parole officer as defined in this section with respect  
29 to any service rendered on or after July 1, 2015.

30 ...

- 31 (17a) "Probation/Parole Officer" means a full-time paid employee of the Division  
32 of Adult Correction of the Department of Public Safety whose duties include  
33 supervising, evaluating, or otherwise instructing offenders who have been  
34 placed on probation, parole, post-release supervision, or have been assigned  
35 to any other community-based program operated by the Division of Adult  
36 Correction.

37 ...."

38 **SECTION 30.23.(b)** G.S. 143-166.41(b) reads as rewritten:

39 "(b) As used in this section, "creditable service" means the service for which credit is  
40 allowed under the retirement system of which the officer is a member, provided that at least  
41 fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined~~-defined or as  
42 a probation/parole officer as defined in G.S. 135-1(17a)."

43 **SECTION 30.23.(c)** This section becomes effective July 1, 2015, and applies to  
44 persons retiring on or after that date.

45  
46 **ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION**  
47 **FUND**

48 **SECTION 30.24.** G.S. 127A-40(a) reads as rewritten:

49 "(a) Every member and former member of the North Carolina National Guard who  
50 meets the requirements of this section shall receive, commencing at age 60, a pension of  
51 ~~ninety nine dollars (\$99.00)~~ one hundred five dollars (\$105.00) per month for 20 years'

1 creditable military service with an additional ~~nine dollars ninety cents (\$9.90)~~ ten dollars and  
 2 fifty cents (\$10.50) per month for each additional year of such service; provided, however, that  
 3 the total pension shall not exceed ~~one hundred ninety eight dollars (\$198.00)~~ two hundred ten  
 4 dollars (\$210.00) per month. The requirements for a pension are that each member shall:

- 5 (1) Have served and qualified for at least 20 years' creditable military service,  
 6 including National Guard, reserve and active duty, under the same  
 7 requirement specified for entitlement to retired pay for nonregular service  
 8 under Chapter 67, Title 10, United States Code.
- 9 (2) Have at least 15 years of the aforementioned service as a member of the  
 10 North Carolina National Guard.
- 11 (3) Have received an honorable discharge from the North Carolina National  
 12 Guard."

13  
 14 **ALLOW RETIREES WHO RETURN TO WORK FOR THE STATE IN**  
 15 **NONPERMANENT POSITIONS TO RETAIN THEIR COVERAGE OPTIONS**  
 16 **UNDER THE STATE HEALTH PLAN FOR TEACHERS AND STATE**  
 17 **EMPLOYEES RATHER THAN LIMITING SUCH RETIREES' COVERAGE**  
 18 **OPTIONS TO THE "BRONZE LEVEL" HIGH-DEDUCTIBLE HEALTH PLAN**  
 19 **NECESSITATED BY THE AFFORDABLE CARE ACT**

20 **SECTION 30.25.(a)** G.S. 135-48.40 reads as rewritten:

21 "**§ 135-48.40. Categories of eligibility.**

22 ...

23 (b) Partially Contributory Coverage. – The following persons are eligible for coverage  
 24 under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-48.43:

- 25 (1) All permanent full-time employees of an employing unit who meet either of  
 26 the following conditions:  
 27 a. Paid from general or special State funds.  
 28 b. Paid from non-State funds and in a group for which his or her  
 29 employing unit has agreed to provide coverage.

30 Employees of State agencies, departments, institutions, boards, and  
 31 commissions not otherwise covered by the Plan who are employed in  
 32 permanent job positions on a recurring basis and who work 30 or more hours  
 33 per week for nine or more months per calendar year are covered by the  
 34 provisions of this subdivision.

- 35 (1a) All retirees who (i) are employed by an employing unit, (ii) do not qualify  
 36 for coverage under subdivision (1) of this subsection, and (iii) are  
 37 determined to be "full-time" by their employing unit in accordance with  
 38 section 4980H of the Internal Revenue Code and the applicable regulations,  
 39 as amended. The Department of State Treasurer shall, using a process  
 40 developed by the Department, reimburse an employing unit the employing  
 41 unit's cost to cover such a retiree who enrolls in the Plan. The reimbursement  
 42 shall be made at least once per plan year and shall be paid from the Retiree  
 43 Health Benefit Fund.

44 ...

45 (e) Other Contributory Coverage. – Any employee of an employing unit is eligible for  
 46 coverage under this section on a contributory basis, subject to the provisions of G.S. 135-48.43  
 47 and of this section, if (i) the employee's employing unit determines that the employee is a  
 48 full-time employee and (ii) the employee does not qualify for coverage under subdivision (1),  
 49 (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). For the purposes of this subsection, the  
 50 full-time status of an employee shall be determined by the employing unit, in its sole discretion,  
 51 in accordance with Section 4980H of the Internal Revenue Code and the applicable regulations,

1 as amended. The coverage offered and the contribution required for coverage under this section  
2 shall be determined by the Treasurer and approved by the Board of Trustees. Such coverage  
3 shall do all of the following:

- 4 (1) Be designed to meet the requirements of minimum essential coverage under  
5 the Patient Protection and Affordable Care Act, P.L. 111-148, and the  
6 applicable regulations, as amended (Affordable Care Act).
- 7 (2) Provide no greater coverage than a bronze-level plan, as defined under the  
8 Affordable Care Act.
- 9 (3) Minimize the required employer contribution in an administratively feasible  
10 manner."

11 **SECTION 30.25.(b)** G.S. 135-48.41(j) reads as rewritten:

12 "(j) If a retiree has been hired by an employing unit and is eligible for coverage under  
13 subdivision (1), ~~(1a),~~ (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b) or under  
14 G.S. 135-48.40(e), then the hired retiree shall not, during the time of employment, be eligible  
15 for retiree coverage under G.S. 135-48.40(a)(1), G.S. 135-48.40(b)(3), G.S. 135-48.40(c)(2), or  
16 G.S. 135-48.40(d)(11)."  
17

## 18 **RESERVE FOR FUTURE BENEFITS NEEDS**

19 **SECTION 30.26.** It is the intent of the General Assembly to make funds in the  
20 Reserve for Future Benefits Needs available for increasing employer contributions to the State  
21 Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the  
22 General Assembly determines that the State Treasurer and the Board of Trustees established  
23 under G.S. 135-48.20 have adopted sufficient measures to limit projected employer  
24 contribution increases during the 2017-2019 fiscal biennium, in accordance with their powers  
25 and duties enumerated in Article 3B of Chapter 135 of the General Statutes.  
26

## 27 **LEGISLATIVE RESEARCH COMMISSION/STUDY SUPPLEMENTAL POST-TAX 28 BENEFITS FOR STATE EMPLOYEES**

29 **SECTION 30.27.** The Legislative Research Commission (LRC) may study the  
30 supplemental post-tax benefits that State agencies and constituent institutions of The University  
31 of North Carolina offer beyond NC Flex pre-tax options, including (i) the process for selecting  
32 the benefits, (ii) consolidation of the committees selecting benefits, (iii) the cost and value of  
33 the coverage selected, and (iv) a comparison of the benefits to the NC Flex options and to  
34 options available to the public employees of other states. The LRC shall submit a report to the  
35 2016 Regular Session of the 2015 General Assembly, upon its convening, on any findings and  
36 legislative proposals pertaining to the study.  
37

## 38 **DISTRIBUTION OF STATEWIDE SALARY RESERVES**

39 **SECTION 30.28.(a)** The funds appropriated for salaries and benefits within the  
40 Statewide Reserves set forth herein shall be distributed to the respective State agencies,  
41 departments, and institutions based on the provisions of Part 9, Part 28, and Part 30 of this act.

42 **SECTION 30.28.(b)** In order to effectuate the salary increase authorized by this act  
43 in the Department of Transportation, funds appropriated for the Secondary Road Maintenance  
44 and Improvement Program are reduced by the sum of nine million eight hundred eighty-four  
45 thousand two hundred eleven dollars (\$9,884,211) for the 2015-2016 fiscal year and funds  
46 appropriated to the Reserve for General Maintenance are reduced by the sum of eleven million  
47 five hundred thirty-seven thousand seven hundred eleven dollars (\$11,537,711) for the 2016-  
48 2017 fiscal year.

49 **SECTION 30.28.(c)** With respect to subsections (a) and (b) of this section, the  
50 appropriate totals are adjusted accordingly.  
51

**PART XXXI. CAPITAL PROJECTS****GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

**SECTION 31.1.** The appropriations made by the 2015 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

**CAPITAL PROJECTS/GENERAL FUND**

**SECTION 31.2.(a)** Of the funds appropriated in this act from the General Fund for the 2015-2017 fiscal biennium the following amounts shall be allocated for capital improvements:

<b>Capital Improvements – General Fund</b>	<b>2015-2016</b>	<b>2016-2017</b>
Department of Agriculture and Consumer Services		
Dorton Arena Roof Replacement	\$ 2,305,000	–
Department of Cultural Resources		
USS North Carolina Hull Repair and Cofferdam	3,000,000	–
Department of Environment and Natural Resources		
Water Resources Development	5,083,000	–
Department of Public Safety		
Armory and Facility Development Projects	618,000	5,087,500
General Assembly		
Legislative Building Roof Replacement and Asbestos Abatement	4,001,000	–
University of North Carolina		
NCSU Engineering Building Planning	11,900,000	–
NCSU Plant Sciences Building Planning	5,000,000	–
Western School of Science and Mathematics		
Advance Planning	1,600,000	–
Western Carolina University – New Science/STEM		
Facility Planning	9,200,000	–
North Carolina School of Science and		
Mathematics – Upgrades and Building Repair	5,800,000	–
<b>TOTAL CAPITAL IMPROVEMENTS –</b>		
<b>    GENERAL FUND</b>	<b>\$ 48,507,000</b>	<b>5,087,500</b>

**SECTION 31.2.(b)** The General Assembly authorizes planning of the Plant Sciences Building at North Carolina State University to be funded at a maximum cost of fourteen million dollars (\$14,000,000) in accordance with this section. The sum of five million dollars (\$5,000,000) allocated for this purpose in subsection (a) of this section shall be used for this purpose. The remainder shall be funded with receipts or from other non-General Fund sources available to North Carolina State University, and those funds are hereby appropriated for that purpose.

**WATER RESOURCES DEVELOPMENT PROJECTS**

**SECTION 31.3.(a)** The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated forty-four million three hundred fifty-three thousand dollars (\$44,353,000) in federal funds.

<b>Name of Project</b>	<b>2015-2016</b>
(1) Jordan Water Supply	\$ 200,000
(2) Wilmington Harbor Study	225,000
(3) Planning Assistance	25,000
(4) Wilmington Harbor Deepening	600,000
(5) Wilmington Harbor Maintenance	-
(6) Morehead City Harbor Maintenance	-
(7) Carolina Beach Storm Damage Reduction	1,400,000
(8) Carolina Beach Storm Damage Reduction 15-Year Extension Study	81,000
(9) Kure Beach Storm Damage Reduction	1,450,000
(10) Wrightsville Storm Damage Reduction Reevaluation Report	81,000
(11) Ocean Isle Storm Damage Reduction Reevaluation Report	81,000
(12) Bogue Banks Storm Damage Reduction Preconstruction, Engineering, and Design	165,000
(13) Surf City/North Topsail Preconstruction Activities	135,000
(14) West Onslow Beach Preconstruction Activities	135,000
(15) NRCS EQIP (65/35)	1,000,000
(16) Planning for S.L. 2010-143	75,000
(17) State-Local Projects	1,000,000
(18) Lock and Dam #2 – Fish Ramp – Phase 1	250,000
(19) Linville River Restoration	250,000
(20) Assistance to Counties – EAP Preparation	250,000
(21) North Topsail Shoreline Protection – Phase 2	500,000
<b>TOTALS</b>	<b>\$ 7,903,000</b>

**SECTION 31.3.(b)** It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million eighty-three thousand dollars (\$5,083,000) allocated for water resources development projects in Section 31.2(a) of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

<b>Name of Project</b>	<b>Amount Carried Forward</b>
(1) Wilmington Harbor Study	\$ 225,000
(2) Planning Assistance	25,000
(3) Wilmington Harbor Deepening	600,000
(4) Carolina Beach Storm Damage Reduction	727,000
(5) Kure Beach Storm Damage Reduction	808,000
(6) Bogue Banks Storm Damage Reduction Preconstruction,	

1	Engineering, and Design	165,000
2	(7) Surf City/North Topsail Preconstruction Activities	135,000
3	(8) West Onslow Beach Preconstruction Activities	135,000
4		
5	<b>TOTALS</b>	<b>\$ 2,820,000</b>

**SECTION 31.3.(c)** Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2015-2016 fiscal year or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) U.S. Army Corps of Engineers project feasibility studies.
- (2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State matching funds in the 2015-2016 fiscal year.
- (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 2016-2017 fiscal year.

**SECTION 31.3.(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 the 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 31.3.(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 2015-2017 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.

**NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

**SECTION 31.4.(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</b>	
	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
Department of Agriculture and Consumer Services		

1	WNC Farmers Market Improvements/Robert		
2	G. Shaw Piedmont Triad Farmers Market		
3	Improvements	\$ 3,000,000	-
4	WNC Agricultural Center Events/Restroom Building	500,000	-
5	NC Forest Service Mountain Island Educational		
6	Forest-Visitor and Interpretive Center	4,000,000	-
7	Deer Fence on Research Stations	200,000	-
8	Aviary Egg Layer Research Building	1,750,000	-
9	State Fair Renovations/Infrastructure Improvements	2,500,000	-
10	State Fair Horse Complex	1,000,000	-
11	Animal Disease Diagnostic Laboratory Equipment	500,000	-
12			
13	Department of Environment and Natural Resources		
14	Fort Fisher Aquarium Seawall	590,000	590,000
15	Gorilla Expansion	450,000	-
16			
17	Department of Transportation		
18	Anson County Blacksmith Shop	-	195,000
19	Nash County Equipment Shop	-	194,200
20	Gaston County Equipment Shop	-	2,409,000
21	Greenville DMV Office	-	4,168,866
22			
23	Wildlife Resources Commission		
24	Boating Access New Construction	3,750,000	3,750,000
25	Land Acquisition	900,000	900,000
26	Jordan Lake Depot	500,000	-
27	Fishing Access Construction	-	200,000
28			
29	<b>TOTAL AMOUNT OF NON-GENERAL</b>		
30	<b>FUND CAPITAL PROJECTS</b>		
31	<b>AUTHORIZED</b>	<b>\$ 19,640,000</b>	<b>12,407,066</b>
32			

33           **SECTION 31.4.(b)** From funds deposited with the State Treasurer in a capital  
34 improvement account to the credit of the Department of Agriculture and Consumer Services  
35 pursuant to G.S. 146-30, the sum of seventy-five thousand dollars (\$75,000) for the 2015-2016  
36 fiscal year and the sum of seventy-five thousand dollars (\$75,000) for the 2016-2017 fiscal year  
37 shall be transferred to the Department of Agriculture and Consumer Services to be used,  
38 notwithstanding G.S. 146-30, by the Department for its plant conservation program under  
39 Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of  
40 land, such as land appraisals, land surveys, title searches, and environmental studies, and for  
41 the management of the plant conservation program preserves owned by the Department.

42  
43 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

44           **SECTION 31.5.(a)** Of the funds in the Reserve for Repairs and Renovations for  
45 the 2015-2016 and the 2016-2017 fiscal years, the following allocations shall be made to the  
46 following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

- 47           (1) One-third of the funds shall be allocated to the Board of Governors of The  
48           University of North Carolina.
- 49           (2) Two-thirds of the funds shall be allocated to the Office of State Budget and  
50           Management.

1 The Office of State Budget and Management shall consult with or report to the Joint  
2 Legislative Commission on Governmental Operations, as appropriate, in accordance with  
3 G.S. 143C-4-3(e). The Board of Governors shall report to the Joint Legislative Commission on  
4 Governmental Operations in accordance with G.S. 143C-4-3(d).

5 **SECTION 31.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to  
6 the Board of Governors of The University of North Carolina in subsection (a) of this section, a  
7 portion shall be used each fiscal year by the Board of Governors for the installation of fire  
8 sprinklers in university residence halls. This portion shall be in addition to funds otherwise  
9 appropriated in this act for the same purpose. Such funds shall be allocated among the  
10 University's constituent institutions by the President of The University of North Carolina, who  
11 shall consider the following factors when allocating those funds:

- 12 (1) The safety and well-being of the residents of campus housing programs.
- 13 (2) The current level of housing rents charged to students and how that  
14 compares to an institution's public peers and other UNC institutions.
- 15 (3) The level of previous authorizations to constituent institutions for the  
16 construction or renovation of residence halls funded from the General Fund  
17 or from bonds or certificates of participation supported by the General Fund  
18 since 1996.
- 19 (4) The financial status of each constituent institution's housing system,  
20 including debt capacity, debt coverage ratios, credit rankings, required  
21 reserves, the planned use of cash balances for other housing system  
22 improvements, and the constituent institution's ability to pay for the  
23 installation of fire sprinklers in all residence halls.
- 24 (5) The total cost of each proposed project, including the cost of installing fire  
25 sprinklers and the cost of other construction, such as asbestos removal and  
26 additional water supply needs.

27 The Board of Governors shall submit progress reports to the Joint Legislative  
28 Commission on Governmental Operations. Reports shall include the status of completed,  
29 current, and planned projects. Reports also shall include information on the financial status of  
30 each constituent institution's housing system, the constituent institution's ability to pay for fire  
31 protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be  
32 submitted on January 1 and July 1 until all residence halls have fire sprinklers.

33 **SECTION 31.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to  
34 the Board of Governors of The University of North Carolina in subsection (a) of this section, a  
35 portion shall be used each fiscal year by the Board of Governors for campus public safety  
36 improvements allowable under G.S. 143C-4-3(b).

37 **SECTION 31.5.(d)** The Board of Governors shall consider the availability of  
38 non-General Fund resources in determining which projects to fund with funds allocated to the  
39 Board of Governors of The University of North Carolina in subsection (a) of this section.  
40

## 41 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

42 **SECTION 31.6.** The appropriations made by the 2015 General Assembly for  
43 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of  
44 funds shall not be made by any State department, institution, or agency until an allotment has  
45 been approved by the Governor as Director of the Budget. The allotment shall be approved  
46 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.  
47 Prior to the award of construction contracts for projects to be financed in whole or in part with  
48 self-liquidating appropriations, the Director of the Budget shall approve the elements of the  
49 method of financing of those projects, including the source of funds, interest rate, and  
50 liquidation period. Provided, however, that if the Director of the Budget approves the method

1 of financing a project, the Director shall report that action to the Joint Legislative Commission  
2 on Governmental Operations at its next meeting.

3 Where direct capital improvement appropriations include the purpose of furnishing  
4 fixed and movable equipment for any project, those funds for equipment shall not be subject to  
5 transfer into construction accounts except as authorized by the Director of the Budget. The  
6 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and  
7 approved by the Director of the Budget prior to commitment of funds.

8 Capital improvement projects authorized by the 2015 General Assembly shall be  
9 completed, including fixed and movable equipment and furnishings, within the limits of the  
10 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided  
11 in this act. Capital improvement projects authorized by the 2015 General Assembly for the  
12 design phase only shall be designed within the scope of the project as defined by the approved  
13 cost estimate filed with the Director of the Budget, including costs associated with site  
14 preparation, demolition, and movable and fixed equipment.

## 15 16 **REPORTING ON CAPITAL PROJECTS**

17 **SECTION 31.7.(a)** Definitions. – The following definitions apply in this section:

- 18 (1) Capital project. – Any capital improvement, as that term is defined in  
19 G.S. 143C-1-1, that is not complete by the effective date of this section and  
20 that is funded in whole or in part with State funds, including receipts,  
21 non-General Fund sources, or statutorily or constitutionally authorized  
22 indebtedness of any kind. This term includes only projects with a total cost  
23 of one hundred thousand dollars (\$100,000) or more.
- 24 (2) Construction phase. – The status of a particular capital project as described  
25 using the terms customarily employed in the design and construction  
26 industries.
- 27 (3) New capital project. – A capital project that is authorized in this act or  
28 subsequent to the effective date of this act.

29 **SECTION 31.7.(b)** Reporting. – The following reports are required:

- 30 (1) By October 1, 2015, and every six months thereafter, each State agency shall  
31 report on the status of agency capital projects to the Joint Legislative  
32 Commission on Governmental Operations.
- 33 (2) By October 1, 2015, and quarterly thereafter, each State agency shall report  
34 on the status of agency capital projects to the Fiscal Research Division of the  
35 General Assembly and to the Office of State Budget and Management.

36 **SECTION 31.7.(c)** The reports required by subsection (b) of this section shall  
37 include at least the following information about every agency capital project:

- 38 (1) The current construction phase of the project.
- 39 (2) The anticipated time line from the current construction phase to project  
40 completion.
- 41 (3) Information about expenditures that have been made in connection with the  
42 project, regardless of source of the funds expended.
- 43 (4) Information about the adequacy of funding to complete the project,  
44 including estimates of how final expenditures will relate to initial estimates  
45 of expenditures, and whether or not scope reductions will be necessary in  
46 order to complete the project within its budget.
- 47 (5) For new capital projects only, an estimate of the operating costs for the  
48 project for the first five fiscal years of its operation.

49 **SECTION 31.7.(d)** In addition to the other reports required by this section, on  
50 October 1, 2015, and every six months thereafter, the Office of State Construction shall report  
51 on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative

1 Commission on Governmental Operations. The report shall include (i) summary information  
2 about the average length of time that passes between FCAP assessments for an average State  
3 building; (ii) detailed information about when the last FCAP assessment was for each State  
4 building complex; and (iii) detailed information about the condition and repairs and renovations  
5 needs of each State building complex.

6 **SECTION 31.7.(e)** In addition to the other reports required by this section, on  
7 October 1, 2015, and quarterly thereafter, the State Construction Office shall report to the  
8 General Assembly on the status of plan review, approval, and permitting for each State capital  
9 improvement project and community college capital improvement project over which the  
10 Office exercises plan review, approval, and permitting authority. Each report shall include (i)  
11 summary information about the workload of the Office during the previous quarter, including  
12 information about the average length of time spent by the State Construction Office on each  
13 major function it performs that is related to capital project approval, and (ii) detailed  
14 information about the amount of time spent engaged in those functions for each project that the  
15 State Construction Office worked on during the previous quarter.

## 16 17 **NATIONAL GUARD PROJECTS**

18 **SECTION 31.8.(a)** The Department of Public Safety shall allocate the funds  
19 allocated for armory and facility development projects in Section 31.2(a) of this act to projects  
20 designated by the Adjutant General of the North Carolina National Guard. The Adjutant  
21 General shall only provide for the allocation of funds to projects that were included in the latest  
22 Armory and Facilities Development Plan developed pursuant to G.S. 127A-210 and may  
23 determine which fiscal year of the biennium each designated project shall be funded. These  
24 funds will provide a State match for federal funds made available for this purpose.

25 **SECTION 31.8.(b)** No later than June 1, 2017, and every two years thereafter, the  
26 Department shall report on the use of these funds to the Joint Legislative Commission on  
27 Governmental Operations, the Fiscal Research Division of the General Assembly, and the  
28 Office of State Budget and Management. Each report shall include all of the following:

- 29 (1) The status of all projects undertaken pursuant to this section.
- 30 (2) The estimated total cost of each project.
- 31 (3) The date that work on each project began or is expected to begin.
- 32 (4) The date that work on each project was completed or is expected to be  
33 completed.
- 34 (5) The actual cost of each project, including federal matching funds.
- 35 (6) Facilities planned for closure or reversion.
- 36 (7) A list of projects advanced in schedule, those projects delayed in schedule,  
37 and an estimate of the amount of funds expected to revert to the General  
38 Fund.

39 **SECTION 31.8.(c)** Notwithstanding subsection (a) of this section, the sum of two  
40 hundred fifty thousand dollars (\$250,000) of the funds allocated in Section 31.2(a) of this act  
41 for armory and facility development projects in the 2015-2016 fiscal year shall be used to  
42 provide a State match to federal funds for planning and construction of a North Carolina  
43 National Guard facility to be located within the 420 acres surrounding the latitude and  
44 longitude point 35°11.0994'N – 082°37.1166'W. The Department shall consult with the North  
45 Carolina National Guard in the design and site selection of the facility. Funds allocated  
46 pursuant to this subsection shall not revert at the end of the 2015-2016 fiscal year but shall be  
47 retained by the Department until the facility is completed or June 30, 2020, whichever first  
48 occurs.

## 49 50 **REQUIRE NON-GENERAL FUND RESOURCES TO BE USED FOR ADVANCED** 51 **PLANNING OF UNIVERSITY CAPITAL PROJECTS**

1           **SECTION 31.9.** G.S. 143C-3-3 reads as rewritten:

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

3       ...

4       (b)   University of North Carolina System Request. – Notwithstanding the requirement in  
5 G.S. 116-11 that the Board of Governors prepare a unified budget request for all of the  
6 constituent institutions of The University of North Carolina, ~~repairs~~budget requests of the  
7 University shall be subject to all of the following:

8           (1)   Repairs and ~~renovations~~,renovations requests, capital fund requests, and  
9                information technology requests shall comply with subsections (c), (d), and  
10              (e) of this section.

11          (2)   The University of North Carolina shall not make a capital funds request  
12              proposing to construct a new facility, expand the building area (square feet)  
13              of an existing facility, or rehabilitate an existing facility to accommodate  
14              new or expanded uses unless the University has first completed advanced  
15              planning of the project with funds other than General Fund appropriations  
16              and other than funds carried forward from one fiscal year to another pursuant  
17              to G.S. 116-30.3.

18       ...."

19  
20   **TRANSFER OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES OFF**  
21   **OF THE DOROTHEA DIX CAMPUS**

22           **SECTION 31.10.(a)** The Department of Administration, in consultation with the  
23 Department of Health and Human Services and any other relevant State agencies, shall develop  
24 a plan for moving the personnel and resources of the Department of Health and Human  
25 Services that currently reside on the Dorothea Dix campus to other space available to the State.  
26 The Department of Administration shall report the plan to the Joint Legislative Commission on  
27 Governmental Operations and to the Fiscal Research Division no later than the earlier of  
28 October 1, 2016, or six months prior to the date on which the Department is required to move  
29 some or all of its personnel and resources from the Dorothea Dix campus under the terms of an  
30 agreement between the State and the City of Raleigh. The plan required by this section shall  
31 include at least the following information:

32           (1)   The location to which the personnel and resources of the Department of  
33                Health and Human Services will be relocated.

34           (2)   The square footage needed in order to accommodate the relocation.

35           (3)   A statement of anticipated costs or benefits associated with the relocation.

36           (4)   A schedule for implementation of the relocation plan.

37           (5)   Identification of any potential obstacles to the relocation plan.

38           (6)   Options for financing the relocation plan, developed in conjunction with the  
39                State Treasurer and the State Controller.

40           **SECTION 31.10.(b)** Notwithstanding any other provision of law, the Department  
41 of Administration shall not enter into any lease or other agreement to move the personnel or  
42 resources of the Department of Health and Human Services that currently reside on the  
43 Dorothea Dix campus to other space until specifically authorized to do so by the General  
44 Assembly.

45  
46   **MODIFY SPECIAL INDEBTEDNESS PROVISIONS**

47           **SECTION 31.11.(a)** G.S. 143-128.1C reads as rewritten:

48   "**§ 143-128.1C. Public-private partnership construction contracts.**

49       (a)   Definitions for purposes of this section:

50       ...

(4) Development contract. – Any contract between a governmental entity and a private developer under this section and, as part of the contract, the private developer is required to provide at least fifty percent (50%) of the financing for the total cost necessary to deliver the capital improvement project, whether through lease or ownership, for the governmental entity. For purposes of determining whether the private developer is providing the minimum percentage of the total financing costs, the calculation shall not include any payment made by a public entity or proceeds of financing arrangements by a private entity where the source of repayment is a public entity.

...  
 (10) State-supported financing arrangement. – Any installment financing arrangement, lease-purchase arrangement, arrangement under which funds are to be paid in the future based upon the availability of an asset or funds for payment, or any similar arrangement in the nature of a financing, under which a State entity agrees to make payments to acquire or obtain ownership or beneficial use of a capital asset for the State entity or any other State entity for a term, including renewal options, of greater than one year. Any arrangement that results in the identification of a portion of a lease payment, installment payment, or similar scheduled payment thereunder by a State entity as "interest" for purposes of federal income taxation shall automatically be a State-supported financing arrangement for purposes of this section. A true operating lease is not a State-supported financing arrangement.

...  
 (k) Leases and other agreements entered into under this section are subject to approval as follows:

...  
 (2) If a capital lease ~~is~~ or other agreement entered into by a State entity ~~that~~ constitutes a State-supported financing arrangement and requires payments thereunder that are payable, whether directly or indirectly, and whether or not subject to the appropriation of funds for such payment, by payments from the General Fund of the State or other funds and accounts of the State that are funded from the general revenues and other taxes and fees of the State or State entities, not including taxes and fees that are required to be deposited to the Highway Fund or Highway Trust Fund, Fund, Fund to be used to make payments under capital leases or other agreements for projects covered under Article 14B of Chapter 136 of the General Statutes, that capital lease or other agreement shall be subject to the approval procedures required for special indebtedness by G.S. 142-83 and G.S. 142-84. This requirement shall not apply to any arrangement where bonds or other obligations are issued or incurred by a State entity to carry out a financing program authorized by the General Assembly under which such bonds or other obligations are payable from monies derived from specified, limited, nontax sources, so long as the payments under that arrangement by a State entity are limited to the sources authorized by the General Assembly.

...."

**SECTION 31.11.(b)** This section is effective when this act becomes law.

**TWO-THIRDS BONDS ACT OF 2015**

1           **SECTION 31.12.(a)** Short Title. – This section may be cited as the "Two-Thirds  
2 Bonds Act of 2015."

3           **SECTION 31.12.(b)** Findings and Determinations. – It is the intent and purpose of  
4 the General Assembly by this section to provide for the issuance of general obligation bonds or  
5 notes of the State in order to provide funds for the cost of State capital facilities.

6           **SECTION 31.12.(c)** Definitions. – The following definitions apply in this section  
7 unless the context otherwise requires:

8           (1) Bonds. – Bonds issued under this section.

9           (2) Cost. – The term includes all of the following:

10           a. The cost of constructing, reconstructing, renovating, repairing,  
11 enlarging, acquiring, and improving State capital facilities, including  
12 the acquisition of land, rights-of-way, easements, franchises,  
13 equipment, machinery, furnishings, and other interests in real or  
14 personal property acquired or used in connection with a State capital  
15 facility.

16           b. The cost of engineering, architectural, and other consulting services  
17 as may be required.

18           c. Administrative expenses and charges.

19           d. The cost of providing personnel to ensure effective project  
20 management.

21           e. The cost of bond insurance, investment contracts, credit enhancement  
22 and liquidity facilities, interest-rate swap agreements or other  
23 derivative products, financial and legal consultants, and related costs  
24 of bond and note issuance to the extent and as determined by the  
25 State Treasurer.

26           f. Finance charges, reserves for debt service, and other types of  
27 reserves required pursuant to the terms of any bond or note or related  
28 documents, interest before and during construction or acquisition of a  
29 State capital facility and, if considered advisable by the State  
30 Treasurer, for a period not exceeding two years after the estimated  
31 date of completion of construction or acquisition.

32           g. The cost of bond insurance, investment contracts, credit enhancement  
33 facilities and liquidity facilities, interest-rate swap agreements or  
34 other derivative products, financial and legal consultants, and related  
35 costs of the incurrence or issuance of any bond or note.

36           h. The cost of reimbursing the State for any payments made for any cost  
37 described in this subdivision.

38           i. Any other costs and expenses necessary or incidental to the purposes  
39 of this section.

40           (3) Credit facility. – An agreement entered into by the State Treasurer on behalf  
41 of the State with a bank, savings and loan association, or other banking  
42 institution; an insurance company, reinsurance company, surety company, or  
43 other insurance institution; a corporation, investment banking firm, or other  
44 investment institution; or any financial institution or other similar provider  
45 of a credit facility, which provider may be located within or without the  
46 United States, such agreement providing for prompt payment of all or any  
47 part of the principal or purchase price (whether at maturity, presentment or  
48 tender for purchase, redemption, or acceleration), redemption premium, if  
49 any, and interest on any bonds or notes payable on demand or tender by the  
50 owner, in consideration of the State agreeing to repay the provider of the

1 credit facility in accordance with the terms and provisions of such  
2 agreement.

3 (4) Notes. – Notes issued under this section.

4 (5) Par formula. – A provision or formula adopted by the State to provide for the  
5 adjustment, from time to time, of the interest rate or rates borne by any  
6 bonds or notes, including the following:

7 a. A provision providing for such adjustment so that the purchase price  
8 of such bonds or notes in the open market would be as close to par as  
9 possible.

10 b. A provision providing for such adjustment based upon a percentage  
11 or percentages of a prime rate or base rate, which percentage or  
12 percentages may vary or be applied for different periods of time.

13 c. Such other provision as the State Treasurer may determine to be  
14 consistent with this act and will not materially and adversely affect  
15 the financial position of the State and the marketing of bonds or notes  
16 at a reasonable interest cost to the State.

17 (6) State. – The State of North Carolina, including any State agency.

18 (7) State agency. – Any agency, institution, board, commission, bureau, council,  
19 department, division, officer, or employee of the State. The term does not  
20 include counties, municipal corporations, political subdivisions, local boards  
21 of education, or other local public bodies.

22 **SECTION 31.12.(d)** Authorization of Bonds and Notes. – The State Treasurer is  
23 authorized, by and with the consent of the Council of State, to issue and sell at one time or from  
24 time to time general obligation bonds of the State to be designated "State of North Carolina  
25 General Obligation Bonds," with any additional designations as may be determined, or notes of  
26 the State, in the aggregate principal amount of up to two hundred sixty-nine million five  
27 hundred twenty-five thousand two hundred dollars (\$269,525,200), this amount being not in  
28 excess of two-thirds of the amount by which the State's outstanding indebtedness was reduced  
29 during the fiscal biennium that ended June 30, 2015, for the purpose of providing funds, with  
30 any other available funds, for the purposes authorized by this section. However, bonds shall  
31 only be issued under this section for projects listed in subsection (f) of this section that are not  
32 otherwise authorized by May 31, 2016, to be financed with general obligation debt approved by  
33 a majority of the qualified voters of the State who vote thereon.

34 **SECTION 31.12.(e)** Uses of Bond and Note Proceeds. – The proceeds of bonds  
35 and notes shall be used for financing the cost of State capital facilities as provided in this  
36 section. Any additional monies that may be received by grant from the United States of  
37 America or any agency or department thereof or from any other source to aid in financing the  
38 cost of any State capital facilities authorized by this section may be placed by the State  
39 Treasurer in a separate fund or funds and shall be disbursed, to the extent permitted by the  
40 terms of the grant, without regard to any limitations imposed by this section.

41 The proceeds of bonds and notes may be used with any other monies made available  
42 by the General Assembly for the cost of State capital facilities, including the proceeds of any  
43 other State bond or special indebtedness issues, whether heretofore made available or that may  
44 be made available at the session of the General Assembly at which this section is ratified or any  
45 subsequent sessions. The proceeds of bonds and notes shall be expended and disbursed under  
46 the direction and supervision of the Director of the Budget. The funds provided by this section  
47 shall be disbursed for the purposes provided in this section upon warrants drawn on the State  
48 Treasurer by the State Controller, which warrants shall not be drawn until requisition has been  
49 approved by the Director of the Budget and which requisition shall be approved only after full  
50 compliance with the State Budget Act, Chapter 143C of the General Statutes.

1 The Office of State Budget and Management shall provide semiannual reports to the  
2 chair of the Senate Appropriations/Base Budget Committee, the chair of the House of  
3 Representatives Appropriations Committee, and the Fiscal Research Division on the  
4 expenditure of monies authorized by this section. The reports shall continue until the  
5 completion of the projects provided for in this section.

6 **SECTION 31.12.(f)** Allocation of Proceeds. – The proceeds of bonds and notes  
7 shall be allocated and expended as provided as follows:

- 8 (1) A maximum aggregate principal amount of seventy million seven hundred  
9 eighty-two thousand dollars (\$70,782,000) to finance the capital facility  
10 costs of a health sciences building at Appalachian State University.
- 11 (2) A maximum aggregate principal amount of sixty-five million one hundred  
12 thousand dollars (\$65,100,000) to finance the capital facility costs of an  
13 engineering building at North Carolina State University.
- 14 (3) A maximum aggregate principal amount of ninety million dollars  
15 (\$90,000,000) to finance the capital facility costs of a new sciences building  
16 at the University of North Carolina at Charlotte.
- 17 (4) A maximum aggregate principal amount of twelve million nine hundred  
18 seventy-six thousand dollars (\$12,976,000) to finance the capital facility  
19 costs of a new DHHS medical examiner facility at Wake Forest University.
- 20 (5) A maximum aggregate principal amount of thirty million six hundred  
21 sixty-seven thousand two hundred dollars (\$30,667,200) to finance the  
22 capital facility costs of Phase 1 of the Highway Patrol Training Academy.

23 **SECTION 31.12.(g)** Issuance of Bonds and Notes. –

- 24 (1) Terms and conditions. – Bonds or notes may bear a date or dates, may be  
25 serial or term bonds or notes, or any combination thereof, may mature in  
26 such amounts and at such time or times, not exceeding 40 years from their  
27 date or dates, may be payable at such place or places, either within or  
28 without the United States of America, in such coin or currency of the United  
29 States of America as at the time of payment is legal tender for payment of  
30 public and private debts, may bear interest at such rate or rates, which may  
31 vary from time to time, and may be made redeemable before maturity, at the  
32 option of the State or otherwise as may be provided by the State, at such  
33 price or prices, including a price less than or greater than the face amount of  
34 the bonds or notes, and under such terms and conditions, all as may be  
35 determined by the State Treasurer, by and with the consent of the Council of  
36 State.
- 37 (2) Signatures; form and denomination; registration. – Bonds or notes may be  
38 issued in certificated or uncertificated form. If issued in certificated form,  
39 bonds or notes shall be signed on behalf of the State by the Governor or shall  
40 bear the Governor's facsimile signature, shall be signed by the State  
41 Treasurer or shall bear the State Treasurer's facsimile signature, and shall  
42 bear the Great Seal of the State of North Carolina or a facsimile of the Seal  
43 shall be impressed or imprinted thereon. If bonds or notes bear the facsimile  
44 signatures of the Governor and the State Treasurer, the bonds or notes shall  
45 also bear a manual signature that may be that of a bond registrar, trustee,  
46 paying agent, or designated assistant of the State Treasurer. Should any  
47 officer whose signature or facsimile signature appears on bonds or notes  
48 cease to be such officer before the delivery of the bonds or notes, the  
49 signature or facsimile signature shall nevertheless have the same validity for  
50 all purposes as if the officer had remained in office until delivery. Bonds or  
51 notes may bear the facsimile signatures of persons, who at the actual time of

1 the execution of the bonds or notes shall be the proper officers to sign any  
2 bond or note, although at the date of the bond or note such persons may not  
3 have been such officers. The form and denomination of bonds or notes,  
4 including the provisions with respect to registration of the bonds or notes  
5 and any system for their registration, shall be as the State Treasurer may  
6 determine in conformity with this section.

7 (3) Manner of sale; expenses. – Subject to the approval by the Council of State  
8 as to the manner in which bonds or notes shall be offered for sale, whether at  
9 public or private sale, whether within or without the United States, and  
10 whether by publishing notices in certain newspapers and financial journals,  
11 mailing notices, inviting bids by correspondence, negotiating contracts of  
12 purchase, or otherwise, the State Treasurer is authorized to sell bonds or  
13 notes at one time or from time to time at any rates of interest, which may  
14 vary from time to time, and at any prices, including a price less than or  
15 greater than the face amount of the bonds or notes, as the State Treasurer  
16 may determine. All expenses incurred in the preparation, sale, and issuance  
17 of bonds or notes shall be paid by the State Treasurer from the proceeds of  
18 bonds or notes or other available monies.

19 (4) Notes; repayment. –

20 a. By and with the consent of the Council of State, the State Treasurer  
21 is hereby authorized to borrow money and to execute and issue notes  
22 of the State for the same, but only in the following circumstances and  
23 under the following conditions:

- 24 1. For anticipating the sale of bonds, the issuance of which the  
25 Council of State has approved, if the State Treasurer  
26 considers it advisable to postpone the issuance of the bonds;
- 27 2. For the payment of interest on or any installment of principal  
28 of any bonds then outstanding, if there are not sufficient  
29 funds in the State treasury with which to pay the interest or  
30 installment of principal as they respectively become due;
- 31 3. For the renewal of any loan evidenced by notes authorized in  
32 this section;
- 33 4. For the purposes authorized in this section; and
- 34 5. For refunding bonds or notes as authorized in this section.

35 b. Funds derived from the sale of bonds or notes may be used in the  
36 payment of any bond anticipation notes issued under this section.  
37 Funds provided by the General Assembly for the payment of interest  
38 on or principal of bonds shall be used in paying the interest on or  
39 principal of any notes and any renewals thereof, the proceeds of  
40 which shall have been used in paying interest on or principal of the  
41 bonds.

42 (5) Refunding bonds and notes. – By and with the consent of the Council of  
43 State, the State Treasurer is authorized to issue and sell refunding bonds and  
44 notes pursuant to the provisions of the State Refunding Bond Act for the  
45 purpose of refunding bonds or notes issued pursuant to this section. The  
46 refunding bonds and notes may be combined with any other issues of State  
47 bonds and notes similarly secured. Refunding bonds or notes may be issued  
48 at any time prior to the final maturity of the debt obligation to be refunded.  
49 The proceeds from the sale of any refunding bonds or notes shall be applied  
50 to the immediate payment and retirement of the bonds or notes being  
51 refunded or, if not required for the immediate payment of the bonds or notes

1 being refunded, the proceeds shall be deposited in trust to provide for the  
2 payment and retirement of the bonds or notes being refunded and to pay any  
3 expenses incurred in connection with the refunding. Money in a trust fund  
4 may be invested in (i) direct obligations of the United States government, (ii)  
5 obligations the principal of and interest on which are guaranteed by the  
6 United States government, (iii) obligations of any agency or instrumentality  
7 of the United States government if the timely payment of principal and  
8 interest on the obligations is unconditionally guaranteed by the United States  
9 government, or (iv) certificates of deposit issued by a bank or trust company  
10 located in the State if the certificates are secured by a pledge of any of the  
11 obligations described in (i), (ii), or (iii) above having an aggregate market  
12 value, exclusive of accrued interest, equal at least to the principal amount of  
13 the certificates so secured. This section does not limit the duration of any  
14 deposit in trust for the retirement of bonds or notes being refunded but that  
15 have not matured and are not presently redeemable or, if presently  
16 redeemable, have not been called for redemption.

17 (6) Tax exemption. – Bonds and notes shall at all times be free from taxation by  
18 the State or any political subdivision or any of their agencies, excepting  
19 estate, inheritance, or gift taxes, income taxes on the gain from the transfer  
20 of bonds or notes, and franchise taxes. The interest on bonds or notes is not  
21 subject to taxation as income.

22 (7) Investment eligibility. – Bonds and notes are securities in which all of the  
23 following may invest, including capital in their control or belonging to them:  
24 public officers, agencies, and public bodies of the State and its political  
25 subdivisions, all insurance companies, trust companies, investment  
26 companies, banks, savings banks, savings and loan associations, credit  
27 unions, pension or retirement funds, other financial institutions engaged in  
28 business in the State, executors, administrators, trustees, and other  
29 fiduciaries. Bonds and notes are hereby made securities that may properly  
30 and legally be deposited with and received by any officer or agency of the  
31 State or political subdivision of the State for any purpose for which the  
32 deposit of bonds, notes, or obligations of the State or any political  
33 subdivision is now or may hereafter be authorized by law.

34 (8) Faith and credit. – The faith and credit and taxing power of the State are  
35 hereby pledged for the payment of the principal of and the interest on bonds  
36 and notes. The State expressly reserves the right to amend any provision of  
37 this section to the extent it does not impair any contractual right of a bond  
38 owner.

39 (9) Other agreements. – The State Treasurer may authorize, execute, obtain, or  
40 otherwise provide for bond insurance, investment contracts, credit and  
41 liquidity facilities, interest-rate swap agreements and other derivative  
42 products, and any other related instruments and matters the State Treasurer  
43 determines are desirable in connection with issuance, incurrence, carrying,  
44 or securing of bonds or notes. The State Treasurer is authorized to employ  
45 and designate any financial consultants, underwriters, and bond attorneys to  
46 be associated with any bond or note issue under this section as the State  
47 Treasurer considers necessary.

48 **SECTION 31.12.(h) Variable Rate Demand Bonds and Notes.** – In fixing the  
49 details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

50 (1) Be made payable from time to time on demand or tender for purchase by the  
51 owner, if a credit facility supports the bonds or notes, unless the State

1 Treasurer specifically determines that a credit facility is not required upon a  
2 finding and determination by the State Treasurer that the absence of a credit  
3 facility will not materially and adversely affect the financial position of the  
4 State and the marketing of the bonds or notes at a reasonable interest cost to  
5 the State;

- 6 (2) Be additionally supported by a credit facility;  
7 (3) Be made subject to redemption or a mandatory tender for purchase prior to  
8 maturity;  
9 (4) Bear interest at a rate or rates that may vary for any period of time, as may  
10 be provided in the proceedings providing for the issuance of the bonds or  
11 notes, including, without limitation, such variations as may be permitted  
12 pursuant to a par formula; and  
13 (5) Be made the subject of a remarketing agreement whereby an attempt is made  
14 to remarket bonds or notes to new purchasers prior to their presentment for  
15 payment to the provider of the credit facility or to the State.

16 If the aggregate principal amount payable by the State under a credit facility is in  
17 excess of the aggregate principal amount of bonds or notes secured by the credit facility,  
18 whether as a result of the inclusion in the credit facility of a provision for the payment of  
19 interest for a limited period of time or the payment of a redemption premium or for any other  
20 reason, then the amount of authorized but unissued bonds or notes during the term of such  
21 credit facility shall not be less than the amount of such excess, unless the payment of such  
22 excess is otherwise provided for by agreement of the State executed by the State Treasurer.

23 **SECTION 31.12.(i)** Interpretation of Section. –

- 24 (1) Additional method. – The foregoing subsections of this section shall be  
25 deemed to provide an additional and alternative method for the doing of the  
26 things authorized under it and shall be regarded as supplemental and  
27 additional to powers conferred by other laws and shall not be regarded as in  
28 derogation of any powers now existing.  
29 (2) Statutory references. – References in this section to specific sections or  
30 Chapters of the General Statutes or to specific acts are intended to be  
31 references to such sections, Chapters, or acts as they may be amended from  
32 time to time by the General Assembly.  
33 (3) Broad construction. – This section, being necessary for the health and  
34 welfare of the people of the State, shall be broadly construed to affect the  
35 purposes thereof.  
36 (4) Inconsistent provisions. – Insofar as the provisions of this section are  
37 inconsistent with the provisions of any general, special, or local laws, or  
38 parts thereof, the provisions of this section shall be controlling.  
39 (5) Severability. – If any provision of this section or the application thereof to  
40 any person or circumstance is held invalid, such invalidity shall not affect  
41 other provisions or applications of the section that can be given effect  
42 without the invalid provision or application, and to this end the provisions of  
43 this section are declared to be severable.

44 **SECTION 31.12.(j)** The State, upon the direction of the Director of the Budget,  
45 and subject to the limitations set forth in subsection (d) of this section, may finance with the  
46 proceeds of special indebtedness the capital facility costs of a project set forth in subsection (f)  
47 of this section and approved for financing with proceeds of bonds authorized pursuant to this  
48 section. If the financing is to be provided by special indebtedness, then such indebtedness may  
49 be issued or incurred before the enactment of this act or during or beyond the fiscal biennium  
50 ending June 30, 2017. The total amount of financing for a project from special indebtedness

1 and the proceeds of two-thirds bonds issued pursuant to this section shall not exceed the  
2 applicable amount set forth in subsection (f) of this section.

3 **SECTION 31.12.(k)** This section is effective when this act becomes law.  
4

5 **DEBT AFFORDABILITY STUDY FOR THE UNIVERSITY OF NORTH CAROLINA**

6 **SECTION 31.13.** Chapter 116D of the General Statutes is amended by adding a  
7 new Article to read:

8 "Article 5.

9 "Managing Debt Capacity.

10 "**§ 116D-55. Purpose.**

11 The purpose of this Article is to provide tools for sound debt management at The University  
12 of North Carolina by requiring each constituent institution to conduct an annual debt  
13 affordability study, by requiring the establishment of guidelines for maintaining prudent debt  
14 levels, and by establishing a system for prioritizing University capital needs when the needs  
15 exceed the University's capacity for new debt.

16 "**§ 116D-56. Debt affordability study required.**

17 (a) Study Required. – The Board of Governors shall annually advise the Governor and  
18 the General Assembly on the estimated debt capacity of The University of North Carolina for  
19 the upcoming five fiscal years. The Board shall oversee the undertaking of an annual debt  
20 affordability study and the establishment of guidelines for evaluating the University's debt  
21 burden. The guidelines should include target and ceiling ratios of debt to obligated resources  
22 and target and floor percentages for the five-year payout ratio. The Board shall also recommend  
23 any other debt management policies it considers desirable and consistent with sound  
24 management of the University's debt.

25 (b) Board of Governors Reporting Required. – The Board shall report its findings and  
26 recommendations to the Office of State Budget and Management, the Joint Legislative  
27 Commission on Governmental Operations, the State Treasurer, and The University of North  
28 Carolina General Administration by February 1 of each year. The report shall be accompanied  
29 by each of the reports provided to the Board pursuant to subsection (c) of this section.

30 (c) Constituent Institution Reporting Required. – No later than November 1 of each  
31 year, each constituent institution shall report to the Board of Governors on its current and  
32 anticipated debt levels. The report shall be made in a uniform format to be prescribed by the  
33 Board of Governors. Each report shall include at least the following:

34 (1) The amount and type of outstanding debt of the institution.

35 (2) The sources of repayment of the debt.

36 (3) The amount of debt that the institution plans to issue or incur during the next  
37 five years.

38 (4) A description of projects financed with the debt.

39 (5) The current bond rating of the institution and information about any changes  
40 to that bond rating since the last report was submitted.

41 (6) Information about the constituent institution's debt management policies and  
42 any recommendations for methods to maintain or improve the University's  
43 bond rating.

44 (7) Debt burden comparisons to comparable peer institutions.

45 (8) Any other information requested by the Board of Governors.

46 (d) Definitions. – The following definitions apply in this section:

47 (1) Debt. – Debt incurred under this Chapter or any other debt that will be  
48 serviced with funds available to the institutions from gifts, grants, receipts,  
49 Medicare reimbursements for education costs, hospital receipts from patient  
50 care, or other funds, or any combination of these funds, but not including

1 debt that will be serviced with funds appropriated from the General Fund of  
2 the State.

3 (2) Obligated resources. – As defined in G.S. 116D-22."  
4

5 **AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND**  
6 **RENOVATIONS PROJECTS WITH FUNDS AVAILABLE**

7 **SECTION 31.14.(a)** Notwithstanding G.S. 143C-8-7, a State agency may  
8 undertake repairs and renovations projects so long as each project satisfies the following  
9 requirements:

10 (1) Total project costs do not exceed three hundred thousand dollars (\$300,000).

11 (2) The project satisfies the requirements of G.S. 143C-4-3(b).

12 (3) The project is paid for with funds available to the agency.

13 **SECTION 31.14.(b)** Projects undertaken pursuant to this section shall be reported  
14 to the Fiscal Research Division on a quarterly basis. A report under this subsection shall  
15 include information about all of the following for each project:

16 (1) The facility at which the project is being undertaken.

17 (2) The nature and scope of the project.

18 (3) The source of funds for the project.

19 (4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls  
20 within.  
21

22 **ADVANCE PLANNING/NEW SCHOOL OF SCIENCE AND MATHEMATICS**

23 **SECTION 31.15.(a)** Having considered the study conducted by the Board of  
24 Governors, the North Carolina School of Science and Mathematics and the Department of  
25 Public Instruction on the feasibility for a western campus of the North Carolina School of  
26 Science and Mathematics (School of Science and Math), the General Assembly finds that a  
27 western School of Science and Math located on the campus of the North Carolina School for  
28 the Deaf, vacated Broughton Hospital, or other State property adjacent to one of those tracts  
29 shall be established. The General Assembly further finds that the establishment of a western  
30 School of Science and Math at that location would be beneficial to the economic growth and  
31 workforce preparedness in western North Carolina and would extend the opportunity for the  
32 unique study experience provided by the School of Science and Math to a significant number of  
33 additional students with excellent academic records.

34 **SECTION 31.15.(b)** No later than June 30, 2016, the Board of Governors shall do  
35 the following:

36 (1) Determine the most appropriate location on any of the State property that is  
37 described in subsection (a) of this section, including the repurposing of  
38 property.

39 (2) Begin advanced planning for the facility.

40 **SECTION 31.15.(c)** The School of Science and Math shall consider opportunities  
41 to share services (such as maintenance) that may be available with any other State entity that is  
42 on, adjacent to, or near the property.

43 **SECTION 31.15.(d)** The General Assembly authorizes advance planning of the  
44 western School of Science and Math to be funded at a maximum cost of two million four  
45 hundred thousand dollars (\$2,400,000) in accordance with this section. The sum of one million  
46 six hundred thousand dollars (\$1,600,000) allocated for this purpose in Section 31.2(a) of this  
47 act shall be used for this purpose. The remainder shall be funded by a non-State entity or  
48 combination of non-State entities.

49 **SECTION 31.15.(e)** The Board of Governors and the School of Science and Math  
50 shall report to the Joint Legislative Education Oversight Committee regarding the progress on

1 site selection and advanced planning for the western School of Science and Math by January  
2 30, 2016.

3  
4 **CREATE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON CAPITAL**  
5 **IMPROVEMENTS**

6 **SECTION 31.16.(a)** Article 29 of Chapter 120 of the General Statutes is amended  
7 by adding three new sections to read:

8 **"§ 120-261. Creation and membership of Joint Legislative Oversight Committee on**  
9 **Capital Improvements.**

10 The Joint Legislative Oversight Committee on Capital Improvements is established. The  
11 Committee consists of 16 members as follows:

- 12 (1) Eight members of the House of Representatives appointed by the Speaker of  
13 the House of Representatives.  
14 (2) Eight members of the Senate appointed by the President Pro Tempore of the  
15 Senate.

16 Terms on the Committee are for two years and begin on the convening of the General  
17 Assembly in each odd-numbered year, except the terms of the initial members, which begin on  
18 appointment and end on the day of the convening of the 2017 General Assembly. Members  
19 may complete a term of service on the Committee even if they do not seek reelection or are not  
20 reelected to the General Assembly, but resignation or removal from service in the General  
21 Assembly constitutes resignation or removal from service on the Committee.

22 A member continues to serve until the member's successor is appointed. A vacancy shall be  
23 filled within 30 days by the officer who made the original appointment.

24 **"§ 120-262. Purpose and powers of the Committee.**

25 (a) The Joint Legislative Oversight Committee on Capital Improvements shall have the  
26 power to do all of the following:

- 27 (1) Examine, on a continuing basis, capital improvements requested by,  
28 authorized for, and undertaken by or on behalf of State agencies.  
29 (2) Have oversight over implementation of the six-year capital improvements  
30 plan developed pursuant to G.S. 143C-8-5.  
31 (3) Make recommendations to the General Assembly on ways to improve the  
32 planning, financing, design, construction, and maintenance of State capital  
33 improvements.  
34 (4) Make reports and recommendations to the General Assembly regarding  
35 which capital improvements requested by State agencies should be  
36 authorized and how they should be funded.  
37 (5) Examine any other topic the Committee believes to be related to its purpose.

38 (b) As used in this section, the term "capital improvement" shall have the same meaning  
39 as in G.S. 143C-1-1.

40 **"§ 120-263. Organization of Committee.**

41 (a) The President Pro Tempore of the Senate and the Speaker of the House of  
42 Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on  
43 Capital Improvements. The Committee shall meet upon the call of the cochairs.

44 (b) A quorum of the Committee is nine members. No action may be taken except by a  
45 majority vote at a meeting at which a quorum is present. While in the discharge of its official  
46 duties, the Committee has the powers of a joint committee under G.S. 120-19 through  
47 G.S. 120-19.4.

48 (c) Members of the Committee receive subsistence and travel expenses as provided in  
49 G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance  
50 with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services  
51 Officer, shall assign professional staff to assist the Committee in its work. Upon the direction

1 of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the  
2 House of Representatives shall assign clerical staff to the Committee. The expenses for clerical  
3 employees shall be borne by the Committee.

4 (d) The cochairs of the Committee may call upon other knowledgeable persons or  
5 experts to assist the Committee in its work."

6 **SECTION 31.16.(b)** G.S. 120-76(9) is repealed.

## 7 8 **PART XXXII. FINANCE PROVISIONS**

### 9 10 **EXTEND RENEWABLE ENERGY CREDIT FOR TWO YEARS**

11 **SECTION 32.2.(a)** G.S. 105-129.16A(e), as amended by Section 1 of S.L.  
12 2015-11, reads as rewritten:

13 "**§ 105-129.16A. Credit for investing in renewable energy property.**

14 ...

15 (e) Sunset. – Except for taxpayers covered by subsection (f) of this section, this section  
16 is repealed effective for renewable energy property placed into service on or after ~~January 1,~~  
17 2016 January 1, 2018."

18 **SECTION 32.2.(b)** G.S. 105-126.19A(a) reads as rewritten:

19 "(a) Credit. – If a taxpayer that has constructed, purchased, or leased renewable energy  
20 property places it in service in this State during the taxable year, the taxpayer is allowed a  
21 credit equal to ~~thirty five percent (35%)~~ twenty percent (20%) of the cost of the property. In the  
22 case of renewable energy property that serves a nonbusiness purpose, the credit must be taken  
23 for the taxable year in which the property is placed in service. For all other renewable energy  
24 property, the entire credit may not be taken for the taxable year in which the property is placed  
25 in service but must be taken in five equal installments beginning with the taxable year in which  
26 the property is placed in service. Upon request of a taxpayer that leases renewable energy  
27 property, the lessor of the property must give the taxpayer a statement that describes the  
28 renewable energy property and states the cost of the property. No credit is allowed under this  
29 section to the extent the cost of the renewable energy property was provided by public funds.  
30 For the purposes of this section, "public funds" does not include grants made under section  
31 1603 of the American Recovery and Reinvestment Tax Act of 2009."

32 **SECTION 32.2.(c)** G.S. 62-133.2(a1)(5) reads as rewritten:

33 "(5) The total delivered capacity and energy costs associated with all purchases  
34 of electric power from qualifying cogeneration facilities and qualifying  
35 small power production facilities, as defined in ~~16 U.S.C. § 796, that are~~  
36 subject to economic dispatch by the electric public utility. ~~16 U.S.C. § 796.~~"

37 **SECTION 32.2.(d)** Subsection (b) of this section is effective for taxable years  
38 beginning on or after January 1, 2017. Subsection (c) of this section is effective July 1, 2015.  
39 The remainder of this section is effective when this act becomes law.

### 40 41 **HISTORIC PRESERVATION TAX CREDIT**

42 **SECTION 32.3.(a)** Chapter 105 of the General Statutes is amended by adding a  
43 new Article to read:

44 "Article 3L.

45 "Historic Rehabilitation Tax Credits Investment Program.

46 **"§ 105-129.100. Credit for rehabilitating income-producing historic structure.**

47 (a) Credit. – A taxpayer who is allowed a federal income tax credit under section 47 of  
48 the Code for making qualified rehabilitation expenditures for a certified historic structure  
49 located in this State is allowed a credit equal to the sum of the following:

50 (1) Base amount. – The percentage of qualified rehabilitation expenditures at the  
51 levels provided in the table below:

Expenses

Over

Up To

Rate

0

\$10 million

15.00%

\$10 million

\$20 million

10.00%

(2) Development tier bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars (\$20,000,000) if the certified historic structure is located in a development tier one or two area.

(3) Targeted investment bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars (\$20,000,000) if the certified historic structure is located on an eligible targeted investment site.

(b) Pass-Through Entity. – Notwithstanding the provisions of G.S. 105-131.8 and G.S. 105-269.15, a pass-through entity that qualifies for the credit provided in this section may allocate the credit among any of its owners in its discretion as long as an owner's adjusted basis in the pass-through entity, as determined under the Code, at the end of the taxable year in which the certified historic structure is placed in service, is at least forty percent (40%) of the amount of credit allocated to that owner. Owners to whom a credit is allocated are allowed the credit as if they had qualified for the credit directly. A pass-through entity and its owners must include with their tax returns for every taxable year in which an allocated credit is claimed a statement of the allocation made by the pass-through entity and the allocation that would have been required under G.S. 105-131.8 or G.S. 105-269.15.

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

(1) Certified historic structure. – Defined in section 47 of the Code.

(2) Development tier area. – Defined in G.S. 143B-437.08.

(3) Eligibility certification. – A certification obtained from the State Historic Preservation Officer that the site comprises an eligible targeted investment site.

(4) Eligible targeted investment site. – A site located in this State that satisfies all of the following conditions:

a. It was used as a manufacturing facility or for purposes ancillary to manufacturing, as a warehouse for selling agricultural products, or as a public or private utility.

b. It is a certified historic structure.

c. It has been at least sixty-five percent (65%) vacant for a period of at least two years immediately preceding the date the eligibility certification is made.

(5) Pass-through entity. – Defined in G.S. 105-228.90.

(6) Qualified rehabilitation expenditures. – Defined in section 47 of the Code.

(7) State Historic Preservation Officer. – The Deputy Secretary of the Office of Archives and History of the North Carolina Department of Cultural Resources, or the Deputy Secretary's designee, who acts to administer the historic preservation programs within the State.

(8) Targeted investment. – Qualified rehabilitation expenditures on a certified historic structure that is located on an eligible targeted investment site.

(d) Limitations. – The amount of credit allowed under this section with respect to qualified rehabilitation expenditures for an income-producing certified historic structure may not exceed four million five hundred thousand dollars (\$4,500,000).

**"§ 105-129.101. Credit for rehabilitating non-income-producing historic structure.**

(a) Credit. – A taxpayer who is not allowed a federal income tax credit under section 47 of the Code and who has rehabilitation expenses of at least ten thousand dollars (\$10,000) for a

1 State-certified historic structure located in this State is allowed a credit equal to fifteen percent  
2 (15%) of the rehabilitation expenses.

3 (b) Limitations. – The amount of credit allowed under this section with respect to  
4 rehabilitation expenses for a non-income-producing certified historic structure may not exceed  
5 twenty-two thousand five hundred dollars (\$22,500) per discrete property parcel. In the event  
6 that the taxpayer is the transferee of a State-certified historic structure for which rehabilitation  
7 expenses were made, the taxpayer as transferee is allowed a credit under this section only if the  
8 transfer takes place before the structure is placed in service. In this event, no other taxpayer  
9 may claim such credit. A taxpayer is allowed to claim a credit under this section no more than  
10 once in any five-year period, carryovers notwithstanding.

11 (c) Definitions. – The following definitions apply in this section:

12 (1) Certified rehabilitation. – Repairs or alterations consistent with the Secretary  
13 of the Interior's Standards for Rehabilitation and certified as such by the  
14 State Historic Preservation Officer.

15 (2) Discrete property parcel. – A lot or tract described by metes and bounds, a  
16 deed or plat of which has been recorded in the deed records of the county in  
17 which the property is located, and on which a State-certified historic  
18 structure is located, or a single condominium unit in a State-certified historic  
19 structure.

20 (3) Placed in service. – The later of the date on which the rehabilitation is  
21 completed or the date on which the property is used for its intended purpose.

22 (4) Rehabilitation expenses. – Expenses incurred in the certified rehabilitation of  
23 a certified historic structure and added to the property's basis. The expenses  
24 must be incurred within any 24-month period per discrete property parcel.  
25 The term does not include the cost of acquiring the property, the cost  
26 attributable to the enlargement of an existing building, the cost of site work  
27 expenditures, or the cost of personal property.

28 (5) State-certified historic structure. – A structure that is individually listed in  
29 the National Register of Historic Places or is certified by the State Historic  
30 Preservation Officer as contributing to the historic significance of a National  
31 Register Historic District or a locally designated historic district certified by  
32 the United States Department of the Interior.

33 (6) State Historic Preservation Officer. – Defined in G.S. 105-129.100(c)(7).

34 **"§ 105-129.102. Rules; fees.**

35 (a) Rules. – The North Carolina Historical Commission, in consultation with the State  
36 Historic Preservation Officer, may adopt rules needed to administer any certification process  
37 required by this Article.

38 (b) Fees. – The North Carolina Historical Commission, in consultation with the State  
39 Historic Preservation Officer, may adopt a schedule of fees for providing any certifications  
40 required by this Article, or Article 3D or 3H as they provided as of December 31, 2014. In  
41 establishing the fee schedule, the Commission shall consider the administrative and personnel  
42 costs incurred by the Department of Cultural Resources. An application fee may not exceed one  
43 percent (1%) of the completed qualifying rehabilitation expenditures. The proceeds of the fees  
44 are receipts of the Department of Cultural Resources and must be used for performing its duties  
45 under this Article.

46 **"§ 105-129.103. Tax credited; credit limitations.**

47 (a) Tax Credited. – The credits provided in this Article are allowed against the franchise  
48 tax imposed in Article 3 of this Chapter, the income taxes levied in Article 4 of this Chapter, or  
49 the gross premiums tax imposed in Article 8B of this Chapter. The taxpayer may take a credit  
50 allowed by this Article against only one of the taxes against which it is allowed. The taxpayer  
51 must elect the tax against which a credit will be claimed when filing the return on which it is

1 claimed, and this election is binding. Any carryforwards of a credit must be claimed against the  
2 same tax.

3 (b) Return. – A taxpayer may claim a credit allowed by this Article on a return filed for  
4 the taxable year in which the certified historic structure was placed into service. When an  
5 income-producing certified historic structure as defined in G.S. 105-129.100 is placed into  
6 service in two or more phases in different years, the amount of credit that may be claimed in a  
7 year is the amount based on the qualified rehabilitation expenditures associated with the phase  
8 placed into service during that year.

9 (c) Cap. – A credit allowed under this Article may not exceed the amount of the tax  
10 against which it is claimed for the taxable year reduced by the sum of all credits allowed,  
11 except payments of tax made by or on behalf of the taxpayer. Any unused portion of the credit  
12 may be carried forward for the succeeding nine years.

13 (d) Forfeiture for Disposition. – A taxpayer who is required under section 50 of the  
14 Code to recapture all or part of the federal credit for rehabilitating an income-producing historic  
15 structure located in this State forfeits the corresponding part of the State credit allowed under  
16 G.S. 105-129.100 with respect to that historic structure. If the credit was allocated among the  
17 owners of a pass-through entity, the forfeiture applies to the owners in the same proportion that  
18 the credit was allocated.

19 (e) Forfeiture for Change in Ownership. – If an owner of a pass-through entity that has  
20 qualified for the credit allowed under G.S. 105-129.100 disposes of all or a portion of the  
21 owner's interest in the pass-through entity within five years from the date the rehabilitated  
22 historic structure is placed in service and the owner's interest in the pass-through entity is  
23 reduced to less than two-thirds of the owner's interest in the pass-through entity at the time the  
24 historic structure was placed in service, the owner forfeits a portion of the credit. The amount  
25 forfeited is determined by multiplying the amount of credit by the percentage reduction in  
26 ownership and then multiplying that product by the forfeiture percentage. The forfeiture  
27 percentage equals the recapture percentage found in the table in section 50(a)(1)(B) of the  
28 Code.

29 (f) Exceptions to Forfeiture. – Forfeiture as provided in subsection (e) of this section is  
30 not required if the change in ownership is the result of any of the following:

31 (1) The death of the owner.

32 (2) A merger, consolidation, or similar transaction requiring approval by the  
33 shareholders, partners, or members of the taxpayer under applicable State  
34 law, to the extent the taxpayer does not receive cash or tangible property in  
35 the merger, consolidation, or other similar transaction.

36 (g) Liability From Forfeiture. – A taxpayer or an owner of a pass-through entity that  
37 forfeits a credit under this section is liable for all past taxes avoided as a result of the credit plus  
38 interest at the rate established under G.S. 105-241.21, computed from the date the taxes would  
39 have been due if the credit had not been allowed. The past taxes and interest are due 30 days  
40 after the date the credit is forfeited. A taxpayer or owner of a pass-through entity that fails to  
41 pay the taxes and interest by the due date is subject to the penalties provided in G.S. 105-236.

42 (h) Substantiation. – To claim a credit allowed by this Article, the taxpayer must  
43 provide any information required by the Secretary of Revenue, including a copy of the  
44 certification obtained from the State Historic Preservation Office verifying that the historic  
45 structure has been rehabilitated in accordance with the requirements set out in this Article, and  
46 a copy of the eligibility certification if the historic structure is located in an eligible targeted  
47 investment site and the target investment bonus is claimed. Every taxpayer claiming a credit  
48 under this Article must maintain and make available for inspection by the Secretary of Revenue  
49 any records the Secretary considers necessary to determine and verify the amount of the credit  
50 to which the taxpayer is entitled. The burden of proving eligibility for the credit and the amount

1 of the credit rests upon the taxpayer, and no credit may be allowed to a taxpayer that fails to  
 2 maintain adequate records or to make them available for inspection.

3 (i) No Double Credit. – A taxpayer that claims a credit under this Article may not also  
 4 claim a credit under Article 3D or Article 3H of this Chapter with respect to the same activity.

5 **"§ 105-129.104. Report; tracking.**

6 (a) The Department must include in the economic incentives report required by  
 7 G.S. 105-256 the following information itemized by taxpayer:

- 8 (1) The number of taxpayers that took the credits allowed in this Article.
- 9 (2) The amount of rehabilitation expenses and qualified rehabilitation  
 10 expenditures with respect to which credits were taken.
- 11 (3) The total cost to the General Fund of the credits taken.

12 (b) The Department shall include in the economic incentives report required by  
 13 G.S. 105-256 the following information:

- 14 (1) The total amount of tax credits claimed and the total amount of tax credits  
 15 taken against current taxes, by type of tax, during the relevant tax year.
- 16 (2) The total amount of tax credits carried forward, by type of tax.

17 **"§ 105-129.105. Sunset.**

18 This Article expires for qualified rehabilitation expenditures and rehabilitation expenses  
 19 incurred on or after January 1, 2021."

20 **SECTION 32.3.(b)** G.S. 105-129.75 reads as rewritten:

21 **"§ 105-129.75. Sunset.**

22 This Article expires January 1, 2015, for rehabilitation projects for which an application for  
 23 an eligibility certification is submitted on or after that date. Eligibility certifications under this  
 24 Article expire January 1, 2023."

25 **SECTION 32.3.(c)** Subsection (a) of this section becomes effective January 1,  
 26 2015, and applies to qualified rehabilitation expenditures and rehabilitation expenses incurred  
 27 on or after that date. The remainder of the section is effective when this act becomes law.

28 **TAX DEDUCTION FOR MEDICAL EXPENSES**

29 **SECTION 32.4.(a)** G.S. 105-153.5(a) reads as rewritten:

30 **"§ 105-153.5. Modifications to adjusted gross income.**

31 (a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may  
 32 deduct from adjusted gross income either the standard deduction amount provided in  
 33 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)  
 34 of this subsection that the taxpayer claimed under the Code. The deduction amounts are as  
 35 follows:  
 36

- 37 (1) Standard deduction amount. – The standard deduction amount is zero for a  
 38 person who is not eligible for a standard deduction under section 63 of the  
 39 Code. For all other taxpayers, the standard deduction amount is equal to the  
 40 amount listed in the table below based on the taxpayer's filing status:

<b>Filing Status</b>	<b>Standard Deduction</b>
Married, filing jointly	\$15,000
Head of Household	12,000
Single	7,500
Married, filing separately	7,500.

- 46 (2) Itemized deduction amount. – An amount equal to the sum of the items listed  
 47 in this subdivision. The amounts allowed under this subdivision are not  
 48 subject to the overall limitation on itemized deductions under section 68 of  
 49 the Code:

- 1 a. Charitable contribution deduction amount. – The amount allowed as
- 2 a deduction for charitable contributions under section 170 of the
- 3 Code for that taxable year.
- 4 b. Mortgages expenses and property taxes. – The amount allowed as a
- 5 deduction for interest paid or accrued during the taxable year under
- 6 section 163(h) of the Code with respect to any qualified residence
- 7 plus the amount claimed by the taxpayer as a deduction for property
- 8 taxes paid or accrued on real estate under section 164 of the Code for
- 9 that taxable year. The amount allowed under this sub-subdivision
- 10 may not exceed twenty thousand dollars (\$20,000). For spouses
- 11 filing as married filing separately or married filing jointly, the total
- 12 mortgage interest and real estate taxes claimed by both spouses
- 13 combined may not exceed twenty thousand dollars (\$20,000). For
- 14 spouses filing as married filing separately with a joint obligation for
- 15 mortgage interest and real estate taxes, the deduction for these items
- 16 is allowable to the spouse who actually paid them. If the amount of
- 17 the mortgage interest and real estate taxes paid by both spouses
- 18 exceeds twenty thousand dollars (\$20,000), these deductions must be
- 19 prorated based on the percentage paid by each spouse. For joint
- 20 obligations paid from joint accounts, the proration is based on the
- 21 income reported by each spouse for that taxable year.
- 22 c. Medical expenses. – The amount allowed as a deduction for medical
- 23 expenses under section 213 of the Code for that taxable year."

24 **SECTION 32.4.(b)** This section is effective for taxable years beginning on or after  
 25 January 1, 2015.

26  
 27 **EXTEND SALES TAX PREFERENCES FOR MOTORSPORTS FOR FOUR YEARS**

28 **SECTION 32.5A.(a)** G.S. 105-164.4I(b)(3) reads as rewritten:

29 "(b) Exemptions. – The tax imposed by this section does not apply to the sales price of  
 30 or the gross receipts derived from a service contract applicable to any of the following items:

- 31 ...
- 32 (3) An item purchased by a professional motorsports racing team or a related
- 33 member of a team for which the team may receive a sales tax refund under
- 34 G.S. 105-164.14A(5).

35 ...."

36 **SECTION 32.5A.(b)** This section is effective when it becomes law and applies to  
 37 service contracts purchased on or after January 1, 2014.

38 **SECTION 32.5B.(a)** G.S. 105-164.14A(a) reads as rewritten:

39 "(a) Refund. – The following taxpayers are allowed an annual refund of sales and use  
 40 taxes paid under this Article:

- 41 ...
- 42 (4) Motorsports team or sanctioning body. – A professional motorsports racing
- 43 team, a motorsports sanctioning body, or a related member of such a team or
- 44 body is allowed a refund of the sales and use tax paid by it in this State on
- 45 aviation fuel that is used to travel to or from a motorsports event in this
- 46 State, to travel to a motorsports event in another state from a location in this
- 47 State, or to travel to this State from a motorsports event in another state. For
- 48 purposes of this subdivision, a "motorsports event" includes a motorsports
- 49 race, a motorsports sponsor event, and motorsports testing. This subdivision
- 50 is repealed for purchases made on or after ~~January 1, 2016~~ January 1, 2020.

(5) Professional motorsports team. – A professional motorsports racing team or a related member of a team is allowed a refund of fifty percent (50%) of the sales and use tax paid by it in this State on tangible personal property, other than tires or accessories, that comprises any part of a professional motorsports vehicle. For purposes of this subdivision, "motorsports accessories" includes instrumentation, telemetry, consumables, and paint. This subdivision is repealed for purchases made on or after ~~January 1, 2016~~ January 1, 2020.

...."

**SECTION 32.5B.(b)** This section is effective when this act becomes law.

**DATA CENTER INFRASTRUCTURE**

**SECTION 32.7.(a)** G.S. 105-164.3 reads as rewritten:

**"§ 105-164.3. Definitions.**

The following definitions apply in this Article:

...

(33) Purchase price. – The term has the same meaning as the term "sales price" when applied to an item subject to use tax.

(33a) Qualifying data center. – A data center that satisfies each of the following conditions:

a. The data center meets the wage standard and health insurance requirements of G.S. 143B-437.08A.

b. The Secretary of Commerce has made a written determination that at least seventy-five million dollars (\$75,000,000) in private funds has been or will be invested by one or more owners, users, or tenants of the data center within five years of the date the owner, user, or tenant of the data center makes its first real or tangible property investment in the data center on or after January 1, 2012. Investments in real or tangible property in the data center made prior to January 1, 2012, may not be included in the investment required by this subdivision.

(33b) Real property contractor. – A person that contracts to perform construction, reconstruction, installation, repair, or any other service with respect to real property and to furnish tangible personal property to be installed or applied to real property in connection with the contract and the labor to install or apply the tangible personal property that becomes part of real property. The term includes a general contractor, a subcontractor, or a builder for purposes of G.S. 105-164.4H.

~~(33b)~~(33c) Related member. – Defined in G.S. 105-130.7A.

~~(33e)~~(33d) Remote sale. – A sale of tangible personal property or digital property ordered by mail, by telephone, via the Internet, or by another similar method, to a purchaser who is in this State at the time the order is remitted, from a retailer who receives the order in another state and delivers the property or causes it to be delivered to a person in this State. It is presumed that a resident of this State who remits an order was in this State at the time the order was remitted.

...."

**SECTION 32.7.(b)** G.S. 105-164.13 is amended by adding a new subdivision to

read:

"(55a) Sales of electricity for use at a qualifying data center and data center support equipment to be located and used at the qualifying data center. As used in this subdivision, "data center support equipment" is property that is

1 capitalized for tax purposes under the Code and is used for any of the  
2 following purposes:

- 3 a. For the provision of a service or function included in the business of  
4 an owner, user, or tenant of the data center.
- 5 b. For the generation, transformation, transmission, distribution, or  
6 management of electricity, including exterior substations, generators,  
7 transformers, unit substations, uninterruptible power supply systems,  
8 batteries, power distribution units, remote power panels, and other  
9 capital equipment used for these purposes.
- 10 c. For HVAC and mechanical systems, including chillers, cooling  
11 towers, air handlers, pumps, and other capital equipment used for  
12 these purposes.
- 13 d. For hardware and software for distributed and mainframe computers  
14 and servers, data storage devices, network connectivity equipment,  
15 and peripheral components and equipment.
- 16 e. To provide related computer engineering or computer science  
17 research.

18 If the level of investment required by G.S. 105-164.3(33a) is not timely  
19 made, the exemption provided under this subdivision is forfeited. If the level  
20 of investment required by G.S. 105-164.3(33a) is timely made but any  
21 specific data center support equipment is not located and used at the  
22 qualifying data center, the exemption provided for such data center support  
23 equipment under this subdivision is forfeited. If the level of investment  
24 required by G.S. 105-164.3(33a) is timely made but any portion of electricity  
25 is not used at the qualifying data center, the exemption provided for such  
26 electricity under this subdivision is forfeited. A taxpayer that forfeits an  
27 exemption under this subdivision is liable for all past taxes avoided as a  
28 result of the forfeited exemption, computed from the date the taxes would  
29 have been due if the exemption had not been allowed, plus interest at the rate  
30 established under G.S. 105-241.21. If the forfeiture is triggered due to the  
31 lack of a timely investment required by G.S. 105-164.3(33a), interest is  
32 computed from the date the taxes would have been due if the exemption had  
33 not been allowed. For all other forfeitures, interest is computed from the  
34 time as of which the data center support equipment or electricity was put to a  
35 disqualifying use. The past taxes and interest are due 30 days after the date  
36 the exemption is forfeited. A taxpayer that fails to pay the past taxes and  
37 interest by the due date is subject to the provisions of G.S. 105-236."

38 **SECTION 32.7.(c)** This section becomes effective July 1, 2015, and applies to  
39 sales made on or after that date.

#### 40 **EXEMPT SERVICE CONTRACTS ON AIRCRAFT**

41 **SECTION 32.8.(a)** G.S. 105-164.4I(b) reads as rewritten:

42 "(b) Exemptions. – The tax imposed by this section does not apply to the sales price of  
43 or the gross receipts derived from a service contract applicable to any of the following items:

- 44 (1) An item exempt from tax under this Article, other than a motor vehicle  
45 exempt from tax under G.S. 105-164.13(32).
- 46 (2) A transmission, distribution, or other network asset contained on  
47 utility-owned land, right-of-way, or easement.
- 48 (3) An item purchased by a professional motorsports racing team for which the  
49 team may receive a sales tax refund under G.S. 105-164.14A(5).  
50

1 (4) An item subject to tax under Article 5F of Chapter 105 of the General  
2 Statutes.

3 (5) A qualifying aircraft or qualifying jet engine if the service contract is sold by  
4 the manufacturer of the aircraft or jet engine or a related member of the  
5 manufacturer. A qualifying aircraft is an aircraft with a maximum take-off  
6 weight of more than 10,000 pounds but not in excess of 20,000 pounds; a  
7 qualifying jet engine is an engine certified pursuant to Part 33 of Title 14 of  
8 the Code of Federal Regulations."

9 **SECTION 32.8.(b)** This section becomes effective July 1, 2017, and applies to  
10 sales made on or after that date.

## 11 12 **EXEMPT ADMISSION CHARGE TO CERTAIN AGRICULTURAL FAIRS FROM** 13 **TAX**

14 **SECTION 32.10.(a)** G.S. 105-164.4G(f) is amended by adding a new subdivision  
15 to read:

16 "(f) Exemptions. – The following gross receipts derived from an admission charge to an  
17 entertainment activity are specifically exempt from the tax imposed by this Article:

18 ...  
19 (6) An agricultural fair if all of the following conditions are met:

20 a. The fair is operated solely by a nonprofit entity that is exempt from  
21 tax under Article 4 of this Chapter.

22 b. The fair meets the requirements of G.S. 106-520.1, as determined by  
23 the Commissioner of Agriculture."

24 **SECTION 32.10.(b)** This section becomes effective July 1, 2015, and applies to  
25 gross receipts derived on or after that date.

## 26 27 **PART XXXIII. MISCELLANEOUS PROVISIONS**

### 28 29 **STATE BUDGET ACT APPLIES**

30 **SECTION 33.1.** The provisions of the State Budget Act, Chapter 143C of the  
31 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in  
32 this act by reference.

### 33 34 **COMMITTEE REPORT**

35 **SECTION 33.2.(a)** The N.C. House of Representatives Appropriations Committee  
36 Report on the Base, Expansion and Capital Budgets for House Bill 97, dated May 19, 2015, as  
37 modified by the Committee on Rules, Calendar, and Operations of the House May 20, 2015,  
38 and May 21, 2015, which was distributed in the House of Representatives and used to explain  
39 this act, shall indicate action by the General Assembly on this act and shall, therefore, be used  
40 to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes,  
41 as appropriate, and for these purposes shall be considered a part of this act and, as such, shall  
42 be printed as a part of the Session Laws.

43 **SECTION 33.2.(b)** The budget enacted by the General Assembly is for the  
44 maintenance of the various departments, institutions, and other spending agencies of the State  
45 for the 2015-2017 biennial budget as provided in G.S. 143C-3-5. This budget includes the  
46 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

47 **SECTION 33.2.(c)** The budget enacted by the General Assembly shall also be  
48 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other  
49 appropriate legislation. In the event that there is a conflict between the line-item budget  
50 certified by the Director of the Budget and the budget enacted by the General Assembly shall  
51 prevail.

**REPORT BY FISCAL RESEARCH DIVISION**

**SECTION 33.3.** The Fiscal Research Division shall issue a report on budget actions taken by the 2015 Regular Session of the General Assembly. The report shall be in the form of a revision of the Committee Report adopted for House Bill 97 pursuant to G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's Internet Web site for public access.

**MOST TEXT APPLIES TO THE 2015-2017 FISCAL BIENNIUM**

**SECTION 33.4.** Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2015-2017 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2015-2017 fiscal biennium.

**EFFECT OF HEADINGS**

**SECTION 33.5.** The headings to the Parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part.

**SEVERABILITY**

**SECTION 33.6.** If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

**EFFECTIVE DATE**

**SECTION 33.7.** Except as otherwise provided, this act becomes effective July 1, 2015.